Norske Skog ASA

(A public limited company incorporated under the laws of Norway)

Initial public offering of 28,875,000 to 41,250,000 shares with an indicative price range of NOK 35 to NOK 45 per share

Listing of the Company's shares on Oslo Børs

This prospectus (the "**Prospectus**") has been prepared in connection with the initial public offering (the "**Offering**") of shares in Norske Skog ASA, a public limited liability company incorporated under the laws of Norway (the "**Company**" and, together with its consolidated subsidiaries, the "**Group**" or "**Norske Skog**"), and the related listing (the "**Listing**") on Oslo Børs, a stock exchange operated by Oslo Børs ASA ("**Oslo Børs**") of the Company's shares, each with a par value of NOK 4.00 (the "**Shares**"). The Offering comprises 28,875,000 to 41,250,000 existing shares (the "**Sale Shares**") offered by Oceanwood Special Situations Malta Limited ("**Oceanwood**") through NS Norway Holding AS (the "**Selling Shareholder**") as described in Section 14 "Selling Shareholder". The Selling Shareholder reserves the right, in consultation with the Company and the Managers, to set the final number of Sale Shares outside this range. The Sale Shares and, unless the context indicates otherwise, the Additional Shares (as defined in below) are referred to herein as the "**Offer Shares**".

The Offering consists of: (i) a private placement to (a) institutional and professional investors in Norway, (b) investors outside Norway and the United States of America (the "**U.S.**" or the "**United States**"), subject to applicable exemptions from applicable prospectus and registration requirements, and (c) "qualified institutional buyers" ("**QIBs**") in the United States as defined in, and in reliance on, Rule 144A ("**Rule 144A**") or another available exemption under the U.S. Securities Act of 1933, as amended (the "**U.S. Securities Act**") (the "**Institutional Offering**"), (ii) a retail offering to the public in Norway (the "**Retail Offering**") and (iii) an offering to the Group's Eligible Employees (as defined in Section 18.5.1 below) (the "**Employee Offering**"). All offers and sales in the United States will be made only to QIBs in reliance on Rule 144A or pursuant to another available exemption from, or in transactions not subject to, the registration requirements of the U.S. Securities Act. All offers and sales outside the United States will be made in compliance with Regulation S under the U.S. Securities Act ("**Regulation S**").

ABG Sundal Collier ASA ("**ABGSC**") and DNB Markets, a part of DNB Bank ASA ("**DNB Markets**") are acting as joint global coordinators and bookrunners in the Offering (the "**Global Coordinators**") and Carnegie AS ("**Carnegie**") is acting as joint bookrunner (together with the Global Coordinators, the "**Managers**"). The Managers may elect to over-allot a number of additional Shares equaling up to 15% of the final number of Sale Shares sold in the Offering (the "**Additional Shares**"). In this respect, the Selling Shareholder is expected to grant ABGSC (the "**Stabilisation Manager**"), on behalf of the Managers, an option to borrow a number of Shares equal to the number of Additional Shares in order to facilitate such over-allotment (the "**Borrowing Option**"). The Stabilisation Manager, on behalf of the Managers, is expected to be granted an option by the Selling Shareholder to purchase a number of Shares equal to the number of Additional Shares at a price per Share equal to the Offer Price (the "**Greenshoe Option**"), exercisable, in whole or in part, within a 30-day period commencing at the time at which trading in the Shares commences on Oslo Børs, expected to be on or about 18 October 2019, on the terms and subject to the conditions described in this Prospectus. The Company will not receive any of the proceeds from the sale of Sale Shares or Additional Shares.

The price at which the Offer Shares will be sold in the Institutional Offering and the Retail Offering (the "**Offer Price**") is expected to be between NOK 35 and NOK 45 per Offer Share (the "**Indicative Price Range**"). The Offer Price may be set within, below or above the Indicative Price Range. The Offer Price and the final number of Sale Shares will be determined following a bookbuilding process and will be set by the Selling Shareholder, in consultation with the Company and the Managers. The price at which the Offer Shares will be sold in the Employee Offering will be the same as in the Institutional Offering and the Retail Offering, less the fixed cash discount described in Section 18.5 "The Employee Offering".

See Section 18 "The terms of the Offering" for further information on how the Offer Price is set. The Offer Price, and the number of Offer Shares sold in the Offering, is expected to be announced through a stock exchange notice on or about 16 October 2019. The offer period for the Institutional Offering (the "**Bookbuilding Period**") will commence at 09:00 hours (CEST) on 8 October 2019 and close at 14:00 hours (Central European Summer Time, "**CEST**") on 16 October 2019. The application period for the Retail Offering and the Employee Offering (the "**Application Period**") will commence at 09:00 hours (CEST) on 8 October 2019 and close at 12:00 hours (CEST) on 16 October 2019. The Bookbuilding Period and the Application Period may, at the Selling Shareholder's sole discretion, in consultation with the Company and the Managers and for any reason, be shortened or extended beyond the set times, but will in no event be shortened to expire prior to 16:30 hours (CEST) on 15 October 2019 or extended beyond 14:00 hours (CEST) on 5 November 2019.

The Shares are registered in the Norwegian Central Securities Depository (the "**VPS**") in book-entry form. All Shares rank in parity with one another and carry one vote.

Investing in the Offer Shares involves a high degree of risk. Prospective investors should read the entire Prospectus and, in particular, consider Section 2 "Risk factors" beginning on page 11 when considering an investment in the Company.

The Shares have not been, and will not be, registered under the U.S. Securities Act or with any securities regulatory authority of any state or other jurisdiction in the United States, and are being offered and sold: (i) in the United States only to persons who are QIBs in reliance on Rule 144A or another available exemption from registration requirements under the U.S. Securities Act; and (ii) outside the United States in compliance with Regulation S. Prospective investors are hereby notified that any seller of the Offer Shares may be relying on the exemption from the provisions of Section 5 of the U.S. Securities Act provided by Rule 144A. The distribution of this Prospectus and the offer and sale of the Offer Shares may be restricted by law in certain jurisdictions. Persons in possession of this Prospectus are required by the Company, the Selling Shareholder and the Managers to inform themselves about and to observe any such restrictions. Any failure to comply with these regulations may constitute a violation of the securities law of any such jurisdiction. See Section 19 "Selling and transfer restrictions".

Prior to the Offering, the Shares have not been publicly traded. The Company will on or about 8 October 2019 apply for the Shares to be admitted for trading and listing on Oslo Børs and completion of the Offering is subject to the approval of the listing application by the board of directors of Oslo Børs, the satisfaction of the listing conditions set by Oslo Børs and certain other conditions as further elaborated in Section 18.15 "Conditions for completion of the Offering – Listing and trading of the Offer Shares". The Shares will be eligible for clearing through the facilities of Oslo Børs.

The due date for the payment of the Offer Shares in the Retail Offering and the Institutional Offering is expected to be on or about 18 October 2019 and 21 October 2019, respectively. Delivery of the Offer Shares is expected to take place on or about 21 October 2019 through the facilities of the VPS. Trading in the Shares on Oslo Børs is expected to commence on or about 18 October 2019, under the ticker code "NSKOG". If closing of the Offering does not take place on such date or at all, the Offering may be withdrawn, resulting in all applications for Offer Shares being disregarded, any allocations made being deemed not to have been made and any payments made being returned without any interest or other compensation. All dealings in the Shares prior to settlement and delivery are at the sole risk of the parties concerned.

Joint Global Coordinators and Joint Bookrunners

ABG Sundal Collier ASA | DNB Markets, a part of DNB Bank ASA

Joint Bookrunner

Carnegie AS

The date of this Prospectus is 7 October 2019

IMPORTANT INFORMATION

This Prospectus has been prepared in connection with the Offering of the Offer Shares and the Listing of the Shares on Oslo Børs.

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 2014/71/EC[1], 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. However, a summary in Norwegian has been prepared in Section 21 "Norwegian summary (norsk sammendrag)". This Prospectus has been approved by the Financial Supervisory Authority of Norway (Nw.: *Finanstilsynet*) (the "**Norwegian FSA**"), as competent authority under the EU Prospectus Regulation. The Norwegian FSA 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.

For definitions of certain other terms used throughout this Prospectus, see Section 22 "Definitions and glossary".

The information contained herein is current as at the date hereof and is subject to change, completion and 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 the Offer Shares and which arises or is noted between the time when the Prospectus is approved by the Norwegian FSA and the listing of the Shares on Oslo Børs, will be mentioned in a supplement to this Prospectus without undue delay. Neither the publication nor distribution of this Prospectus, nor the sale of any Offer Share, 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.

No person is authorised to give information or to make any representation concerning the Group or the Selling Shareholder or in connection with the Offering or the sale of the Offer Shares other than as contained in this Prospectus. If any such information is given or made, it must not be relied upon as having been authorised by the Company, the Selling Shareholder or the Managers or by any of the affiliates, representatives, advisors or selling agents of any of the foregoing.

The distribution of this Prospectus and the offer and sale of the Offer Shares in certain jurisdictions may be restricted by law. This Prospectus does not constitute an offer of, or an invitation to purchase, any of the Offer Shares in any jurisdiction in which such offer or sale would be unlawful. Neither this Prospectus nor any advertisement or any other offering material may be distributed or published in any jurisdiction except under circumstances that will result in compliance with applicable laws and regulations. Persons in possession of this Prospectus are required to inform themselves about and to observe any such restrictions. In addition, the Shares are subject to restrictions on transferability and resale and may not be transferred or resold except as permitted under applicable securities laws and regulations. Investors should be aware that they may be required to bear the financial risks of this investment for an indefinite period of time. Any failure to comply with these restrictions may constitute a violation of applicable securities laws. See Section 19 "Selling and transfer restrictions".

This Prospectus and the terms and conditions of the Offering as set out herein and any sale and purchase of Offer Shares hereunder 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 the Offering or this Prospectus.

In making an investment decision, prospective investors must rely on their own examination, and analysis of, and enquiry into the Group and the terms of the Offering, including the merits and risks involved. None of the Company, the Selling Shareholder or the Managers, or any of their respective representatives or advisers, is making any representation to any offeree or purchaser of the Offer Shares regarding the legality of an investment in the Offer Shares by such offeree or purchaser under the laws applicable to such offeree or purchaser. Each investor should consult with his or her own advisors as to the legal, tax, business, financial and related aspects of a purchase of the Offer Shares.

All Sections of the Prospectus should be read in context with the information included in Section 4 "General information".

NOTICE TO INVESTORS IN THE UNITED STATES

The Offer Shares have not been recommended by any United States federal or state securities commission or regulatory authority. Furthermore, the foregoing authorities have not passed upon the merits of the Offering or confirmed the accuracy or determined the adequacy of this Prospectus. Any representation to the contrary is a criminal offense under the laws of the United States.

The Offer Shares have not been and will not be registered under the U.S. Securities Act, or with any securities regulatory authority of any state or other jurisdiction in the United States for offer or sale as part of their distribution and may not be offered, sold, pledged or otherwise transferred within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act and in compliance with any applicable state securities laws.

Accordingly, the Offer Shares are being offered and sold: (i) in the United States only to QIBs in reliance on Rule 144A or pursuant to another available exemption from the registration requirements of the U.S. Securities Act and (ii) outside the United States in compliance with Regulation S. For certain restrictions on the sale and transfer of the Offer Shares, see Section 19.2.1 "United States".

Prospective investors are advised to consult legal counsel prior to making any offer, resale, pledge or other transfer of the Offer Shares, and are hereby notified that sellers of Offer Shares may be relying on the exemption from the provisions of Section 5 of the U.S. Securities. See Section 19 "Selling and transfer restrictions"

In the United States, this Prospectus is being furnished on a confidential basis solely for the purposes of enabling a prospective investor to consider purchasing the particular securities described herein. The information contained in this Prospectus has been provided by the Company and other sources identified herein. Distribution of this Prospectus to any person other than the offeree specified by the Managers or their representatives, and those persons, if any, retained to advise such offeree with respect thereto, is unauthorised and any disclosure of its contents, without prior written consent of the Company, is prohibited. Any reproduction or distribution of this Prospectus in the United States, in whole or in part, and any disclosure of its contents to any other person is prohibited. This Prospectus is personal to each offeree and does not constitute an offer to any other person or to the public generally to purchase Offer Shares or subscribe for or otherwise acquire any Shares.

[1] Means Directive 2003/71/EC of the European Parliament and of the Council of 4 November 2003 on the prospectus to be published when securities are offered to the public or admitted to trading and amending Directive 2001/34/EC.

NOTICE TO INVESTORS IN THE UNITED KINGDOM

Offers of Offer Shares pursuant to the Offering are only being made to persons in the United Kingdom who are 'qualified investors' within the meaning of section 86 of the Financial Services and Markets Act 2000 ("**FSMA**") or otherwise in circumstances which do not require publication by the Company of a prospectus pursuant to section 85(1) of the FSMA.

This Prospectus is only being distributed to and is only directed at, and any investment or investment activity to which the document relates is available only to, and will be engaged in only with (i) persons falling within the definition of "investment professionals" in Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended (the "**Order**"), (ii) high net worth bodies, corporate, unincorporated associations and partnerships and trustees of high value trusts falling within Article 49(2)(a) to (d) of the Order, and/or (iii) other persons to whom such investment or investment activity may lawfully be communicated or caused to be communicated (all such persons together being referred to as "**Relevant Persons**"). The Offer Shares are only available to, and any invitation, offer or agreement to subscribe, purchase or otherwise acquire such Shares will be engaged in only with, Relevant Persons. Any person who is not a Relevant Person should not act or rely on this Prospectus or any of its contents.

NOTICE TO INVESTORS IN THE EEA

In any member state of the European Economic Area (the "**EEA**"), other than Norway (each a "**Relevant Member State**"), this communication is only addressed to and is only directed at persons who are "qualified investors" within the meaning of Article 2(e) of the EU Prospectus Regulation. The Prospectus has been prepared on the basis that all offers of Offer Shares outside Norway will be made pursuant to an exemption under the EU Prospectus Regulation from the requirement to produce a prospectus for offer of shares. Accordingly, any person making or intending to make any offer of Offer Shares which is the subject of the Offering contemplated in this Prospectus within any Relevant Member State should only do so in circumstances in which no obligation arises for the Company or any of the Managers to publish a prospectus or pursuant to Article 1 of the EU Prospectus Regulation or a supplement prospectus pursuant to Article 23 of the EU Prospectus Regulation, in each case, in relation to such offer. Neither the Company, the Selling Shareholder nor the Managers have authorised, nor do they authorise, the making of any offer of Shares through any financial intermediary, other than offers made by Managers which constitute the final placement of Offer Shares contemplated in this Prospectus.

Each person in a Relevant Member State other than, in the case of paragraph (a), persons receiving offers contemplated in this Prospectus in Norway, who receives any communication in respect of, or who acquires any Offer Shares under, the offers contemplated in this Prospectus will be deemed to have represented, warranted and agreed to and with the Managers and the Company that:

a) it is a "qualified investor" within the meaning of Article 2(e) of the EU Prospectus Regulation; and

b) in the case of any Offer Shares acquired by it as a financial intermediary, as that term is used in Article 1 of the EU Prospectus Regulation, (i) such Offer Shares acquired by it in the Offering have not been acquired on behalf of, nor have they been acquired with a view to their offer or resale to, persons in any Relevant Member State other than qualified investors, as that term is defined in the EU Prospectus Regulation, or in circumstances in which the prior consent of the Managers has been given to the offer or resale; or (ii) where such Offer Shares have been acquired by it on behalf of persons in any Relevant Member State other than qualified investors, the offer of those Offer Shares to it is not treated under the EU Prospectus Regulation as having been made to such persons.

For the purposes of this provision, the expression an "offer to the public" in relation to any Offer Shares in any Relevant Member State means a communication to persons in any form and by any means presenting sufficient information on the terms of the Offering and the Offer Shares to be offered, so as to enable an investor to decide to acquire any Offer Shares.

See Section 19 "Selling and transfer restrictions" for certain other notices to investors.

INFORMATION TO DISTRIBUTORS

Solely for the purposes of the product governance requirements contained within: (a) EU Directive 2014/65/EU on markets in financial instruments, as amended ("**MiFID II**"); (b) Articles 9 and 10 of Commission Delegated Directive (EU) 2017/593 supplementing MiFID II; and (c) local implementing measures (together, the "**MiFID II Product Governance Requirements**"), and disclaiming all and any liability, which any "manufacturer" (for the purposes of the MiFID II Product Governance Requirements) may otherwise have with respect thereto, the Shares have been subject to a product approval process, which has determined that they each are: (i) compatible with an end target market of retail investors and investors who meet the criteria of professional clients and eligible counterparties, each as defined in MiFID II; and (ii) eligible for distribution through all distribution channels as are permitted by MiFID II (the "**Target Market Assessment**"). Notwithstanding the Target Market Assessment, distributors should note that: the price of the Shares may decline and investors could lose all or part of their investment; the Shares offer no guaranteed income and no capital protection; and an investment in the Shares is compatible only with investors who do not need a guaranteed income or capital protection, who (either alone or in conjunction with an appropriate financial or other adviser) are capable of evaluating the merits and risks of such an investment and who have sufficient resources to be able to bear any losses that may result therefrom. Conversely, an investment in the Shares is not compatible with investors looking for full capital protection or full repayment of the amount invested or having no risk tolerance, or investors requiring a fully guaranteed income or fully predictable return profile.

The Target Market Assessment is without prejudice to the requirements of any contractual, legal or regulatory selling restrictions in relation to the Offering.

For the avoidance of doubt, the Target Market Assessment does not constitute: (a) an assessment of suitability or appropriateness for the purposes of MiFID II; or (b) a recommendation to any investor or group of investors to invest in, or purchase, or take any other action whatsoever with respect to the Shares.

Each distributor is responsible for undertaking its own Target Market Assessment in respect of the Shares and determining appropriate distribution channels.

STABILISATION

In connection with the Offering, the Stabilisation Manager (ABGSC), or its agents, on behalf of the Managers, may, in the event of over-allotment of Additional Shares, engage in transactions that stabilise, maintain or otherwise affect the price of the Shares for up to 30 days from the commencement of trading of the Shares on Oslo Børs. Specifically, the Stabilisation Manager may effect transactions with a view to supporting the market price of the Offer Shares at a level higher than that which might otherwise prevail (provided that the aggregate number of Shares allotted does not exceed 15% of the final number of Sale Shares sold in the Offering), through buying Shares in the open market at prices equal to or lower than the Offer Price. However, stabilization action may not necessarily occur and may cease at any time. The Stabilisation Manager and its agents are not required to engage in any of these activities and, as such, there is no assurance that these activities will be undertaken; if undertaken, the Stabilisation Manager or its agents may end any of these activities at any time and they must be brought to an end at the end of the 30-day period mentioned above. Any stabilisation action or over-allotment must be conducted by the Stabilisation Manager in accordance with all applicable laws and rules and can be undertaken at the offices of the Stabilization Manager and on Oslo Børs. Stabilisation may result in an exchange or market price of the Shares that is higher than might otherwise prevail, and the exchange or market price may reach a level that cannot be maintained on a permanent basis. Any stabilisation activities will be conducted in accordance with Section 3-12 of the Norwegian Securities Trading Act and the EC Commission Regulation 2273/2003 regarding buy-back programs and stabilisation of financial instruments. Save as required by law or regulation, the Stabilisation Manager does not intend to disclose the extent of any stabilisation transactions under the Offering.

ENFORCEMENT OF CIVIL LIABILITIES

The Company is a public limited liability company incorporated under the laws of Norway. As a result, the rights of holders of the Shares will be governed by Norwegian law and the Company's articles of association (the "**Articles of Association**"). The rights of shareholders under Norwegian law may differ from the rights of shareholders of companies incorporated in other jurisdictions.

The members of the Company's board of directors (the "**Board Members**" and the "**Board of Directors**", respectively) and the members of the senior management of the Group (the "**Management**") are not residents of the United States, and virtually all of the Company's assets are located outside the United States. As a result, it may be very difficult for investors in the United States to effect service of process on the Company, the Board Members and members of Management in the United States or to enforce judgments obtained in U.S. courts against the Company or those persons, whether predicated upon civil liability provisions of federal securities laws or other laws of the United Stated (including any State or territory within the United States).

The United States and Norway do not currently have a treaty providing for reciprocal recognition and enforcement of judgements (other than arbitral awards) in civil and commercial matters. Uncertainty exists as to whether courts in Norway will enforce judgments obtained in other jurisdictions, including the United States, against the Company or the Board Members or members of Management under the securities laws of those jurisdictions or entertain actions in Norway against the Company or its Board Members or members of Management under the securities laws of other jurisdictions. In addition, awards of punitive damages in actions brought in the United States or elsewhere may not be enforceable in Norway.

Similar restrictions may apply in other jurisdictions.

AVAILABLE INFORMATION

The Company has agreed that, for so long as any of the Offer Shares are "restricted securities" within the meaning of Rule 144(a)(3) under the U.S. Securities Act, it will during any period in which it is neither subject to Sections 13 or 15(d) of the U.S. Securities Exchange Act of 1934, as amended (the "**U.S. Exchange Act**"), nor exempt from such reporting requirements by complying with the information furnishing requirements of Rule 12g3-2(b) under the U.S. Exchange Act, provide to any holder or beneficial owners of Shares, or to any prospective purchaser designated by any such registered holder or beneficial owner, upon the request of such holder, beneficial owner or prospective purchaser, the information required to be provided by Rule 144A(d)(4) under the U.S. Securities Act. The Company is not currently subject to the periodic reporting and other information requirements of the U.S. Exchange Act.

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1 SUMMARY

Introduction

Warning	This summary should be read as an introduction to the Prospectus. Any decision to invest in the securities should be based on a consideration of the Prospectus as a whole by the investor. An investment in the Company's Shares involves inherent risk and the investor could lose all or part of its invested capital. Where a claim relating to the information contained in this Prospectus is brought before a court, the plaintiff investor might, under national law, have to bear the costs of translating the Prospectus before the legal proceedings are initiated. Civil liability attaches only to those persons who have tabled the summary including any translation thereof, but only where the summary is misleading, inaccurate or inconsistent, when read together with the other parts of the Prospectus, or where it does not provide, when read together with the other parts of the Prospectus, key information in order to aid investors when considering whether to invest in such securities.
Securities	The Company has one class of shares in issue. The existing Shares (including the Sale Shares) are registered in book-entry form with the VPS and have ISIN NO 0010861115.
Issuer	The Company's registration number in the Norwegian Register of Business Enterprises is 914 483 549 and its LEI is 529900MYY60WXHHY3039. The Company's registered office is located at Sjølyst plass 2, 0278 Oslo, Norway, its main telephone number at that address is +47 22 51 20 20 and its e-mail is info@norskeskog.com. The Group's website can be found at www.norskeskog.com.
Offeror	NS Norway Holding AS' registration number in the Norwegian Register of Business Enterprises is 920 596 363 and its LEI number is 549300LHBRONESGRLM08. The company's registered business address is located at Sjølyst plass 2, 0278 Oslo, Norway, its main telephone number is +44 7912 895129 and its e-mail is john.chiang@oceanwoodcapital.com.
Competent authority	The Financial Supervisory Authority of Norway (Nw.: *Finanstilsynet*), with registration number 840 747 972 and registered address at Revierstredet 3, 0151 Oslo, Norway, and telephone number +47 22 93 98 00 has reviewed and, on 7 October 2019, approved this Prospectus.

Key information on the issuer

Who is the issuer?

Corporate information	The Company is a public limited liability company organised and existing under the laws of Norway pursuant to the Norwegian Public Limited Companies Act. The Company was incorporated in Norway on 5 November 2014, its registration number in the Norwegian Register of Business Enterprises is 914 483 549 and its LEI is 529900MYY60WXHHY3039.
Principal activities	Norske Skog 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[2]. 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 700,000 tonnes of publication paper production capacity. The Group is the sole producer of newsprint and magazine publication paper in the region. On 2 October 2019, Norske Skog entered into an asset sale agreement for the sale of the Albury mill and certain other operating assets to the Australian packaging group Visy. The Group expects to cease the newsprint production and close down the mill in December 2019. After completion of the transaction, Visy intends to initiate a study to explore the potential for a conversion of the mill into packaging production. The sale will

[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)

reduce the newsprint production capacity in Australasia and reduce the regions' export exposure to the Asian market.

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.

Major Shareholders........ Shareholders owning 5% or more of the Shares have an interest in the Company's share capital which is notifiable pursuant to the Norwegian Securities Trading Act. As of the date of this Prospectus, no shareholder, other than those set out in the table below holds more than 5% of the issued Shares.

#	Shareholder Name	Ultimate owner	No. of shares	Percentage (%)
1	NS Norway Holding AS	Oceanwood Special Situations Malta Limited	82,500,000	100%
Total			82,500,000	100%

Key managing directors.. The Group's management team consists of six individuals. The names of the members of the Management and their respective positions are presented in the table below.

Name	Position
Sven Ombudstvedt	President and Chief Executive Officer
Rune Sollie	Chief Financial Officer
Tore Hansesætre	Chief Operating Officer / Senior Vice President Strategic Projects[1]
Lars P.S. Sperre	Senior Vice President Corporate Strategy
Robert Wood	Senior Vice President Commercial
Amund Saxrud	Chief Operating Officer[1]

1 Tore Hansesætre will have the responsibility as Chief Operating Officer until replaced by Amund Saxrud on 15 October 2019. Bjørn Einar Ugedal will take over Mr. Saxrud's current role as managing director at Skogn paper mill.

Statutory auditor........... The Company's independent auditor is BDO with company registration number 993 606 650, and its business address at Munkedamsveien 45 A, 0250 Oslo, Norway.

What is the key financial information regarding the issuer?

Consolidated income statement

In NOK million	Three months ended 30 June		Six months ended 30 June		Year ended 31 December		
	2019	**2018**	**2019**	**2018**	**2018**	**2017**	**2016**
	IAS 34 (unaudited)	*IAS 34 (unaudited)*	*IAS 34 (unaudited)*	*IAS 34 (unaudited)*	*IFRS (audited)*	*IFRS (audited)*	*IFRS (audited)*
Total revenue	3,316	3,040	6,423	6,001	12,641	11,527	11,852
Operating earnings	1,150	184	1,403	351	926	(1,702)	(947)
Net profit / (loss)	1,032	183	1,184	210	1,525	(3,551)	(972)
Year on year revenue growth	9.1%	6.7%	7.0%	8.3%	9.7%	(2.7)%	6.5%

Consolidated balance sheet

In NOK million	As at 30 June		As at 31 December		
	2019	**2018**	**2018**	**2017**	**2016**
	IAS 34 (unaudited)	*IAS 34 (unaudited)*	*IFRS (audited)*	*IFRS (audited)*	*IFRS (audited)*
Total assets	9,372	8,058	8,565	8,109	10,497
Total equity	4,560	(1,275)	2,365	(1,427)	2,090
Net interest bearing debt	941	5,455	2,268	5,717	5,038

Consolidated cash flow statement

In NOK million	Three months ended 30 June		Six months ended 30 June		Year ended 31 December		
	2019	**2018**	**2019**	**2018**	**2018**	**2017**	**2016**
	IAS 34 (unaudited)	*IAS 34 (unaudited)*	*IAS 34 (unaudited)*	*IAS 34 (unaudited)*	*IFRS (audited)*	*IFRS (audited)*	*IFRS (audited)*
Net Cash flows from operating activities.....	225	303	531	464	881	404	514
Net Cash flows from investing activities......	(88)	62	(180)	(9)	(188)	(279)	(105)
Net Cash flows from financing activities......	95	(21)	(379)	(146)	(215)	(65)	(293)

What are the key risks that are specific to the issuer?

Material risk factors ....

- Demand for the Group's products is influenced by global economic factors and trends, and the increased digitalisation the last decades has fundamentally changed the market for the Group's products. These changes have resulted in periods of substantial overcapacity and intense competition among paper manufacturers. The decline is structural and the Company expects this trend to persist.
- A significant part of the demand for the Group's products 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.
- Due to the markets for publication paper products being cyclical, the Group has historically experienced significant price volatility. 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 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.
- 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, the Group might be unable to produce sufficient products to fulfil customer contracts. 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.
- 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.
- The Group operates in an industry that is subject to extensive environmental laws and regulations, which has become more stringent over time and could result in substantially increased compliance costs and liabilities. Further, a failure to comply with applicable environmental laws, regulations, permits and requirements may result in civil or criminal fines, penalties or enforcement actions.

Key information on the securities

What are the main features of the securities?

Type, class and ISIN ...... All of the Shares are common shares in the Company and have been created under the Norwegian Public Limited Companies Act. The existing Shares (including the Sale Shares) are registered in book-entry form with the VPS and have ISIN NO 0010861115.

Currency, par value and number of securities ...... The Shares will be traded in NOK on Oslo Børs. As of the date of this Prospectus, the Company's share capital is NOK 330,000,000 divided into 82,500,000 Shares, each with a par value of NOK 4.00.

Rights attached to the securities.....................	The Company has one class of shares in issue, and in accordance with the Norwegian Public Limited Companies Act, all shares in that class provide equal rights in the Company. Each of the Shares carries one vote.
Transfer restrictions.......	The Shares are freely transferable. The Articles of Association do not provide for any restrictions on the transfer of Shares, or a right of first refusal for the Shares. Share transfers are not subject to approval by the Board of Directors. The Selling Shareholder is expected to enter into a lock-up undertaking with the Global Coordinators for a period of 180 days from the first day of trading of the Shares on Oslo Børs, and the Company, the Board Members and the other primary insiders of the Company who purchase Shares in the Offering, will undertake lock-up undertakings with the Global Coordinators for a period up to and including the date falling 12 months from the first day of trading of the Shares on Oslo Børs.
Dividend and dividend policy...........................	The Company's long-term dividend policy is to pay dividends reflecting the underlying earnings and cash flow while ensuring efficient capital allocation in the Group. The Company targets a mid-term dividend payment of 75% of its adjusted net profit from and including dividend for the financial year 2019. When deciding the dividend level, the Board of Directors will among other things take into consideration capital expenditure plans, financing requirements and maintaining the appropriate strategic flexibility of the Group. The Company has not paid any dividends on its Shares during the financial years 2018, 2017 and 2016.

Where will the securities be traded?

The Company will on or about 8 October 2019 apply for Listing of its Shares on Oslo Børs. The Company currently expects commencement of trading in the Shares on Oslo Børs on or about 18 October 2019. The Company has not applied for admission to trading of the Shares on any other stock exchange, regulated market or a multi trading facility (MTF).

What are the key risks that are specific to the securities?

Material risk factors	• The Selling Shareholder will hold between 50 and 65% of the issued Shares in the Company after the Offering, assuming that the Greenshoe Option is not exercised, and thereby has the ability to significantly influence the outcome of matters submitted for the vote of the Company's shareholders. The commercial goals of the Selling Shareholder as a shareholder, and those of the Company, may not always be aligned and this concentration of ownership may not always be in the best interest of the Company's other shareholders. • The Company's ability to pay dividends is dependent on the availability of distributable reserves and cash resources. Further, the Company may be unwilling to pay any dividends in the future regardless of availability of distributable reserves and cash resources.

Key information on the offer of securities to the public and/or the admission to trading on a regulated market

Under which conditions and timetable can I invest in this security?

Terms and conditions of the offering...................	The Offering consists of: • An Institutional Offering, in which Offer Shares are being offered to (a) institutional and professional investors in Norway, (b) investors outside Norway and the United States, subject to applicable exemptions from any prospectus and registration requirements, and (c) investors in the United States who are QIBs in transactions exempt from registration requirements under the U.S. Securities Act. The Institutional Offering is subject to a lower limit per application of NOK 2,000,000. • A Retail Offering, in which Offer Shares are being offered to the public in Norway subject to a lower limit per application of NOK 10,500 and an upper limit per application of NOK 1,999,999 for each investor. Investors who intend to place an order in excess of NOK 1,999,999 must do so in the Institutional Offering. Multiple

applications by one applicant in the Retail Offering will be treated as one application with respect to the maximum application limit.

- An Employee Offering, in which Offer Shares are being offered to the Eligible Employees and sold at the same price as in the Institutional Offering and the Retail Offering, provided, however, that the employees will receive a fixed cash discount of NOK 3,000 on the aggregate amount payable for the Offer Shares allocated to such employee. The Employee Offering is subject to a lower limit per application of NOK 15,000 and an upper limit per application of NOK 1,999,999 for each Eligible Employee. Eligible Employees participating in the Employee Offering will receive full allocation for any application up to and including the relevant application amounts for which the reduced offer price described above will be applied (rounded down to the nearest whole Share). Multiple applications by one applicant in the Employee Offering will be treated as one application with respect to the maximum application limit, the guaranteed allocation, the reduced offer price and the discount.

All offers and sales in the United States will be made only to QIBs in reliance on Rule 144A or pursuant to another exemption from, or in transactions not subject to, the registration requirements of the U.S. Securities Act. All offers and sales outside the United States will be made in compliance with Regulation S.

In addition, the Managers may elect to over-allot a number of Additional Shares equalling up to 15% of the final number of Sale Shares sold in the Offering. In this respect, the Selling Shareholder is expected to grant to the Stabilisation Manager (ABGSC), on behalf of the Managers, a Borrowing Option to borrow a number of Shares equal to the number of Additional Shares in order to facilitate such over-allotment. Further, the Selling Shareholder is expected to grant to the Stabilisation Manager, on behalf of the Managers, a Greenshoe Option to purchase a number of Shares up to the number of Additional Shares at a price per Share equal to the Offer Price in order to facilitate re-delivery of the borrowed Shares.

The Selling Shareholder has, in consultation with the Company and the Managers, set an Indicative Price Range for the Offering from NOK 35 to NOK 45 per Offer Share. Assuming the maximum number of Sale Shares are sold and the Greenshoe Option is exercised in full, the Selling Shareholder will sell 47,437,500 Offer Shares, representing 57.50% of the Shares in issue following the Offering.

Timetable in the offering. The key dates in the Offering are set out below. Please note that the Selling Shareholder, in consultation with the Company and the Managers, reserve the right to shorten or extend the Bookbuilding Period and Application Period at any time and at its sole discretion.

Bookbuilding Period commences	8 October 2019 at 09:00 hours (CEST)
Bookbuilding Period ends	16 October 2019 at 14:00 hours (CEST)
Application Period commences	8 October 2019 at 09:00 hours (CEST)
Application Period ends	16 October 2019 at 12:00 hours (CEST)
Allocation of the Offer Shares	On or about 16 October 2019
Publication of the results of the Offering	On or about 16 October 2019
Issuance of allocation notes	On or about 17 October 2019
Accounts from which payment will be debited in the Retail Offering and the Employee Offering to be sufficiently funded	On or about 17 October 2019
Payment date in the Retail Offering and the Employee Offering	On or about 18 October 2019
Delivery of the Offer Shares in the Retail Offering and the Employee Offering	On or about 21 October 2019
Payment date in the Institutional Offering	On or about 21 October 2019
Delivery of the Offer Shares in the Institutional Offering	On or about 21 October 2019
Listing and commencement of trading in the Shares	On or about 18 October 2019

Admission to trading ...... The Company will on or about 8 October 2019 apply for admission to trading of its Shares on Oslo Børs. It is expected that the board of directors of Oslo Børs will approve

	the listing application of the Company on 11 October 2019, conditional upon the Company obtaining a minimum of 500 shareholders, each holding Shares with a value of more than NOK 10,000 and there being a minimum free float of the Shares of 25%. The Company expects that these conditions will be fulfilled through the Offering. The Company currently expects commencement of trading in the Shares on Oslo Børs on or about 18 October 2019.
Distribution plan	In the Institutional Offering, the Selling Shareholder, in consultation with the Company and the Managers, will determine the allocation of Offer Shares based on certain allocation principles. In the Retail Offering, allocation will be made on a pro rata basis using the VPS automated simulation procedures, provided, however, that the Company, the Selling Shareholder and the Managers reserve the right, at their sole discretion, to give full allocation to employees of the Group and members of the board of directors of the Company having applied for Offer Shares in the Retail Offering. The Company, the Selling Shareholder and the Managers reserve the right to limit the total number of applicants to whom Offer Shares are allocated in order to keep the number of shareholders at an appropriate level, in which case the applicants to whom Offer Shares are allocated will be determined on a random basis by using the VPS automated simulation procedures and/or other random allocation mechanism. In the Employee Offering, the applicants will receive full allocation for any applications up to and including the application amount for which the relevant Eligible Employee will be offered the reduced offer price (i.e. application amounts up to NOK 1,999,999). To the extent any application exceeds such relevant amount, the excess number of Offer Shares will be allocated based on the same allocation principles as in the Institutional Offering.
Dilution	No new shares are issued as part of the Offering and no dilution for the existing shareholder will therefore occur.
Total expenses of the issue/offer	The Company's total costs and expenses of, and incidental to, the Listing and the Offering are estimated to amount to approximately NOK 6.5 million. No expenses or taxes will be charged by the Company or the Managers to the applicants in the Offering.

Who is the offeror and/or the person asking for admission to trading?

Brief description of the offeror(s).....................	The offeror is NS Norway Holding AS, a Norwegian private limited company wholly owned by Oceanwood. NS Norway Holding AS has company registration number 920 596 363 and its registered business address at Sjølyst plass 2, 0278 Oslo, Norway.

Why is this Prospectus being produced?

Reasons for the offer/admission to trading	The Group believes that the Offering and the Listing will: • enable the Selling Shareholder to partially monetise its holding, optimise its capital structure and investment portfolio, and allow for a liquid market for the Shares; • diversify the shareholder base and enable other investors to take part in the Group's future growth and value creation; • enhance the Group's profile with investors, business partners, suppliers and customers; • enable the Group to capitalize on expansion into new product segments, cost reducing investments and consolidation opportunities within the industry through access to equity capital markets and the use of Shares as currency in M&A transactions; and • further improve the ability of the Group to attract and retain key management and employees.
Use of proceeds............	The Company will not receive any proceeds from the Offering.
Underwriting	The Offering is not subject to any underwriting agreement.

Conflicts of interest .... The Managers or their affiliates have provided from time to time, and may provide in the future, financial advisory, investment and commercial banking services, as well as financing, to the Company and its affiliates in the ordinary course of business, for which they may have received and may continue to receive customary fees and commissions. The Managers do not intend to disclose the extent of any such investments or transactions otherwise than in accordance with any legal or regulatory obligation to do so. The Managers will receive a fee in connection with the Offering and, as such, have an interest in the Offering. In addition, the Selling Shareholder may, at its sole and absolute discretion, pay to the Managers an additional discretionary fee in connection with the Offering.

The Selling Shareholder will receive the proceeds from the sale of the Sale Shares and the proceeds from the sale of any Shares sold pursuant to the Greenshoe Option.

2 RISK FACTORS

An investment in the Company and the Shares involves inherent risk. Investors should carefully consider the risk factors and all information contained in this Prospectus, including the financial statements and related notes. The risks and uncertainties described in this Section 2 "Risk factors" are the material known risks and uncertainties faced by the Group as of the date hereof that the Company believes are the material risks relevant to an investment in the Shares. An investment in the Shares is suitable only for investors who understand the risks associated with this type of investment and who can afford to lose all or part of their investment.

The risk factors included in this Section 2 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 Company and its subsidiaries 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 Shares, resulting in loss of all or part of an investment in the Offer Shares.

2.1 Risks related 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 Company 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 Company'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, entered into a sale and purchase agreement for 100 % of the shares in the Company and an asset purchase agreement with the bankruptcy estates of the bankrupt companies as sellers. As part of the asset purchase agreement, the 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 Company'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 Company 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 or other operational 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 11.5.1 "Recent Developments") 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 11.5.1 "Recent Developments" 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.

2.2 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.

2.3 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 or the Company's ability to declare dividends to its shareholders

The Group's main financing arrangements are (i) the EUR 125 million, 3 month EURIBOR + 6% senior secured notes due 2022 (the "**Notes**"), (ii) the 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. See Section 11.9 "Borrowings and other contractual obligations" for more information on the Group's current debt level. 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 Notes may lead to inability to finance operations, capital needs and to pursue business opportunities

The terms of the Notes restricts the Company'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 Company'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 Company's ability to pay all or part of the interest or principal on the Notes.

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.

2.4 Risks related to the Listing and the Shares

The Selling Shareholder has significant voting power and thereby the ability to influence matters requiring shareholder approval

The Selling Shareholder will hold between 50% and 65% of the issued Shares in the Company after the Offering, assuming that the Greenshoe Option is not exercised, and thereby has the ability to significantly influence the outcome of matters submitted for the vote of the Company's shareholders, including the election of members of the Board of Directors. The commercial goals of the Selling Shareholder as a shareholder, and those of the Company, may not always be aligned and this concentration of ownership may not always be in the best interest of the Company's other shareholders. For example, the Selling Shareholder could delay, defer or prevent a change of control, impede a merger, deny a potential future equity offering, amalgamation, consolidation, takeover or other business combinations involving the Company, or discourage a potential acquirer from attempting to obtain control of the Group. Although it is expected that the Selling Shareholder will remain the major shareholder of the Company, no assurance can be given that this will continue on a permanent basis. If the Selling Shareholder ends being a major shareholder of the Company, or if its commercial goals were not in the best interest of the Group, this could have a material adverse effect on the market value of the Shares.

The Company's ability to pay dividends is dependent on the availability of distributable reserves and cash resources and the Company may be unwilling to pay any dividends in the future regardless of availability of distributable reserves

Norwegian law provides that any declaration of dividends must be adopted by the shareholders at the Company's general meeting of shareholders (the "**General Meeting**") or by the Board of Directors pursuant to a power of attorney granted by the General Meeting. Dividends may only be declared to the extent that the Company has distributable funds and the Board of Directors finds such a declaration to be prudent in consideration of the size, nature, scope and risks associated with the Company's operations and the need to strengthen its liquidity and financial position. As the Company's ability to pay dividends is dependent on the availability of distributable reserves and cash resources, it is, among other things, dependent upon receipt of dividends and other distributions of value from its subsidiaries and companies in which the Company may invest.

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

When the decision to declare dividend is made by the General Meeting, the General Meeting may as a general rule not declare higher dividends than the Board of Directors has proposed or approved. If, for any reason, the General Meeting does not declare dividends in accordance with the proposal by the Board of Directors, a shareholder will, as a general rule, have no claim in respect of such non-payment, and the Company will, as a general rule, have no obligation to pay any dividend in respect of the relevant period.

The Company may choose not, or may be unable, to pay dividends in future years. The amount of dividends paid by the Company, if any, for a given financial period, will depend on, among other things, the Company's future operating results, cash flows, financial position, capital requirements, the sufficiency of its distributable reserves, the ability of the Company's subsidiaries to pay dividends to the Company, credit terms, general economic conditions, legal restrictions, including but not limited to legal restrictions in the Group's loan agreements (as set out in Section 6.2 "Legal constraints on the distribution of dividends") and other factors that the Company may deem to be significant from time to time.

Exchange rate fluctuations could adversely affect the value of the Shares and any dividends paid on the Shares for an investor whose principal currency is not NOK

The Shares will be traded in NOK on Oslo Børs, and any future payments of dividends on the Shares will be denominated in NOK. Investors registered in the VPS who have not supplied the VPS with details of their bank account, will not receive payment of dividends unless they register their bank account details with DNB Verdipapirservice (the "**VPS Registrar**"). The exchange rate(s) that is applied when denominating any future payments of dividends to the relevant investor's currency will be the VPS Registrar's exchange rate on the payment date. Exchange rate movements of NOK will therefore affect the value of these dividends and distributions for investors whose principal currency is not NOK. It is unclear how many investors will be subject to this risk depending upon the relevant investor's currency prior to the Offering being finalized and the Listing. Further, the market value of the Shares as expressed in foreign currencies will fluctuate in part as a result of foreign exchange fluctuations. This could affect the value of the Shares and of any dividends paid on the Shares for an investor whose principal currency is not NOK.

3 RESPONSIBILITY FOR THE PROSPECTUS

This Prospectus has been prepared in connection with the Offering described herein and the listing of the Shares on Oslo Børs.

The Board of Directors of Norske Skog ASA accepts responsibility for the information contained in this Prospectus. The members of the Board of Directors confirm, after having taken all reasonable care to ensure that such is the case, that to the best of their knowledge, the information contained in this Prospectus is in accordance with the facts and that the Prospectus makes no omission likely to affect its import.

Oslo, 7 October 2019

The Board of Directors of Norske Skog ASA

Jen-Yue (John) Chiang *Chairman*	Wenche Brunstad Riiser *Board member*	Arvid Grundekjøn *Board member*

4 GENERAL INFORMATION

4.1 Other important investor information

This Prospectus has been approved by the Norwegian FSA, as competent authority under the EU Prospectus Regulation. The Norwegian FSA 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 Company has furnished the information in this Prospectus. The Managers make no representation or warranty, express or implied, as to the accuracy, completeness or verification of the information set forth herein, and nothing contained in this Prospectus is, or shall be relied upon, as a promise or representation in this respect, whether as to the past or the future. The Managers disclaim, to the fullest extent permitted by applicable law, any and all liability whether arising in tort, contract or otherwise, which they might otherwise be found to have in respect of this Prospectus or any such statement.

The Managers are acting exclusively for the Company and the Selling Shareholder and no one else in connection with the Offering. They will not regard any other person (whether or not a recipient of this document) as their respective clients in relation to the Offering and will not be responsible to anyone other than the Company and the Selling Shareholder for providing the protections afforded to their respective clients nor for giving advice in relation to the Offering or any transaction or arrangement referred to herein.

The information contained herein is current as of the date hereof and subject to change, completion and amendment without notice. In accordance with Article 23 of the Prospectus Regulation, significant new factors, material mistakes or material inaccuracies relating to the information included in this Prospectus, which may affect the assessment of the Offer Shares and which arises or is noted between the time when the Prospectus is approved by the Norwegian FSA and the listing of the Shares on Oslo Børs, will be mentioned in a supplement to this Prospectus without undue delay. Neither the publication nor distribution of this Prospectus, nor the sale of any Offer Shares, shall under any circumstance imply that there has not been any change in the Group's affairs or that the information herein is correct as of any date subsequent to the date of this Prospectus.

No person is authorized to give information or to make any representation concerning the Group or in connection with the Offering or the sale of the Offer Shares other than as contained in this Prospectus. If any such information is given or made, it must not be relied upon as having been authorized by the Company, the Selling Shareholder or the Managers or by any of the affiliates, representatives, advisers or selling agents of any of the foregoing.

Neither the Company, the Selling Shareholder or the Managers, or any of their respective affiliates, representatives, advisers or selling agents, is making any representation, express or implied, to any offeree or purchaser of the Offer Shares regarding the legality of an investment in the Offer Shares. Each investor should consult with his or her own advisors as to the legal, tax, business, financial and related aspects of a purchase of the Offer Shares.

Investing in the Shares involves a high degree of risk. See Section 2 "Risk factors" beginning on page 11 and Section 16.2 "Market value of the Shares".

In connection with the Offering, each of the Managers and any of their respective affiliates, acting as an investor for its own account, may take up Offer Shares in the Offering and in that capacity may retain, purchase or sell for its own account such Offer Shares or related investments and may offer or sell such Offer Shares or other investments otherwise than in connection with the Offering. Accordingly, references in the Prospectus to Offer Shares being offered or placed should be read as including any offering or placement of Offer Shares to any of the Managers or any of their respective affiliates acting in such capacity. In addition, certain of the Managers or their affiliates may enter into financing arrangements (including swaps) with investors in connection with which such Managers (or their affiliates) may from time to time acquire, hold or dispose of Shares. None of the Managers intends to disclose the extent of any such investment or transactions otherwise than in accordance with any legal or regulatory obligation to do so.

4.2 Presentation of financial and other information

4.2.1 Historical financial information

For the financial years ending 31 December 2018, 2017 and 2016, the Company prepared its consolidated financial statements in compliance with International Financial Reporting Standards as adopted by the EU ("**IFRS**") (the "**Financial Statements**"). The Financial Statements are included in Appendix B to this Prospectus.

The Company's unaudited condensed consolidated interim financial statements as of and for the three and six months' periods ended 30 June 2019, with comparable figures as of and for the three and six months' periods ended 30 June 2018 (together, the "**Interim Financial Statements**") are included in Appendix C to this Prospectus. The Interim Financial Statements have been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting" as adopted by the EU ("**IAS 34**"). The Financial Statements and the Interim Financial Statements are referred to herein as the "**Financial Information**".

The Financial Statements have been audited by BDO AS ("**BDO**"), as set forth in their report included therein. The Interim Financial Statements have not been audited, but the interim financial statements as of and for the six months' period ended 30 June 2019 have been subject to a review by BDO. BDO has not audited, reviewed or produced any report on any other information provided in this Prospectus.

The Company presents the Financial Statements and the Interim Financial Statements in NOK, as its functional currency.

4.2.2 Alternative performance measures (APMs)

In order to enhance investors' understanding of the Group's performance, the Company presents in this Prospectus certain alternative performance measures ("**APMs**") as defined by the European Securities and Markets Authority ("**ESMA**").

An APM is defined as a financial measure of historical or future financial performance, financial position, or cash flows, other than a financial measure defined or specific in the applicable financial reporting framework (IFRS). The Company uses EBITDA, EBITDA margin, Adjusted EPS, capital expenditure and return on capital employed (annualized) to measure operating performance on Group level. In addition, the Company uses adjusted net profit and maintenance capex to measure permitted distribution of dividends under the EUR 125 million senior secured notes. It is the Company's view that the APMs provides the investors relevant and specific operating figures which may enhance their understanding of the Company's performance. The Company previously used the terms gross operating earnings and gross operating margin for EBITDA and EBITDA margin, respectively. The definitions however remains unchanged following these changes of terms.

EBITDA, EBITDA margin, fixed costs, net interest-bearing debt, capital expenditure, adjusted net profit and return on capital employed (annualized) (as described above) are defined by the Company as follows:

- **EBITDA:** Operating profit for the period, before restructuring expenses, depreciation and amortization and impairment charges, derivatives and other fair value adjustments, determined on an entity, combined or consolidated basis, as illustrated in the following;

In NOK million	**2018**	**2017**
Operating earnings	926	(1,702)
Derivatives and other fair value adjustments	(356)	88
Impairments	0	1,699
Depreciations	446	608
Restructuring expenses	15	9
EBITDA	**1,031**	**702**

- **EBITDA margin:** EBITDA / total operating income;

- **Adjusted EBITDA**: The EBITDA for the Group in 2015, 2016 and 2017, with an additional NOK 31 million each year in operating costs added to reflect average overhead costs, which were allocated to the former parent company Norske Skogindustrier ASA in these years;

- **LTM**: Last twelve months' period ending on 30 June 2019, as illustrated in the following;

In NOK million	**Six months ended 31 December 2018**	**Six months ended 30 June 2019**	**LTM (1 July 2018 – 30 June 2019)**
Operating revenues	6,553	6,154	12,707
Other operating income	88	270	357
Total operating income	**6,641**	**6,423**	**13,064**

In NOK million	**Six months ended 31 December 2018**	**Six months ended 30 June 2019**	**LTM (1 July 2018 – 30 June 2019)**
Operating earnings	575	1,403	1,978
Derivatives and other fair value adjustments	(306)	(773)	(1,079)
Impairments	0	0	0
Depreciations	223	225	448
Restructuring expenses	10	18	28
EBITDA	**502**	**873**	**1,375**

- **Adjusted EPS:** Profit/loss after tax per share, adjusted for the share split resolved after the reporting period, pursuant to which the number of Shares was increased from 30,000 to 82,500,000, as illustrated in the following;

In NOK	**Three months ended 30 June**		**Six months ended 30 June**		**Year ended 31 December**		
	2019 *IAS 34 (unaudited)*	**2018** *IAS 34 (unaudited)*	**2019** *IAS 34 (unaudited)*	**2018** *IAS 34 (unaudited)*	**2018** *IFRS (unaudited)*	**2017** *IFRS (unaudited)*	**2016** *IFRS (unaudited)*
Profit/loss after tax (in NOK million)	1,032	183	1,184	210	1,525[1]	(3,551)[1]	(972)[1]
Number of shares after share split (in million)	**82.5**	**82.5**	**82.5**	**82.5**	**82.5**	**82.5**	**82.5**
Adjusted EPS	**12.51**	**2.22**	**14.36**	**2.54**	**18.48**	**(43.04)**	**(11.78)**

1 Audited.

- **Fixed costs:** Employee benefit expenses + other operating expenses;

- **Net interest-bearing debt:** Net interest-bearing debt consist of bonds issued and other interest-bearing liabilities (current and no-current), reduced by cash and cash equivalents;

- **Capital expenditure (capex):** Purchases of property, plant and equipment and intangible assets;

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

- **Adjusted net profit:** Net profit adjusted for:

  - loss or gain against book value arising from disposal of assets;
  - unrealized loss or gain against fair value of derivatives and commodity contracts and other mark-to-market effects of hedging;
  - depreciation or appreciation charges made; and
  - maintenance capex; and

- **Return on capital employed (annualized):** (EBITDA – capex) / capital employed (average), as illustrated in the following.

In NOK million	**2018**	**2017**
EBITDA	1,031	702
Capital expenditure	279	276
Average capital employed	5,335	6,490
Return on capital employed (annualized)	**14.1%**	**6.6%**

In NOK million	2018	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**

The APMs presented herein are not measurements of performance under IFRS or other generally accepted accounting principles and investors should not consider any such measures to be an alternative to: (a) operating revenues or operating profit (as determined in accordance with IFRS or other generally accepted accounting principles), as a measure of the Group's operating performance; or (b) any other measures of performance under generally accepted accounting principles. The APMs presented herein may not be indicative of the Group's historical operating results, nor are such measures meant to be predictive of the Group's future results. The Company believes that the APMs presented herein are commonly reported by companies in the markets in which the Group competes and are widely used by investors in comparing performance on a consistent basis without regard to factors such as depreciation, amortization and impairment, which can vary significantly depending upon accounting measures (in particular when acquisitions have occurred), business practice or non-operating factors. Accordingly, the Group discloses the APMs presented herein to permit a more complete and comprehensive analysis of its operating performance relative to other companies across periods, and of the Group's ability to service its debt. Because companies calculate the APMs presented herein differently, the Group's presentation of these APMs may not be comparable to similarly titled measures used by other companies.

4.2.3 Industry and market data

In this Prospectus, the Company has used industry and market data from independent industry publications and market research. These include:

- Fastmarkets RISI ("**RISI**") with business address at 523 Avenue Louise, B-1050 Brussels, Belgium. RISI is a well-recognised price reporting and market analysis provider for the forest products sector. Further information is available at www.risiinfo.com. RISI has no interest in the Company.

- The Pulp and Paper Products Council ("**PPPC**") with business address at Avenue Louise, 250, 1050 Brussels, Belgium. PPPC is a well-recognised industry reference and principal source of information on the global pulp and graphic paper market. Further information is available at www.pppc.org. PPPC has no interest in the Company.

The Company confirms that where information has been sourced from a third party, such information has been accurately reproduced and that as far as the Company is aware and is able to ascertain from information published by that third party, no facts have been omitted that would render the reproduced information inaccurate or misleading. Where information sourced from third parties has been presented, the source of such information has been identified, however, source references to websites shall not be deemed as incorporated by reference to this Prospectus.

Industry publications or reports generally state that the information they contain has been obtained from sources believed to be reliable, but the accuracy and completeness of such information is not guaranteed. The Company has not independently verified and cannot give any assurances as to the accuracy of market data contained in this Prospectus that was extracted from these industry publications or reports and reproduced herein. Market data and statistics are inherently predictive and subject to uncertainty and not necessarily reflective of actual market conditions. Such statistics are based on market research, which itself is based on sampling and subjective judgments by both the researchers and the respondents, including judgments about what types of products and transactions should be included in the relevant market.

The Company cautions prospective investors not to place undue reliance on the above mentioned data. Unless otherwise indicated in the Prospectus, any statements regarding the Group's competitive position are based on the Company's own assessment and knowledge of the market in which it operates.

As a result, prospective investors should be aware that statistics, data, statements and other information relating to markets, market sizes, market shares, market positions and other industry data in this Prospectus (and projections, assumptions and estimates based on such information) may not be reliable indicators of the Company's future performance and the future performance of the industry in which it operates. Such indicators are necessarily subject to a high degree of uncertainty and risk due to the limitations described above and to a variety of other factors, including those described in Section 2 "Risk factors" and elsewhere in this Prospectus.

4.2.4 Other information

In this Prospectus, all references to "**NOK**" are to the lawful currency of Norway, all references to "**EUR**" are to the lawful currency of the European Union, all references to "**GBP**" are to the lawful currency of the United Kingdom, all references to "**USD**" are to the lawful currency of the United States, all references to "**AUD**" are to the lawful currency of Australia and all references to "**NZD**" are to the lawful currency of New Zealand. No representation is made that the NOK, EUR, GBP, USD, AUD or NZD amounts referred to herein could have been or could be converted into NOK, EUR, GBP, USD, AUD or NZD as the case may be, at any particular rate, or at all. The Financial Information is presented in NOK.

4.2.5 Rounding

Certain figures included in this Prospectus have been subject to rounding adjustments (by rounding to the nearest whole number or decimal or fraction, as the case may be). Accordingly, figures shown for the same category presented in different tables may vary slightly. As a result of rounding adjustments, the figures presented may not add up to the total amount presented.

4.2.6 Exchange rates

The following table sets forth, for the previous five years as indicated, information regarding the average, high and low, reference rates for NOK, expressed in NOK per USD, in each case rounded to the nearest four decimal places, based on the daily exchange rate announced by the Central Bank of Norway:

Fiscal year	**Average**	**High**	**Low**	**Period end**
2014	6.3019	7.6111	5.8611	7.4332
2015	8.0739	8.8090	7.3593	8.8090
2016	8.3987	8.9578	7.9766	8.6200
2017	8.2630	8.6781	7.7121	8.2050
2018	8.1338	8.7631	7.6579	8.6885
H1 2018	7.9264	8.2729	7.6579	8.1588
H1 2019	8.6118	8.7982	8.4108	8.5183

The following table sets forth, for the previous five years as indicated, information regarding the average, high and low, reference rates for NOK, expressed in NOK per EUR, in each case rounded to the nearest four decimal places, based on the daily exchange rate announced by the Central Bank of Norway:

Fiscal year	**Average**	**High**	**Low**	**Period end**
2014	8.3534	9.5420	8.0890	9.0365
2015	8.9530	9.6190	8.3275	9.6190
2016	9.2899	9.7085	8.9175	9.0863
2017	9.3271	9.9738	8.8070	9.8403
2018	9.5962	9.9738	9.4145	9.9483
H1 2018	9.5933	9.7983	9.4253	9.5115
H1 2019	9.7291	9.9113	9.5778	9.6938

The following table sets forth, for the previous five years as indicated, information regarding the average, high and low, reference rates for NOK, expressed in NOK per GBP, in each case rounded to the nearest four decimal places, based on the daily exchange rate announced by the Central Bank of Norway:

Fiscal year	**Average**	**High**	**Low**	**Period end**
2014	10.3690	11.9800	9.8830	11.5710
2015	12.3415	13.2260	11.2150	13.0720
2016	11.3725	13.1030	9.9620	10.6130
2017	10.6386	11.2474	9.9946	11.0910
2018	10.8463	11.1242	10.5792	11.1213
H1 2018	10.9039	11.1242	10.6987	10.7347
H1 2019	11.1414	11.4933	10.7819	10.8123

The following table sets forth, for the previous five years as indicated, information regarding the average, high and low, reference rates for NOK, expressed in NOK per AUD, in each case rounded to the nearest four decimal places, based on the daily exchange rate announced by the Central Bank of Norway:

Fiscal year	Average	High	Low	Period end
2014	5.6788	6.2752	5.3398	6.0881
2015	6.0589	6.4471	5.7680	6.4471
2016	6.2474	6.4783	5.9404	6.2252
2017	6.3337	6.5678	6.1488	6.4123
2018	6.0771	6.3524	5.7993	6.1334
H1 2018	6.1152	6.3524	5.9415	6.0249
H1 2019	6.0803	6.1847	5.8983	5.9676

The following table sets forth, for the previous five years as indicated, information regarding the average, high and low, reference rates for NOK, expressed in NOK per NZD, in each case rounded to the nearest four decimal places, based on the daily exchange rate announced by the Central Bank of Norway:

Fiscal year	Average	High	Low	Period end
2014	5.2241	5.9452	4.9994	5.8283
2015	5.6291	6.1545	5.1623	6.0425
2016	5.8582	6.1711	5.5202	5.9944
2017	5.8735	6.1783	5.5121	5.8399
2018	5.6261	5.9756	5.3096	5.8327
H1 2018	5.6752	5.8259	5.5149	5.5149
H1 2019	5.7873	5.9730	5.6044	5.7157

4.3 Cautionary note regarding Forward-looking Statements

This Prospectus includes Forward-looking Statements that reflect the Company's current views with respect to future events and financial and operational performance. These Forward-looking Statements may be identified by the use of forward-looking terminology, such as the terms "anticipates", "assumes", "believes", "can", "could", "estimates", "expects", "forecasts", "intends", "may", "might", "plans", "should", "projects", "will", "would" or, in each case, their negative, or other variations or comparable terminology. These Forward-looking Statements as a general matter are all statements other than statements as to historic facts or present facts and circumstances. They appear in the following Sections in this Prospectus, Section 6 "Dividends and dividend policy", Section 7 "Industry and market overview", Section 8 "Business of the Group", Section 10 "Selected financial and other information" and Section 11 "Operating and financial review", and include statements regarding the Company's intentions, beliefs or current expectations concerning, among other things, financial strength and position of the Group, operating results, liquidity, prospects, growth, the implementation of strategic initiatives, as well as other statements relating to the Group's future business development and financial performance, and the industry in which the Group operates, such as but not limited to the Group's expansion in existing and entry into new markets in the future.

Prospective investors in the Shares are cautioned that Forward-looking Statements are not guarantees of future performance and that the Group's actual financial position, operating results and liquidity, and the development of the industry and potential market in which the Group may operate in the future, may differ materially from those made in, or suggested by, the Forward-looking Statements contained in this Prospectus. The Company cannot guarantee that the intentions, beliefs or current expectations upon which its forward-looking statements are based will occur.

By their nature, Forward-looking Statements involve, and are subject to, known and unknown risks, uncertainties and assumptions as they relate to events and depend on circumstances that may or may not occur in the future. Because of these known and unknown risks, uncertainties and assumptions, the outcome may differ materially from those set out in the Forward-looking Statements. Important factors that could cause those differences include, but are not limited to:

- the competitive nature of the business and industry the Group operates in and the competitive pressure and changes to the competitive environment in general, including changes in the demand and prices for the Group's products;
- increases in energy costs and raw material costs;
- failure by the Group to adequately perform on projects or under contracts, resulting in e.g. termination or non-renewal of contracts with both customers and suppliers and claims for penalties or breach of contracts;
- implementation of the Group's strategies;
- earnings, cash flow, dividends and other expected financial results and conditions;

- inaccuracy relating to estimates or calculations of costs on large projects;
- failure by counterparties to meet their obligations;
- failure to attract, retain and motivate qualified personnel;
- increases in labor cost;
- legal proceedings;
- damage to the Group's reputation and business relationships;
- technological changes and new products and services introduced into the Group's market and industry;
- fluctuations of interest and exchange rates;
- changes in general economic and industry conditions, including changes to tax rates and regimes;
- political, governmental, social, legal and regulatory changes;
- access to funding;
- operating costs and other expenses; and
- consequences of consolidation in the industry, resulting in fewer but stronger competitors.

The risks that are currently known to the Company and which could affect the Group's future results and could cause results to differ materially from those expressed in the Forward-looking Statements are discussed in Section 2 "Risk factors".

The information contained in this Prospectus identifies additional factors that could affect the Group's financial position, operating results, cash flows, liquidity and performance. Prospective investors in the Shares are urged to read all Sections of this Prospectus for a more complete discussion of the factors that could affect the Group's future performance and the industry in which the Group operates when considering an investment in the Company.

These Forward-looking Statements speak only as at the date on which they are made. The Company undertakes no obligation to publicly update or publicly revise any forward-looking statement, whether as a result of new information, future events or otherwise. All subsequent written and oral forward-looking statements attributable to the Company or to persons acting on the Company's behalf are expressly qualified in their entirety by the cautionary statements referred to above and contained elsewhere in this Prospectus.

5 REASON FOR THE OFFERING AND THE LISTING

The Group believes the Offering and the Listing will:

- enable the Selling Shareholder to partially monetise its holding, optimise its capital structure and investment portfolio, and allow for a liquid market for the Shares;
- diversify the shareholder base and enable other investors to take part in the Group’s future growth and value creation;
- enhance the Group's profile with investors, business partners, suppliers and customers;
- enable the Group to capitalize on expansion into new product segments, cost reducing investments and consolidation opportunities within the industry through access to equity capital markets and the use of Shares as currency in M&A transactions; and
- further improve the ability of the Group to attract and retain key management and employees.

The Selling Shareholder intends to remain a long-term shareholder in the Company, and is committed to assist Norske Skog in the execution of its strategic plan.

The Company will not receive any proceeds from the sale of the Sale Shares or any Additional Shares.

6 DIVIDENDS AND DIVIDEND POLICY

6.1 Dividend policy

The Company's long-term dividend policy is to pay dividends reflecting the underlying earnings and cash flow while ensuring efficient capital allocation in the Group. The Company targets a mid-term dividend payment of 75% of its adjusted net profit from and including dividend for the financial year 2019. When deciding the dividend level, the Board of Directors will among other things take into consideration capital expenditure plans, financing requirements and maintaining the appropriate strategic flexibility of the Group. Reference is made to Section 6.2 – "Legal constraints on the distribution of dividends" below, whereas any payment of dividends to the Company's shareholders must be within the legal requirements of distribution of dividends.

For a further description of restrictions on payment of dividends in the Group's credit facilities, see Section 11.9 "Borrowings and other contractual obligations".

The Company has not paid any dividends on its Shares during the financial years 2018, 2017 and 2016.

6.2 Legal constraints on the distribution of dividends

In deciding whether to propose a dividend and in determining the dividend amount in the future, the Board of Directors must take into account applicable legal restrictions, as set out in the Norwegian Public Limited Liability Companies Act of 13 June 1997 no. 5 (the "**Norwegian Public Limited Companies Act**"), the Company's capital requirements, including capital expenditure requirements, its financial condition, general business conditions and any restrictions that its contractual arrangements in place at the time of the dividend may place on its ability to pay dividends and the maintenance of appropriate financial flexibility. Except in certain specific and limited circumstances set out in the Norwegian Public Limited Companies Act, the amount of dividends paid may not exceed the amount recommended by the Board of Directors.

Dividends may be paid in cash or in some instances in kind. The Norwegian Public Limited Companies Act provides the following constraints on the distribution of dividends applicable to the Company:

- Section 8-1 of the Norwegian Public Limited Companies Act regulates what may be distributed as dividend, and provides that the Company may distribute dividends only to the extent that the Company after said distribution still has net assets to cover (i) the share capital and (ii) other restricted equity (i.e. the reserve for unrealized gains and the reserve for valuation of differences).

  The calculation of the distributable equity shall be made on the basis of the balance sheet included in the approved annual accounts for the last financial year, provided, however, that the registered share capital as of the date of the resolution to distribute dividend shall be applied. Following the approval of the annual accounts for the last financial year, the General Meeting may also authorize the Board of Directors to declare dividends on the basis of the Company's annual accounts. Dividends may also be resolved by the General Meeting based on an interim balance sheet which has been prepared and audited in accordance with the provisions applying to the annual accounts and with a balance sheet date not further into the past than six months before the date of the General Meeting's resolution.

- Dividends can only be distributed to the extent that the Company's equity and liquidity following the distribution is considered sound.

Pursuant to the Norwegian Public Limited Companies Act, the time when an entitlement to dividend arises depends on what was resolved by the General Meeting when it resolved to issue new shares in the company. A subscriber of new shares in a Norwegian public limited company will normally be entitled to dividends from the time when the relevant share capital increase is registered with the Norwegian Register of Business Enterprises. The Norwegian Public Limited Companies Act does not provide for any time limit after which entitlement to dividends lapses. Subject to various exceptions, Norwegian law provides a limitation period of three years from the date on which an obligation is due. There are no dividend restrictions or specific procedures for non-Norwegian resident shareholders to claim dividends. For a description of withholding tax on dividends applicable to non-Norwegian residents, see Section 17 "Taxation".

6.3 Manner of dividend payments

Any future payments of dividends on the Shares will be denominated in the currency of the bank account of the relevant shareholder, and will be paid to the shareholders through the VPS Registrar. Shareholders registered in the VPS who have not supplied the VPS Registrar with details of their bank account, will not receive payment of dividends unless they register their bank account details with the VPS Registrar. The exchange rate(s) that is applied when denominating any future payments of dividends to the relevant shareholder's currency will be the VPS Registrar's exchange rate on the payment date. Dividends will be credited automatically to the VPS registered shareholders' accounts, or *in lieu* of such registered account, at the time when the shareholder has provided the VPS Registrar with their bank account details, without the need for shareholders to present documentation proving their ownership of the Shares. Shareholders' right to payment of dividend will lapse three years following the resolved payment date for those shareholders who have not registered their bank account details with the VPS Registrar within such date. Following the expiry of such date, the remaining, not distributed dividend will be returned from the VPS Registrar to the Company.

7 INDUSTRY AND MARKET OVERVIEW

The Company has used industry and market data obtained from independent industry publications, market research, and other publicly available information, including information from RISI and PPPC in order to prepare the following overview of the paper industry. While the Company has compiled, extracted and reproduced data from external sources, the Company has not independently verified the correctness of such data. The Company therefore cautions investors not to place undue reliance on the above mentioned data. Unless otherwise indicated, the basis for any statements regarding the Group's competitive position is based on the Company's own assessment and knowledge of the market in which it operates..

The Company confirms that, where information has been sourced from a third party, such information has been accurately reproduced. As far as the Company is aware and is able to ascertain, no facts have been omitted that would render the reproduced information inaccurate or misleading. Where information sourced from third parties is presented, the source of such information is identified

Industry publications or reports generally state that the information they contain has been obtained from sources believed to be reliable, but that the accuracy and completeness of such information is not guaranteed. The Company has not independently verified and can thus not give any assurances as to the accuracy of market data, which has been extracted from such publications or reports and reproduced herein. Market data and statistics are inherently predictive and subject to uncertainty and do not, necessarily, reflect actual market conditions. Such statistics are based on market research, which, itself, is based on sampling and subjective judgments by both the researchers and the respondents, including judgments about what types of products and transactions should be included in the relevant market.

As a result, investors should be aware that statistics, statements and other information relating to markets, market sizes, market shares, market positions and other industry data set forth in the following (and projections, assumptions and estimates based on such data) may not be reliable indicators of the Group's future performance and the future performance of the paper industry.

The following discussion contains Forward-looking Statements, see Section 4.3 ("Cautionary note regarding Forward looking Statements"). The Forward-looking Statements in this section are not guarantees of future outcomes and these future outcomes could differ materially from current expectations. Numerous factors could cause or contribute to such differences, and such indicators are necessarily subject to a high degree of uncertainty and risk due to the limitations described above and to a variety of other factors, including those described in Section 2 ("Risk Factors") and elsewhere in this Prospectus.

7.1 Introduction

The paper industry can be broadly divided into three main segments: (i) graphical paper, consisting of newsprint and magazine paper (also referred to as "publication paper" or "mechanical paper") and wood-free paper (also referred to as "fine paper"); (ii) packaging and specialty papers, consisting various types of packaging, sack and label papers and (iii) tissue, consisting of various hygiene and personal care papers and products.

According to PPPC the global graphical paper demand in 2018 was 100 million tonnes, whereof 40 million tonnes of publication paper and 60 million tonnes of fine paper. The demand for graphical paper is in structural decline driven mainly by the change in people's preferences from print media to e-media. In 2018, 2017 and 2016 the global demand for graphical paper declined by 4.7%, 2.4% and 2.8%, respectively.

Figure: World Graphical Paper Demand (million tonnes)

World Graphical Paper Demand (in million tons)

	2013	2014	2015	2016	2017	2018
Newsprint	28,0	26,0	23,7	22,7	21,0	19,4
Uncoated Mechcanical	12,4	11,9	11,3	11,0	10,6	10,1
Coated Mechanical	13,7	13,3	12,5	11,5	11,1	10,5
Publication Paper	**54,1**	**51,2**	**47,5**	**45,1**	**42,7**	**40,0**
% Change	**-3,9 %**	**-5,4 %**	**-7,2 %**	**-5,0 %**	**-5,4 %**	**-6,3 %**
Uncoated Woodfree	40,8	40,9	40,6	40,5	40,6	40,0
Coated Woodfree	23,7	23,3	22,6	22,0	21,7	20,0
Fine Paper	**64,5**	**64,2**	**63,2**	**62,5**	**62,3**	**60,0**
% Change	**-0,7 %**	**-0,5 %**	**-1,5 %**	**-1,1 %**	**-0,3 %**	**-3,6 %**
Graphical Paper	**118,6**	**115,4**	**110,7**	**107,6**	**105,0**	**100,1**
% Change	**-2,2 %**	**-2,7 %**	**-4,0 %**	**-2,8 %**	**-2,4 %**	**-4,7 %**

Source: PPPC

The Company’s seven mills in Europe and Australasia focus solely on the production of publication paper.

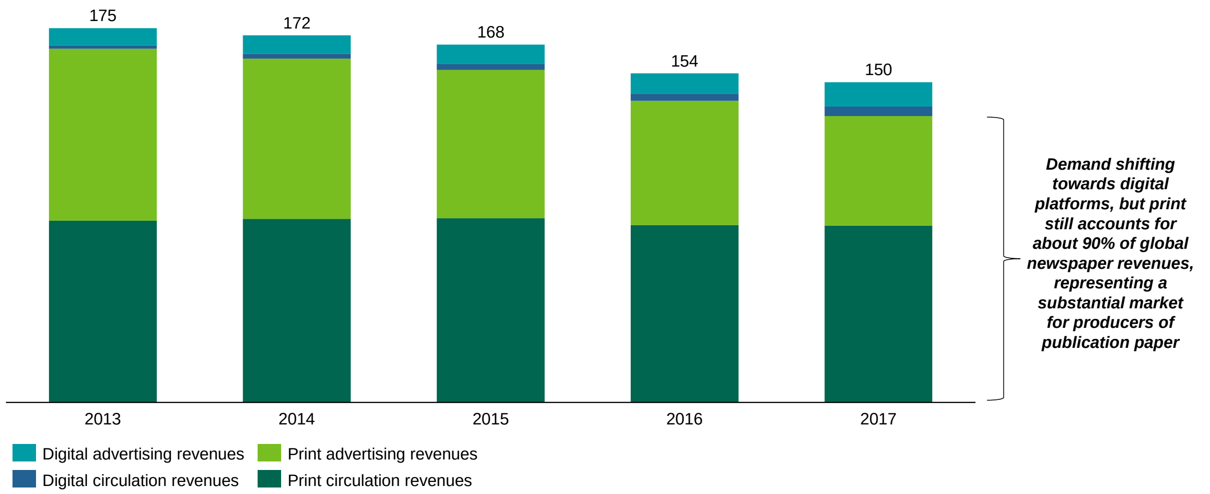
Publication paper can be divided into three main categories, by grade: (i) newsprint, (ii) uncoated mechanical and (iii) coated mechanical. Newsprint and improved newsprint paper are mainly used by newspapers, free-sheets, directories, supplements and inserts/flyers. Uncoated mechanical and coated mechanical are used for magazines, catalogues, inserts/flyers, direct mails, and supplements.

7.2 Key demand drivers

The primary demand driver for publication paper is the global newspaper and publication industry. Long-term demand for paper globally is affected by economic, demographic and end-user preference trends, as well as by technological development.

Technological development and shifting consumer preferences towards digital platforms have negatively impacted publication paper demand over the past decade. Nonetheless, the evidence suggests that there is a long-term need for publication paper. According to the World Association of Newspaper and News Publishers, print remains by far the most important source of revenue for news publishers, accounting for 90% of newspaper revenue as of 2017, with only ~10% of revenue derived from electronic media.

Figure: Revenue spilt for news publishers 2013 – 2017 (USD billion)[3]



7.3 Global markets

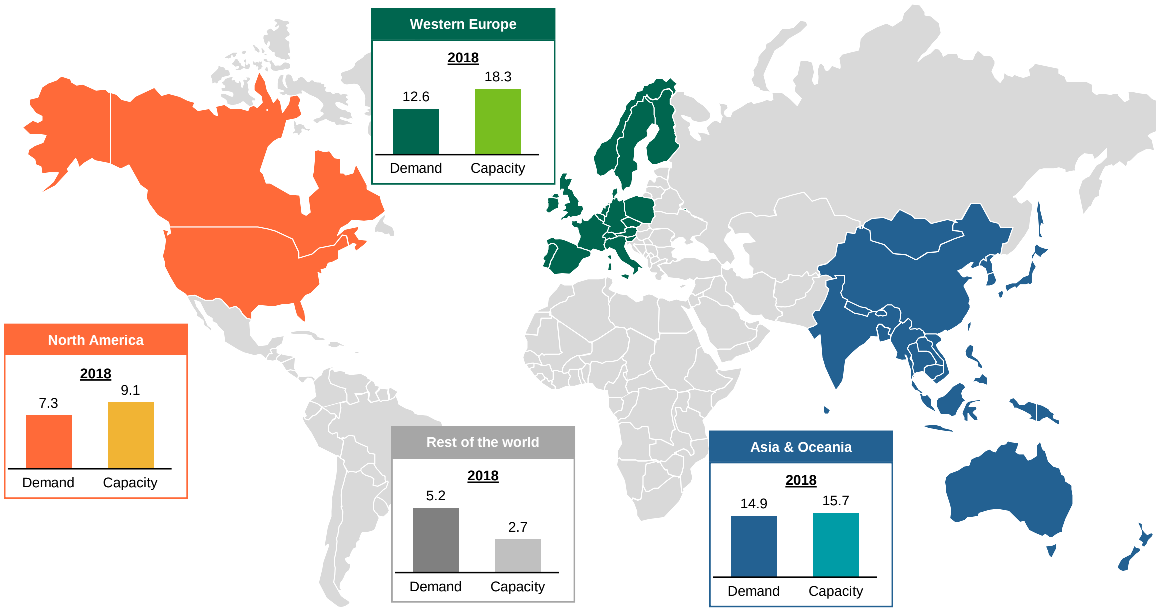
Publication paper is produced and consumed globally. Traditionally the key drivers of demand have been the developed economies, primarily in Western Europe and the US, with the largest share of the production being consumed locally due to high transportation costs. However, in the face of digitalization and changing consumer behavior these markets are experiencing a structural decline and demand has been shrinking by 6.0% on average since 2012[4]. Demand is not expected to disappear, but the consensus is that the decline will continue going forward. In 2018, Western Europe remained the largest production market globally with 40% of global production capacity while China accounts for most of the consumption with 34% of global demand[5].

[3] Source: WAN-IFRA, «World Press Trends 2017» (October 2017)

[4] Source: PPPC, «Supply and Demand – Newsprint» (March 2019) and PPPC, «Supply and Demand – Printing and Writing Papers» (April 2019)

[5] Source: PPPC, «Supply and Demand – Newsprint» (March 2019) and PPPC, «Supply and Demand – Printing and Writing Papers» (April 2019)

Figure: Global demand and production capacity 2018 (million tonnes)[6]



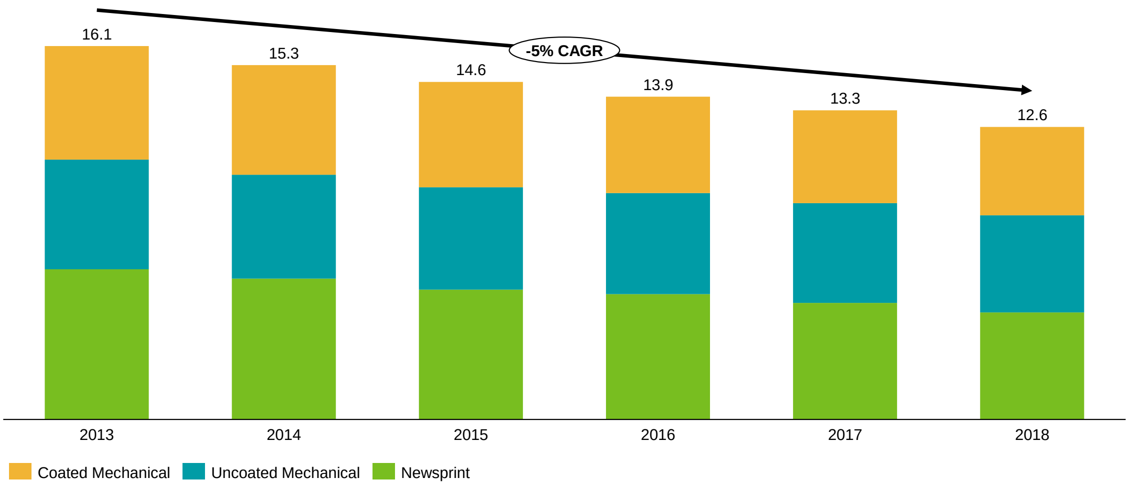
Norske Skog has operations in Europe and Australasia. The sections below will focus on these markets.

7.4 Publication paper demand

7.4.1 Europe

According to PPPC, Western European newsprint demand declined by 8.2% in 2018, 7.0% in 2017 and 3.5% in 2016. Uncoated mechanical paper demand declined by 2.6% in 2018, compared to declines of 1.5% in 2017 and 1.2% in 2016. Coated mechanical paper demand declined 4.7% in 2018, 3.7% in 2017 and 8.6% in 2016.

Figure: Western European publication paper domestic demand 2013-2018 (million tonnes)[7]



7.4.2 Australasia

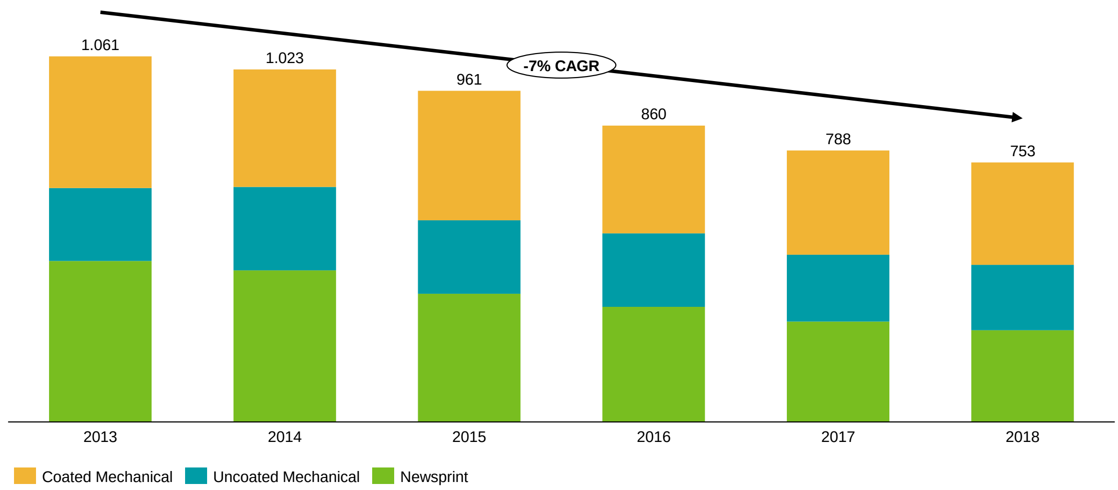
According to PPPC, Australasian newsprint demand fell by 8.6% in 2018 compared to a decrease of 12.9% in 2017 and 10.2% in 2016. Demand for coated mechanical paper decreased by 2.0% in 2018 and 3.3% in 2017, indicating a rebalancing and stabilisation after demand spiked by 10.0% in 2015, and then declined again by 16.6% in 2016. The

[6] Source: PPPC, «Supply and Demand – Newsprint» (March 2019) and PPPC, «Supply and Demand – Printing and Writing Papers» (April 2019)

[7] Source: PPPC, «Supply and Demand – Newsprint» (March 2019) and PPPC, «Supply and Demand – Printing and Writing Papers» (April 2019)

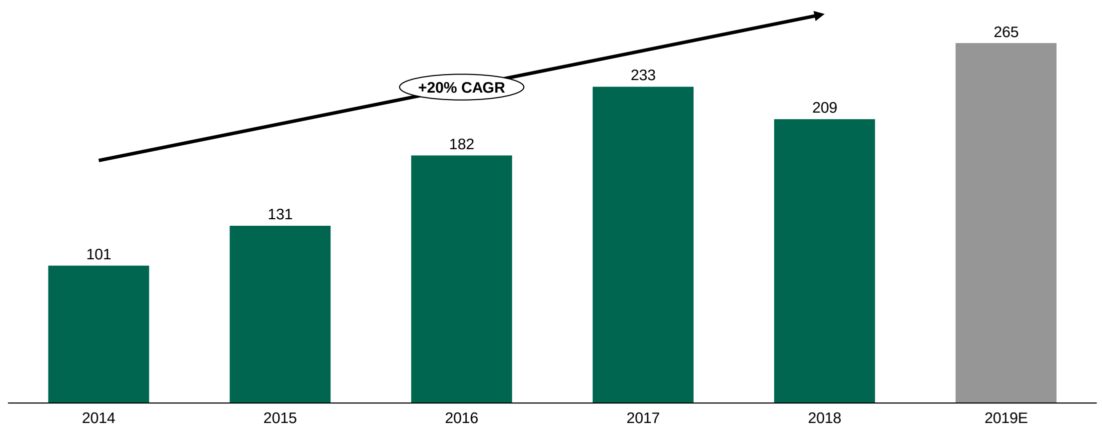
SC market is covered solely by imports. The graph below shows annual Australasian domestic demand from 2013 – 2018 in 000s tonnes.

Figure: Australasian domestic publication paper demand 2013-2018 (000s tonnes)[8]



In recent years, the export of publication paper, primarily newsprint, to Asia, has mitigated the impact from falling domestic demand in Australasia with an annual export growth of 19.9% since 2014. The temporary closure of the Albury facility for a period following two fatalities had a negative impact on 2018 numbers with a resulting 10.2% decline in exports, however 2019 is expected to see a year-on-year growth of 26.7% with an estimated 265,000 tonnes exported[9].

Figure: Australasian newsprint exports to Asia 2014 – 2018 (000s tonnes)[10]



7.5 Capacity development

7.5.1 Global

Global overcapacity has been largely driven by demand decline and some capacity build-up in Asia over the past decade. As a result, and in order to maintain a healthy market balance, capacity has been substantially reduced in North America, Western Europe, Japan and other traditional markets.

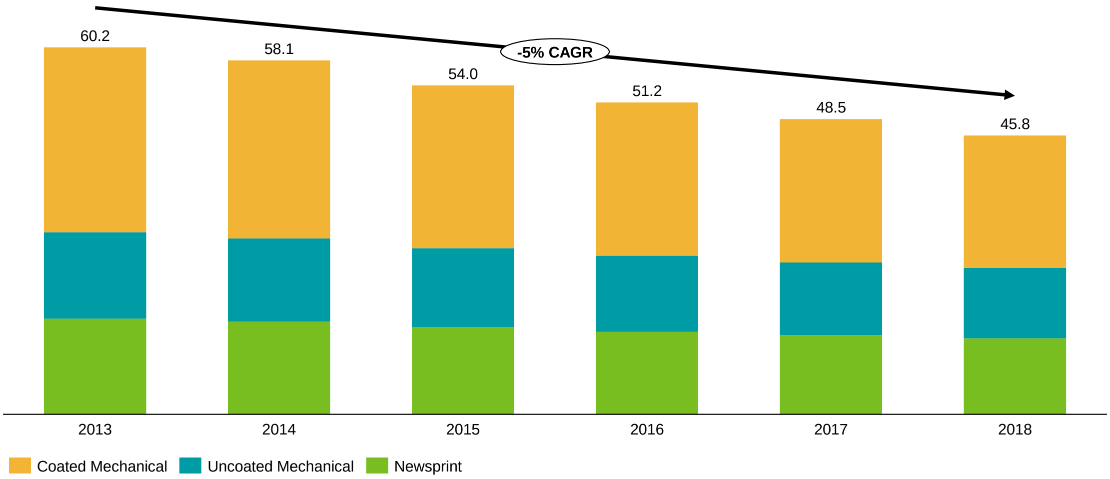
From 2012 to 2018, global capacity in newsprint, uncoated mechanical and coated mechanical papers was reduced by a total of more than 17.4 million tonnes, or 27% of 2012 total capacity.

[8] Source: PPPC, «Supply and Demand – Newsprint» (March 2019) and PPPC, «Supply and Demand – Printing and Writing Papers» (April 2019)

[9] Source: Company estimate as of Q1 2019

[10] Source: Company estimate as of Q1 2019

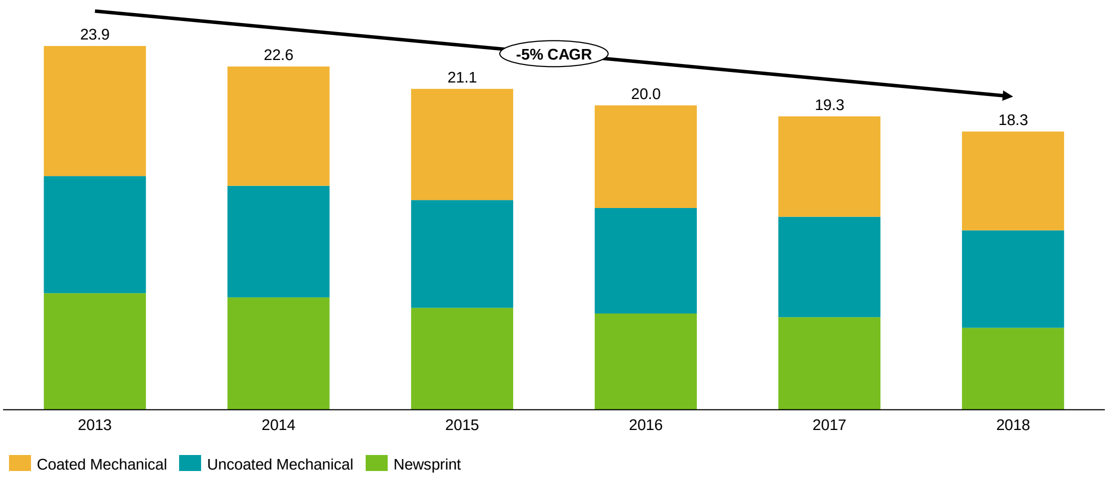
Figure: Global publication paper capacity (million tonnes)



7.5.2 Europe

There have been significant capacity closures in recent years, with additional closures expected in the remainder of 2019, and later periods for several publication paper grades. As of June 2019, there have been announced closures of two paper machines within coated mechanical for the second half of the year; one machine with an annual capacity of approximately 155,000 tonnes at UPM's Plattling mill in Germany, and one paper machine with an annual capacity of approximately 400,000 tonnes at Burgo's Verzuolo mill in Italy. According to PPPC, the capacity in Western Europe in 2018 for newsprint, uncoated mechanical and coated mechanical paper was reduced by 697,000 tonnes (11.5%), 191,000 tonnes (2.9%) and 114,000 tonnes (1.7%), respectively, compared to the annual production capacity in 2017. In 2017, approximately 240,000 tonnes (3.8%) of newsprint paper capacity, 337,000 tonnes (4.9%) of uncoated mechanical paper capacity and 143,000 tonnes (2.1%) of coated mechanical paper capacity were removed compared to the annual production capacity in 2016.

Figure: Western European production capacity (million tonnes)[11]



Within newsprint, recent notable capacity closures include the conversion of International Paper's 320,000 tonnes capacity Madrid mill and Leipa's Scwedt 280,000 tonnes mill in Germany, both in 2017. For 2019 no major changes have been announced, but a fractional decrease in capacity is expected due to changes between standard newsprint and other grades (primarily uncoated mechanical).

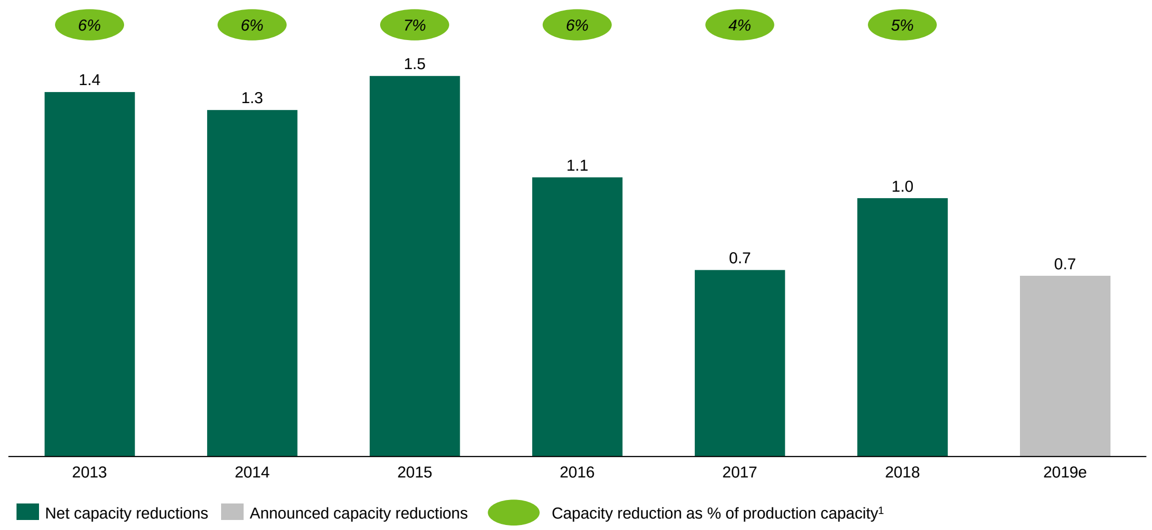
[11] Source: PPPC, «Supply and Demand – Newsprint» (March 2019) and PPPC, «Supply and Demand – Printing and Writing Papers» (April 2019)

Within uncoated mechanical the 191,000 tonnes (2.9%) reduction in 2018 was primarily driven by a substantial decrease in the SC Magazine segment with UPM, Store Enso and Heinzel Paper all taking out production since 2017. Particularly the conversion of the 250,000 tonnes PM 10 Laakirchen mill in Austria to containerboard contributed to the reduced capacity.

The 2018 decline of 1.7% within coated mechanical was relatively modest compared to recent years, with a 2012–2017 average of 5.8% decrease per year. The largest share of the reduction can be attributed to the closure of the Burgo PM#8 mill in Verzuolo Italy. The mill originally had a production capacity of 165,000 tonnes. In 2019, PPPC forecast capacity to continue declining by another 195,000 tonnes (3.0%). In addition to carry-over effects from the Burgo closure, two other major capacity reductions have been announced. The Sappi Lanaken in Belgium is due to shift from coated mechanical to coated woodfree, and Burgo has announced their intention to convert the Verzuolo PM#9 to containerboard production. This will have an immediate impact in 2020 with Western European capacity expected to shrink by 4.8 % to reach 6 million tonnes. However, the PPPC estimate of 4.8% capacity reduction does not reflect the latest announcement from UPM of the permanent closure of PM 10 at their Plattling mill with an annual capacity of 155,000 tonnes.

Overall the industry has a strong track-record of reducing capacity in order to adjust to falling demand. Across all categories total capacity reduction was 1 million tonnes in 2018, 723,000 tonnes in 2017 and 1.1 million tonnes in 2016. Relative to total production capacity these reductions account for 5.5%, 3.6% and 5.5% respectively.[12]

Figure: Western European net capacity reduction (million tonnes)[13]



7.5.3 Australasia

In response to reduced demand, Norske Skog has reduced newsprint capacity in the region by permanently closing one of its two paper machines at the Tasman mill in 2013, which had an annual newsprint capacity of 160,000 tonnes, and converting one of the paper machines at the Boyer mill from newsprint to coated mechanical, reducing newsprint capacity in the region by an additional 120,000 tonnes while adding 135,000 tonnes of LWC capacity.[14] Furthermore, the sale of the Albury mill to Visy for conversion to a packaging production facility is expected to further reduce newsprint capacity by approximately 265,000 tonnes from the end of 2019.

7.6 Utilization rates

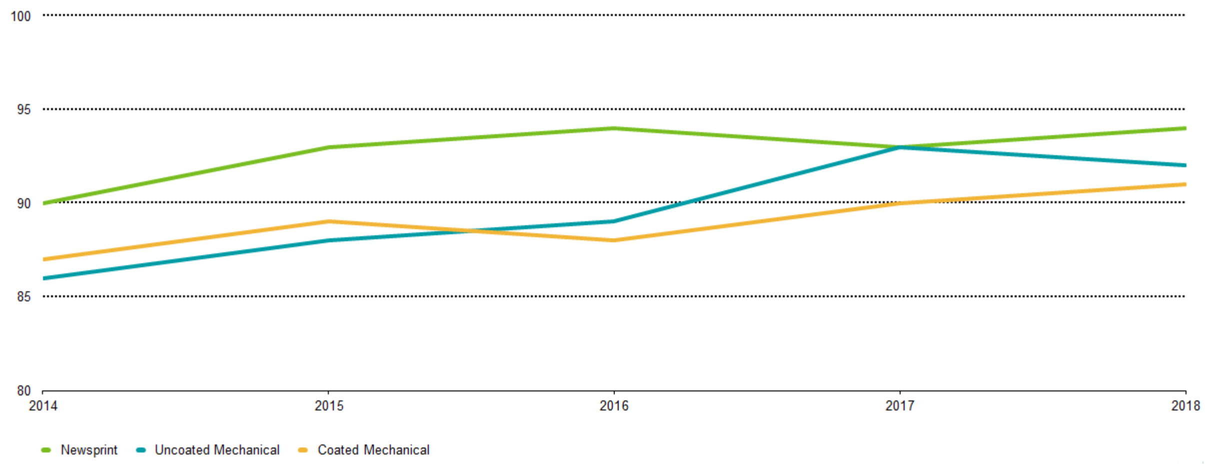
The continuous trend of capacity reductions has helped drive higher utilization rates (calculated as production divided by capacity) throughout the industry and has supported healthy pricing levels. Utilization rates are generally seen as a good indication of the existing balance between demand and supply. High utilization rates imply that there is a relatively

[12] Source: PPPC, «Supply and Demand – Newsprint» (March 2019) and PPPC, «Supply and Demand – Printing and Writing Papers» (April 2019)
[13] Source: PPPC, «Supply and Demand – Newsprint» (March 2019) and PPPC, «Supply and Demand – Printing and Writing Papers» (April 2019)
[14] Source: Norske Skog

small amount of overcapacity in the market, which in turn implies a more favourable pricing environment for the producers.

In Western Europe, the utilization rate for newsprint improved to 94% in 2018, compared to 93% in 2017. The operating rate for uncoated mechanical paper in 2018 reduced slightly to 92% after reaching 93% in 2017. The operating rate for coated mechanical paper continued to rise and ended up at 91% in 2018, compared to 90% in 2017.

Figure: Western European publication paper utilization rates (%)[15]



In 2017 and 2018 total production from the Group's Australasian mills was 663,000 tonnes and 630,000 tonnes, resulting in a utilization rate of approximately 95% and 90%, respectively. The lower production in 2018 was related to the unplanned downtime caused by the gas incident at Albury in the second quarter and the spiking electricity prices in New Zealand in the fourth quarter. In spite of declining domestic demand of newsprint, Management believe that the Norske Skog newsprint machines will have high operating rates due increasing sales to export markets. Due to the significantly lower capacity for the Company's coated mechanical mills compared to demand in the region, Management expect the high utilization rate to continue also within the magazine segment. In 2018, the Company's annual capacity for coated mechanical of 135,000 tonnes was equal to approximately 45% of the regional demand for this grade.

7.7 Market pricing

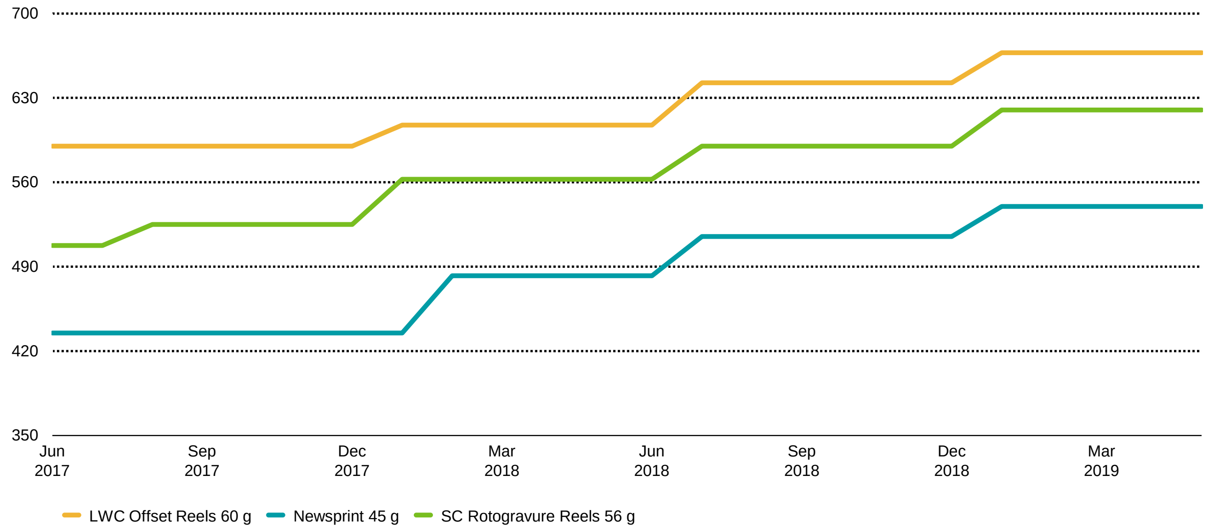
7.7.1 Europe

Continuous capacity reductions in Europe have helped to support utilization rates in the industry, which, in turn, have supported a meaningful uptick in reference prices. A combination of a tightening market and increasing pulp prices have pushed pricing up over the last two years and since June 2017 prices for 45g Newsprint, 60g LWC Offset and SC Rotogravure in Germany have risen by 24.1%, 13.1% and 22.2% respectively. Pulp prices have since come down and the market balance is expected to decrease somewhat going into second half of 2019. This is likely to be reflected in reference prices and, according to RISI forecasts; prices for all grades except LWC are expected to come down from current high levels. The graph below show RISI European reference prices from June 2017 to May 2019.[16]

[15] Source: PPPC, «Supply and Demand – Newsprint» (March 2019) and PPPC, «Supply and Demand – Printing and Writing Papers» (April 2019)

[16] Source: RISI, Monthly average reference prices for European publication paper grades published at www.risiinfo.com (require subscription), (June 2019)

Figure: RISI European reference paper prices (EUR/tonnes)[17]



According to RISI forecasts, compared to the reference prices for the first six months of 2019 in Western Europe, the prices of newsprint are expected to decrease by 6.3% and 11.2% in 2020 and 2021 respectively. The SC prices are expected to decrease by 4.3% and 7.7%, respectively over the same period, while LWC prices are expected to decrease by 2.4% and 5.2%, respectively[18].

7.7.2 Australasia

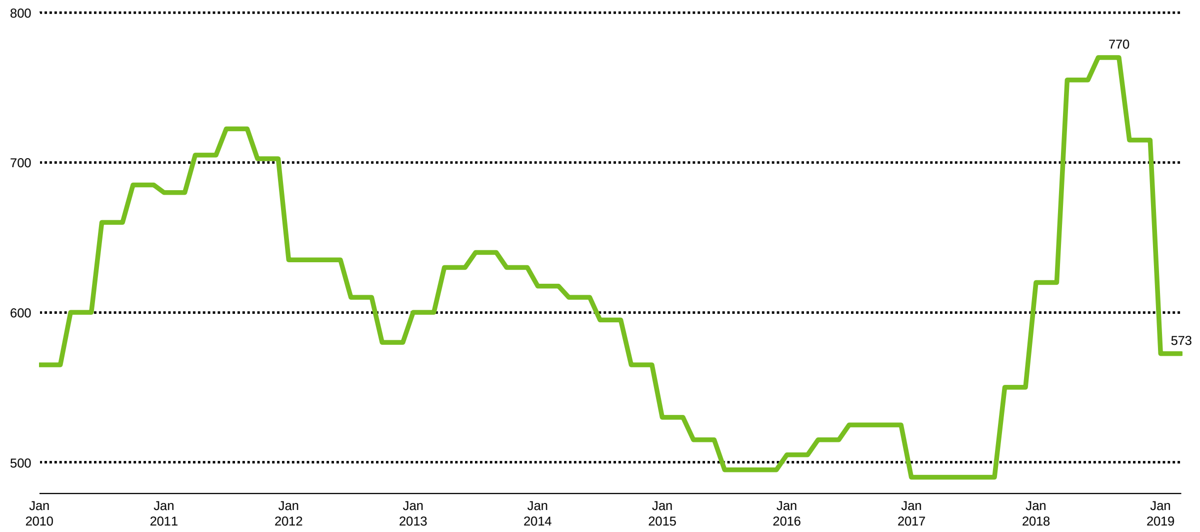
The Group has long-term contracts for the two most important domestic newsprint customers in Australasia, News Corp Australia and Nine, ending in 2024 and 2022, respectively. These contracts provide stable newsprint prices until 2020, while the remaining period is determined by a minimum/maximum adjustment. The prices for LWC, to a large extent, follow the pricing of the main markets for LWC, as approximately 50% of the regional volume is imported and Norske Skog does not have long-term contracts with fixed prices for its magazine customers.

With increasing export volumes Asian newsprint prices are becoming increasingly dependent on reference prices in Asia with Indian prices being the primary benchmark. Asia is a natural import market and publishing paper prices are consequently sensitive to global market balance. Spot markets can be highly volatile as seen recently in India where RISI 45g newsprint selling price experienced sharp increase in the end of 2017 due to an improved market balance following significant closure of newsprint capacity globally. From January 2017 to July 2018 prices rose by more than 57%. The sharp increase in pricing resulted in less capacity closures combined with reduced demand of newsprint, resulting eventually in a sharp decline in prices towards the end of 2018 and into 2019 due to oversupply[19].

The sale of the Company's Albury mill, which will cease its newsprint production and close down in December 2019 for a possible conversion into a packaging production facility, is expected to reduce production capacity for newsprint in Australasia and the Company's dependency on exports to Asia, thus relieving some of the competitive price pressures from Asian reference and spot market prices.

[17] Source: RISI, Monthly average reference prices for European publication paper grades published at www.risiinfo.com (require subscription), (June 2019)
[18] RISI Paper Trader, June 2019
[19] Source: RISI, Monthly average reference prices for European publication paper grades published at www.risiinfo.com (require subscription), (May 2019), PPPC, «Supply and Demand – Newsprint» (March 2019) and PPPC, «Supply and Demand – Printing and Writing Papers» (April 2019)

Figure: RISI newsprint reference selling price India 45g (USD/tonnes)



8 BUSINESS OF THE GROUP

8.1 Introduction to Norske Skog

Norske Skog 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[20]. 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 Norske Skog.

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[21]. 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.

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

	Western Europe		
	Market capacity	**Norske Skog capacity**	**Market share**
Newsprint*	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.

[20] 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)
[21] 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)

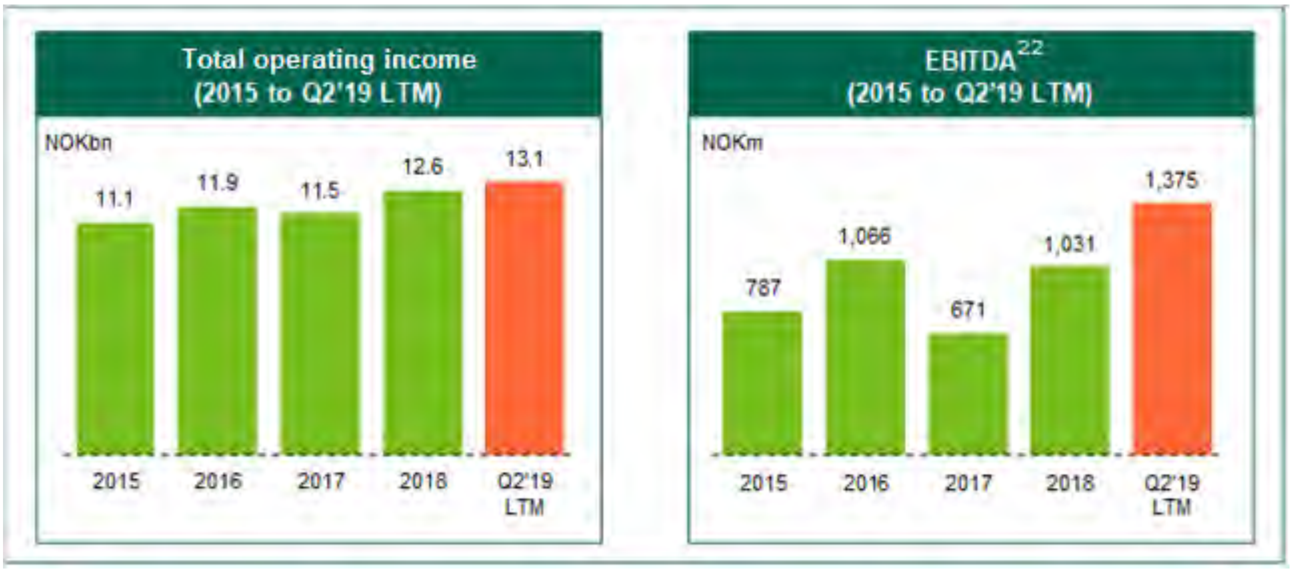
In addition to focusing on operational efficiency, the Group and its prior Norske Skog group of companies (the "**Former Group**") has historically been disciplined in evaluating and improving its paper mill portfolio, retaining larger and better performing mills, while strategically closing or divesting 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. See section 7.4 "Publication paper demand" for further discussion on the publication paper market.

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 Norske Skog AS 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 Norske Skog AS in the process and became the sole, ultimate shareholder of the Group. In May 2019, the Group issued senior secured notes of EUR 125 million of which approximately EUR 105 million was used 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. Remaining EUR 20 million was used for general corporate purposes.

As of 30 June 2019, the Group had interest-bearing debt (including leases and on-balance factoring facilities) of NOK 1,802 million, and had cash and cash equivalents (excluding restricted cash) of NOK 707 million. See Section 8.2.1 and Section 11.9 for more information on the financial restructuring process and the issuance of the Notes, respectively. For the twelve months ended 30 June 2019, the Group generated NOK 13,064 million of consolidated total operating income and NOK 1,375 million of consolidated EBITDA. The Group's publication paper Europe segment, the Group's publication paper Australasia segment and the Group's other activities represented 88%, 14% and (2)% of the total consolidated EBITDA for the period respectively.

Figure: The Group's consolidated total operating income and EBITDA last twelve months as of 30 June 2019



[22] Please note that, for the purpose of providing comparable numbers, the EBITDA for 2015, 2016 and 2017 have been adjusted with NOK 31 million each year to reflect average overhead costs (Adjusted EBITDA), which were allocated to the former parent company Norske Skogindustrier ASA in these years.

8.2 History and important events

8.2.1 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 an 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 Company’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 Company, 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 Company along with its direct and indirect subsidiaries through a competitive public auction process. The auction process for the sale of the shares in the Company, 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 Company 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 Company resulting in the Company 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 Company'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 EUR 125 million senior secured notes 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 EUR 125 million senior secured notes. Following the Company’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 million, Oceanwood and NS Norway Holding AS had no outstanding loans to the Group as of 30 June 2019. As of the date of this Prospectus, Oceanwood and NS Norway Holding AS’ sole exposure to the Group is through its 100% ownership of the Company's share capital.

8.2.2 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.

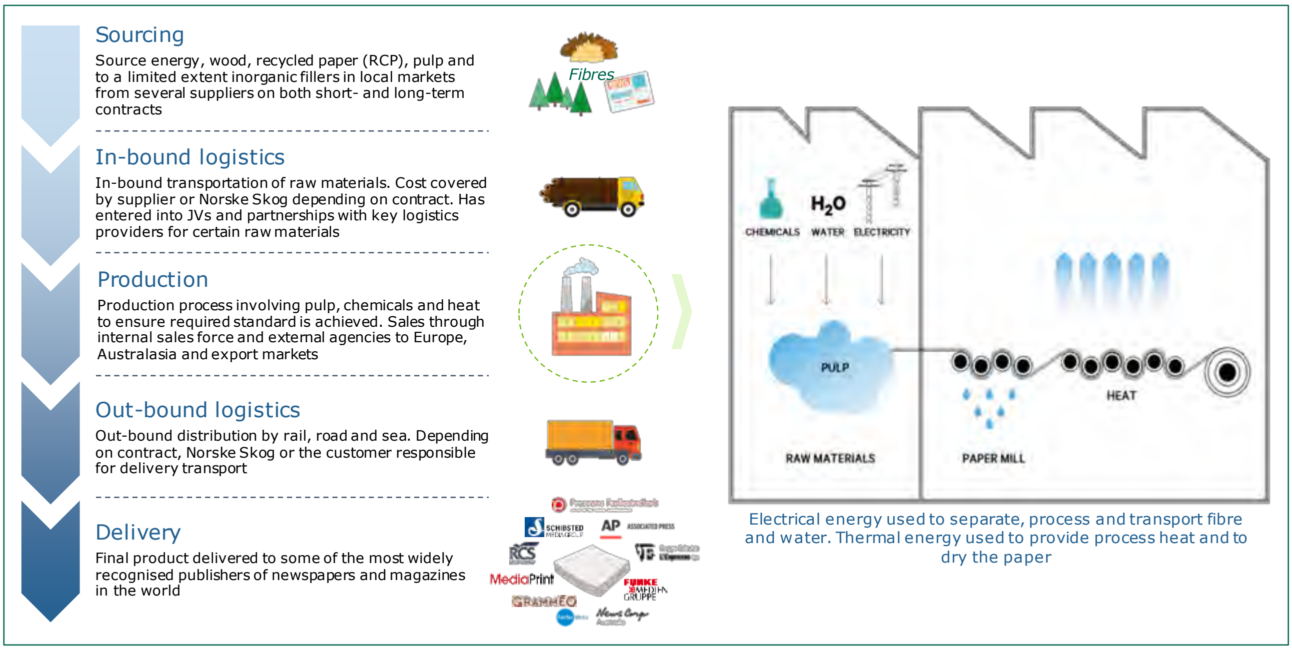
1989	• The Former Group becomes the sole Norwegian publication paper producer after merging with Follum Fabrikker and acquiring Saugbrugsforeningen and 50% of the shares in Union.
1990-2000	• The Former Group begins to expand its operations to outside of Norway by the construction of the Golbey mill 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	• Issue of senior secured notes of EUR 125 million, repayment and conversion of all intercompany shareholder loans and other loans provided by Oceanwood and NS Norway Holding AS.
2019	• 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.

8.3 Description of Norske Skog's operations

8.3.1 Position of publication paper production in the value chain

Norske Skog 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



8.3.2 Overview of publication paper products

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.

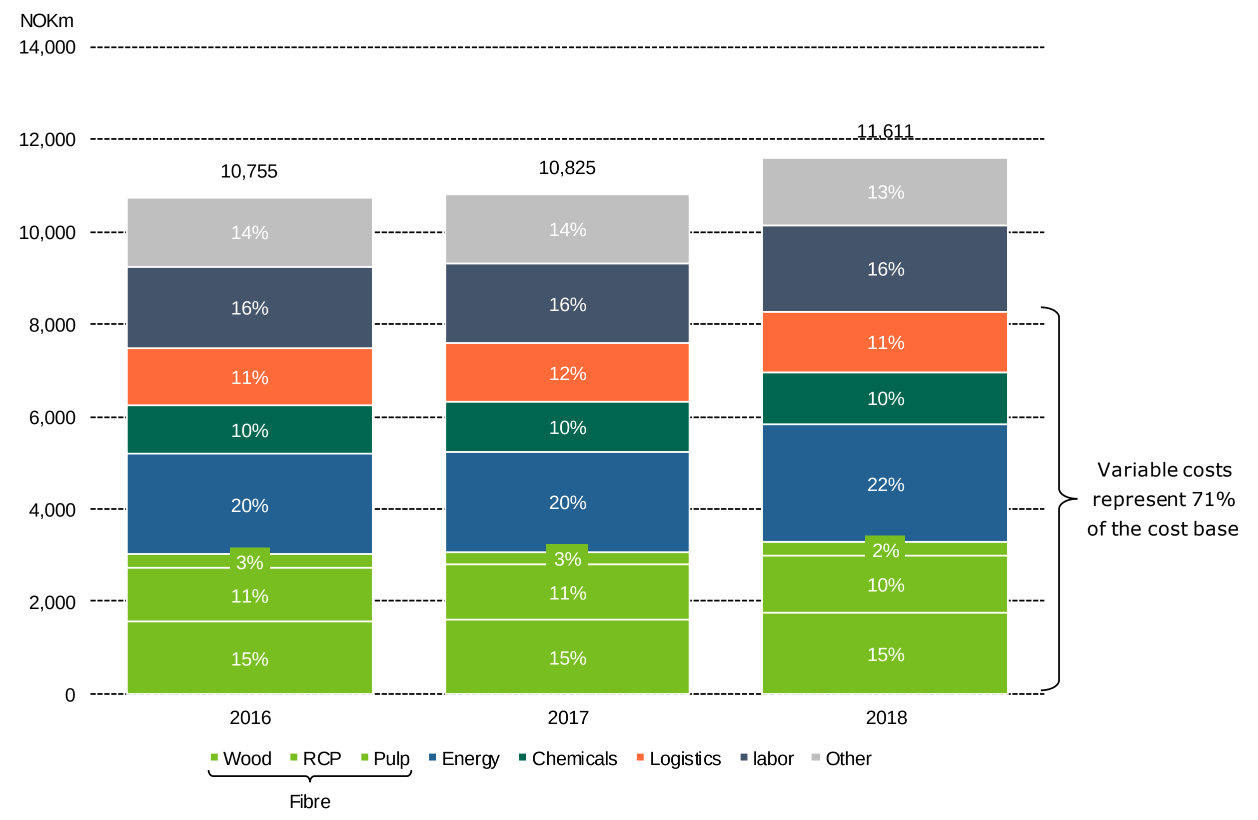
Figure: Overview of the Group's main magazine paper brands:

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

8.3.3 Input factors used by Norske Skog 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



8.3.3.1 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

Recovered paper 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 Norske Skog 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.

8.3.3.2 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).

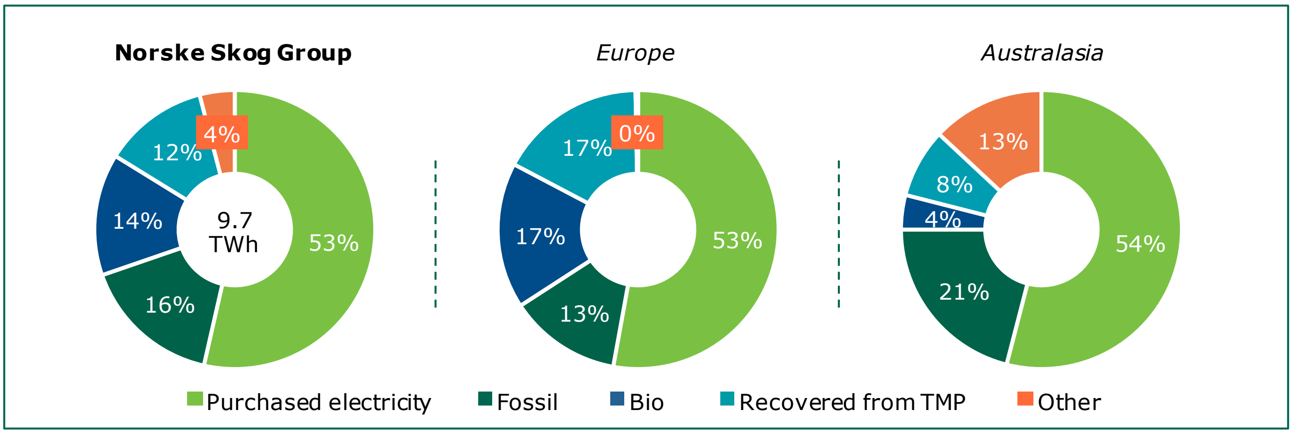
The major use of electrical energy in mills which process fresh fibre is the process which mechanically converts wood chips into fibres. This process is called the thermo mechanical pulping ("**TMP**") process, the end result is the product called mechanical pulp (as opposed to chemical pulp which is 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. Norske Skog 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, see Section 8.4.8 for further details.

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.

8.3.3.3 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.

8.3.3.4 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 Company 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.

Please refer to Section 12.8 "Employees" for information on the development in the number of full-time employees ("**FTEs**") for the years ended 31 December 2018, 2017 and 2016 and as of 30 June 2019.

8.3.4 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, one in France and one in Austria. 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.

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.

Energy

In Norway, long-term electricity contracts with Statkraft (entered 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, Norske Skog has 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.

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 3-12 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.

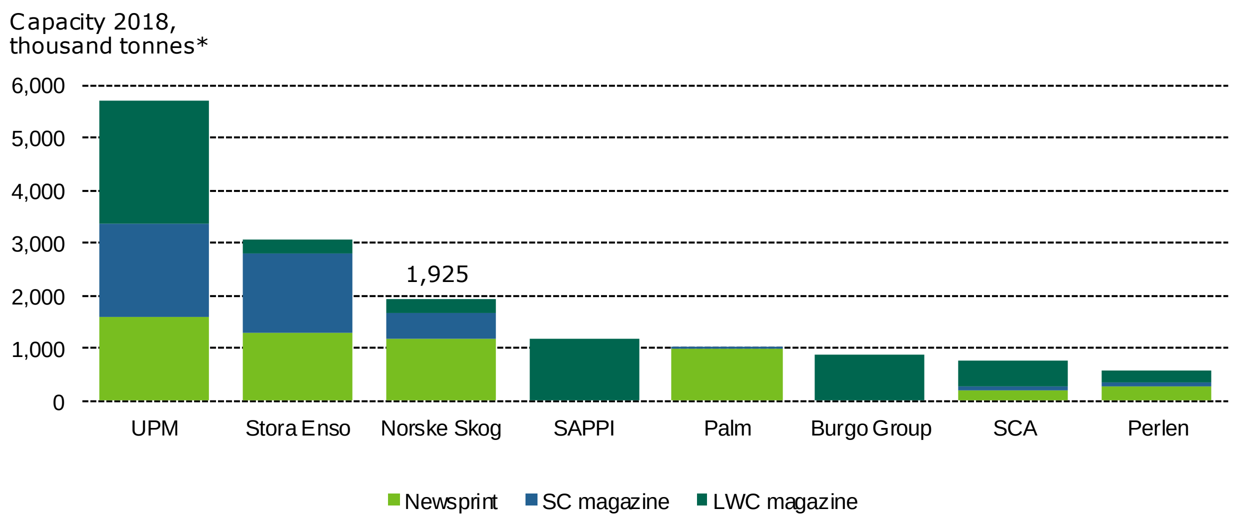
In addition, the Group has sales agreements with several agencies including NorCell (US, Canada and Mexico), Björnberg (Poland and Czech Republic), Cellmark Iberica (Spain) and Aspapel (Portugal), covering both European markets and export markets. Approximately 90% of volume sold in Europe, with remaining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

The Group has implemented several measures to integrate with the customer. 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.

Competition

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[23]. 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.

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.

[23] 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)

8.3.5 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.

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.

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.

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.

Competition

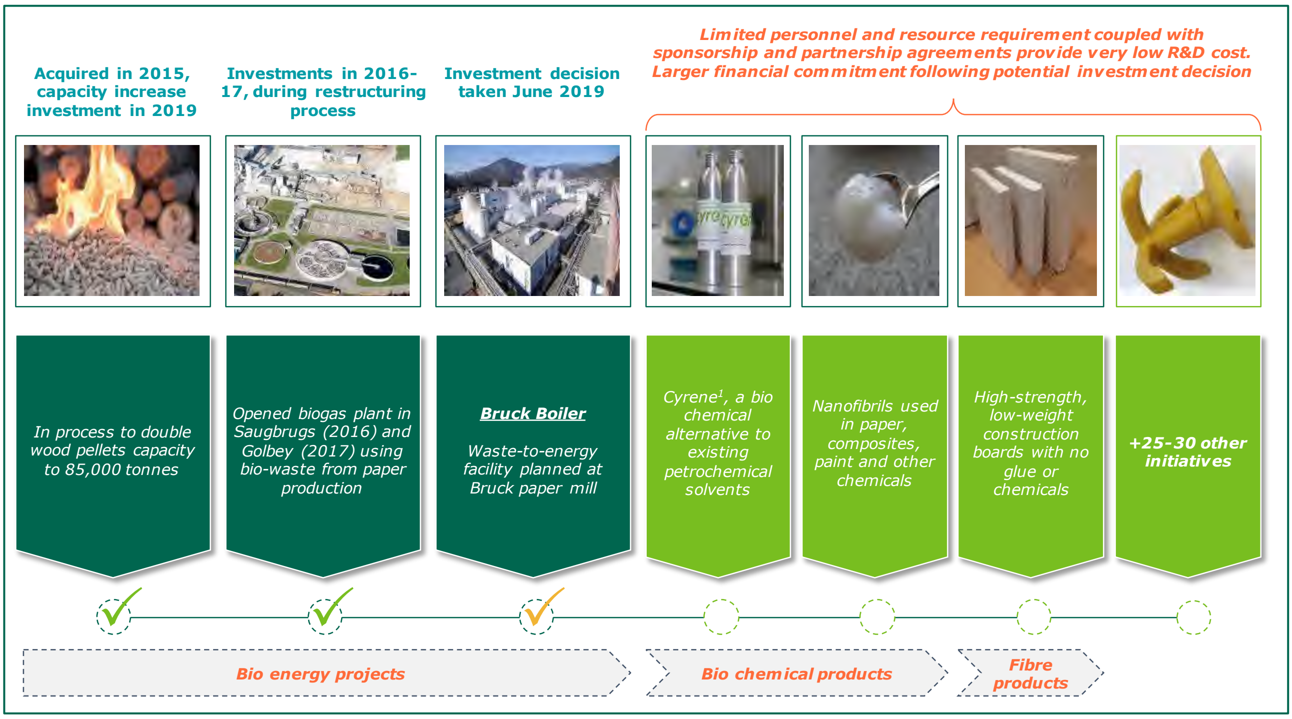
In Australia and New Zealand, the Group is the only domestic producer of publication paper. The Group faces competition from publication paper imports, mainly from newsprint producers in South Korea and Indonesia, as well as from magazine producers in Japan and Europe. The Group estimates that it currently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

8.3.6 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.

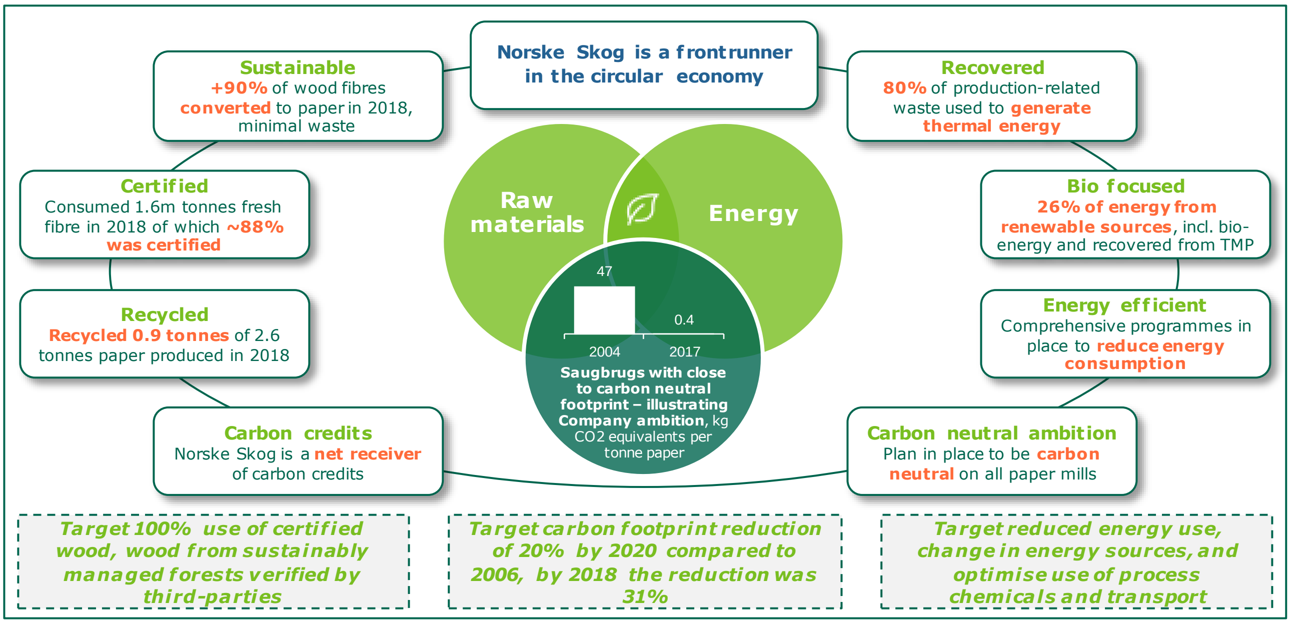
Final investment decision ("**FID**") on a EUR 72 million investment in a waste-to-energy facility at the Bruck paper mill was taken in June 2019. The facility is estimated to provide new revenue from waste handling as well as cost savings in the publication paper production of approximately EUR 20 million 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. See Section 8.4.8 for more details on non-paper growth opportunities.

8.3.7 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 CO_2 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.

8.4 The Group's competitive advantages and strategic focus

8.4.1 Established industry 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.

8.4.2 Diversified customer base with longstanding relations

The Group benefits from significant revenue diversification across geographies, paper grades and customers. The Group also benefits from long-term relationships with customers and high client retention rates. The Group believes that its customer base, which includes large top tier publishing groups with strong balance sheets, recognises the importance of having a sustainable and reliable source of publication paper. In addition, the Group has implemented several initiatives to integrate with the customers, to support the customers' competitive profile and value proposition (see Section 8.3.4). The Group is committed to continue close collaboration with its loyal customers to bring their final products and their reputation to an even higher level. This dynamic provides the Group with considerable recurring business and revenue visibility.

In Europe, the Group has longstanding relationships with many of its customers, and on average a 25-year relation to its top 15 largest customers. Customers include, among other, the retailers Lidl and Carrefour, and the major news publishers News International (United Kingdom), RCS Media (Italy), Axel Springer (Germany) and Schibsted (Norway).

In Australasia, the Group has contracts with its two largest customers, News Corp Australia and Nine, until 2024 and 2022, respectively. The two contracts make up for approximately 25% of the revenue generated from the Australasia operations.

8.4.3 Ability to adjust publication paper production capacity with market development

The Group and the Former Group has historically responded to long-term structural decreases in demand through closure of several of the Former Group's machines and mills. Examples include the Former Group's Union and Follum mills in Norway and the Former Group's Steti mill in the Czech Republic, which were all closed between 2006 and 2012. The Former Group further closed one of the two machines at the Former Group's Tasman mill in New Zealand in 2013 and closed one machine at the Former Group's Walsum mill in Germany in 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. These actions have significantly reduced its cost base. The Group and the Former Group have also reduced the fixed costs through headcount reductions and has increased the capital efficiency through the disposal of non-core assets, certain less competitive operations and mills outside of the core geographical regions of Europe and Australasia. These include two mills in South Korea, two mills in China, one mill in Brazil, one mill in Chile, one mill in the Netherlands and one mill in Thailand.

In response to structural changes in demand and in order to seize a market opportunity within magazine paper, the Group and the Former Group have also converted production capacity from newsprint to magazine paper. Following a NOK 500 million (AUD 84 million) investment in the period 2013 to 2014, the Boyer mill in Australia now produces coated mechanical paper on one converted machine with an annual capacity of 135,000 tonnes, making it the sole domestic magazine paper producer in Australasia. The ability to switch production has enabled the Group to better adapt to changes in demand between different paper products by reducing production capacity for products that have experienced reduced demand, and by increasing production capacity for products with increased demand.

The Group will continue to proactively monitor and manage its production capacity in order to adjust to market developments. Conversions, closures or divestments of less competitive paper mills is continuously evaluated.

8.4.4 Sourcing model targeting stable supply and low costs

The Group's long-term energy and wood contracts provide it with stable supply for the most critical input factors in its production process. A majority of the Group's energy need is purchased under long-term contracts, both for European and Australasian paper mills. In addition to energy contracts, the Group has material energy generation assets at the mills (steam and gas turbines) and biogas facilities at the Saugbrugs and Golbey mills. The Group has longstanding relationships with wood suppliers in Norway, as the Group represent the largest buyer of wood in Norway. The Group also has long-term contracts for wood supply to the Australasian operations. The relative stability provided by the effective supply contracting and the relationships with reliable suppliers provides visibility in relation to costs and shields the operations from price fluctuations.

8.4.5 Ability to control cost base

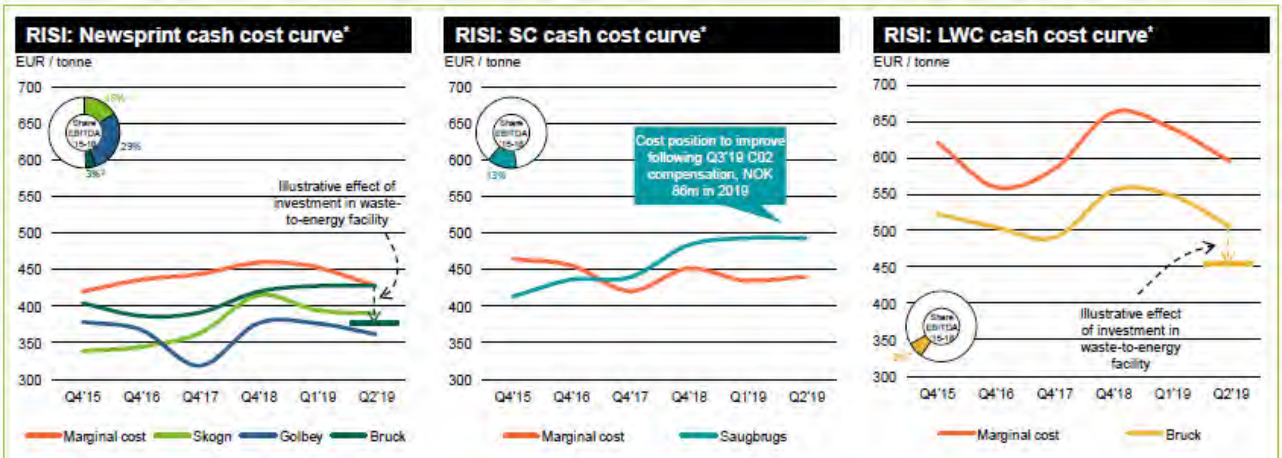
Historically, there has successfully been implemented several cost initiatives across both its European and Australasian paper mills. Cost improvement initiatives are mainly exercised through contract negotiations and investments to improve operational efficiency.

In 2013 and 2014, there was invested more than NOK 200 million (EUR 25 million) in a thermo mechanical pulping plant at the Saugbrugs mill. This resulted in a significant reduction in consumption of energy and pulp at the mill. It also enabled the Saugbrugs mill to expand its product portfolio to new uncoated mechanical segments.

The Group targets a medium term EBITDA margin in excess of 10% and in the longer term historical over-the-cycle EBITDA levels, which have been in the range of 8% - 10%. During 2018, the Group implemented several cost improvement initiatives at its Norwegian paper mills, including a long-term logistics contract for sea freight, a filler project replacing clay with carbonate at Saugbrugs, upgrade of operational systems and equipment and more. In addition, a new and long-term energy contract with Statkraft was established to support continued operations. At the Bruck paper mill, FID on a EUR 72 million investment in a waste-to-energy facility was taken in June 2019 to provide additional revenue and cost savings potential.

Going forward, the Group will continue to focus on cost improvement initiatives to reduce its cost base, and to identify new sources of efficiency improvement. The Group expects these cost improvement initiatives to provide approximately NOK 300 million to 400 million in cost savings, annually.

Figure: Overview of development in mill gate cash costs



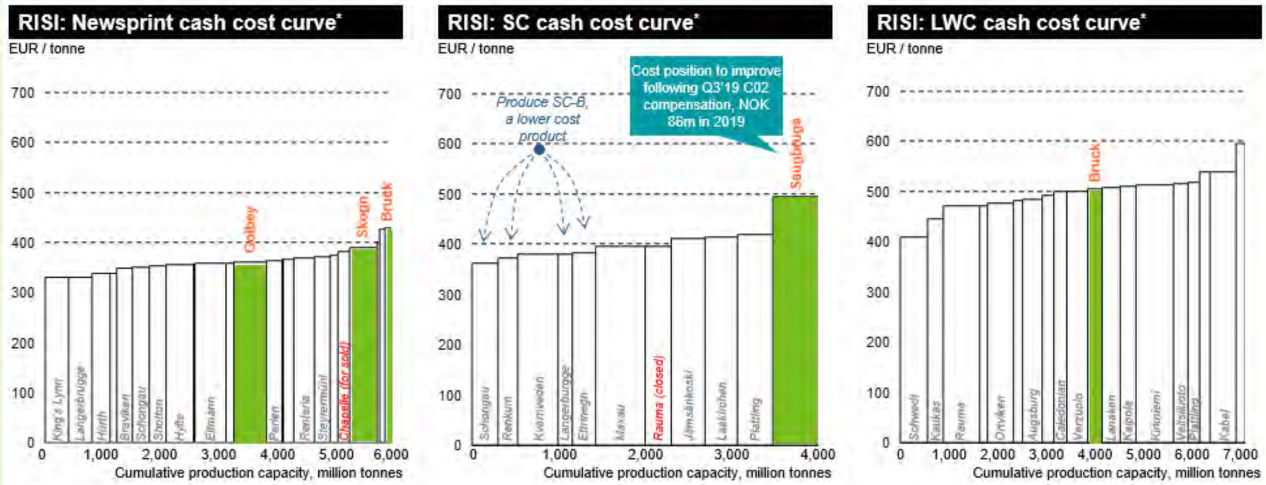
*RISI Fastmarkets

Supporting explanations

- Marginal cost equal to the mill with the highest cash cost based on RISI estimated quarterly mill gate cash cost for European paper mills (excl. Russia). Latest available figures as of Q2'19

**Bruck newsprint and LWC share EBITDA of 11%, revenue split between newsprint and LWC of ~25/75 basis for approximated share of EBITDA; 3) Mill gate cash cost, all costs up until leaving the mill gate, thus distribution is not included

Figure: Overview of Q4'18 mill gate cash costs



*RISI Fastmarkets

Supporting explanations

- The graphs illustrate the estimated cash cost positions for the respective mills within the three paper qualities (Newsprint, SC and LWC)
- Figures in the graphs are estimates for Q2'19 cash cost, as estimated by RISI Fastmarkets
- The blue arrows in the graph for SC paper are meant to illustrate that these four respective mills produce a lower cost product, and thus naturally are positioned low on the cost curve

8.4.6 Cost efficient in-bound and out-bound logistics

The paper mills are located close to customers in the core markets, enabling low transportation costs. In Europe, the Group's large Norwegian mills are located adjacent to waterways or seaports and benefit from lower transportation costs of both inbound raw materials and outbound distribution of the Group's finished products. In 2018, the Skogn paper mill entered into a new and long-term logistics contract for sea freight at attractive terms. In Australasia, the mills are located in proximity to customers. In addition, the Group is the sole domestic newsprint and magazine paper producer, providing a significant cost advantage over imports.

8.4.7 Capital discipline to ensure high cash generation

The Group has a disciplined approach to capital expenditures, with investments being reviewed by mill management and corporate management on mill-by-mill and group basis. Historically, this has enabled the Group and the Former Group to maintain strong cash flows (prior to debt service payments) despite decline in the industry. In addition, the Group and the Former Group have closed and divested paper mills and reduced its fixed cost base, further improving cash flows.

The Group has seen low and manageable capital expenditure requirements at its paper mills, with capital expenditures of NOK 214 million, NOK 200 million and NOK 258 million related to paper mill operations for the years ended 31 December 2016, 2017 and 2018, respectively. Going forward, the Group expects investments for the current paper operations to be approximately NOK 200 - 250 million annually. In addition to capital expenditures for paper operations, the Group has varying amounts of annual capital expenditures for non-paper (development) activities. These expenditures are used to finance growth initiatives, such as biogas plants. For the years ended 31 December 2016, 2017 and 2018, development capital expenditure was NOK 85 million, NOK 76 million and NOK 21 million, respectively. For the six months ended 30 June 2019, the Group spent NOK 154 million on capital expenditures, whereof the vast majority was related to paper operations.

8.4.8 Evaluate non-paper growth opportunities

The Group has over the last years launched several growth initiatives beyond its traditional publication paper business. These initiatives broaden the operations of the Group, from renewable energy in the form of production of biogas from waste materials from the publication paper production, production of wood pellets to development of fibre-based construction boards. The Group continues to explore a wide range of development projects and initiatives. The initiatives are at various stages of the development cycle, ranging from early-phase research to final stages of implementation.

The Group has built biogas facilities at its Saugbrugs and Golbey mills, leveraging bio-waste from the paper production to renewable energy. The onsite biogas facilities bring two types of economic benefits, a new biogas revenue stream and reduced paper production costs. Biogas is a renewable alternative to fossil fuels, which forms part of the carbon solution. The Company believes biogas technology to have significant potentials in improving urban air quality.

In 2015, the Group acquired Nature's Flame, the market leader for wood pellets in New Zealand holding a market share of approximately 70%. The Group increased the annual production capacity from 20,000 tonnes to 40,000 tonnes, and in December 2018 the Group decided to invest about AUD 7 million during 2019 to upgrade capacity to 85,000 tonnes. The increased production capacity will be commissioned in the fourth quarter of 2019. The additional production capacity is aimed at producing industrial grade pellet fuels for both the domestic New Zealand commercial and industrial market, as well as for the rapidly growing Japanese and Korean green energy generation markets.

In November 2015, the Group entered into a joint-venture agreement with Circa Group for the manufacturing and marketing of a range of sustainable chemicals. A prototype plant has been constructed at the Boyer mill in Tasmania intended for production of Cyrene, a non-toxic alternative to existing solvents used in pharmaceutical and agrichemical industries. The first in-specification 99% pure Cyrene was produced in January 2019, with 165 kg of this product soon after being packaged and shipped to customers in the USA. The prototype plant is expected to produce approximately 50 tonnes per annum of Cyrene and has been partly financed through a grant of AUD 1.5 million from the Tasmanian Government.

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.

8.4.9 *Evaluate consolidation opportunities*

The Group believes that the industry, in order to address the forecasted demand development in mature markets such as Europe, needs to continue to focus on aligning capacity with demand and that industrial consolidation transactions are a meaningful tool to drive such focus in Europe. The Group will therefore continue to evaluate selected opportunities to enhance the Group's strategic and cost positions through industrial consolidation transactions.

8.4.10 *Evaluate opportunities to convert existing paper machines into production of other paper grades*

The Group’s seven paper mills are material industrial sites that offers up possible attractive brown field investment opportunities for investments such as packaging grades productions, since a material part of the infrastructure at a publication paper mill can be re-used for packaging grades production such as containerboard. In addition, the logistics flow of inbound raw materials and outbound finished goods materials are very similar and offers synergies compared to a green field investment alternative. Finally, an existing publication paper mill will normally have all required permits and licenses in place for such a large scale industrial production and the modification of exiting permits to a different type of production may offer a less comprehensive and a quicker process compared to a green field investment alternative. There are over the last 10 years a number of successful conversion investments made both in Europe and globally, such as PM 2 machine at the Parenco mill in Holland that was converted from SC grades to containerboard production in 2016 and the PM 1 machine at the Madrid mill in Spain that was converted from newsprint to containerboard in 2018. Of the latest announcements, the Italian paper producer Burgo is in the final phase to convert its newest and largest paper machine, the 400,000 tonnes PM 9 coated paper machine at its Verzuolo mill into containerboard production.

Public information indicates that the total investment cost in a brown field conversion investment is approximately 1/3 to 1/2 of a green field investment alternative and that converted paper machines can be competitive to new investments on all relevant performance matrixes.

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

8.4.11 *Execution-focused and experienced management team*

The Group believes that the senior corporate management team has the relevant experience to execute the Group's strategy. Each of the regional mill management teams has an average tenure of 15 years with the Group and the Former Group combined. The Group believes that it benefits from the experience and industry know-how of the senior corporate management team and the production know-how of the respective mill management teams, who have relevant experience in the global publication paper industry. In addition to experience in the publication paper industry globally, the corporate management team also has management experience from other commodities businesses. The Group maintains a decentralised decision-making structure, which allows the local management teams to manage their day-to-day operations based on local market dynamics.

8.5 Property, plants and equipment

8.5.1 Introduction

Property, plant and equipment ("**PPE**") comprise mainly of land & buildings and machinery & equipment. In addition, PPE comprise biological assets, fixtures and fittings and plants under construction. The carrying value of PPE is mainly related to the operating segments publication paper Europe, which include the operations of the Group's mills in Europe and publication paper Australasia, which include the operations of the Group's mills in Australasia.

Net carrying value of the Group's PPE amounted to NOK 4,459 million at 30 June 2019 (NOK 4,483 million at 31 December 2018). On 30 June 2019 (31 December 2018), net carrying value of PPE allocated to Europe and Australasia amounted to NOK 3,177 million (NOK 3,235 million) and NOK 1,283 million (NOK 1,248 million) respectively.

The Group has the legal ownership rights to almost all the land & buildings and machinery & equipment shown in the consolidated balance sheet. Only a minor part of machinery & equipment is related to finance leases. Please refer to Note 15 'Leases' in the 2018 Financial Statements included in Appendix B to this Prospectus for information about operating- and finance leases.

8.5.2 Mills located in Europe

The Group has four publication paper mills in Europe, which have a combined annual production capacity of 1,925,000 tonnes, split into 1,200,000 tonnes of newsprint capacity, which is produced at three of the mills and 725,000 tonnes of magazine paper capacity, which is produced at two of the 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. The mill benefits from a stable supply of wood fibre and has a long-term power contract until 2026 for delivery of approximately 0.9 TWh of electricity annually, which is sufficient to cover approximately 70% of its expected annual energy consumption.

Saugbrugs

The Group's Saugbrugs mill, located in Halden in Norway, produces super-calendered magazine paper and has three paper machines. Total production capacity at the mill was 460,000 tonnes, as of 30 June 2019. The Saugbrugs mill has a long-term power contract until 2026 for delivery of approximately 0.9 TWh of electricity annually, which is sufficient to cover approximately 70% of its expected annual energy consumption. 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. The Group's Golbey mill, together with other members of an industrial consortium established by the top 30 French industrial energy consumers, has long-term power contracts for delivery of electricity annually until 2030, which is sufficient to cover approximately one-third of the expected annual energy consumption of the mill. The remaining energy demand of Golbey is covered by energy purchases in the French energy market.

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. Bruck is served by its own power plant, which is sufficient for its expected annual energy consumption. In addition to newsprint, Bruck also produces light-weight coated mechanical paper on a paper machine commissioned in 1989. 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.

8.5.3 Mills located in Australasia

The Group has three publication paper mills in Australasia, which have a combined annual production capacity of 700,000 tonnes, split into 565,000 tonnes of newsprint produced at three of the mills and 135,000 tonnes of magazine paper produced at one mill.

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 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 (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.

8.6 Regulatory overview

The Group operates in an industry that is subject to extensive environmental regulation, which has become more stringent over time. The laws and regulations to which the Group is subject govern, among other things, water use, air emissions, wood procurement, use of recycled materials, energy sources, the storage, handling, treatment, transportation and disposal of hazardous materials, the operation of the Group's mills (including the noise impact of the operations), the protection of the environment, natural resources and endangered species, and the remediation of environmental contamination. The operations require the Group to obtain and comply with the terms and conditions of multiple environmental permits, many of which are difficult and costly to obtain and could be subject to legal challenges. Compliance with such laws and regulations at an international, regional, national, provincial and local level is an important aspect of the Group's ability to continue its current operations.

Environmental standards applicable to the Group are established by the laws and regulations of the countries in which the Group operates, standards adopted by regulatory agencies and the permits and licenses, each of which is subject to periodic and increasingly stringent modifications and requirements. Violations of these laws, regulations or permits and licenses may result in substantial civil and criminal fines, penalties, and possibly orders to cease the violating operations or to conduct or pay for corrective works. In some instances, violations may also result in the suspension or revocation of permits and licenses.

As a result of the global geographic footprint of the mills, the Group's production operations are subject to a variety of environmental laws and regulations. Further, as the Group principally operates in developed countries, such laws and regulations, compliance monitoring and enforcement are often stringent.

The Industrial Emissions Directive 2010/75EU lays down rules on integrated prevention and control of pollution arising from industrial activities and the use of best available techniques ("**BAT**") is a basic requirement of this directive. The EU Commission implementing decision of September 26, 2014 established the BAT conclusions under Directive 2010/75/EU for the production of pulp, paper and board. The BAT conclusions cover important areas including environmental management systems, waste management, waste water and emissions to water, energy consumption and efficiency. The national laws in the European countries in which the Group operates regulate waste disposal and place restrictions on land filling materials, which establish a preference for waste management methods of prevention, reuse and recycling. In Norway and Austria, only inert ash and slag from thermal recycling and incineration may be placed in landfill sites.

In addition, the Group's Subsidiaries in Europe are also subject to Regulation 1907/2006 of the European Parliament and of the Council of December 18, 2006 concerning the registration, evaluation, authorization and restriction of chemicals, which, although not directly applicable to pulp and paper, applies to a number of raw materials that the Group sources and to certain intermediate substances in the pulp production processes. Under the EU Timber Regulation 995/2010 ("**EUTR**") the Company is required to conduct due diligence in relation to the suppliers when placing timer or timber products on the EU market for the first time. Additionally, the EUTR requires economic operators in the sector to maintain supplier and customer records in order to facilitate tracing and transparency throughout the supply chain. The countries in which the Group owns production facilities have all ratified the Kyoto Protocol relating to the reduction of greenhouse gas emissions, and the Group is subject to the national laws, which implement that Protocol. Further, as an operator in an energy intensive sector governed by the EU Emissions Trading Scheme the Group is obliged to comply with the cap and trade policy, which aids countries in meeting their commitments to reduce greenhouse gas emissions. In addition, the Group is subject to Directive 2004/35/EC of the European Parliament and of the Council of April 21, 2004 concerning environmental liability and the prevention and remedying of environmental damage. Directive 2004/35/EC aims to prevent and remedy the pollution of water, damage to biodiversity and land contamination that causes serious harm to human health. As an operator, if any of the activities causes environmental damage, the Group may be required under that Directive to restore damage caused and/or pay for the clean-up and restoration, irrespective of whether the Group was at fault in causing the damage.

The Group also complies with local and national laws and regulations in each of the countries in which the Group operates. The Group believes that by requiring compliance by all of the operations worldwide with European Union regulation and standards, and the Group facilitate substantial compliance in all of the jurisdictions in which the Group has operations.

The risk of substantial environmental costs and liabilities is inherent in industrial operations, including the publication paper industry. The pulp and paper production process generates effluent containing organic compounds and nutrients, which can lead to eutrophication and a lack of oxygen in vulnerable water environments. The mills therefore have external treatment plants to reduce the discharges into water. For example, at the Albury mill, the Group is permitted to discharge effluent containing salt into the Murray River under its license with the Environment Protection Authority. However, the license also requires the Group to undertake a Green Offset Scheme which involves the removal of an offset amount of salt from another part of the Murray River catchment area. All of the Group's paper mills generate air emissions. The air emissions are mainly the result of energy production from the burning of biofuel and fossil fuel. The main air emissions are sulphur dioxide, nitrogen dioxide and particulate (ash and dust), in addition to carbon dioxide from the burning of fossil fuel.

Particulate matter from boilers is the main cause of local emissions to the air from the Group's paper mills. All the mills have filters that keep these emissions at low levels. In 2007, the Group established a greenhouse gas reduction target of 20% by 2020 compared to 2006 levels. At the end of 2018, the Group reached a reduction of 31% of the Group's greenhouse gas emissions. The Group may also engage in carbon emission units programs, under appropriate local legislation. For example, in Australia, the Group was issued with free permits to cover some of the carbon emissions under a carbon tax and emission trading scheme. This program was stopped by the Australian government on July 1, 2014 and there is no certainty as to whether such a program would be implemented again in the future. If such a program were to be implemented, there is no certainty as to what form such program would take, or of the extent to which the Albury and/or Boyer mills would be affected by the program. In Europe, our four mills are part of carbon emission units program, and are issued free permits based on a paper industry reference. Except for Bruck, which is using gas as its primary energy source until the planned new waste to energy plant is up running, the other mills receive more free allowances that what they need to purchase and deliver back to the authorities.

As part of the Group's environmental policy, it is the Group's aim that all of the production units should have certified environmental management systems, which at present, all of the mills have, as these are certified in accordance with the ISO 14001 standard of the International Organization for Standardization. Nevertheless, the risk of environmental infractions is inherent in the industry, and, from time to time, the Group has experienced minor non-compliance with such laws and regulations, or with the conditions of the emissions or other permits, and may do so again in the future.

Furthermore, the Group is subject to prevailing tax laws in each jurisdiction the Group operates. The Group has operating mills in Norway, Austria, France, Australia and New Zealand. The Group has sales companies in Germany, Italy, United Kingdom, France, Austria, Switzerland and Slovenia, i.e. the Group conducts its operations through companies in different countries, and will be subject to changes in tax laws, tax treaties or regulations or the interpretation or enforcement thereof in the various jurisdictions, possibly with retrospective effect. The Group's overall tax charge is dependent on where profits are generated and taxed, whereas different countries have different tax systems and tax rates. Different jurisdictions have different legal systems with different laws for tax residency, tax credits and tax exemption rules. Tax, goods and service tax (GST) and VAT laws and regulations are highly complex and subject to interpretation. The Group's tax expense will be based upon the Group's interpretation of the tax laws in effect in the various countries at the time the profit is generated.

8.7 Insurance

The Group has various insurance policies in place for its operations, including property damage and business interruption, marine cargo/transportation, environmental liability, general third-party and product liability, commercial crime, employee life and disability insurance, occupational injury all subject to certain limitations, deductibles and caps. The Company's management and Board of Directors are also covered by directors and officers liability insurance.

The Company's management considers the Group to be adequately covered with regard to the nature of the business activities of the Group and the related risks in the context of available insurance offerings and premiums. Management regularly reviews the adequacy of the insurance coverage. However, no assurance can be given that the Group will not incur any damages that are not covered by its insurance policies or that exceed the coverage limits of such insurance policies.

8.8 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 Company nor any other company in the Group, 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 Company’s and/or the Group’s financial position or profitability, and the Company is not aware of any such proceedings which are pending or threatened.

In December 2017, the Company'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 Company's and/or the Group's financial position or profitability.

8.9 Material contracts outside the ordinary course

Neither the Company nor any other member of the Group 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.

8.10 Research and development and dependency on contracts, patents, licenses etc.

It is the Company's opinion that the Group's existing business and profitability are not dependent upon any contracts. It is further the opinion of the Company that the Group's existing business and profitability is not dependent on any patents, licenses or other intellectual property.

Norske Skog's research and development work is performed at the individual business units and in cooperation with external research institutions, if required. 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. See Section 8.3.6 "New revenue sources" for more information on the new innovative business initiatives.

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 commercialized. Norske Skog will continue to explore projects within bioenergy that support and develop its business.

During the last three financial years, the Group has spent 1,188 (2016), 713 (2017) and 3,534 (2018), on research and development (amounts in NOK thousand).

9 CAPITALISATION AND INDEBTEDNESS

9.1 Introduction

The information presented below has been extracted from the Interim Financial Information and should be read in connection with the information included elsewhere in this Prospectus, in particular Section 10 "Selected financial and other information" and Section 11 "Operating and financial review", as well as the Interim Financial Statements and related notes, included in Appendix C of this Prospectus.

The financial information presented below provides information about the Group's unaudited consolidated capitalisation and net financial indebtedness on an actual basis of 30 June 2019.

There has been no material changes to the Group's unaudited consolidated capitalisation and net financial indebtedness since 30 June 2019.

9.2 Capitalisation

The following table sets forth information about the Group's unaudited consolidated capitalisation as of 30 June 2019, derived from the Interim Financial Information. There has been no material change since 30 June 2019.

Capitalisation	**As of 30 June 2019**
(In NOK million)	
Indebtedness	
Total current debt:	**329**
Guaranteed[1]	3
Secured[1]	7
Unguaranteed/Unsecured	318
Total non-current debt:	**1,473**
Guaranteed[1]	16
Secured[1]	1,270
Unguaranteed/Unsecured	188
Total indebtedness	**1,802**
Shareholders' equity	
Share capital	330
Additional paid-in capital	8,180
Other reserves	-
Retained earnings	(3,950)
Total shareholders' equity	**4,560**
Total capitalisation	**6,362**

1 Includes the Notes which are also guaranteed by material subsidiaries. See Section 11.7.1 and 11.9.1 for more information on security and guarantees provided in relation to the Notes and the RCF.

9.3 Net financial indebtedness

The following table sets forth information about the Group's unaudited net financial indebtedness as of 30 June 2019, derived from the Interim Financial Information. There has been no material change since 30 June 2019.

Indebtedness		**As of 30 June 2019**
(In NOK million)		
(A)	Cash	861
(B)	Cash equivalents	-
(C)	Trading securities	-
(D)	**Liquidity (A)+(B)+(C)**	**861**
(E)	**Current financial receivables**	**-**
(F)	Current bank debt	268

Indebtedness

(In NOK million)		As of 30 June 2019
(G)	Current portion of non-current debt	13
(H)	Other current financial debt	48
(I)	**Current financial debt (F)+(G)+(H)**	**329**
(J)	**Net current financial indebtedness (I)-(E)-(D)**	**(532)**
(K)	Non-current bank loans	125
(L)	Notes issued	1,185
(M)	Other non-current loans[1]	163
(N)	**Non-current financial indebtedness (K)+(L)+(M)**	**1,473**
(O)	**Net financial indebtedness (J)+(N)**	**941**

1 Includes leasing.

9.4 Working capital statement

The Company is of the opinion that the working capital available to the Group is sufficient for the Group's present requirements, for the period covering at least 12 months from the date of this Prospectus.

9.5 Contingent and indirect indebtedness

As of 30 June 2019 and as of the date of the Prospectus, the Group does not have any contingent or indirect indebtedness.

10 SELECTED FINANCIAL AND OTHER INFORMATION

10.1 Introduction and basis for preparation

The following selected financial information has been extracted from the Company's audited consolidated financial statements as of, and for the years ended, 31 December 2018, 2017 and 2016 (the Financial Statements) and the Company's unaudited condensed consolidated interim financial statements as of, and for the three and six months' periods ended 30 June 2019 (with comparable figures for the same periods of 2018) (the Interim Financial Statements).

The audited consolidated financial statements as of, and for the years ended 31 December 2018, 2017 and 2016 have been prepared in accordance with IFRS. The Financial Statements are included in Appendix B to this Prospectus. The Interim Financial Statements have not been audited, but the interim financial statements as of and for the six months' period ended 30 June 2019 have been subject to a review by BDO.

Following the disagreement with the Former Group's auditor, EY, as described below in Section 10.3 "Auditor", BDO was appointed as auditor to the Group Companies (as defined below). Following the appointment, BDO gave a qualified opinion to the annual financial statements for 2016 on the basis of the following:

- BDO was unable to obtain sufficient appropriate evidence regarding the valuation of the Group's property, plant and equipment as at 31 December 2015, and consequently, BDO were unable to identify whether all, or parts, of the impairments recorded 30 June 2016, and an updated impairment test as at 31 December 2016, should have been allocated to prior accounting periods; and

- BDO's opinion that there was significant uncertainty as to whether the Company was able to refinance the notes maturing in 2019.

The selected consolidated financial information included herein should be read in connection with, and is qualified in its entirety by reference to, the Financial Statements and Interim Financial Statements included in Appendix B and Appendix C, respectively, of this Prospectus, and should be read together with Section 11 "Operating and financial review".

10.2 Summary of accounting policies and principles

For information regarding accounting policies and the use of estimates and judgments, please refer to note 2 of the financial statements for the year ended 31 December 2018, note 2 of the financial statements for the year ended 31 December 2017 and note 2 of the financial statements for the year ended 31 December 2016, and note 2 of the Interim Financial Statements ended 30 June 2019. The Financial Information is included in this Prospectus as Appendix B and C.

10.3 Auditor

The Company's independent auditor is BDO with company registration number 993 606 650, and business address at Munkedamsveien 45 A, N-0250 Oslo, Norway. The partners of BDO are members of the Norwegian Institute of Public Accountants (*Nw.: Den Norske Revisorforening*). BDO has been the Company's auditor since 23 August 2016. The reason for the change in auditor in 2016 was due to a disagreement between the Former Group and its previous auditor Ernst & Young AS ("**EY**") regarding the basis for calculating the value of the Former Group's property, plant and equipment. EY gave an adverse opinion on the annual financial statements of the Former Group for 2015 as it considered the Former Group's investment in associates and the carrying value of property, plant and equipment to be significantly overstated based on its analysis of recoverable amount and that such matters constituted significant departures from International Financial Reporting Standards as adopted by the EU. Furthermore, EY was of the opinion that an impairment of at least NOK 2,000 million should have been recognized applying the going concern assumption. EY sent its notice of resignation to the Register of Business Enterprises on 25 May 2016.

The Financial Statements have been audited by BDO, and the audit reports are included together with the Financial Statements in Appendix B. The Interim Financial Statements have not been audited, but the interim financial statements as of and for the six months' period ended 30 June 2019 have been subject to a review by BDO. BDO has not audited, reviewed or produced any report on any other information provided in this Prospectus.

10.4 Consolidated income statement

The table below sets out selected data from the Company's unaudited condensed consolidated interim income statement for the three and six months' periods ended 30 June 2019 and 2018 and from the Company's audited consolidated statements of income for the years ended 31 December 2018, 2017 and 2016.

In NOK million	Three months ended 30 June		Six months ended 30 June		Year ended 31 December		
	2019	**2018**	**2019**	**2018**	**2018**	**2017**	**2016**
	IAS 34 (unaudited)	*IAS 34 (unaudited)*	*IAS 34 (unaudited)*	*IAS 34 (unaudited)*	*IFRS (audited)*	*IFRS (audited)*	*IFRS (audited)*
Total operating income	**3,316**	**3,040**	**6,423**	**6,001**	**12,641**	**11,527**	**11,852**
Distribution costs	(308)	(323)	(612)	(635)	(1,303)	(1,255)	(1,229)
Cost of materials	(1,853)	(1,750)	(3,540)	(3,479)	(7,520)	(6,915)	(6,857)
Employee benefit expenses	(476)	(462)	(932)	(914)	(1,856)	(1,718)	(1,762)
Other operating expenses	(235)	(226)	(466)	(442)	(931)	(937)	(907)
EBITDA	**444**	**279**	**873**	**530**	**1,031**	**702**	**1,097**
Restructuring expenses	(9)	(4)	(18)	(5)	(15)	(9)	(64)
Depreciation	(113)	(111)	(225)	(223)	(446)	(608)	(674)
Derivatives and other fair-value adjustments	828	21	773	49	356	(88)	(126)
Impairments	0	0	0	0	0	(1,699)	(1,180)
Operating earnings	**1,150**	**184**	**1,403**	**351**	**926**	**(1,702)**	**(947)**
Share of profit in associated companies	0	0	0	0	(9)	(61)	(211)
Financial income	5	108	8	109	1,289	5	16
Financial expenses	(57)	(173)	(124)	(357)	(804)	(1,247)	(535)
Net unrealized/realized gains/losses on foreign currency	(16)	63	57	131	201	(312)	179
Profit/Loss before income taxes	**1,082**	**181**	**1,343**	**233**	**1,603**	**(3,317)**	**(1,498)**
Income taxes	(50)	1	(159)	(24)	(78)	(234)	527
Profit/loss after tax	**1,032**	**183**	**1,184**	**210**	**1,525**	**(3,551)**	**(972)**

10.5 Consolidated statement of comprehensive income

The table below sets out selected data from the Company's unaudited condensed consolidated interim statements of comprehensive income for the three and six months' periods ended 30 June 2019 and 2018 and from the Company's audited consolidated statements of comprehensive income for the years ended 31 December 2018, 2017 and 2016.

In NOK million	Three months ended 30 June		Six months ended 30 June		Year ended 31 December		
	2019	**2018**	**2019**	**2018**	**2018**	**2017**	**2016**
	IAS 34 (unaudited)	*IAS 34 (unaudited)*	*IAS 34 (unaudited)*	*IAS 34 (unaudited)*	*IFRS (audited)*	*IFRS (audited)*	*IFRS (audited)*
Profit/loss after tax	**1,032**	**183**	**1,184**	**210**	**1,525**	**(3,551)**	**(972)**
Other comprehensive income							
Items that may be reclassified subsequently to profit or loss							
Currency translation differences	(28)	(33)	(90)	(58)	24	155	(223)
Reclassified translation differences upon divestment of foreign operations	0	0	0	0	0	(102)	0
Tax expense on translation differences	0	0	0	0	0	0	0
Total	**(28)**	**(33)**	**(90)**	**(58)**	**24**	**53**	**(223)**
Items that will not be reclassified subsequently to profit or loss							
Remeasurements of post employment benefit obligations	0	0	0	0	(8)	(26)	(10)
Tax effect on remeasurements of post employment benefit obligations	0	0	0	0	1	6	(1)
Total	**0**	**0**	**0**	**0**	**(7)**	**(20)**	**(11)**
Other comprehensive income	**(28)**	**(33)**	**(90)**	**(58)**	**17**	**34**	**(234)**
Total comprehensive income	**1,004**	**150**	**1,094**	**151**	**1,542**	**(3,517)**	**(1,206)**

10.6 Consolidated balance sheet

The table below sets out selected data from the Company's unaudited consolidated interim balance sheet as at 30 June 2019 and 2018 and from the Company's audited consolidated balance sheet as at 31 December 2018, 2017 and 2016.

In NOK million	**As at 30 June**		**As at 31 December**		
	2019 *IAS 34 (unaudited)*	**2018** *IAS 34 (unaudited)*	**2018** *IFRS (audited)*	**2017** *IFRS (audited)*	**2016** *IFRS (audited)*
Assets					
Deferred tax assets	64	65	64	64	257
Intangible assets	26	29	30	23	22
Property, plant and equipment	4,459	4,422	4,483	4,698	6,548
Investments in associated companies	1	1	1	1	151
Other non-current assets	962	150	210	153	206
Total non-current assets	**5,512**	**4,666**	**4,789**	**4,939**	**7,184**
Inventories	1,547	1,216	1,304	1,148	1,161
Trade and other receivables	1,227	1,341	1,403	1,497	1,732
Cash and cash equivalents	861	718	912	433	371
Other current assets	224	117	157	92	49
Total current assets	**3,859**	**3,391**	**3,776**	**3,170**	**3,313**
Total assets	**9,372**	**8,058**	**8,565**	**8,109**	**10,497**
Shareholders' equity and liabilities					
Paid-in equity	8,510	5,160	7,409	5,160	5,160
Retained earnings and other reserves	(3,950)	(6,435)	(5,044)	(6,586)	(3,069)
Total equity	**4,560**	**(1,275)**	**2,365**	**(1,427)**	**2,090**
Pension obligations	260	249	271	262	226
Deferred tax liability	326	321	328	348	303
Interest bearing non-current liabilities	1,473	1,321	2,318	1,348	4,979
Other non-current liabilities	343	513	353	602	524
Total non-current liabilities	**2,403**	**2,403**	**3,270**	**2,560**	**6,033**
Interest-bearing liabilities	329	4,852	862	4,802	430
Trade and other payables	1,796	1,749	1,864	2,052	1,797
Tax payable	144	36	87	4	11
Other current liabilities	140	293	118	119	137
Total current liabilities	**2,409**	**6,930**	**2,931**	**6,976**	**2,374**
Total liabilities	**4,811**	**9,333**	**6,200**	**9,535**	**8,407**
Total equity and liabilities	**9,372**	**8,058**	**8,565**	**8,109**	**10,497**

10.7 Consolidated statement of cash flows

The table below sets out selected data from the Company's unaudited condensed consolidated interim statement of cash flow for the three and six months' periods ended 30 June 2019 and 2018 and from the Company's audited consolidated statement of cash flows for the years ended 31 December 2018, 2017 and 2016.

In NOK million	**Three months ended 30 June**		**Six months ended 30 June**		**Year ended 31 December**		
	2019 *IAS 34 (unaudited)*	**2018** *IAS 34 (unaudited)*	**2019** *IAS 34 (unaudited)*	**2018** *IAS 34 (unaudited)*	**2018** *IFRS (audited)*	**2017** *IFRS (audited)*	**2016** *IFRS (audited)*
Cash flow from operating activities							
Cash generated from operations	3,312	3,134	6,577	6,155	12,736	11,378	11,804
Cash used in operations	(2,946)	(2,805)	(5,885)	(5,651)	(11,765)	(10,772)	(10,816)
Cash flow from currency hedges and financial items	(9)	(12)	(16)	(21)	(43)	(21)	(28)
Interest payments received	2	1	5	3	8	4	15
Interest payments made	(43)	(8)	(58)	(15)	(35)	(167)	(457)
Taxes paid	(91)	(7)	(92)	(8)	(20)	(19)	(4)
Net cash flow from operating activities[1)]	**225**	**303**	**531**	**464**	**881**	**404**	**514**

In NOK million	**Three months ended 30 June**		**Six months ended 30 June**		**Year ended 31 December**		
	2019 *IAS 34 (unaudited)*	**2018** *IAS 34 (unaudited)*	**2019** *IAS 34 (unaudited)*	**2018** *IAS 34 (unaudited)*	**2018** *IFRS (audited)*	**2017** *IFRS (audited)*	**2016** *IFRS (audited)*
Cash flow from investing activities							
Purchase of property, plant and equipment and intangible assets	(78)	(46)	(154)	(111)	(279)	(276)	(299)
Sales of property, plant and equipment and intangible assets	0	0	0	1	1	5	194
Purchase of shares in companies and other financial payments	(15)	(12)	(30)	(19)	(31)	(29)	0
Sales of shares in companies and other financial payments	4	119	4	119	121	21	(1)
Net cash flow from investing activities	**(88)**	**62**	**(180)**	**(9)**	**(188)**	**(279)**	**(105)**
Cash flow from financing activities							
New loans raised	1,261	91	1,287	99	332	424	1,446
Repayment of loans	(1,166)	(111)	(1,667)	(244)	(370)	(401)	(553)
Other cash flow from financing activities				0	(178)	(89)	(1,185)
Net cash flow from financing activities	**95**	**(21)**	**(379)**	**(146)**	**(215)**	**(65)**	**(293)**
Foreign currency effects on cash and cash equivalents	(9)	(2)	(23)	(24)	3	2	(17)
Total change in cash and cash equivalents	**223**	**341**	**(51)**	**285**	**480**	**62**	**99**
Cash and cash equivalents 1 January/1 April	638	376	912	433	433	371	271
Cash and cash equivalents 31 December/30 June	861	718	861	718	912	433	371
1) Reconciliation of net cash flow from operating activities							
Profit/loss before income taxes	1,082	181	1,343	233	1,603	(3,317)	(1,498)
Depreciation and impairments	113	111	225	223	446	2,307	1,854
Share of profit in associated companies	0	0	0	0	9	61	211
Gains and losses from divestment of business activities and property, plant and equipment	(89)	0	(89)	(1)	(1)	0	16
Taxes paid	(91)	(7)	(92)	(8)	(20)	(19)	(4)
Change in trade and other receivables	85	94	243	155	94	(148)	(48)
Change in inventories	(54)	(78)	(263)	(102)	(165)	48	59
Change in trade and other payables	4	47	(20)	(51)	66	42	(23)
Change in restructuring provision	(3)	2	1	(1)	(11)	(30)	(5)
Financial items with no cash impact	18	(17)	(10)	84	(756)	1,370	(130)
Gains and losses on commodity contracts and embedded derivatives	(837)	(26)	(787)	(62)	(377)	73	95
Value change biological assets	3	3	6	5	12	18	12

In NOK million	Three months ended 30 June		Six months ended 30 June		Year ended 31 December		
	2019 *IAS 34 (unaudited)*	**2018** *IAS 34 (unaudited)*	**2019** *IAS 34 (unaudited)*	**2018** *IAS 34 (unaudited)*	**2018** *IFRS (audited)*	**2017** *IFRS (audited)*	**2016** *IFRS (audited)*
Disposal and repurchasing of renewable energy certificates	5	(4)	(13)	(3)	(4)	(3)	(3)
Change in environmental provisions with no cash impact	0	0	0	0	(4)	2	(3)
Change in pension obligations and other long term employee benefits	(4)	(2)	(7)	(6)	(8)	(6)	(15)
Other	(7)	(1)	(6)	(2)	(3)	8	(4)
Net cash flow from operating activities	**225**	**303**	**531**	**464**	**881**	**404**	**514**

10.8 Selected statement of changes in equity

The table below sets out selected data from the Company's audited consolidated statement of changes in equity for the years ended 31 December 2016, 2017 and 2018 and from the Company's unaudited consolidated statement of changes in equity for the three and six months' periods ended 30 June 2018 and 2019.

In NOK million **Changes in equity**	**Paid-in equity**	**Other paid-in equity**	**Retained earnings**	**Other equity reserves**	**Total Equity**
At 1 January 2016	**6,593**	**0**	**(2,063)**	**199**	**4,729**
Loss after tax	0	0	(972)	0	(972)
Repaid paid-in capital	(1,434)	0	0	0	(1,434)
Other comprehensive income	0	0	(35)	(199)	(234)
At 31 December 2016	**5,160**	**0**	**(3,069)**	**0**	**2,090**
At 1 January 2017	**5,160**	**0**	**(3,069)**	**0**	**2,090**
Loss after tax	0	0	(3,551)	0	(3,551)
Other comprehensive income	0	0	34	0	34
At 31 December 2017	**5,160**	**0**	**(6,586)**	**0**	**(1,427)**
At 1 January 2018	**5,160**	**0**	**(6,586)**	**0**	**(1,427)**
Derecognition of debt	0	2,249	0	0	2,249
Profit after tax	0	0	1,525	0	1,525
Other comprehensive income	0	0	17	0	17
At 31 December 2018	**5,160**	**2,249**	**(5,044)**	**0**	**2,365**
At 31 March 2018	**5,160**	**0**	**(6,584)**	**0**	**(1,425)**
Profit after tax	0	0	183	0	183
Other comprehensive income	0	0	(33	0	(33)
At 30 June 2018	**5,160**	**0**	**(6,435)**	**0**	**(1,275)**
At 1 January 2018	**5,160**	**0**	**(6,586)**	**0**	**(1,427)**
Profit after tax	0	0	210	0	210
Other comprehensive income	0	0	(58)	0	(58)
At 30 June 2018	**5,160**	**0**	**(6,434)**	**0**	**(1,275)**
At 31 March 2019	**5,160**	**2,249**	**(4,953)**	**0**	**2,456**
Profit after tax	0	0	1,032	0	1,032
Increase in share capital	1,102	0	0	0	1,102
Other comprehensive income	0	0	(28)	0	(28)
At 30 June 2019	**6,261**	**2,249**	**(3,949)**	**0**	**4,560**
At 1 January 2019	**5,160**	**2,249**	**(5,044)**	**0**	**2,365**
Profit after tax	0	0	1,184	0	1,184
Increase in share capital	1,102	0	0	0	1,102
Other comprehensive income	0	0	(90)	0	(90)
At 30 June 2019	**6,261**	**2,249**	**(3,949)**	**0**	**4,560**

10.9 Key financial information by segment

10.9.1 Operating revenue by segment

The activities in the Group are divided into two operating segments: (i) publication paper Europe and (ii) publication paper Australasia. Activities that are not part of the two operating segments are included in other activities. See Section 11.2 "Reporting segments" for further discussion on operational and financial measures the Group believes are useful in assessing its historical and future performance.

The table below sets out selected data from the Group's operating revenue and expenses by operating segment for the years ended 31 December 2018, 2017 and 2016, as extracted from the Financial Statements.

In NOK million	**Year ended 31 December 2018 (audited)**				
	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)
EBITDA	**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

In NOK million	**Year ended 31 December 2017 (audited)**				
	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)
EBITDA	**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

In NOK million	Year ended 31 December 2016 (audited)				
	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	(6,971)
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)
EBITDA	**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

10.9.2 Operating revenue by geographical area

The table below sets out selected data from the Group's operating revenue by geographic area for the years ended 31 December 2018, 2017 and 2016, as extracted from the Financial Statements.

In NOK million	Year ended 31 December		
Operating revenue per geographical area	**2018** *IFRS* *(audited)*	**2017** *IFRS* *(audited)*	**2016** *IFRS* *(audited)*
Norway	307	227	286
Rest of Europe	8,212	7,125	6,971
North America	487	386	598
South America	0	76	43
Australasia	2,093	2,495	2,772
Asia	1,402	1,059	990
Africa	141	158	191
Total revenue	**12,641**	**11,527**	**11,852**

10.10 Earnings per share

The table below sets out the earnings per share for the three and six months' periods ended 30 June 2019 and 2018 and the years ended 31 December 2018, 2017 and 2016, on an actual basis and as adjusted for the share split resolved at the extraordinary General Meeting held on 18 September 2019 (Adjusted EPS, cf. Section 4.2.2 "Alternative performance measures (APMs)").

In NOK	Three months ended 30 June		Six months ended 30 June		Year ended 31 December		
	2019 *IAS 34* *(unaudited)*	**2018** *IAS 34* *(unaudited)*	**2019** *IAS 34* *(unaudited)*	**2018** *IAS 34* *(unaudited)*	**2018** *IFRS* *(unaudited)*	**2017** *IFRS* *(unaudited)*	**2016** *IFRS* *(unaudited)*
Profit/loss after tax (in NOK million)	1,032	183	1,184	210	1,525[1]	(3,551)[1]	(972)[1]
Earnings per share (basic and diluted)	**34,390**	**6,094**	**39,480**	**6,985**	**50,833**	**(118,367)**	**(32,400)**
Adjusted EPS	**12.51**	**2.22**	**14.36**	**2.54**	**18.48**	**(43.04)**	**(11.78)**

1 Audited.

11 OPERATING AND FINANCIAL REVIEW

This operating and financial review should be read together with Section 10 "Selected financial and other information" and the Financial Statements and Interim Financial Statements and related notes included in Appendix B and Appendix C, respectively, attached to this Prospectus. The Financial Statements for the years ended 31 December 2018, 2017 and 2016 have been prepared in accordance with IFRS and interpretations by IASB, as adopted by the EU, as well as additional Norwegian reporting requirements pursuant to the Norwegian Accounting Act of 17 July 1998 no. 56. The unaudited condensed Interim Financial Statements for the three and six months' periods ended 30 June 2019 have been prepared in accordance with IAS 34. The Financial Statements have been audited by BDO, as set forth in their report thereon included therein. The Interim Financial Statements have not been audited, but the interim financial statements as of and for the six months' period ended 30 June 2019 have been subject to a review by BDO, as set forth in their review report included therein.

*The operating and financial review contains Forward-looking Statements. These Forward-looking Statements are not historical facts, but are rather based on the Company's current expectations, estimates, assumptions and projections about the Group's industry, business and future financial results. Actual results could differ materially from the results contemplated by these Forward-looking Statements because of several factors, including those discussed in Section 2 "Risk factors" and Section 4.3 "*Cautionary note regarding Forward-looking Statements*", as well as other Sections of this Prospectus.*

11.1 Presentation of financial information

The Financial Statements have been prepared in accordance with IFRS and interpretations by IASB, as adopted by the EU, and are attached to this Prospectus as Appendix B. The Interim Financial Statements have been prepared in accordance with IAS 34 and is attached to this Prospectus as Appendix C.

The Financial Statements have been audited by BDO, as set forth in their audit reports included hereto in Appendix B. BDO has also issued a review report with respect to the Interim Financial Statements included in Appendix C hereto.

Please refer to Section 4.2.2 "Alternative performance measures (APMs)" for definitions of the non-IFRS measures.

11.2 Reporting segments

11.2.1 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.

11.2.2 Accounting policies applied in 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.

11.2.3 Performance measurement

The Group assesses the performance of the operating segments based on a measure of EBITDA. These items exclude the effects of expenditure not deemed to be part of the regular operating activities of the segment, such as restructuring expenses, depreciation, impairments, changes in fair value of certain energy contracts, embedded derivatives in energy contracts and biological assets.

11.2.4 Intercompany transaction

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.

11.3 Significant factors affecting the Group's results of operations and financial performance

11.3.1 Overview

The Group's operations and results of operations have been, and may continue to be, affected by a range of factors. The factors that Management believes have had a material effect on the Group's results of operations during the periods under review, as well as those considered reasonably likely to have a material effect on its results of operations and may consequently lead to additional impairments in the future, are described in the following (See also risk factors in 2.1).

11.3.2 Demand for publication paper

Demand for publication paper is structurally declining due to increasing digitalisation, especially consumers shifting preferences from printed media to electronic media. As a result, there is a declining demand in certain markets for publication paper also in the two main regions that Norske Skog is operating, Western Europe and Australasia, and the trend is expected to continue. A decline in demand could lead to overcapacity in the Group's main markets and have material adverse effect on the Group's business through reduced selling prices for the Group's products and lack of orders for production and temporary and permanent capacity closures. As the market balance is the single most important driver for selling prices of publication paper, the structural demand decline could lead to periods where overcapacity leads to unsustainable margins.

11.3.3 Prices for the publication paper grades

Selling prices of publication paper is one of the most important factors affecting the Group's profitability. As the publication paper products are generic with few distinguishing qualities from producer to producer, price competition among the producers of publication paper is strong as prices are to a large degree determined by levels of supply and demand. Except for the long-term selling price contract the Group has with the two main newsprint publishers in Australasia, the Group is exposed to fluctuations in selling prices. For instance, in 2015 the Group's European operations suffered from lower selling prices for Newsprint, SC and LWC, driven by overcapacity in the industry. The annual EBITDA effect of the selling price decline from 2014 to 2015 for the European operations were approximately NOK 470-500 million.

11.3.4 Prices for energy

Energy is the single most significant cost item for the Group and for all of the Group's publication paper mills. The Group has entered into long-term contracts for supply of electricity at several of the mills, but are still exposed to the spot market which could be highly fluctuating. In 2018, the Group's experienced significant negative effects due to higher prices on spot electricity, both in Norway and in New Zealand, which materially impacted the result negatively. For instance, from Q3 to Q4 in 2018 the market prices for electricity in New Zealand more than doubled, resulting in both production downtime (due to negative contribution margins) and a cost increase with a total negative effect of approximately NOK 70-80 million.

11.3.5 Prices for raw materials

The Group's operations utilises several raw materials besides energy, such as wood, recovered paper and chemicals. From time to time the Group can be subject to unpredictable supplies of its raw materials, and with no assurance that the Group would be able to source alternative supplies of raw materials in a timely or cost-effective manner or at all. In the autumn of 2017 and in the first half of 2018 wood supply in Norway came under pressure due to high demand of pulp wood combined with extreme weather conditions affecting wood harvesting and the inbound logistics. As a consequence both the Skogn and Saugbrugs mill in this period needed to take production downtime due to lack of wood supplies.

11.3.6 Exchange rate fluctuations

As a consequence of the Group's 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 has the possibility and may enter into hedging arrangements, 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 have traditionally had significant effects on the Group's financial results of operations, even though the effects in 2018 was not that material.

11.3.7 Operational, health, safety and environmental issues

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 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. For instance, in the second half of 2018 an electrical refiner motor and the back-up motor at the Boyer mill in Australasia failed, which caused reduced production output from the newsprint machine and increased costs.

Further, in May 2018 a gas leakage incident occurred at the Group's Albury mill causing the death of two employees. The incident caused extraordinary production downtime of around 3 weeks. The lost volume and additional costs during this period was estimated to be around NOK 40-60 million.

11.4 Financial review

11.4.1 Results of operations

11.4.1.1 Results of operations for the three month period ended 30 June 2019 compared to the three month period ended 30 June 2018

Norske Skog's operating income was NOK 3,316 million for the three month period ended 30 June 2019 (NOK 3,040 million in Q2 2018). The increase reflects higher prices for publication paper in Europe, while export prices into Asia from Australasia has decreased significantly reducing revenue in the segment. Costs of materials, NOK 1,853 million in the period (NOK 1,750 million in Q2 2018), also increased primarily in Europe due to higher fibre prices, but was offset somewhat by lower energy prices. EBITDA increased to NOK 444 million in the period (NOK 279 million in Q2 2018) which can be attributed to an increase of prices for publication paper in Europe, while EBITDA for publication paper Australasia decreased significantly following the steep drop in paper prices in Asia.

Depreciation is NOK 113 million in the period (NOK 111 million in Q2 2018). Restructuring expenses in the period amounted to NOK 9 million (NOK 4 million in Q2 2018) and is mainly related to reduction of personnel. Derivatives and fair value adjustments in the period ended at NOK 828 million (NOK 21 million in Q2 2018), largely reflecting a significant higher mark to market valuation of embedded derivatives in energy contracts in Norway due to decrease in estimated future paper prices and increase in estimated future pulpwood prices as of Q2 2019.

Operating earnings ended at NOK 1,150 million in the period (NOK 184 million in Q2 2018). The improvement reflects better market conditions into 2019 for Europe and the positive impact from derivatives and fair value adjustment. Interest cost where reduced significantly following the discharge of debt in Q3 2018. Net profit for the period was NOK 1,032 million in the period (NOK 183 million in Q2 2018).

Net cash flow from operating activities ended at NOK 225 million in the period (NOK 303 million Q2 2018). Cash from operations was NOK 366 million (NOK 329 million in Q2 2018) reflecting the improved operating environment in 2019. Cash from net financial items, primarily interest on loans, amounted to NOK -50 million (NOK -19 million in Q2 2018), while taxes paid was NOK 91 million (NOK 7 million in Q2 2018).

Equity as at 30 June 2019 was NOK 4,560 million (NOK -1,275 million as at 30 June 2018). There increase reflects the discharge of debt in third quarter 2018 and the profit in the period.

11.4.1.2 Results of operations for the six months' period ended 30 June 2019 compared to the six months' period ended 30 June 2018

Norske Skog's operating income was NOK 6,423 million for the six months' period ended 30 June 2019 (NOK 6,001 million in H1 2018). The increase reflects higher prices for publication paper in Europe, while export prices into Asia from Australasia has decreased significantly reducing revenue in the segment. Costs of materials is NOK 3,540 million in the period (NOK 3,479 million in H1 2018) as energy prices have decreased while fibre prices have increased. EBITDA increased to NOK 873 million in the period (NOK 530 million in H1 2018) which can be attributed to publication Europe, while EBITDA for publication paper Australasia decreased significantly following the steep drop in paper prices in Asia.

Depreciation is NOK 225 million in the period (NOK 223 million in H1 2018). Restructuring expenses in the period amounted to NOK 18 million (NOK 5 million in H1 2018) and is mainly related to reduction of personnel. Gains on derivatives and other fair value adjustments in the period ended at NOK 773 million (NOK 49 million in H1 2018), largely reflecting a change in the value of embedded derivatives in commodity contracts following changes in underlying factors and certain energy contracts being accounted for at fair value.

Operating earnings ended at NOK 1,403 million in the period (NOK 351 million in H1 2018). The improvement reflects better market conditions into 2019 for Europe and the positive impact from derivatives and other fair value adjustments largely reflecting a significant higher mark to market valuation of embedded derivatives in energy contracts in Norway due to decrease in estimated future paper prices and increase in estimated future pulpwood prices as of 30 June 2019. Interest costs in the period on NOK 101 (NOK 313 million in H1 2018) where reduced significantly following the discharge of debt in Q3 2018. Net profit for the period was NOK 1,184 million in the period (NOK 210 million in H1 2018).

Net cash flow from operating activities ended at NOK 531 million in the period (NOK 464 million H1 2018). Cash from operations was NOK 692 million (NOK 504 million in Q2 2018) reflecting the improved operating environment in 2019. Cash from net financial items, primarily interest on loans, amounted to NOK -69 million (NOK -33 million in H1 2018), while taxes paid was NOK 92 million (NOK 8 million in H1 2018).

11.4.1.3 Results of operations for the year ended 31 December 2018 compared to the year ended 31 December 2017

Norske Skog's operating revenue was NOK 12,641 million in 2018 (NOK 11,527 million in 2017). The increase reflected a turn-around in paper prices with significant increases at the end of the year, both in Europe and Australasia. The price increases was seen within most publication paper segments, but particularly for Newsprint. However, costs of materials went up due to higher fibre and energy prices thereby offsetting a large part of the price increases. In addition, two fatalities at the Albury facility caused three weeks downtime at the mill. New Zealand experienced very high energy costs in Q4, impacting both costs and causing downtime. Further, employee benefit expenses increased year-on-year, as Norske Skog AS from 1 January 2018 employed the employees of the former parent company Norske Skogindustrier ASA. EBITDA increased to NOK 1,031 million in 2018 (NOK 702 million in 2017). Depreciation is NOK 446 million in 2018 (NOK 608 million in 2017). 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 in 2017) and is mainly related to reductions of personnel at the mills. Other gains and losses in 2018 ended at NOK 356 million (NOK -88 million in 2017), largely reflecting the effects of terminating energy contracts, a change in the value of embedded derivatives due to changes in NOK against EUR and certain energy contracts being accounted for at fair value.

Operating earnings ended at NOK 926 million in 2018 (NOK -1,702 million in 2017). 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 in 2017) due to gain from discharge of debt included in financial income of NOK 1,289 million (NOK 5 million in 2017). The discharge of debt was a consequence of the completion of the sale of the shares of Norske Skog AS to Oceanwood. Financial expenses of NOK 804 million in 2018 (NOK 1,247 million in 2017) 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 in 2017) are 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 recognised in the income statement for 2018 amounted to NOK -78 million (NOK -234 million in 2017), primarily as a result of changes in deferred tax.

Profit for the period was NOK 1,525 million in 2018 (NOK -3,551 million in 2017).

Net cash flow from operating activities ended at NOK 881 million in 2018 (NOK 404 million in 2017). Cash from operations was NOK 971 million (NOK 606 million in 2017) 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 in 2017), while taxes paid was NOK 20 million (NOK 19 million in 2017). The lower interest payments are due to Norske Skog AS not paying interests on its outstanding debt from June 2017.

11.4.1.4 Results of operations for the year ended 31 December 2017 compared to the year ended 31 December 2016

Norske Skog's operating revenue was NOK 11,527 million in 2017 (NOK 11,852 million in 2016). The European market was challenged as magazine paper prices fell. In Australasia, the structural decline in demand continued, further driving an increase in exports to Asia where prices remained low. Australasian operations were further impacted by unfavourable currency impact. EBITDA decreased to NOK 702 million in 2017 (NOK 1,097 million in 2016). The Group’s variable costs have been higher, driven by higher cost of recovered paper, fibre and energy. In addition, the Norwegian mills experienced a shortage of fibre, which contributed to inefficient operations and increased costs. Last, there was a positive impact of improvement in fibre and energy consumption following investments at certain mills. Depreciation was NOK 608 million in 2017 (NOK 674 million in 2016). 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 in 2016) and is mainly related to de-manning. Other gains and losses in 2017 were NOK -88 million (NOK -126 million in 2016), largely reflecting the change in value of embedded derivatives in energy contracts due to changes in NOK against EUR and change in value of certain energy contracts, accounted for at fair value. Impairment of fixed assets were NOK 1 699 million in 2017 (NOK 1 180 million in 2016) of which NOK 1 379 million related to machinery and equipment and NOK 320 million related to land and buildings. No impairment of investments in associated companies in 2017 (NOK 205 million in 2016).

Operating earnings were NOK -1 702 million in 2017 (NOK -947 million in 2016). The decrease reflected weaker market conditions in 2017 and further impairments recognised on fixed assets and investment in associates in 2017.

Financial items in 2017 were NOK -1,554 million (NOK -340 million in 2016) due to losses on receivables of NOK 477 million to Norske Skogindustrier ASA and other former Group companiesroup that filed for bankruptcy in 2017, net interest expenses of NOK 644 million in 2017 (NOK 476 million in 2016), and currency losses of NOK 312 million (gain of NOK 179 million in 2016) mainly related to translation effects on debt denominated in EUR.

Income taxes recognised in the income statement for 2017 amounted to NOK -234 million (NOK 527 million in 2016). This included a changed in deferred tax of NOK -221 million.

Loss for the period was NOK -3,551 million in 2017 (NOK -972 million in 2016).

Net cash from operating activities was NOK 404 million in 2017 (NOK 514 million in 2016). Cash from operations was NOK 606 million (NOK 988 million in 2016) reflecting the weaker operating environment in 2017. Cash from net financial items, primarily interest payments, was NOK -184 million (NOK -470 million in 2016), while taxes paid was NOK 19 million (NOK 4 million in 2016). The lower payments is due to Norske Skog AS not paying interests on its outstanding debt from June 2017.

11.4.2 Financial position

The following table sets forth the total assets and total equity and liabilities of the Group as of 30 June 2019 and 2018 and 31 December 2018, 2017 and 2016:

In NOK million	**Six months ended 30 June**	**Six months ended 30 June**	**Year ended 31 December**		
	2019	**2018**	**2018**	**2017**	**2016**
	IAS 34	*IAS 34*	*IFRS*	*IFRS*	*IFRS*
	(unaudited)	*(unaudited)*	*(audited)*	*(audited)*	*(audited)*
Total non-current assets	5,512	4,666	4,789	4,939	7,184
Total current assets	3,859	3,391	3,776	3,170	3,313
Total assets	9,372	8,058	8,565	8,109	10,497
Total equity	4,560	(1,275)	2,365	(1,427)	2,090
Total non-current liabilities	2,403	2,403	3,270	2,560	6,033
Total current liabilities	2,409	6,930	2,931	6,976	2,374
Total liabilities	4,811	9,333	6,200	9,535	8,407
Total equity and liabilities	9,372	8,058	8,565	8,109	10,497

The Group's total assets increased by NOK 1,314 million, or about 16.3%, from NOK 8,058 million as of 30 June 2018 to NOK 9,372 million as of 30 June 2019, primarily as a result of increase in total current assets with NOK 468 million and increase in total non-current assets with NOK 846 million. The increase in total non-current mainly related to the increased valuation of embedded derivatives in physical contracts. The increase in current assets mainly related to increase in inventory of NOK 331 million due to higher level of finished goods and higher costs of raw material compare to last year, increase in cash and reduction of trade and other receivables of NOK 114 due to new factoring agreements. The Group's total liabilities decreased by NOK 4,522 million, or about 48.4%, from NOK 9,333 million as of 30 June 2018 to NOK 4,811 million as of 30 June 2019, primarily as a result of decrease in total borrowings following repayment of shareholder loans and a share capital increase in the Company following a conversion of NOK 1,102 million in debt which its parent company and sole shareholder, NS Norway Holding AS, had towards the Company (see Section 13.2.2 for a further description of the said events).

The Group's total assets increased by NOK 457 million, or about 5.6%, from NOK 8,109 million as of 31 December 2017 to NOK 8,565 million as of 31 December 2018, primarily as a result of increase in total current assets with NOK 606 million. The increase in total current assets was mainly attributable to an increase in cash and cash equivalents of NOK 479 million and increase in inventory of NOK 156 million. The Group's total liabilities decreased by NOK 3,335 million, or about 35%, from NOK 9,535 million as of 31 December 2017 to NOK 6,200 million as of 31 December 2018, primarily as a result of the Company being discharged from all liabilities regarding the Company's Senior Secured Notes on EUR 290 million and a EUR 15.9 million liquidity facility following distribution of the proceeds from the sale to Oceanwood to the holders of the said notes (see Section 8.2.1 for a further description of the said event). The discharge of debt was also the main contributor to the increase in equity in 2018.

The Group's total assets decreased by NOK 2,388 million, or about 22.8%, from NOK 10,497 million as of 31 December 2016 to NOK 8,109 million as of 31 December 2017, primarily as a result of decrease in total current assets with NOK 143 million, and decrease in total non-current assets with NOK 2,245 million. The decrease in current assets of NOK 143 million is mainly due to lapse of other receivables against former parent company and increase in cash and cash equivalents. The decrease in total non-current assets mainly related to impairment charges recognized in 2017. The Group's total liabilities increased by NOK 1,129 million, or about 13.4%, from NOK 8,407 million as of 31 December 2016 to NOK 9,535 million as of 31 December 2017, primarily as a result of accrued interest and increase in debt due to weakening NOK against EUR at year-end 2017.

11.5 Recent developments and trends

11.5.1 Recent developments

Due to the nature of the Company's business, the financial performance will be impacted by the general development in the markets for their respective products. As such, the development for the items described in Section 11.3 "Significant factors affecting the Group's results of operations and financial performance" are also relevant going forward.

The Company 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 Company's performance going forward.

However, newsprint prices in the export markets, especially in Asia but also 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 Company'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 Company'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.

11.5.2 Significant change in financial performance

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

11.6 Non-IFRS measures

11.6.1 Introduction

The Company uses the following key financial measures (for a description of the Non-IFRS measures, see Section 4.2.2):

- **EBITDA**: Operating profit for the period, before restructuring expenses, depreciation and amortization and impairment charges, derivatives and other fair value adjustments, determined on an entity, combined or consolidated basis;
- **EBITDA margin**: EBITDA / total operating income; and
- **Return on capital employed (annualized)**: (EBITDA – capital expenditure) / capital employed (average)

The financial measures are used to monitor and analyse the underlying performance of the Group's business and operations. None of these measures are a measure of financial performance under IFRS, nor have these measures been subject to auditor review. As these terms are defined by the Company, they may not be comparable to similar terms used by other companies.

11.6.2 Non-IFRS financial measures for the three month period ended 30 June 2019 compared to the three month period ended 30 June 2018

EBITDA margin was 13.4% for the three months ended 30 June 2019 compared to 9.2% for the three months ended 30 June 2018. The increase in EBITDA of 59% from NOK 279 million to NOK 444 million was due to better market conditions and higher prices in Europe, somewhat offset by lower export prices to Asia in the Australasian segment. EBITDA for the European segment increased from NOK 208 million (EBITDA margin of 9.5%) for the three month period ended 30 June 2018 to NOK 419 million (EBITDA margin of 16.6%) for the three month period ended 30 June 2019. The Australasian segment had a decrease in EBITDA from NOK 71 million (EBITDA margin of 8.5%) for the three month period ended 30 June 2018 to NOK 20 million (EBITDA margin of 2.6%) for the three month period ended 30 June 2019. The Other segment has seen an increase from NOK 0 million for the three month period ended 30 June 2018 to NOK 5 million for the three month period ended 30 June 2019.

The return on capital employed increased to 26.8% in the three months ended 30 June 2019, compared to 17.4% in the three months ended 30 June 2018 due to increase in EBITDA.

11.6.3 Non-IFRS financial measures for the six months' period ended 30 June 2019 compared to the six months' period ended 30 June 2018

EBITDA margin was 13.6% for the six months ended 30 June 2019 compared to 8.8% for the six months ended 30 June 2018. The increase in EBITDA of 65% from NOK 530 million to NOK 873 million due to better market conditions and higher prices in Europe, somewhat offset by lower export prices to Asia in the Australasian segment. EBITDA for the European segment increased from NOK 412 million (EBITDA margin of 9.5%) for the six months' period ended 30 June 2018 to NOK 811 million (EBITDA margin of 16.6%) for the six months' period ended 30 June 2019. The Australasian segment had a decrease in EBITDA from NOK 126 million (EBITDA margin of 7.6%) for the six months' period ended 30 June 2018 to NOK 63 million (EBITDA margin of 4.1%) for the six months' period ended 30 June 2019. The Other segment has seen an increase in EBITDA from NOK -8 million for the six months' period ended 30 June 2018 to NOK -1 million for the six months' period ended 30 June 2019.

The return on capital employed increased to 26.6% in the six months ended 30 June 2019, compared to 15.9% in the six months ended 30 June 2018 due to increase in EBITDA.

11.6.4 Non-IFRS financial measures for the year ended 2018 compared to year ended 2017

EBITDA margin increased to 8.2% in 2018 from 6.1% in 2017 due to increase in EBITDA of 47% from NOK 702 million to NOK 1 031 million driven by positive price environment especially for newsprint in Europe.

The return on capital employed increased to 14.1% in 2018 from 6.6% in 2017 due to increase in EBITDA and reduction in average capital employed from 2017 to 2018.

11.6.5 Non-IFRS financial measures for the year ended 2017 compared to year ended 2016

EBITDA margin decreased to 6.1% in 2017 from 9.3% in 2016 due to decrease in EBITDA of 36% from NOK 1 097 million to NOK 702 million driven by a challenging market for magazine paper in Europe and a structural decline in Australasian demand.

The return on capital employed decreased to 6.6% in 2017 from 9.1% in 2016 due to decrease in EBITDA partly offset by reduction in average capital employed. Capital employed has been reduced during 2017 due to recognition of impairment on fixed asset.

11.7 Liquidity and capital resources

11.7.1 Sources and use of cash

The Company's primary source of liquidity is cash flow from operating activities. In 2018 the cash flow for operating activities was NOK 881 million, and year to date per 30 June 2019 cash flow from operating activities was NOK 531 million.

As of 30 June 2019 the Company had a balance of cash and cash equivalent of NOK 861 million, of which NOK 154 million was restricted. Restricted cash per 30 June 2019 mainly relates to employee taxes and other cash deposits for operational contracts.

In June 2019 the Company issued EUR 125 million senior secured notes. The Notes mature in June 2022. The interest rate is the sum of three month EURIBOR and a margin of 600 bps with quarterly interest payments. The net proceeds of the Notes issue was used to refinance EUR 105 million in existing debt, and for general corporate purposes. The Notes is secured by share pledges over the material subsidiaries and asset pledges in the mill owning entities in Norway, Australia and New Zealand. In addition, fulfilment of the obligations in the agreement concerning the notes is secured by on-demand guarantees issued by material subsidiaries. The financial covenants are (i) minimum consolidated unrestricted cash and cash equivalents of NOK 100 million, and (ii) net interest bearing debt to the Bond EBITDA[24] of less than 2.75x.

[24] See definition of Bond EBITDA in Section 22 "Definitions and glossary"

In June 2019, the Company established an EUR 31 million revolving credit facility. The maturity date is three months prior to the maturity date of the Notes. As of the date of this Prospectus, the facility is undrawn and will primarily be used for working capital purposes if deemed necessary. The revolving credit facility shares security with the Notes, but with priority ahead of the Notes. The financial covenants are equivalent to those of the Notes.

The Group has established factoring facilities for each of the European business units. As of 30 June 2019, the balance of interest bearing debt related to such facilities was NOK 239.1 million.

The business units will from time to time enter into credit facilities and financial leases with local financial institutions. The proceeds have been used to finance smaller investments. The balance of interest bearing debt related to such facilities per 30 June 2019 was NOK 259.0 million.

The majority of the Group's interest bearing debt is under floating interest rates.

The Group is exposed to foreign exchange rate risk related to the value of NOK relative to other currencies, mainly USD, EUR and GBP as well as AUD vs USD for export from Australasia. In July 2019 the Company initiated a foreign exchange risk management program whereby a percentage of the groups estimated exposure over a twelve months period may be hedged.

Based on cash balances and the current structure and terms of the Company's debt, the Company believes it has adequate liquidity to support its operation and investment program.

11.7.2 Cash flows

11.7.2.1 The three month period ended 30 June 2019 compared to the three month period ended 30 June 2018

The Group's net cash flow from operating activities was NOK 225 million for the three month period ended 30 June 2019, compared to NOK 302 million for the three month period ended 30 June 2018. The decrease in operating cash flow was primarily attributable to higher taxes paid.

Cash from net investing activities, primarily investments in operations, amounted to NOK -88 million for the three month period ended 30 June 2019, compared to NOK 62 million for the three month period ended 30 June 2018. The positive investing cash flow for the three month period ended 30 June 2018 was primarily attributable to proceeds from the sale of the Group's share in Malaysian Newsprint Industries.

Cash from net financial items, primarily interest on loans and repayment of loans, amounted to NOK 95 million for the three month period ended 30 June 2019, compared to NOK -21 million for the three month period ended 30 June 2018. The increase in financial cash flow was primarily attributable to net impact of new loans exceeding repayment of loans.

11.7.2.2 The six month period ended 30 June 2019 compared to the six month period ended 30 June 2018

The Group's net cash flow from operating activities was NOK 531 million for the six month period ended 30 June 2019, compared to NOK 464 million for the six month period ended 30 June 2018. The increase in operating cash flow was primarily attributable to improved cash from operations offset by an increase in taxes paid of NOK 90 million. Cash from net investing activities, primarily investment in operations, amounted to NOK -180 million for the six month period ended 30 June 2019, compared to NOK -9 million for the six month period ended 30 June 2018. The positive investing cash flow for the six month period ended 30 June 2018 was primarily attributable to proceeds from the sale of the Groups share in Malaysian Newsprint Industries.

Cash from net financial items, primarily interest on loans and repayment of loans, amounted to NOK -379 million for the six month period ended 30 June 2019, compared to NOK -146 million for the six month period ended 30 June 2018. The decrease in financial cash flow was primarily attributable to repayment of loans exceeding new loans raised.

11.7.2.3 Financial year ended 31 December 2018 compared to the financial year ended 31 December 2017

The Group's net cash flow from operating activities was NOK 881 million for the year ended 31 December 2018, compared to NOK 404 million for the year ended 31 December 2017. The increase in operating cash flow from year-end 2017 to year-end 2018 was primarily attributable to improved market conditions, and new factoring agreements at Skogn and Saugbrugs.

Increase in inventory of NOK 165 million, decrease of accounts payables of NOK 66 million, and decrease in accounts receivable of NOK 94 million, resulted in a change in working capital of MNOK 5 in 2018. The new factoring agreements, entered into in 2018, improved the cash balance with NOK 213 million at 31 December 2018. Cash from net financial items, primarily interest on loans and repayment of loans, amounted to NOK 70 million in 2018, while taxes paid was NOK 20 million in 2018.

Cash from net investing activities, primarily investment in operations, amounted to NOK -188 million for the year ended 31 December 2018, compared to NOK -279 million for the year ended 31 December 2017. The lower net investing cash flow in 2018 compare to 2017 was primarily attributable to proceeds from the sale of the Groups share in Malaysian Newsprint Industries.

Cash from net financial items, primarily interest on loans and repayment of loans, amounted to NOK -215 million for the year ended 31 December 2019, compared to NOK -65 million for the year ended 31 December 2018. The decrease in financial cash flow was primarily attributable to repayment of loans exceeding new loans raised and higher recapitalisation costs in 2018.

11.8 Investments

11.8.1 Principal historical investments

For the years ended 31 December 2018, 2017 and 2016 the Group recorded development and maintenance capital expenditures of NOK 279 million, NOK 276 million and NOK 299 million, respectively. The capital expenditures in 2018, 2017 and 2016 were mainly related to maintenance capital expenditures and smaller projects with quick payback. Typical projects within this category are revision and repair of energy boilers to improve and maintain efficiencies, replacement of rolls on the paper machines, upgrade of cranes, etc. Among the single biggest maintenance investments for the Group each year is however investments related to the forest at Tasmania, where around NOK 15-20 million are used annually to plant and replant the forest, build roads and bridges, etc. The development capital expenditures in 2016 included a pilot plant (FC5) for production of Cyrene at Boyer and a Biogas project at Saugbrugs. The pilot plant at Boyer has an annual capacity of around 50 tons of production of Levoglucosenone (LGN) that is converted to Cyrene, a bio solvent aiming to replace petro-chemical products. The years 2017 and 2018 included completion of the Biogas project at Saugbrugs and the Biogas project at Golbey. Both these biogas projects are utilizing waste material from production processes to produce biogas. See Section 8.10 "Research and development and dependency on contracts, patents, licenses etc." for information on the costs related to research and development.

	Year ended 31 December		
In NOK million	**2018**	**2017**	**2016**
Capital expenditures	279	276	299

11.8.2 Principal investments in progress and planned principal investments

In June 2019 the Board of Directors resolved to approve the construction of a new waste to energy boiler at the Bruck mill. The boiler is a based on a multifuel incinerator which can utilize a wide range of waste as fuel to produce steam, which in turn will be converted to energy through a gas turbine and used as heating for the paper machines. Waste will be sourced both locally from Austrian municipalities and from other European countries. The new boiler has an estimated capital expenditure of EUR 72 million. The plant is estimated to start up in Q1 2022 and to have an annual EBITDA effect of EUR 19.4 million after the start-up curve is finalized and the boiler is running at design capacity. The EBITDA effect is generated partly through fees paid by suppliers of waste and from reduced energy costs. The project will be funded by EUR 58 million from local banks, together with approximately EUR 15 million in cash whereof EUR 9.3 million will be financed by cash proceeds from the Group related to the sale of Bruck Hydro Power business.

Furthermore, the Group is currently investing in its pellet mill in New Zealand, Nature's Flame, increasing the annual capacity from 35 000 tons to 85 000 tons of pellet. The expansion has an estimated capital expenditure of around NOK 43 million (NZD 7.5 million), whereof most of the cash effect will come in 2019. The annual EBITDA effect for the project is expected to be around NOK 23 million (NZD 4 million) per year.

11.9 Borrowings and other contractual obligations

11.9.1 Material borrowings

As of the date of this Prospectus, the Group's main financing arrangements are (i) the EUR 125 million 3 month EURIBOR + 6.00% senior secured notes due June 2022 (the Notes), (ii) EUR 31 million in a 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 and leasing.

6.00% Senior Secured Notes, due June 2022

On 14 June 2019, the Company completed the issuance of EUR 125 million of new 3 month EURIBOR + 6.00% senior secured notes due 2022 issued at par. The Company received net proceeds of EUR 122.5 million, after deduction of the EUR 2.5 million of fees and expenses which are capitalized and amortized over the life of the debt.

The Company used the net proceeds to repay existing debt to Oceanwood of EUR 100 million and the AUD 9.5 million factoring facility provided by Scottish Pacific (BFS) Pty Ltd.

The Company's obligations under the Notes are guaranteed by a majority of its subsidiaries (collectively, the "**Note Guarantors**"), subject to certain exceptions. The Notes and the note guarantees are the Company's and the Note Guarantors' senior secured obligations and will:

- rank senior in right of payment to any of the Company's and the Note Guarantors' existing and future subordinated indebtedness, if any;

- rank pari passu in right of payment with all existing and future senior unsecured indebtedness of the Company and the Note Guarantors; and

- be effectively subordinated to the RCF, guarantee facility and permitted hedging sharing security with the Notes.

If the Company experiences a change of control, as defined in the terms governing the Notes the bondholders may require the Company to redeem the Notes in cash at a price equal to 101% of their principal amount.

The financial covenants are i) minimum consolidated unrestricted cash and cash equivalents of NOK 100 million, and ii) net interest bearing debt to the Bond EBITDA of less than 2.75x. Pursuant to the Notes, the Company may pay dividend up to 75% of the adjusted net profit for the previous financial year subject to the incurrence test being met. With respect to dividend payments, the incurrence test is met if (i) the Company's leverage ratio (net interest bearing debt to the Bond EBITDA as calculated pursuant to the terms of the Notes) does not exceed 2.00x, and (ii) no event of default is outstanding or will occur under the Notes as a result of the dividend payment.

Revolving Credit Facility, due March-May 2022

The RCF can be drawn as cash, letters of credit or bank guarantees, or a mixture of cash, letters of credit and guarantees, subject to the satisfaction of customary conditions set forth in the underlying credit agreement. All borrowings under the RCF mature on a date that is earlier of three (3) years from the date of the agreement for the RCF, which was 22 May 2019, and three (3) months prior to final maturity date under the terms of the Notes, which in this case is expected to fall in March 2022 given the maturity of the Notes in June 2022. The RCF is secured by the same securities as the Notes but with priority ahead of the Notes.

The financial covenants are equivalent to those of the Notes.

11.9.2 Debt repayment, borrowing requirements and equity ratio

The table below sets forth the scheduled repayments of the Group's borrowings as of Q2 2019. Total debt listed in the repayment schedule differ from the carrying value in the balance sheet. This is due to the amortised cost principle and since debt items related to IFRS 16 has been excluded. Financed amounts from securitisation arrangements is classified as interest-bearing current liabilities. This amounts to NOK 239 million scheduled for repayment in Q3 2019.

Debt repayment schedule[1]

In NOK million	2019[2]	2020	2021	2022	2023-
6.00% Senior Secured Notes	0	0	0	1,212	0
Debt to credit institutions	272	49	34	35	109
Total	**272**	**49**	**34**	**1,247**	**109**

1 Not including items relating to IFRS 16 and amortized costs. See Section 11.10 "Financial risk management" for information on the interest payment forecast.
2 Remainder of 2019.

As of the date of this Prospectus, the Company does not have additional borrowing requirements. The Group does however have various growth initiatives, which are further discussed in Sections 8.3.6 and 8.4.8, which may require external financing based on the further development of such initiatives.

The table below sets out the Group's equity ratio and its interest bearing debt as at 30 June 2019:

	As at 30 June 2019
Equity ratio	48.7%
Gross interest bearing debt	NOK 1,802 million
Planned share capital issue	N/A
Cash balance	NOK 861 million

The Group's total equity as at 30 June 2019 was NOK 4,560 million. With a gross interest-bearing debt of NOK 1,802 million and a net interest bearing debt of NOK 941 million, the Group's equity ratio as at 30 June 2019 was 48.7%.

11.9.3 Off-balance sheet arrangements

Various Group Companies (as defined below) have sold invoices under factoring arrangements in an amount of NOK 441 million as at 30 June 2019. These factoring arrangements are not recognized as debt in the Company's balance sheet.

11.10 Financial risk management

The majority of the Group’s interest bearing debt is under floating interest rates. For the time being, the Company does not employ any financial hedging to reduce the potential negative impact of fluctuating interest rates.

The Group is exposed to foreign exchange rate risk related to the value of NOK relative to other currencies, mainly USD, EUR and GBP, as well as AUD vs USD for export from Australasia. In July 2019 the Company initiated a foreign exchange risk management program whereby a percentage of the groups estimated cash flow currency exposure over a twelve months period may be hedged.

The table below sets forth the forecasted interest payments for the Notes and the RCF, which constitutes the major borrowings of the Group. The forecast assumes that EURIBOR is held constant at the current market rate over the forecasting period and that the RCF is fully drawn.

Interest payment forecast

In NOK million	2019[1]	2020	2021	2022	2023-
6.00% Senior Secured Notes and the RCF	40	79	79	35	-

1 Remainder of 2019.

11.11 Significant changes

Except for the sale of the Albury Assets as described in Section 8.5.3 "Mills located in Australasia", there has been no significant changes in the financial or trading position of the Group since 30 June 2019.

12 BOARD OF DIRECTORS, MANAGEMENT, EMPLOYEES AND CORPORATE GOVERNANCE

12.1 Introduction

The General Meeting is the highest decision-making authority of the Company. All shareholders of the Company are entitled to attend and vote at General Meetings and to table draft resolutions for items to be included on the agenda for a General Meeting.

The overall management of the Company is vested with the Board of Directors and the Management. In accordance with Norwegian law, the Board of Directors is responsible for, among other things, supervising the general and day-to-day management of the Company's business ensuring proper organization, preparing plans and budgets for its activities ensuring that the Company's activities, accounts and assets management are subject to adequate controls and undertaking investigations necessary to perform its duties.

The Board of Directors have appointed an audit committee and a compensation committee and will propose that a nomination committee in accordance with the Corporate Governance Code (as defined below) is elected at the first general meeting following the Listing. See Sections 12.10 to 12.12 below for more information on these committees.

The Management is responsible for the day-to-day management of the Company's operations in accordance with Norwegian law and instructions set out by the Board of Directors. Among other responsibilities, the Company's President and Chief Executive Officer (the "**CEO**"), is responsible for keeping the Company's accounts in accordance with existing Norwegian legislation and regulations and for managing the Company's assets in a responsible manner. In addition, the CEO must, according to Norwegian law, brief the Board of Directors about the Company's activities, financial position and operating results at a minimum of one time per month.

12.2 The Board of Directors

12.2.1 Overview

The Articles of Association provide that the Board of Directors shall consist of between 3 and 8 board members, as elected by the Company's shareholders.

As at the date of this Prospectus, the Company has an interim Board of Directors composed of three Board Members and two observers[25] (the "**Interim Board Members**"), all appointed by the Company’s shareholder and in compliance with the requirements in the Norwegian Public Limited Companies Act. The names and positions of the Interim Board Members are set out in the table below. Wenche Brunstad Riiser will, however, resign from her position as a Board Member as at the first day of the Listing. Jen-Yue (John) Chiang and Arvid Grundekjøn will continue to serve as Board Members and the two observers Paul Kristiansen and Svein Erik Veie will be appointed as Board Members, and these four will, together with Trine-Marie Hagen, Anneli Finsrud Nesteng and Idunn Gangaune Finnanger as new Board Members, form the new Board of Directors from the first day of the Listing (the "**New Board of Directors**"). The New Board of Directors will thus consist of 7 Board Members, whereas all Board Members are elected for a term which will expire at the annual general meeting in 2021.

The composition of the New Board of Directors will be in compliance with the independence requirements of the Norwegian Code of Practice for Corporate Governance last updated 17 October 2018 (the "**Corporate Governance Code**"), meaning that (i) the majority of the shareholder-elected members of the Board of Directors are independent from the Company's executive management and material business connections, (ii) at least two of the shareholder-elected members of the Board of Directors are independent of the Company's main shareholders (shareholders holding 10% or more of the shares in the Company), and (iii) no member of the Company's executive management serve on the board of directors. With exception of Jen-Yue (John) Chiang, all members of the New Board of Directors are independent of the Company. The above requirements under the Norwegian Corporate Governance Code are thus met as at the first day of the Listing.

None of the Interim Board Members or members of the New Board of Directors, directly or indirectly own any Shares in the Company. Jen-Yue (John) Chiang is, however, a Senior Partner and Portfolio Manager of Oceanwood Capital Management LLP, the management company of Oceanwood, which is the sole shareholder of NS Norway Holding AS, the Company’s sole shareholder prior to the Listing.

[25] The two observers (which will be board members in the New Board of Directors) represents the labour union at each of the Group's two mills in Norway and for all practical purposes serves the function as employee representatives for the two mills in Norway.

12.2.2 The Interim Board Members

The Company'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 Company. The names and positions and current term of office of the Interim Board Members as at the date of this Prospectus are set out in the table below.

Name	Position	Served since	Term expires	Shares
Jen-Yue (John) Chiang[1]	Chairman	2018	2021	None[2]
Wenche Brunstad Riiser	Director	2019	2019	None
Arvid Grundekjøn	Director	2018	2021	None
Paul Kristiansen	Observer	2019	N/A	None
Svein Erik Veie	Observer	2019	N/A	None

1 Jen-Yue (John) Chiang was nominated to the Board of Directors due to his role as Senior Partner and Portfolio Manager at Oceanwood Capital Management LLP, responsible for making and managing Oceanwood's investment in the Group.

2 Jen-Yue (John) Chiang does not directly own any Shares in the Company. Jen-Yue (John) Chiang is, however, a Senior Partner and Portfolio Manager of Oceanwood Capital Management LLP, the management company of Oceanwood, which is the sole shareholder of NS Norway Holding AS, the Company's sole shareholder prior to the Listing.

12.2.3 Brief biographies of the Interim Board Members

Set out below are brief biographies of the Interim Board Members, including their relevant management expertise and experience, an indication of any significant principal activities performed by them outside the Company and names of companies and partnerships of which an Interim Board Member is or has been a member of the administrative management or supervisory bodies or partner in the previous five years (not including directorships and executive management positions in subsidiaries of the Company).

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 Company's chairman on 22 August 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 Company. Mr. Chiang 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).

Current directorships and senior management positions	*Oceanwood Capital Management LLP (Senior Partner and Portfolio Manager), NS Norway Holding AS (Chairman) and Aker-Oceanwood AS (Director).*
Previous directorships and senior management positions last five years	*N/A.*

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 Company, Mr. Grundekjøn is a director of the board of the Strømme Foundation (Strømmestiftelsen) and Sørlandets Art Muesum (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).

Current directorships and senior management positions	*Cardid AS (Chairman), Creati Estate AS (Chairman), Creati AS (Deputy director), Infima AS (Chairman), Strømmestiftelsen (Director), Strømme Micro Finance AS (Director), Sørlandets Kunstmuseum (Director),*

	AKO Kunststiftelse (Chairman), Osaühing Gildhall (Director), KLP Eiendom AS (Director), Stiftelsen Fullriggeren Sørlandet (Chairman), Advokatfirma Grundekjøn & Co AS (Deputy director) and Mercurienne AS (Deputy director), Osaühing Telsarro (Director), Mustamäe tee 16 AS, Marja Arenduse Kinnisvara OÜ (Director), Oü Feiron (Director) and Favonius Invest AS.
Previous directorships and senior management positions last five years	*Dampskibsselskabet NORDEN A/S (Director), Gassco AS (Director), Agrundco AS (Chairman), Creati AS (Chairman) and Citigroup (Member of Citigroup's advisory board for the Nordic region).*

Wenche Brunstad Riiser, Board Member

Wenche Brunstad Riiser joined the Board of Directors in August 2019, but will, however, resign from the Board of Directors from the first day of the Listing. Mrs. Riiser is also an employee of the Group, holding the position as Vice President Corporate Tax. Mrs. Riiser does not have any principal activities outside the Company. Prior to joining the Group, Mrs. Riiser worked as Senior Vice President in Aker Solutions ASA responsible for managing departments in Oslo, London and Houston. She has been a partner at the Norwegian law firm Schjødt and a Senior Manager at KPMG. Mrs. Riiser has previously been a director of the board in various companies throughout different industries, including Steen & Strøm ASA, FMC Technologies AS, Advokatfirmaet Schjødt AS, Brunstad Fabrikker AS, Peter Wilhelm Neumanns Rederi AS and Nocavi AS. She has also been a director of the board of certain Swizz, Dutch, Italian and Norwegian subsidiaries of Norske Skogindustrier ASA. Mrs. Riiser was until May 2018 appointed as a member of the appeal board for taxation of companies involved in oil and gas exploration and production on the Norwegian shelf. Mrs. Riiser holds a Master of Law from the University of Oslo, and has attended the corporate leadership program at IMD Lausanne (Switzerland). Mrs Riiser holds a practicing certificate (Norway).

Current directorships and senior management positions	*Norske Skog Italia Srl (Director).*
Previous directorships and senior management positions last five years	*Norske Treindustrier AS (Director) and Lysaker Invest AS (Director).*

Paul Kristiansen, Observer

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. Mr. Kristiansen is also an employee of 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 Company, 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, a member of the section council of Norwegian United Federation of Trade Unions (Fellesforbundet), a council member of Halden Municipality and a board member of Halden Municipality Pension Fund. Mr. Kristiansen holds a certificate of apprenticeship as a process operator.

Current directorships and senior management positions	*The Group's Works Council for Norway (Chairman), The Group's European Works Council (Deputy chairman), The Group's Global Works Council (Member), The section council of the Norwegian United Federation of Trade Unions (Member), Halden Municipality (Council Member) Halden Municipality Pension Fund (Director).*
Previous directorships and senior management positions last five years	*N/A*

Svein Erik Veie, Observer

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. Mr. Veie is also an employee of 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 Company, 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, a member of the Norwegian United Federation of Trade Unions department management forum Trøndelag and a member of the Plans- and Development Committee of Levanger municipality. Mr. Veie is a process operator and an industrial mechanic.

Current directorships and senior management positions	*The Norwegian United Federation of Trade Unions (Fellesforbundet) department 461 (Chairman), The board of the Norwegian United Federation of Trade Unions (Representative), The Group's European Works Council (Member), The Group's Global Employee Forum (Member), The Norwegian United Federation of Trade Unions department management forum Trøndelag (Member) and The Plans- and Development Committee of Levanger municipality (Member).*
Previous directorships and senior management positions last five years	*N/A*

12.2.4 The New Board of Directors

None of the members of the New Board of Directors hold any Shares. Set out below are brief biographies of the members of the New Board of Directors, including their relevant management expertise and experience, an indication of any significant principal activities performed by them outside the Company and names of companies and partnerships of which a Board Member is or has been a member of the administrative, management or supervisory bodies or partner in the previous five years (not including directorships and management positions in subsidiaries of the Company).

Jen-Yue (John) Chiang, Chairman
See information in Section 12.2.3 "Brief biographies of the Interim Board Members" above.

Arvid Grundekjøn, Board Member
See information in Section 12.2.3 "Brief biographies of the Interim Board Members" above.

Paul Kristiansen, Board Member
See information in Section 12.2.3 "Brief biographies of the Interim Board Members" above.

Svein Erik Veie, Board Member
See information in Section 12.2.3 "Brief biographies of the Interim Board Members" above.

Trine-Marie Hagen, Board Member

Trine-Marie Hagen will join the Board of Directors from the first day of the Listing. 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 Company. 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 (*Nw*: Siviløkonom). She has also completed the first year of law studies (*Nw*: 1. avdeling) at the University of Bergen (Norway).

Current directorships and senior management positions	*Felleskjøpet Agri SA (Group CFO and director in subsidiaries).*
Previous directorships and senior management positions last five years	*Ekornes AS (Group CFO), Ekornes Skandinavia AS (Director), IMG Group AS (Director), Ekornes Beds AS (Director), J.E. Ekornes AS (Director), Innovation*

	Consulting AS (Deputy director), Mentor Medier AS (Group CFO and director, chairman and managing director in subsidiaries) and Sameiet Meltzers gate 1 og 3 (Director and chairman).

Anneli Finsrud Nesteng, Board Member

Anneli Finsrud Nesteng will join the Board of Directors from the first day of the Listing. 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 Company. 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).

Current directorships and senior management positions....	*Hydro Aluminium Rolled Products AS (Managing director).*
Previous directorships and senior management positions last five years..........	*N/A*

Idunn Gangaune Finnanger, Board Member

Idunn Gangaune Finnanger will join the Board of Directors from the first day of the Listing. Mrs. Finnanger is employed as Asset Manager and Head of Technology at TrønderEnergi AS, a company with operations within hydro 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 Company. Mrs. Finnanger holds a Master of Technology, Electric Power Engineering from the Norwegian University of Science and Technology (Norway).

Current directorships and senior management positions......	*Usma Kraft AS (General manager), Driva Kraftverk DA (General manager) and NTNU Accel AS (Director).*
Previous directorships and senior management positions last five years..........	*Usma Kraft AS (Director), Nordmøre Energiverk AS (Director) and TrønderEnergi AS (Observer on the board).*

12.3 Management

12.3.1 Overview

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 Company's registered business address, Sjølyst plass 2, 0278 Oslo, Norway, serves as business address for all members of Management in relation to their positions with the Company.

Name	Position	Held position since	Shares
Sven Ombudstvedt............	President and Chief Executive Officer	2019[1]	None
Rune Sollie............	Chief Financial Officer	2014	None
Tore Hansesætre............	Chief Operating Officer / Senior Vice President Strategic Projects	2019[2]	None
Lars P.S. Sperre............	Senior Vice President Corporate Strategy	2018	None
Robert Wood............	Senior Vice President Commercial	2018	None
Amund Saxrud............	Chief Operating Officer	2019[2]	None

1 Sven Ombudstvedt was also the Group's President and Chief Executive Officer in the time period between 1 January 2010 and 7 May 2017.

2 Tore Hansesætre will have the responsibility as Chief Operating Officer until replaced by Amund Saxrud on 15 October 2019. Bjørn Einar Ugedal will take over Mr. Saxrud's current role as managing director at Skogn paper mill.

12.3.2 Brief biographies of the members of Management

Set out below are brief biographies of the members of the Management. The biographies include the members of Management's relevant management expertise and experience, an indication of any significant principal activities performed by them outside the Company and names of companies and partnerships of which a member of the Management is or has been a member of the administrative, management or supervisory bodies or partner the previous five years (not including directorships and executive management positions in subsidiaries of the Company).

Sven Ombudstvedt, President and Chief Executive Officer

Sven Ombudstvedt has been the Company's President and Chief Executive Officer since 29 March 2019, but he also held this position within the Former Group between 1 January 2010 and 7 May 2017. Mr. Ombudstvedt does not have any principal activities outside the Company. Mr. Ombudstvedt has both managerial and board experience. He is a member of the board of the company PJSC PhosAgro and has previously held various managerial positions at the industrial companies SCD SAS (Paris), Yara International ASA and Norsk Hydro ASA. Mr. Ombudstvedt received a bachelor of business administration from the Pacific Lutheran University (USA) in 1988, and received a master of international management from Thunderbird (USA) in 1989.

Current directorships and senior management positions......	*Norske Skog Industries Australia Ltd. (Chairman), Alfa Forsikring AS (Chairman), Drøbak Tennisklubb (Director), NS Norway Holding AS (Director), Elle Holding AS (Chairman), Cooloff Capital Partners AS (Director) and PJSC PhosAgro (Director).*
Previous directorships and senior management positions last five years..........	*Norske Skog AS (Chairman), Norske Skogindustrier ASA (CEO) Norske Skog Holding AS (Director) and Norske Skog Nordic & Export Sales AS (Chairman).*

Rune Sollie, Chief Financial Officer

Rune Sollie has been the Company's Chief Financial Officer since 20 January 2014. Mr. Sollie does not have any principal activities outside the Company. Prior to joining the Former Group, Mr. Sollie, from 2011 to 2013 was the senior financial reporting & compliance director at Statoil Fuel & Retail AS. Before this, Mr. Sollie was a Partner at Uniconsult AS and held various positions at Yara International ASA and KPMG AS. Mr. Sollie holds a bachelor of science in accounting and auditing from Oslo University College (Norway) and is a state authorised public accountant from the Norwegian School of Economics (NHH) (Norway).

Current directorships and senior management positions......	*TIA YNWA AS (Chairman and CEO), Norske Skog Skogn AS (Director), Norske Skog Saugbrugs AS (Director) and Norske Skog Industries Australia Ltd. (Director).*
Previous directorships and senior management positions last five years..........	*Norske Skog AS (Director), Norske Treindustrier AS (Chairman), Norske Skogindustrier ASA (CFO), Lysaker Invest AS (Chairman), Norske Skog Holding AS (Chairman), Norske Skog Nordic & Export Sales AS (Chairman, Director) and Kommunalbanken AS (Director).*

Tore Hansesætre, Chief Operating Officer / Senior Vice President Strategic Projects

Tore Hansesætre has been the Company's Chief Operating Officer since 1 February 2018 and will take the position as the Company's Senior Vice President Strategic Projects during the course of the fourth quarter of 2019. Mr. Hansesætre does not have any principal activities outside the Company. Mr. Hansesætre has been with the Group (including the Former Group) his entire career starting as a Corporate Strategy Analyst in 2009 after graduating from the Norwegian University of Science and Technology (NTNU) with a master's degree in industrial economics and technology management. Through his different positions at the Former Group and the Group, Tore Hansesætre has amongst other been responsible for supervising the economic performances of the Group's paper mills and the handling of underperforming assets in order to strengthen the Group's balance sheet and been the Group's Chief Operating Officer.

Current directorships and senior management positions......	*Norske Skog Skogn AS (Director), Norske Skog Saugbrugs AS (Director), Norske Skog Bruck GmbH (Chairman of supervisory board), Norske Skog Industries Australia Ltd. (Director).*

Previous directorships and senior management positions last five years	*N/A*

Lars P.S. Sperre, Senior Vice President Corporate Strategy

Lars P.S. Sperre has been the Company's Senior Vice President Corporate Strategy since 1 December 2018. Before this Mr. Sperre functioned as the Company's President and Chief Executive Officer for an interim period of approximately one and a half years. Mr. Sperre does not have any principal activities outside the Company. Until taking on the position as President and Chief Executive Officer, Mr. Sperre held the position as the Former Group's Senior Vice President Corporate Strategy & Legal, a position similar to one he currently holds. From 2006 to 2014, Mr. Sperre was part of the Former Group's Legal Counsel and was the Former Group's Vice President Legal from 2007 to 2014. Before joining the Former Group, Mr. Sperre worked as an associate lawyer at the Norwegian law Firm Wikborg Rein Advokatfirma AS. Mr. Sperre graduated from the University of Bergen with a Cand. Jur. Degree in 2002 and obtained his practising certificate in 2005.

Current directorships and senior management positions	*Barneklubben v/Huseby Skole (Director), Norske Skog Skogn AS (Chairman), Norske Skog Saugbrugs AS (Chairman), Nornews AS (Chairman), Norske Skog Bruck GmbH (Director), Norske Skog Industries Australia Ltd. (Director) and Saugbrugs Bioenergi AS (Director).*
Previous directorships and senior management positions last five years	*Norske Skog Holding AS (Director), Norske Treindustrier AS (Director), Norske Skog Eiendom AS (Chairman), Malaysian Newsprint Industries Sdn Bhd (Director), Norske Skogindustrier ASA (CEO), Lysaker Invest AS (Director and CEO) and Industrikraft Midt-Norge AS (Director).*

Robert A. Wood, Senior Vice President Commercial

Robert Wood has been the Company's Senior Vice President Commercial since February 2018. Before taking on this position, Mr. Wood held various position within the Group (including the Former Group) focusing on inter alia the Former Group and the Group's operations outside of Norway. Prior to joining the Former Group in 1987, Mr. Wood held positions in the companies Commercial Consulting Co. Ltd. (China), Herald and Times (Glasgow) and Strathclyde Police (Glasgow). In terms of principal activities outside the Company, Mr. Wood is a director on the board of the non-profit organizations Two Slides Limited in UK and the Brussel based organization Euro-Graph absl (European Association of Graphic Paper Producers). Robert Wood holds a bachelor of Science (1st Class Hons) from the University of Strathclyde (Scotland).

Current directorships and senior management positions	*Norske Skog Skogn AS (Director), Norske Skog Saugbrugs AS (Director), Euro-Graph absl (European Association of Graphic Paper Producers) (Director), Two Slides Limited (Director) and Norske Skog Italia Srl.*
Previous directorships and senior management positions last five years	*N/A*

Amund Saxrud, Chief Operating Officer

Amund Saxrud will take the position as the Company's Chief Operating Officer on 15 October 2019 and thereby becoming responsible for operational activities at the Group's seven paper mills. Before taking on this position Mr. Saxrud continues to be the managing director at the Group's Skogn paper mill. Amund Saxrud has been with the Group (including the Former Group) his entire career starting as an process engineer at the now closed down Follum paper mill in Norway in 1996. In 1999, Mr. Saxrud became the depart manager at the Follum mill before two years later, in 2001 becoming the area manager for raw material/energy also at the Follum mill. In 2006, Mr. Saxrud became performance manager at the Follum mill, a position he held until taking on the position as managing director at the Skogn paper mill on 1 August 2011. In terms of principal activities outside the Company, Mr. Saxrud is a director of the interest organizations Treforedlingsindustriens Bransjeforening and Arena Skog, Skognæringa i Trøndelag and a member of the interest organization Norsk Virkesmåling's executive committee. Mr. Saxrud holds a master of science degree from the Norwegian

Institute of Technology (NTNU), division Pulp and Paper Industry, Process Chemistry, Faculty of Chemistry and Chemical Technology.

Current directorships and senior management positions	*Papirindustriens Forskningsinstitutt (Chairman), Transportselskapet Nord AS (Chairman), Fiborgtangen Vekst AS (Chairman), Treforedlingsindustriens Bransjeforening (Director), Norsk Virkesmåling (Executive Committee) and Arena Skog, Skognæringa i Trøndelag (Director).*
Previous directorships and senior management positions last five years	*Proneo AS (Director), Norske Skog Skogn AS (Managing Director).*

12.4 Remuneration and benefits

12.4.1 Remuneration of the Board of Directors

The total remuneration paid to the interim Board of Directors by the Group in 2018 was NOK 120,000 as set out below:

Name	Directors fee	Success fee	Total
Jen-Yue (John) Chiang	0	0	0
Arvid Grundekjøn[1]	120,000	0	120,000
Wenche Brunstad Riiser[2]	0	0	0
Svein Erik Veie[2]	0	0	0
Paul Kristiansen[2]	0	0	0

1 Arvid Grundekjøn became a member of the board from 1 October 2018. The remuneration is for the period 1 October – 31 December 2018

2 Neither Wenche Brunstad Riiser, Svein Erik Veie or Paul Kristiansen was part of the Company's board in 2018.

12.4.2 Remuneration of Management

The total remuneration paid to the current members of Management by the Group in 2018 was NOK 20,467,000, as set out below:

Name	Salary	Bonus	Pension expense	Other expensed benefits	Total
Sven Ombudstvedt[1]	0	0	0	0	0
Rune Sollie	1,898,000	1,704,000	262,000	197,000	4,061,000
Tore Hansesætre[3]	1,641,000	1,855,000	202,000	195,000	3,893,000
Lars P.S. Sperre[2]	3,931,000	5,299,000	702,000	243,000	10,175,000
Robert A. Wood[3]	1,790,000	298,000	215,000	35,000	2,338,000
Amund Saxrud[1]	0	0	0	0	0

1 Neither Sven Ombudstvedt or Amund Saxrud was part of Management in 2018.

2 Lars P.S. Sperre held the position as the Company's CEO until 30 November 2018 before he took on the position as the Company's Senior Vice President Corporate Strategy. The stated remuneration relates to both the CEO position and his current position.

3 Tore Hansesætre and Robert A. Wood became members of Management in February 2018. The stated remuneration relates to the whole year i.e. also remuneration received from the Group before becoming part of Management.

12.4.3 Bonus scheme

All members of Management have a bonus agreement, pursuant to which each of the Management team members may receive a maximum pay-out corresponding to 50% of its annual base salary. The basis for calculating bonus payments is set annually by the Board of Directors and the CEO, but is generally based on financial, operational and individual criteria. In addition to the said bonus arrangement, the member of the Management team and other identified individuals within the Group may receive specific project bonus payments.

A specific project bonus payment may be awarded to certain of the Group's employees, including Management, who are involved in the Listing and the Offering. If this project bonus is resolved, the Company's Board of Directors will decide a total amount to be awarded and the Company's CEO will allot bonus payments to the relevant employees equal to a number of months base pay, based on *inter alia* the relevant employee's involvement and contribution in relation to the Listing and the Offering.

12.4.4 Share incentive program

The Group have historically had a long-term incentive program allowing the Board of Directors to grant Management and other key employees synthetic share options linked to the development of the share price quoted on Oslo Børs. A similar incentive program will be implemented in connection with the Listing. The program will target a positive share price development and has customary adjustment mechanisms that provide for value neutral treatment of the synthetic options in certain events, such as changes in the Company's share capital, payment of dividend and similar effects. The holders of synthetic options may exercise their options at certain agreed points in time to a set "exercise price" and the option holders will, given the market value of the Company's Shares being higher than the "exercise price", receive the difference in cash. The initial "exercise price" for the synthetic options awarded in connection with the Listing will be equal to the final Offer Price. The maximum number of synthetic options that can be granted under the incentive program equals 5% of the total number of shares issued by the Company.

12.5 Benefits upon termination

All the members of the Group's Management team is entitled to severance pay for an agreed number of months should circumstances arise in which the Company terminates the Management member's employment contract. The amount receivable by the said members of Management is severance pay equivalent to payment of base salary for six to nine months. Other than for Management, no employee has entered into employment agreements which provide for any special benefits upon termination.

None of the Board Members (neither the Interim Board Members nor the New Board of Directors) or the members of the nomination committee has a service contract which entitled them to any benefits upon termination of employment or office.

12.6 Loans and guarantees

The Company has not granted any loans, guarantees or made any other similar commitments to any of its Board Members (neither the Interim Board Members nor the New Board of Directors) or members of Management.

12.7 Founders

The Company was founded on 5 November 2014 by Norske Skog Holding AS (reg no 914 483 557). Norske Skog Holding AS filed for bankruptcy on 20 December 2017.

12.8 Employees

As of 31 December 2018, the Group had 2,444 FTEs. As of 30 June 2019, the Group had 2,457 FTEs.

The table below shows the development in the number of FTEs for the years ended 31 December 2018, 2017 and 2016 and as of 30 June 2019 and 2018, based on geographic location.

Region	As of 30 June 2019	As of 30 June 2018	As of 31 December 2018	As of 31 December 2017	As of 31 December 2016
Australia	677	666	671	682	664
Europe	1,750	1,751	1,743	1,718	1,762
Parent company	30	31	30	-[1]	-[1]
Total	**2,457**	**2,448**	**2,444**	**2,400**	**2,426**

1 In 2017 and 2016, the parent company was Norske Skogindustrier ASA, which has now been liquidated, cf. also Section 8.2.1 "Historic development"

The Group does not keep information on breakdown of persons employed by main category of activity.

12.9 Pension and retirement benefits

For the year ended 31 December 2018, the costs of pensions for members of the current Management amounted to NOK 1,382,686. The Company has no pension or retirement benefits for its Board Members (neither the Interim Board Members nor the New Board of Directors).

For more information regarding the Group's pension and retirement benefits, see note 13 to the Financial Statements for the year ended 31 December 2018, included in this Prospectus as Appendix B.

12.10 Audit committee

The Board of Directors has established an audit committee consisting of Arvid Grundekjøn (chairman) and Jen-Yue (John) Chiang. Mr. Grundekjøn has relevant qualifications within accounting/auditing and is independent of the Company. Following the Listing, the New Board of Directors will appoint a new audit committee which will have a composition in accordance with the Corporate Governance Code.

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.

12.11 Remuneration committee

The Board of Directors has established a remuneration committee consisting of Jen-Yue (John) Chiang (chairman) and Arvid Grundekjøn. Following the Listing, the New Board of Directors will consider whether to appoint a new remuneration committee.

The primary purpose of the remuneration committee is to assist the Board of Directors in discharging its duty relating to determining the Management's compensation. The remuneration committee shall report and make recommendations to the Board of Directors, but the Board of Directors retains responsibility for implementing such recommendations.

12.12 Nomination committee

The general meeting of the Company has elected a nomination committee consisting of Matthew Joseph Turner (chairman). The Board of Directors will propose that a nomination committee in accordance with the Corporate Governance Code is elected at the first general meeting following the Listing.

The nomination committee will be responsible for nominating candidates for the election of shareholder-elected members and chairman to the Board of Directors and for nominating members to the nomination committee, as well as making recommendations for remuneration of these.

12.13 Corporate governance

The Company has adopted and implemented, with effect from the date the application for Listing is sent to Oslo Børs, a corporate governance regime which complies with the Corporate Governance Code.

Neither the Board of Directors nor the General Meeting have adopted any resolutions which are deemed to have a material impact on the Group's corporate governance regime from the date the application for Listing is sent to Oslo Børs.

12.14 Conflict of interests etc.

No Board Member or member of Management has, or had, as applicable, during the last five years preceding the date of the Prospectus:

- any convictions in relation to fraudulent offences;
- received any official public incrimination and/or sanctions by any statutory or regulatory authorities (including designated professional bodies) or was disqualified by a court from acting as a member of the administrative, management or supervisory bodies of a company or from acting in the management or conduct of the affairs of any company; or

- been declared bankrupt or been associated with any bankruptcy, receivership or liquidation in his or her capacity as a founder, member of the administrative body or supervisory body, director or senior manager of a company, other than:

  Paul Kristiansen and **Svein Erik Veie** who served as employee representatives on the board of Norske Skogindustrier ASA, when it filed for bankruptcy in December 2017,

  Lars P.S. Sperre who held the position as the Former Group's President and Chief Executive Officer, the position as managing director in Lysaker Invest AS and served as a director in the companies Norske Skog Holding AS and Norske Treindustrier AS and serves as the chairman in Norske Skog Eiendom AS, when the board of Norske Skogsindustrier ASA filed for bankruptcy in December 2017, which also resulted in the other mentioned companies going bankrupt. Lars P.S. Sperre further held the position as a director when Malaysian Newsprint Industries Sdn Bhd was liquidated in June 2017 following a voluntarily liquidation process,

  Rune Sollie who held the position as the Former Group's Chief Financial Officer, served as the chairman in the companies Norske Treindustrier AS, Lysaker Invest AS and Norske Skog Holding AS when the board of Norske Skogindustrier ASA filed for bankruptcy in December 2017, which also resulted in the other mentioned companies going bankrupt.

  See Section 8.2 for more information on the said bankruptcy proceedings.

Except for Jen-Yue (John) Chiang who was nominated to the Board of Directors due to his role as Senior Partner and Portfolio Manager at Oceanwood Capital Management LLP, there are currently no other actual or potential conflicts of interest between the Company and the private interests or other duties of any of the members of the Management and the Board of Directors (neither the Interim Board Members nor the New Board of Directors), including any family relationships between such persons.

13 RELATED PARTY TRANSACTIONS

13.1 Introduction

Below is a summary of the Group's related party transactions for the periods covered by the historical financial information included in this Prospectus as Appendix B and up to the date of this Prospectus. For further information on related party transactions of the Group, please refer to the Financial Statements (note 21 for 2018, note 22 for 2017, and note 25 for 2016), included in this Prospectus as Appendix B.

13.2 Transactions carried out with related parties in the six months' period ended 30 June 2019 and in the years ended 31 December 2018, 2017 and 2016

13.2.1 Overview

The Company has both short- and long term loans to subsidiaries as well as providing certain headquarter services to subsidiaries. All transactions with subsidiaries are conducted in accordance with the arm’s length principle. Balances and transactions between companies in the group have been eliminated in the consolidated financial statements

All transactions with related parties are conducted in accordance with the arm’s length principle.

13.2.2 Six months' period ended 30 June 2019

In June 2019, the Company repaid the NSF of NOK 786 million (including interest) and settled the remaining intercompany loans purchased in May. Following the settlements in June 2019 there are no shareholder loans to related parties as of 30 June 2019.

On 31 May 2019 the Company's general meeting resolved to increase the Company's share capital with NOK 30,000,000. The share contribution was settled by way of a set-off against outstanding loans in the total amount of NOK 1,102 million which its parent company and sole shareholder, NS Norway Holding AS, had towards the Company.

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

13.2.3 Year ended 31 December 2018

On 21 December 2018 the Company acquired receivables on Norske Skog Industries Australia Ltd, Norske Skog Bruck GmbH, Norske Skog Tasman Ltd and Nornews A/S from its parent company NS Norway Holding AS. All acquired receivables are towards wholly owned, either directly or indirectly, subsidiaries of the Company. The total consideration paid for the receivables was EUR 102 million. The price was set at face value for the secured claims and at a discount rate for the unsecured claims.

The purchase price was settled by way of a long-term loan from NS Norway Holding AS to the Company with an interest rate set at marked based terms in accordance with the Group's transfer pricing policy. The interest rate is currently 8% p.a. The loan has later been converted into equity in the Company cf. the above description of the share capital increase resolved on 31 May 2019.

Oceanwood acquired the shares in the Company through its wholly owned subsidiary NS Norway Holding AS on 28 September 2018.

13.2.4 Year ended 31 December 2017

No transactions with related parties were carried out during the year 2017.

13.2.5 Year ended 31 December 2016

No transactions with related parties were carried out during the year 2016.

13.2.6 Current agreements with related parties

There are no current agreements with related parties.

13.2.7 Past agreements with related parties

Oceanwood acquired the shares in the Company through its wholly owned subsidiary NS Norway Holding AS on 28 September 2018.

13.3 Transactions carried out with related parties in the period following 30 June 2019

The Group has not entered into any transactions with related parties in the period following 30 June 2019 and up until the date of this Prospectus.

14 SELLING SHAREHOLDER

14.1 Overview

As of the date of this Prospectus, the Company has one shareholder: NS Norway Holding AS, a wholly owned subsidiary of Oceanwood, who is referred to as the Selling Shareholder.

The Offering comprises between 28,875,000 and 41,250,000 Sale Shares offered by the Selling Shareholder.

The number of Sale Shares to be sold by the Selling Shareholder will be subject to the final Offer Price, as decided by the Selling Shareholder, in consultation with the Company and the Managers. The Selling Shareholder reserves the right, in consultation with the Company and the Managers, to set the final number of Sale Shares outside the above range.

The Selling Shareholder has entered into a lock-up undertaking with the Global Coordinators in connection with the Offering. See Section 18.18.2 "The Selling Shareholder" for more information on lock-up restrictions imposed on the Selling Shareholder. Oceanwood has applied for an exemption from the obligation to put forward a mandatory offer, in the case of a transfer of Shares from the Selling Shareholder to Oceanwood, as also allowed for under its lock-up undertaking.

14.2 Shares offered by the Selling Shareholder

NS Norway Holding AS, with company registration number 920 596 363 and registered business address at Sjølyst plass 2, 0278 Oslo, Norway, currently owns 82,500,000 shares in the Company and is offering between 28,875,000 and 41,250,000 Sale Shares in the Offering.

Following completion of the Offering, the Selling Shareholder will retain a shareholding in the Company of between 42.50% and 59.75%, assuming that the Greenshoe Option is exercised in full. Moreover, the Selling Shareholder will retain a shareholding of between 50% and 65%, assuming that the Greenshoe Option is not exercised.

15 CORPORATE INFORMATION AND DESCRIPTION OF THE SHARE CAPITAL

The following is a summary of certain corporate information and material information relating to the Shares and share capital of the Company and certain other shareholder matters, including summaries of certain provisions of the Articles of Association and applicable Norwegian law in effect as of the date of this Prospectus. The summary does not purport to be complete and is qualified in its entirety by the Articles of Association, included in Appendix A to this Prospectus, and applicable law.

15.1 Company corporate information

The Company's registered and commercial name is "Norske Skog ASA". The Company is a public limited liability company organized and existing under the laws of Norway pursuant to the Norwegian Public Limited Companies Act. The Company's registered office is in in the municipality of Oslo, Norway. The Company 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 Company 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 Company's name changed from Norske Skog AS to Norske Skog ASA. The Company's registration number in the Norwegian Register of Business Enterprises is 914 483 549 and its LEI code is 529900MYY60WXHHY3039.

The existing Shares, including the Sale Shares, are governed by the Norwegian Public Limited Companies Act. The existing Shares, including the Sale Shares, are registered in book-entry form with the VPS under ISIN NO 0010861115. The Company's register of shareholders in the VPS is administrated by the VPS Registrar (DNB Verdipaprservice).

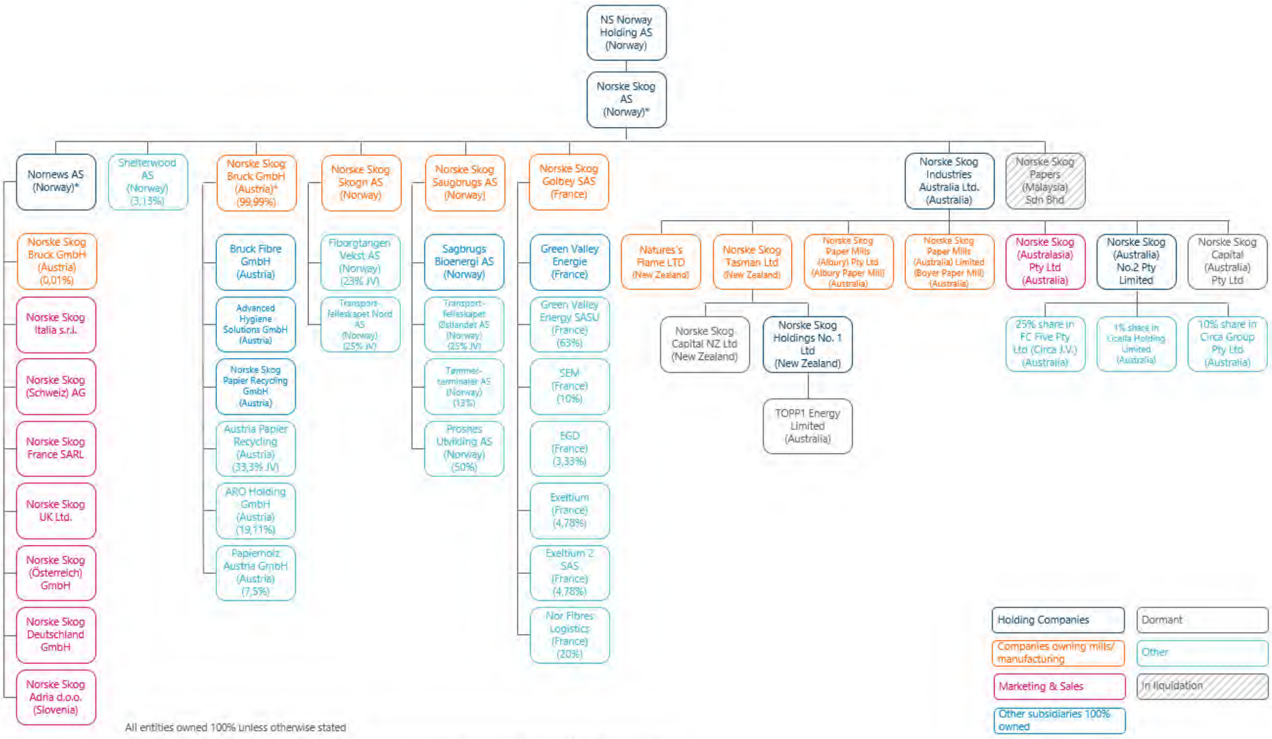
The Company's registered office is located at Sjølyst plass 2, 0278 Oslo, Norway, and the Company's main telephone number at that address is +47 22 51 20 20 and its e-mail is info@norskeskog.com. The Company's website can be found at www.norskeskog.com. The content of www.norskeskog.com is not incorporated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

15.2 Legal structure

15.2.1 The Group

The Company is the parent company of the Group and its activities consist of holding shares in the operating companies and carries out the head office functions of 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 Company'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 entities owned 100% unless otherwise stated

*Norske Skog Hydro GmbH and Norske Skog Bruck are owned 99,99% by Norske Skog AS and 0,01% by Nornews AS.

All the operating companies in Europe are owned by the Company, while the European sales offices are owned by a direct subsidiary of the Company, Nornews A/S. The operating companies in Australia and New Zealand, and the sales office for the Australasian region (Norske Skog (Australasia) Pty Ltd), are all owned by a direct subsidiary of the Company, Norske Skog Industries Australia Ltd, which serves as a regional holding company.

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

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 Ltd.	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 shares in 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 Ltd.	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) Ltd.	Australia	Factory	100%	Yes

Company	Country of incorporation	Activity	Ownership interest	Material
Norske Skog Papier Recycling GmbH	Austria	Other	100%	No
Norske Skog Tasman Ltd.	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 Company or other companies within the Group (together referred to as the "Group Companies", and separately a "Group Company"):

Company	Country of incorporation	Activity and ownership	Ownership interest	Material
Shelterwood AS	Norway	Forestry investment company. Owned by the Company.	3%	No
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 Company 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 Company's own assets and liabilities, financial condition or profit or losses.

15.2.2 *Restructurings*

See Section 8.2.1 "Historic development" for a brief description of the changes to the Group structure in connection with the bankruptcy of Norske Skogindustrier ASA.

15.3 Share capital and share capital history

As of the date of this Prospectus, the Company's share capital is NOK 330,000,000 divided into 82,500,000 Shares, each with a par value of NOK 4.00. All the Shares have been created under the Norwegian Public Limited Companies Act, and are validly issued and fully paid.

The Company has one class of shares and accordingly there are no differences in the voting rights among the Shares. There are no share options or other rights to subscribe or acquire Shares issued by the Company. The Company does not own any treasury Shares. None of the Company's subsidiaries owns, directly or indirectly, Shares in the Company.

The table below provides an exhaustive overview of the Company's share capital history for the historical period and up to the date of this Prospectus, meaning that there have not been any changes in the Company's share capital or number of issued shares other than as illustrated in the table below.

Date of resolution	Type of change	Change in share capital (NOK)	Share price (NOK)	Par value (NOK)	New number of Shares	New share capital (NOK)
31 May 2019	Share capital increase[1]	30,000,000	36,719.89	11,000	N/A[2]	330,000,000
18 September 2019	Share split	N/A	N/A	4	82,500,000	330,000,000

1 The subscription amount was set-off against debts of NOK 1,101,596,616 which NS Norway Holding AS had towards the Company.

2 The par value of each of the Company's Shares was increased with NOK 1,000. No new Shares were issued.

15.4 Admission to trading

The Company will on or about 8 October 2019 apply for admission to trading of its Shares, including the Offer Shares, on Oslo Børs, and the board of directors of Oslo Børs is expected to approve the listing application of the Company on or about 11 October 2019 subject to certain conditions being met. See Section 18.15 "Conditions for completion of the Offering – Listing and trading of the Offer Shares".

The Company currently expects commencement of trading in the Shares on Oslo Børs on or about 18 October 2019. The Company has not applied for admission to trading of the Shares on any other stock exchange or regulated market.

15.5 Ownership structure

As of the date of this Prospectus, the Company had one shareholder, NS Norway Holding AS. The owner of NS Norway Holding AS is Oceanwood, which acquired the shares in the Company through its wholly owned subsidiary NS Norway Holding AS on 28 September 2018. See Section 8.2 "History and important events" for more information on Oceanwood's acquisition of the Company in 2018.

Shareholders owning 5% or more of the Shares have an interest in the Company's share capital which is notifiable pursuant to the Norwegian Securities Trading Act. See Section 16.8 "Disclosure obligations" for a description of the disclosure obligations under the Norwegian Securities Trading Act. As of the date of this Prospectus, the Company is controlled by NS Norway Holding AS, holding 100% of the outstanding shares of the Company.

To the extent known to the Company, there are no persons or entities, other than the Selling Shareholder and its parent companies that, directly or indirectly, jointly or severally, exercise or could exercise control over the Company. The Company is not aware of any arrangements the operation of which may at a subsequent date result in a change of control of the Company.

The Articles of Association do not contain any provisions that would have the effect of delaying, deferring or preventing a change of control of the Company. The Shares have not been subject to any public takeover bids during the current or last financial year.

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. See Section 15.11 "Certain aspects of Norwegian corporate law" and Section 16.11 "Compulsory acquisition".

15.6 Authorization to increase the share capital and to issue Shares

In the extraordinary general meeting of shareholders on 18 September 2019, the Board of Directors was granted with an authorization to increase the share capital of the Company in connection with acquisitions, etc., up to NOK 33,000,000, which is equivalent to 10% of its current share capital. The authorization is valid until the Company's annual general meeting in 2020, but no longer than 30 June 2020.

15.7 Authorizations to acquire treasury shares

In the extraordinary general meeting of shareholders on 18 September 2019, the Board of Directors was granted with an authorization to acquire treasury shares, up to a total nominal value of NOK 33,000,000, which is equivalent to 10% of its current share capital. The authorization is valid until the Company's annual general meeting in 2020, but no longer than 30 June 2020

15.8 Other financial instruments

As of the date of this Prospectus, neither the Company nor any of its subsidiaries has issued any options, warrants, convertible loans or other instruments that would entitle a holder of any such instrument to subscribe for any shares in the Company or its subsidiaries. Furthermore, except for the Notes as further described in Section 11.9 "Borrowings and other contractual obligations" neither the Company nor any of its subsidiaries have issued subordinated debt or transferable securities other than the Shares and the shares in the Company's subsidiaries will be held, directly or indirectly, by the Company.

15.9 Shareholder rights

The Company has one class of shares in issue and, in accordance with the Norwegian Public Limited Companies Act, all Shares in that class provide equal rights in the Company, including the right to any dividends. Each of the Shares carries one vote. The rights attaching to the Shares at Listing are described in Section 15.10 "The Articles of Association" and Section 15.11 "Certain aspects of Norwegian corporate law".

15.10 The Articles of Association and certain aspects of Norwegian law

15.10.1 The Articles of Association

The Company's Articles of Association are set out in Appendix A to this Prospectus. Below is a summary of provisions of the Articles of Association as of 18 September 2019 valid at the date of this Prospectus.

Objective of the Company

Pursuant to section 3 of the Articles of Association, the objective of the Company is to conduct wood processing industry, investing activities and activities related to this, including raise of external loans and to conducting group financing arrangements.

Registered office

Pursuant to section 2 of the Articles of Association, the Company’s registered office is in the municipality of Oslo, Norway.

Share capital and par value

Pursuant to article 4 of the Articles of Association, the Company’s share capital is NOK 330,000,000 divided into 82,500,000 Shares, each Share, each with a par value of NOK 4.00. The Shares shall be registered with the Norwegian Central Securities Depository (VPS).

Board of Directors

Pursuant to article 5 of the Articles of Association, the Board of Directors shall consist of between three and eight members, according to the decision of the General Meeting. The chairman of the Board of Directors is elected by the General Meeting.

Restrictions on transfer of Shares

The Articles of Association do not provide for any restrictions on the transfer of Shares.

General meetings

The annual General Meeting shall deal with and decide the approval of the annual accounts and the annual report, including distribution of dividend. Furthermore, the General Meeting shall deal with other matters, which according to the law or the Articles of Association fall within the responsibility of the General Meeting.

Documents relating to matters to be dealt with by the Company's General Meeting, including documents which by law shall be included in or attached to the notice of the General Meeting, do not need to be sent to the shareholders if such documents have been made available on the Company's website. A shareholder may nevertheless request that documents which relate to matters to be dealt with at the General Meeting are sent to it. See Section 7 in the Articles of Association. Shareholders may cast their vote in writing, including voting through electronic communication, in a period prior to the General Meeting. The Board of Directors can establish specific guidelines for such advance voting. The established guidelines must be stated in the notice of the General Meeting. The Board of Directors may resolve that shareholders who wants to participate at the General Meeting must notify the Company within a specific deadline that cannot expire earlier than three days prior to the date of the General Meeting.

Nomination committee

The Company shall have a nomination committee. See Section 12.12 – "Nomination committee" and Section 8 in the Articles of Association.

15.11 Certain aspects of Norwegian corporate law

General meetings

Through the general meeting of shareholders, shareholders exercise supreme authority in a Norwegian public limited liability company. In accordance with Norwegian law, the annual general meeting of shareholders is required to be held each year on or prior to 30 June. Norwegian law requires that written notice of annual general meetings, which sets forth the date and time of, the venue for and the agenda of the general meeting, is sent to all shareholders with a known address no later than 21 days before the date of the annual general meeting of a Norwegian public limited liability company listed on a stock exchange or a regulated market shall be held, unless the articles of association stipulate a longer deadline. The latter is currently not the case for the Company.

A shareholder may vote at the general meeting either in person or by proxy appointed at its own discretion. Pursuant to the Norwegian Securities Trading Act, a proxy voting form shall be appended to the notice of the general meeting for a Norwegian public limited liability company listed on a stock exchange or a regulated market unless such form has been made available to the shareholders on the company's website and the notice calling for the meeting includes all information the shareholders need to access the proxy voting forms, including the relevant Internet address.

Under Norwegian law, a shareholder may only exercise rights that pertain to shareholders, including participation in general meetings of shareholders, when it has been registered as a shareholder in the company's register of shareholders maintained by the VPS. Unless the articles of association explicitly states that the right to attend and vote at a general meeting may only be exercised by a shareholder if it has been entered into the company's register of shareholders five working days prior to the general meeting, all shareholders who are registered as such on the date of the general meeting have the right to attend and exercise its voting rights at that meeting. This is the case for the Company i.e. the record date for shareholders to participate at a General Meeting is five working days prior to the date of the relevant General Meeting.

Apart from the annual general meeting, extraordinary general meetings of shareholders may be held if the board of directors considers it necessary. An extraordinary general meeting of shareholders must also be convened if, in order to discuss a specified matter, the auditor or shareholders representing at least 5% of the share capital demands this in writing. The requirements for notice of and admission to the annual general meeting also apply to extraordinary general meetings. However, the annual general meeting of a Norwegian public limited liability company may with a majority of at least two-thirds of the aggregate number of votes cast as well as at least two-thirds of the share capital represented at a general meeting resolve that extraordinary general meetings may be convened with a 14 days' notice period until the next annual general meeting provided that the company has procedures in place allowing shareholders to vote electronically. This has currently not been resolved by the Company's General Meeting.

Voting rights – amendments to the articles of association

Each of the Company's Shares carries one vote. In general, decisions that shareholders of a Norwegian public limited liability company are entitled to make under Norwegian law or the articles of association may be made by a simple majority of the votes cast. In the case of elections or appointments, the person(s) who receive(s) the greatest number of votes cast are elected. However, as required under Norwegian law, certain decisions, including resolutions to waive preferential rights to subscribe for shares in connection with any share issue in the company, to approve a merger or demerger of the company, to amend the articles of association, to authorize an increase or reduction in the share capital, to authorize an issuance of convertible loans or warrants by the company or to authorize the board of directors to purchase shares and hold them as treasury shares or to dissolve the company, must receive the approval of at least two-thirds of the aggregate number of votes cast as well as at least two-thirds of the share capital represented at a general meeting. Norwegian law further requires that certain decisions, which have the effect of substantially altering the rights and preferences of any shares or class of shares, receive the approval by the holders of such shares or class of shares as well as the majority required for amending the articles of association.

Decisions that (i) would reduce the rights of some or all of the company’s shareholders in respect of dividend payments or other rights to assets or (ii) restrict the transferability of the shares, require that at least 90% of the share capital represented at the general meeting in question vote in favor of the resolution, as well as the majority required for amending the articles of association.

Only a shareholder registered as such in the VPS is entitled to vote for shares of a Norwegian public limited liability company listed on a stock exchange or regulated market. Beneficial owners of the shares who are registered in the name of a nominee are generally not entitled to vote under Norwegian law, nor is any person who is designated in the VPS register as the holder of such shares as a nominee. A nominee may not meet or vote for shares registered on a nominee account ("**NOM-account**"). A shareholder holding shares through a NOM-account must, in order to be eligible to register, meet and vote for such Shares at the General Meeting, transfer the shares from such NOM-account to an account in the shareholder's name. Such registration must appear from a transcript from the VPS at the latest five working days prior to the date of the relevant General Meeting.

There are no quorum requirements that apply to the general meeting of a Norwegian public limited liability company.

Additional issuances and preferential rights

If the Company issues any new Shares, including bonus share issues, the Articles of Association must be amended, which requires the same vote as other amendments to the articles of association. In addition, under Norwegian law, the shareholders have a preferential right to subscribe for new shares issued by the Company. Preferential rights may be derogated from by resolution in a General Meeting passed by the same vote required to amend the Articles of Association. A derogation of the shareholders' preferential rights in respect of bonus issues requires the approval of all outstanding Shares.

The General Meeting may, by the same vote as is required for amending the Articles of Association, authorize the Board of Directors to issue new Shares, and to derogate from the preferential rights of shareholders in connection with such issuances. Such authorization may be effective for a maximum of two years, and the nominal value of the Shares to be issued may not exceed 50% of the registered par share capital when the authorization is registered with the Norwegian Register of Business Enterprises.

Under Norwegian law, the Company may increase its share capital by a bonus share issue, subject to approval by the shareholders, by transfer from the Company's distributable equity and thus the share capital increase does not require any payment of a subscription price by the shareholders. Any bonus issues may be affected either by issuing new shares to the Company's existing shareholders or by increasing the nominal value of the Company's outstanding Shares.

Issuance of new Shares to shareholders who are citizens or residents of the United States upon the exercise of preferential rights may require the Company to file a registration statement in the United States under United States securities laws. Should the Company in such a situation decide not to file a registration statement, the Company's U.S. shareholders may not be able to exercise their preferential rights. If a U.S. shareholder is ineligible to participate in a rights offering, such shareholder would not receive the rights at all and the rights would be sold on the shareholder's behalf by the Company. Shareholders in other jurisdictions outside Norway may be similarly affected if the rights and the new shares being offered have not been registered with, or approved by, the relevant authorities in such jurisdiction. The Company has not filed a registration statement under the U.S. Securities Act in connection with the Listing or sought approvals under the laws of any other jurisdiction outside Norway in respect of any pre-emptive rights or the Shares, does not intend to do so and doing so in the future may be impractical and costly. To the extent that the Company's shareholders are not able to exercise their rights to subscribe for new shares, the value of their subscription rights will be lost and such shareholders' proportional ownership interests in the Company will be reduced.

Minority rights

Norwegian law sets forth a number of protections for minority shareholders of the Company, including, but not limited to, those described in this paragraph and the description of General Meetings as set out above. Any of the Shareholders may petition Norwegian courts to have a decision of the Board of Directors or the Company's shareholders which has been made at the General Meeting declared invalid on the grounds that it unreasonably favors certain shareholders or third parties to the detriment of other shareholders or the Company itself. The Company's shareholders may also petition the courts to dissolve the Company as a result of such decisions to the extent particularly strong reasons are considered by the court to make necessary dissolution of the Company.

Minority shareholders holding 5% or more of the Company's share capital have a right to demand in writing that the Board of Directors convene an extraordinary General Meeting to discuss or resolve specific matters. In addition, any of the Company's shareholders may in writing demand that the Company place an item on the agenda for any General Meeting as long as the Company is notified within seven days before the deadline for convening the General Meeting. If the notice has been issued when such a written demand is presented, a renewed notice must be issued if the deadline for issuing notice of the relevant General Meeting has not expired.

Rights of redemption and repurchase of Shares

The share capital of the Company may be reduced by reducing the nominal value of the Shares or by cancelling Shares. Such a decision requires the approval of at least two-thirds of the aggregate number of votes cast and at least two-thirds of the share capital represented at a General Meeting. Redemption of individual Shares requires the consent of the holders of the Shares to be redeemed.

The Company may purchase its own Shares provided that the Board of Directors has been granted an authorization to do so by a General Meeting with the approval of at least two-thirds of the aggregate number of votes cast and at least two-thirds of the share capital represented at the meeting. The aggregate nominal value of treasury shares so acquired, and held by the Company must not exceed 10% of the Company's share capital, and treasury shares may only be acquired if the Company's distributable equity, according to the latest adopted balance sheet, exceeds the consideration to be paid for the shares. The authorization by the General Meeting of the Company's shareholders cannot be granted for a period exceeding two years.

Shareholder vote on certain reorganizations

A decision of the Company's shareholders to merge with another company or to demerge requires a resolution by the General Meeting passed by at least two-thirds of the aggregate votes cast and at least two-thirds of the share capital represented at the General Meeting. A merger plan, or demerger plan signed by the Board of Directors along with certain other required documentation, would have to be sent to all of the shareholders, or if the Articles of Association stipulate that, made available to the shareholders on the Company's website, at least one month prior to the General Meeting to pass upon the matter.

Liability of board members

Members of the Board of Directors owe a fiduciary duty to the Company and its shareholders. Such fiduciary duty requires that the Board Members act in the best interests of the Company when exercising their functions and exercise a general duty of loyalty and care towards the Company. Their principal task is to safeguard the interests of the Company.

Members of the Board of Directors may each be held liable for any damage they negligently or willfully cause the Company. Norwegian law permits the General Meeting to discharge a Board Member from liability, but such discharge is not binding on the Company if substantially correct and complete information was not provided at the General Meeting passing upon the matter. If a resolution to discharge the Board Members from liability or not to pursue claims against such a person has been passed by a General Meeting with a smaller majority than that required to amend the Articles of Association, shareholders representing more than 10% of the share capital or, if there are more than 100 shareholders, more than 10% of the shareholders may pursue the claim on the Company's behalf and in its name. The cost of any such action is not the Company's responsibility but can be recovered from any proceeds the Company receives as a result of the action. If the decision to discharge any of the Board Members from liability or not to pursue claims against the Board Members is made by such a majority as is necessary to amend the Articles of Association, the minority shareholders of the Company cannot pursue such claim in the Company's name.

Civil proceedings against the Company in jurisdictions other than Norway

Furthermore, investors shall note that they may be unable to recover losses in civil proceedings in jurisdictions other than Norway. The Company is a public limited liability company organised under the laws of Norway. Except for the chairman of the Board of Directors, Jen-Yue (John) Chiang, who resides in the United Kingdom and the Group's Senior Vice President Commercial, Robert A. Wood, who resides in Scotland, all of the board members and the members of the Management reside in Norway. As a result, it may not be possible for investors to effect service of process in other jurisdictions upon such persons or the Company, to enforce against such persons or the Company judgments obtained in non-Norwegian courts, or to enforce judgments on such persons or the Company in other jurisdictions.

Indemnification of board members

Neither Norwegian law nor the Articles of Association contains any provision concerning indemnification by the Company of the Board of Directors. The Company is permitted to purchase insurance for the Board Members against certain liabilities that they may incur in their capacity as such.

Distribution of assets on liquidation

Under Norwegian law, the Company may be wound-up by a resolution of the Company's shareholders at the General Meeting passed by at least two-thirds of the aggregate votes cast and at least two-thirds of the share capital represented at that meeting. In the event of liquidation, the Shares rank equally in the event of a return on capital.

15.12 Shareholders agreement

To the knowledge of the Company, there are no shareholders' agreements related to the Shares.

16 SECURITIES TRADING IN NORWAY

Set out below is a summary of certain aspects of securities trading in Norway and the possible implications of owning tradable Shares on Oslo Børs. The summary is based on the rules and regulations in force in Norway as at the date of this Prospectus, which may be subject to changes occurring after such date. This summary does not purport to be a comprehensive description of securities trading in Norway. Investors who wish to clarify aspects of securities trading in Norway should consult with and rely upon their own advisors.

16.1 Introduction

Oslo Børs was established in 1819 and offers the only regulated markets for securities trading in Norway. Oslo Børs ASA is wholly owned by Oslo Børs VPS Holding ASA which was acquired by Euronext on 18 June 2019. Euronext owns seven regulated markets across Europe, including Amsterdam, Brussels, Dublin, Lisbon, London, Oslo and Paris.

As of 31 December 2018, the total capitalisation of companies listed on Oslo Børs amounted to approximately NOK 2,462 billion. Shareholdings of non-Norwegian investors as a percentage of total market capitalisation as at 31 December 2018 amounted to approximately 38.5%.

Oslo Børs has entered into a strategic cooperation with the London Stock Exchange Group with regards to, inter alia, trading systems and product development across for equities, fixed income and derivatives markets.

16.2 Market value of the Shares

The market value of shares listed on Oslo Børs, including the Shares, may fluctuate significantly, which could cause investors to lose a significant part of their investment. The market value could fluctuate significantly in response to a number of factors beyond the respective issuer's control, including quarterly variations in operating results, adverse business developments, changes in financial estimates and investment recommendations or ratings by securities analysts, announcements by the respective issuer or its competitors of new product and service offerings, significant contracts, acquisitions or strategic relationships, publicity about the issuer, its products and services or its competitors, lawsuits against the issuer, unforeseen liabilities, changes in management, changes to the regulatory environment in which the issuer operates or general market conditions.

Furthermore, issuances of shares or other securities may dilute the holdings of shareholders and could materially affect the price of the shares. Any issuer, including the Company, may in the future decide to offer additional shares or other securities to finance new capital-intensive projects, in connection with unanticipated liabilities or expenses or for any other purposes, including for refinancing purposes. There are no assurances that any of the issuers on Oslo Børs will not decide to conduct further offerings of securities in the future. Depending on the structure of any future offering, certain existing shareholders may not have the ability to purchase additional equity securities. If a listed company raises additional funds by issuing additional equity securities, the holdings and voting interests of existing shareholders could be diluted, and thereby affect share price.

16.3 Trading and settlement

Trading of equities on Oslo Børs is currently carried out in the electronic trading system Millennium Exchange. This trading system is in use by all markets operated by the London Stock Exchange, including the Borsa Italiana, as well as by the Johannesburg Stock Exchange.

Official trading on Oslo Børs takes place between 09:00 hours (CEST) and 16:20 hours (CEST) each trading day, with pre-trade period between 08:15 hours (CEST) and 09:00 hours (CEST), closing auction from 16:20 hours (CEST) to 16:25 hours (CEST) and a post-trade period from 16:25 hours (CEST) to 17:30 hours (CEST). Reporting of after exchange trades can be done until 17:30 hours (CEST).

The settlement period for trading on Oslo Børs is two trading days (T+2). This means that securities will be settled on the investor's account in VPS two days after the transaction, and that the seller will receive payment after two days.

Oslo Clearing ASA, a wholly-owned subsidiary of SIX x-clear AG, a company in the SIX group, has a license from the Norwegian FSA to act as a central clearing service, and has from 18 June 2010 offered clearing and counterparty services for equity trading on Oslo Børs.

Investment services in Norway may only be provided by Norwegian investment firms holding a license under the Norwegian Securities Trading Act, branches of investment firms from an EEA member state or investment firms from outside the EEA that have been licensed to operate in Norway. Investment firms in an EEA member state may also provide cross-border investment services into Norway.

It is possible for investment firms to undertake market-making activities in shares listed in Norway if they have a license to this effect under the Norwegian Securities Trading Act, or in the case of investment firms in an EEA member state, a license to carry out market-making activities in their home jurisdiction. Such market-making activities will be governed by the regulations of the Norwegian Securities Trading Act relating to brokers' trading for their own account. However, such market-making activities do not as such require notification to the Norwegian FSA or Oslo Børs except for the general obligation of investment firms that are members of Oslo Børs to report all trades in stock exchange listed securities.

16.4 Information, control and surveillance

Under Norwegian law, Oslo Børs is required to perform a number of surveillance and control functions. The Surveillance and Corporate Control unit of Oslo Børs monitors all market activity on a continuous basis. Market surveillance systems are largely automated, promptly warning department personnel of abnormal market developments.

The Norwegian FSA controls the issuance of securities in both the equity and bond markets in Norway and evaluates whether the issuance documentation contains the required information and whether it would otherwise be unlawful to carry out the issuance.

Under Norwegian law, a company that is listed on a Norwegian regulated market, or has applied for listing on such market, must promptly release any inside information directly concerning the company (i.e. precise information about financial instruments, the issuer thereof or other matters which are likely to have a significant effect on the price of the relevant financial instruments or related financial instruments, and which are not publicly available or commonly known in the market). A company may, however, delay the release of such information in order not to prejudice its legitimate interests, provided that it is able to ensure the confidentiality of the information and that the delayed release would not be likely to mislead the public. Oslo Børs may levy fines on companies violating these requirements.

16.5 The VPS and transfer of Shares

The Company's principal share register is operated through the VPS. The VPS is the Norwegian paperless centralized securities register. It is a computerized book-keeping system in which the ownership of, and all transactions relating to, Norwegian listed shares must be recorded. The VPS and Oslo Børs are both wholly-owned by Oslo Børs VPS Holding ASA.

All transactions relating to securities registered with the VPS are made through computerized book entries. No physical share certificates are, or may be, issued. The VPS confirms each entry by sending a transcript to the registered shareholder irrespective of any beneficial ownership. To give effect to such entries, the individual shareholder must establish a share account with a Norwegian account agent. Norwegian banks, Norges Bank (being, the Central Bank of Norway), authorized securities brokers in Norway and Norwegian branches of credit institutions established within the EEA are allowed to act as account agents.

As a matter of Norwegian law, the entry of a transaction in the VPS is *prima facie* evidence in determining the legal rights of parties as against the issuing company or any third party claiming an interest in the given security. A transferee or assignee of shares may not exercise the rights of a shareholder with respect to such shares unless such transferee or assignee has registered such shareholding or has reported and shown evidence of such share acquisition, and the acquisition is not prevented by law, the relevant company's articles of association or otherwise.

The VPS is liable for any loss suffered as a result of faulty registration or an amendment to, or deletion of, rights in respect of registered securities unless the error is caused by matters outside the VPS' control which the VPS could not reasonably be expected to avoid or overcome the consequences of. Damages payable by the VPS may, however, be reduced in the event of contributory negligence by the aggrieved party.

The VPS must provide information to the Norwegian FSA on an ongoing basis, as well as any information that the Norwegian FSA requests. Further, Norwegian tax authorities may require certain information from the VPS regarding any individual's holdings of securities, including information about dividends and interest payments.

16.6 Shareholder register

Under Norwegian law, shares are registered in VPS in the name of the beneficial owner of the shares. Beneficial owners of the Shares that hold their shares through a nominee (such as banks, brokers, dealers or other third parties) may not be able to vote for such Shares unless their ownership is re-registered in their names with the VPS prior to the General Meeting. Norwegian shareholders are not allowed to register their shares in the VPS through a nominee. However, foreign shareholders may register their shares in the VPS in the name of a nominee (bank or other nominee) approved by the Norwegian FSA. An approved and registered nominee has a duty to provide information on demand about beneficial shareholders to the company and to the Norwegian authorities. In case of registration by nominees, the registration in the VPS must show that the registered owner is a nominee. A registered nominee has the right to receive dividends and other distributions, but cannot vote in general meetings on behalf of the beneficial owners. There is no assurance that beneficial owners of the Shares will receive the notice of any General Meeting in time to instruct their nominees to either effect a re-registration of their Shares or otherwise vote for their Shares in the manner desired by such beneficial owners. See Section 15.11 "Voting rights – amendments to the articles of association" for more information on nominee accounts.

16.7 Foreign investment in shares listed in Norway

Foreign investors may trade shares listed on Oslo Børs through any broker that is a member of Oslo Børs, whether Norwegian or foreign.

Foreign investors should note that the rights of holders of shares listed on Oslo Børs and issued by Norwegian incorporated companies are governed by Norwegian law and by the respective company's articles of association. These rights may differ from the rights of shareholders in other jurisdictions. In particular, Norwegian law limits the circumstances under which shareholders of Norwegian companies may bring derivative actions. For instance, under Norwegian law, any action brought by a company in respect of wrongful acts committed against such company will be prioritised over actions brought by shareholders claiming compensation in respect of such acts. In addition, it may be difficult to prevail in a claim against the company under, or to enforce liabilities predicated upon, securities laws in other jurisdictions. See Section 15.11 "Voting rights – amendments to the articles of association" for more information on certain aspects of Norwegian law.

16.8 Disclosure obligations

If a person's, entity's or consolidated group's proportion of the total issued shares and/or rights to shares in a company listed on a regulated market in Norway (with Norway as its home state, which will be the case for the Company) reaches, exceeds or falls below the respective thresholds of 5%, 10%, 15%, 20%, 25%, 1/3, 50%, 2/3 or 90% of the share capital or the voting rights of that company, the person, entity or group in question has an obligation under the Norwegian Securities Trading Act to notify Oslo Børs and the issuer immediately. The same applies if the disclosure thresholds are passed due to other circumstances, such as a change in the company's share capital.

16.9 Insider trading

According to Norwegian law, subscription for, purchase, sale or exchange of financial instruments that are listed, or subject to the application for listing, on a Norwegian regulated market, or incitement to such dispositions, must not be undertaken by anyone who has inside information, as defined in Section 3-2 of the Norwegian Securities Trading Act. The same applies to the entry into, purchase, sale or exchange of options or futures/forward contracts or equivalent rights whose value is connected to such financial instruments or incitement to such dispositions.

16.10 Mandatory offer requirement

The Norwegian Securities Trading Act requires any person, entity or consolidated group that becomes the owner of shares representing more than one-third (or more than 50%) of the voting rights of a company listed on a Norwegian regulated market (with the exception of certain foreign companies) to, within four weeks, make an unconditional general offer for the purchase of the remaining shares in that company. A mandatory offer obligation may also be triggered where a party acquires the right to become the owner of shares that, together with the party’s own shareholding, represent more than one-third of the voting rights in the company and Oslo Børs decides that this is regarded as an effective acquisition of the shares in question. Oceanwood has applied for an exemption from the mandatory offer requirement in the case of a transfer of Shares from the Selling Shareholder to Oceanwood, as allowed for under its lock-up undertaking.

The mandatory offer obligation ceases to apply if the person, entity or consolidated group sells the portion of the shares that exceeds the relevant threshold within four weeks of the date on which the mandatory offer obligation was triggered.

When a mandatory offer obligation is triggered, the person subject to the obligation is required to immediately notify Oslo Børs and the company in question accordingly. The notification is required to state whether an offer will be made to acquire the remaining shares in the company or whether a sale will take place. As a rule, a notification to the effect that an offer will be made cannot be retracted. The offer and the offer document required are subject to approval by Oslo Børs before the offer is submitted to the shareholders or made public.

The offer price per share must be at least as high as the highest price paid or agreed by the offeror for the shares in the six-month period prior to the date the threshold was exceeded. If the acquirer acquires or agrees to acquire additional shares at a higher price prior to the expiration of the mandatory offer period, the acquirer is obliged to restate its offer at such higher price. A mandatory offer must be in cash or contain a cash alternative at least equivalent to any other consideration offered.

In case of failure to make a mandatory offer or to sell the portion of the shares that exceeds the relevant threshold within four weeks, Oslo Børs may force the acquirer to sell the shares exceeding the threshold by public auction. Moreover, a shareholder who fails to make an offer may not, as long as the mandatory offer obligation remains in force, exercise rights in the company, such as voting in a general meeting, without the consent of a majority of the remaining shareholders. The shareholder may, however, exercise his/her/its rights to dividends and pre-emption rights in the event of a share capital increase. If the shareholder neglects his/her/its duty to make a mandatory offer, Oslo Børs may impose a cumulative daily fine that runs until the circumstance has been rectified.

Any person, entity or consolidated group that owns shares representing more than one-third of the votes in a company listed on a Norwegian regulated market (with the exception of certain foreign companies) is obliged to make an offer to purchase the remaining shares of the company (repeated offer obligation) if the person, entity or consolidated group through acquisition becomes the owner of shares representing 40%, or more of the votes in the company. The same applies correspondingly if the person, entity or consolidated group through acquisition becomes the owner of shares representing 50% or more of the votes in the company. The mandatory offer obligation ceases to apply if the person, entity or consolidated group sells the portion of the shares which exceeds the relevant threshold within four weeks of the date on which the mandatory offer obligation was triggered.

Any person, entity or consolidated group that has passed any of the above mentioned thresholds in such a way as not to trigger the mandatory bid obligation, and has therefore not previously made an offer for the remaining shares in the company in accordance with the mandatory offer rules is, as a main rule, obliged to make a mandatory offer in the event of a subsequent acquisition of shares in the company.

16.11 Compulsory acquisition

Pursuant to the Norwegian Public Limited Companies Act and the Norwegian Securities Trading Act, a shareholder who, directly or through subsidiaries, acquires shares representing 90% or more of the total number of issued shares in a Norwegian public limited company, as well as 90% or more of the total voting rights, has a right, and each remaining minority shareholder of the company has a right to require such majority shareholder, to effect a compulsory acquisition for cash of the shares not already owned by such majority shareholder. Through such compulsory acquisition the majority shareholder becomes the owner of the remaining shares with immediate effect.

If a shareholder acquires shares representing more than 90% of the total number of issued shares, as well as more than 90% of the total voting rights, through a voluntary offer in accordance with the Securities Trading Act, a compulsory acquisition can, subject to the following conditions, be carried out without such shareholder being obliged to make a mandatory offer: (i) the compulsory acquisition is commenced no later than four weeks after the acquisition of shares through the voluntary offer, (ii) the price offered per share is equal to or higher than what the offer price would have been in a mandatory offer, and (iii) the settlement is guaranteed by a financial institution authorized to provide such guarantees in Norway.

A majority shareholder who effects a compulsory acquisition is required to offer the minority shareholders a specific price per share, the determination of which is at the discretion of the majority shareholder. However, where the offeror, after making a mandatory or voluntary offer, has acquired more than 90% of the voting shares of a company and a corresponding proportion of the votes that can be cast at the general meeting, and the offeror pursuant to Section 4-25 of the Norwegian Public Limited Companies Act completes a compulsory acquisition of the remaining shares within three months after the expiry of the offer period, it follows from the Norwegian Securities Trading Act that the redemption price shall be determined on the basis of the offer price for the mandatory/voluntary offer unless specific reasons indicate another price.

Should any minority shareholder not accept the offered price, such minority shareholder may, within a specified deadline of not less than two months, request that the price be set by a Norwegian court. The cost of such court procedure will, as a general rule, be the responsibility of the majority shareholder, and the relevant court will have full discretion in determining the consideration to be paid to the minority shareholder as a result of the compulsory acquisition.

Absent a request for a Norwegian court to set the price or any other objection to the price being offered, the minority shareholders would be deemed to have accepted the offered price after the expiry of the specified deadline.

16.12 Foreign exchange controls

There are currently no foreign exchange control restrictions in Norway that would potentially restrict the payment of dividends to a shareholder outside Norway, and there are currently no restrictions that would affect the right of shareholders of a company that has its shares registered with the VPS who are not residents in Norway to dispose of their shares and receive the proceeds from a disposal outside Norway. There is no maximum transferable amount either to or from Norway, although transferring banks are required to submit reports on foreign currency exchange transactions into and out of Norway into a central data register maintained by the Norwegian customs and excise authorities. The Norwegian police, tax authorities, customs and excise authorities, the National Insurance Administration and the Norwegian FSA have electronic access to the data in this register.

17 TAXATION

Set out below is a summary of certain Norwegian tax matters related to an investment in the Company. The summary regarding Norwegian taxation is based on the laws in force in Norway as at the date of this Prospectus, which may be subject to any changes in law occurring after such date. Such changes could possibly be made on a retrospective basis.

The following summary does not purport to be a comprehensive description of all the tax considerations that may be relevant to a decision to purchase, own or dispose of the shares in the Company. Shareholders who wish to clarify their own tax situation should consult with and rely upon their own tax advisors. Shareholders resident in jurisdictions other than Norway and shareholders who cease to be resident in Norway for tax purposes (due to domestic tax law or tax treaty) should specifically consult with and rely upon their own tax advisors with respect to the tax position in their country of residence and the tax consequences related to ceasing to be resident in Norway for tax purposes.

Please note that for the purpose of the summary below, a reference to a Norwegian or non-Norwegian shareholder refers to the tax residency rather than the nationality of the shareholder.

The tax legislation in the Company's jurisdiction of incorporation and the tax legislation in the jurisdictions in which the shareholders are resident for tax purposes may have an impact on the income received from shares in the Company.

17.1 Norwegian taxation

17.1.1 Taxation of dividends

Norwegian Personal Shareholders

Dividends distributed by the Company to shareholders who are individuals resident in Norway for tax purposes ("**Norwegian Personal Shareholders**") are taxable in Norway for such shareholders currently at an effective rate of 31.68% to the extent the dividend exceeds a tax-free allowance; i.e. dividends received, less the tax free allowance, shall be multiplied by 1.44 which are then included as ordinary income taxable at a flat rate of 22%, increasing the effective tax rate on dividends received by Norwegian Personal Shareholders to 31.68%.

The allowance is calculated on a share-by-share basis. The allowance for each share is equal to the cost price of the share multiplied by a determined risk free interest rate based on the effective rate of interest on treasury bills (Nw:"statskasseveksler") with three months maturity plus 0.5 percentage points, after tax. The allowance is calculated for each calendar year, and is allocated solely to Norwegian Personal Shareholders holding shares at the expiration of the relevant calendar year.

Norwegian Personal Shareholders who transfer shares will thus not be entitled to deduct any calculated allowance related to the year of transfer. Any part of the calculated allowance one year exceeding the dividend distributed on the share ("excess allowance") may be carried forward and set off against future dividends received on, or gains upon realization, of the same share.

Norwegian Personal Shareholders may hold the shares through a Norwegian share saving account (Nw: "aksjesparekonto"). Dividends received on shares held through a share saving account will not be taxed with immediate effect. Instead, withdrawal of funds from the share saving account exceeding the paid in deposit will be regarded as taxable income, regardless of whether the funds are derived from gains or dividends related to the shares held in the account. Such income will be taxed with an effective tax rate of 31.68%, cf. above. Norwegian Personal Shareholders will still be entitled to a calculated tax-free allowance. Please refer to Section 17.1.2 – "*Taxation of capital gains on realization of shares – Norwegian personal shareholders*" for further information in respect of Norwegian share saving accounts.

Norwegian Corporate Shareholders

Dividends distributed by the Company to shareholders who are limited liability companies (and certain similar entities) resident in Norway for tax purposes ("**Norwegian Corporate Shareholders**"), are effectively taxed at a rate of currently 0.66% (3% of dividend income from such shares is included in the calculation of ordinary income for Norwegian Corporate Shareholders and ordinary income is subject to tax at a flat rate of currently 22%). For Norwegian Corporate Shareholders that are considered to be "Financial Institutions" under the Norwegian financial activity tax (banks, holding companies, etc.), the effective rate of taxation for dividends is 0.75%.

Non-Norwegian Personal Shareholders

Dividends distributed by the Company to shareholders who are individuals not resident in Norway for tax purposes ("**Non-Norwegian Personal Shareholders**"), are as a general rule subject to withholding tax at a rate of 25%. The withholding tax rate of 25% is normally reduced through tax treaties between Norway and the country in which the shareholder is resident. The withholding obligation lies with the company distributing the dividends and the Company assumes this obligation.

Non-Norwegian Personal Shareholders resident within the EEA for tax purposes may apply individually to Norwegian tax authorities for a refund of an amount corresponding to the calculated tax-free allowance on each individual share, please refer to section 17.1.1 "*Taxation of dividends – Norwegian Personal Shareholders*" above. However, the deduction for the tax-free allowance does not apply in the event that the withholding tax rate, pursuant to an applicable tax treaty, leads to a lower taxation of the dividends than the withholding tax rate of 25% less the tax-free allowance.

If a Non-Norwegian Personal Shareholder is carrying on business activities in Norway and the shares are effectively connected with such activities, the shareholder will be subject to the same taxation of dividends as a Norwegian Personal Shareholder, as described above.

Non-Norwegian Personal Shareholders who have suffered a higher withholding tax than set out in an applicable tax treaty may apply to the Norwegian tax authorities for a refund of the excess withholding tax deducted.

All Non-Norwegian Personal Shareholders must document their entitlement to a reduced withholding tax rate by obtaining a certificate of residence issued by the tax authorities in the shareholder's country of residence, confirming that the shareholder is resident in that state. The documentation must be provided to either the nominee or the account operator (VPS).

Non-Norwegian Personal Shareholders should consult their own advisers regarding the availability of treaty benefits in respect of dividend payments, including the possibility of effectively claiming a refund of withholding tax.

Non-Norwegian Personal Shareholders resident in the EEA for tax purposes may hold their shares through a Norwegian share saving account. Dividends received on, and gains derived upon the realization of, shares held through a share saving account by a Non-Norwegian Personal Shareholder resident in the EEA will not be taxed with immediate effect. Instead, withdrawal of funds from the share saving account exceeding the Non-Norwegian Personal Shareholder's paid in deposit, will be subject to withholding tax at a rate of 25% (unless reduced pursuant to an applicable tax treaty). Capital gains realized upon realization of shares held through the share saving account will be regarded as paid in deposits, which may be withdrawn without taxation. Losses will correspondingly be deducted from the paid in deposit, reducing the amount which can be withdrawn without withholding tax.

The obligation to deduct and report withholding tax on shares held through a saving account, cf. above, lies with the account operator.

Non-Norwegian Corporate Shareholders

Dividends distributed by the Company to shareholders who are limited liability companies (and certain other entities) not resident in Norway for tax purposes ("**Non-Norwegian Corporate Shareholders**"), are as a general rule subject to withholding tax at a rate of 25%. The withholding tax rate of 25% is normally reduced through tax treaties between Norway and the country in which the shareholder is resident.

Dividends distributed to Non-Norwegian Corporate Shareholders resident within the EEA for tax purposes are exempt from Norwegian withholding tax provided that the shareholder is the beneficial owner of the shares and that the shareholder is genuinely established and performs genuine economic business activities within the relevant EEA jurisdiction.

If a Non-Norwegian Corporate Shareholder is carrying on business activities in Norway and the shares are effectively connected with such activities, the shareholder will be subject to the same taxation of dividends as a Norwegian Corporate Shareholder, as described above.

Non-Norwegian Corporate Shareholders who have suffered a higher withholding tax than set out in an applicable tax treaty may apply to the Norwegian tax authorities for a refund of the excess withholding tax deducted. The same will apply to Non-Norwegian Corporate Shareholders who have suffered withholding tax although qualifying for the Norwegian participation exemption.

All Non-Norwegian Corporate Shareholders must document their entitlement to a reduced withholding tax rate by either (i) presenting an approved withholding tax refund application or (ii) present an approval from the Norwegian tax authorities confirming that the recipient is entitled to a reduced withholding tax rate. In addition, a certificate of residence issued by the tax authorities in the shareholder's country of residence, confirming that the shareholder is resident in that state, must be obtained. Such documentation must be provided to either the nominee or the account operator (VPS).

The withholding obligation in respect of dividends distributed to Non-Norwegian Corporate Shareholders and on nominee registered shares lies with the company distributing the dividends and the Company assumes this obligation.

Non-Norwegian Corporate Shareholders should consult their own advisers regarding the availability of treaty benefits in respect of dividend payments, including the possibility of effectively claiming a refund of withholding tax.

17.1.2 Taxation of capital gains on realization of shares

Norwegian Personal Shareholders

Sale, redemption or other disposal of shares is considered a realization for Norwegian tax purposes. A capital gain or loss generated by a Norwegian Personal Shareholder through a disposal of shares is taxable or tax deductible in Norway. The effective tax rate on gain or loss related to shares realized by Norwegian Personal Shareholders is currently 31.68%; i.e. capital gains (less the tax free allowance) and losses shall be multiplied by 1.44 which are then included in or deducted from the Norwegian Personal Shareholder's ordinary income in the year of disposal. Ordinary income is taxable at a flat rate of 22%, increasing the effective tax rate on gains/losses realized by Norwegian Personal Shareholders to 31.68%.

The gain is subject to tax and the loss is tax deductible irrespective of the duration of the ownership and the number of shares disposed of.

The taxable gain/deductible loss is calculated per share as the difference between the consideration for the share and the Norwegian Personal Shareholder's cost price of the share, including costs incurred in relation to the acquisition or realization of the share. From this capital gain, Norwegian Personal Shareholders are entitled to deduct a calculated allowance provided that such allowance has not already been used to reduce taxable dividend income. Please refer to Section 17.1.1 - "*Taxation of dividends – Norwegian Personal Shareholders*" above for a description of the calculation of the allowance. The allowance may only be deducted in order to reduce a taxable gain, and cannot increase or produce a deductible loss, i.e. any unused allowance exceeding the capital gain upon the realization of a share will be annulled. Unused allowance may not be set off against gains from realization of other shares.

If the Norwegian Personal Shareholder owns shares acquired at different points in time, the shares that were acquired first will be regarded as the first to be disposed of, on a first-in first-out basis.

Special rules apply for Norwegian Personal Shareholders that cease to be tax-resident in Norway.

Gains derived upon the realization of shares held through a share saving account will be exempt from immediate Norwegian taxation and losses will not be tax deductible. Instead, withdrawal of funds from the share saving account exceeding the Norwegian Personal Shareholder's paid in deposit, will be regarded as taxable income, subject to tax at an effective tax rate of 31.68%. Norwegian Personal Shareholders will be entitled to a calculated tax-free allowance provided that such allowance has not already been used to reduce taxable dividend income, please refer to Section 17.1.1 – "*Taxation of dividends – Norwegian Personal Shareholders*" above. The allowance is calculated based on the lowest paid in deposit in the account during the income year, plus any unused allowance from previous years. The allowance can only be deducted in order to reduce taxable income, and cannot increase or produce a deductible loss. Any excess allowance may be carried forward and set off against future withdrawals from the account or future dividends received on shares held through the account.

Norwegian Personal Shareholders holding shares through more than one share saving account may transfer their shares or securities between the share saving accounts without incurring Norwegian taxation.

Norwegian Corporate Shareholders

Norwegian Corporate Shareholders are exempt from tax on capital gains derived from the realization of shares qualifying for participation exemption, including shares in the Company. Losses upon the realization and costs incurred in connection with the purchase and realization of such shares are not deductible for tax purposes.

Special rules apply for Norwegian Corporate Shareholders that cease to be tax-resident in Norway.

Non-Norwegian Personal Shareholders

Gains from the sale or other disposal of shares by a Non-Norwegian Personal Shareholder will not be subject to taxation in Norway unless the Non-Norwegian Personal Shareholder holds the shares in connection with business activities carried out or managed from Norway.

Please refer to Section 17.1.1 – "*Taxation of dividends – Non-Norwegian Personal Shareholders*" above for a description of the availability of a Norwegian share saving accounts.

Non-Norwegian Corporate Shareholders

Capital gains derived by the sale or other realization of shares by Non-Norwegian Corporate Shareholders are not subject to taxation in Norway unless the shareholding is effectively connected with business activities carried out in or managed from Norway.

17.1.3 Net wealth tax

The value of shares is included in the basis for the computation of net wealth tax imposed on Norwegian Personal Shareholders. Currently, the marginal net wealth tax rate is 0.85% of the value assessed. The value for assessment purposes for listed shares is equal to 75% of the listed value as of 1 January in the year of assessment (i.e. the year following the relevant fiscal year). The value of debt allocated to the listed shares for Norwegian wealth tax purposes is reduced correspondingly (i.e. to 75%).

Norwegian Corporate Shareholders are not subject to net wealth tax.

Non-Norwegian (Personal and Corporate) Shareholders are generally not subject to Norwegian net wealth tax. Non-Norwegian Personal Shareholders can, however, be taxable if the shareholding is effectively connected to the conduct of trade or business in Norway.

17.1.4 VAT and transfer taxes

No VAT, stamp or similar duties are currently imposed in Norway on the transfer or issuance of shares.

17.1.5 Inheritance tax

A transfer of shares through inheritance or as a gift does not give rise to inheritance or gift tax in Norway.

17.2 Taxation of discount in the Employee Offering

The fixed cash discount of NOK 3,000 on the amount payable for the Offer Shares by an Eligible Employee in the Employee Offering is offered as a general scheme to all employees of the Group employed by a Norwegian entity. The discount will be tax-exempt for the Eligible Employees who are tax resident in Norway.

The tax basis for the Offer Shares acquired under the Employee Offering will be equal to the market value of such shares (i.e. the offer price actually paid for such Offer Shares before deducting the NOK 3,000 discount), which will be the basis for later taxation of capital gains on realization and on determination of the calculated tax free allowance applicable upon dividends and capital gains on the Shares. Please refer to Section 17.1.1 "Taxation of dividends" above for a description of the calculation of the allowance.

18 THE TERMS OF THE OFFERING

18.1 Overview of the Offering

The Offering consists of an offer of 28,875,000 to 41,250,000 Sale Shares, all of which are existing, validly issued and fully paid-up registered Shares with a nominal value of NOK 4.00 each, offered by the Selling Shareholder, as further specified in Section 14 "Selling Shareholder". The Selling Shareholder reserves the right, in consultation with the Company and the Managers, to set the final number of Sale Shares outside the above range.

Disregarding any over-allotment, the Offering will amount to between 35% and 50% of the Shares in issue. In addition, the Managers may elect to over-allot a number of Additional Shares equal to up to 15% of the final number of Sale Shares sold in the Offering. In this respect, the Selling Shareholder is expected to grant to the Stabilisation Manager (ABGSC), on behalf of the Managers, a Borrowing Option to borrow a number of Shares equal to the number of Additional Shares in order to facilitate such over-allotment. Further, the Selling Shareholder is expected to grant to the Stabilisation Manager, on behalf of the Managers, a Greenshoe Option to purchase a number of Shares up to the number of Additional Shares at a price per Share equal to the Offer Price in order to facilitate re-delivery of the borrowed Shares. See Section 18.11 "Over-allotment and stabilisation activities" for further information in this regard.

The Offering consists of:

- An Institutional Offering, in which Offer Shares are being offered to (a) institutional and professional investors in Norway, (b) investors outside Norway and the United States, subject to applicable exemptions from the prospectus and registration requirements, and (c) investors in the United States who are QIBs in transactions exempt from registration requirements under the U.S. Securities Act. The Institutional Offering is subject to a lower limit per application of NOK 2,000,000.

- A Retail Offering, in which Offer Shares are being offered to the public in Norway subject to a lower limit per application of NOK 10,500 and an upper limit per application of NOK 1,999,999 for each investor. Investors who intend to place an order in excess of NOK 1,999,999 must do so in the Institutional Offering. Multiple applications by one applicant in the Retail Offering will be treated as one application with respect to the maximum application limit.

- An Employee Offering, in which Offer Shares are being offered to the Eligible Employees and sold at the same price as in the Institutional Offering and the Retail Offering, provided, however, that each Eligible Employee will receive a fixed cash discount of NOK 3,000 on the aggregate amount payable for the Offer Shares allocated to such employee.

- The Employee Offering is subject to a lower limit per application of NOK 15,000 and an upper limit per application of NOK 1,999,999 for each Eligible Employee. Eligible Employees participating in the Employee Offering will receive full allocation for any application up to and including the relevant application amounts, for which the discount described above will be applied (rounded down to the nearest whole Share). Multiple applications by one applicant in the Employee Offering will be treated as one application with respect to the maximum application limit and the guaranteed allocation and the discount.

All offers and sales in the United States will be made only to QIBs in reliance on Rule 144A or pursuant to another exemption from the registration requirements of the U.S. Securities Act. All offers and sales outside the United States will be in compliance with Regulation S of the U.S. Securities Act.

This Prospectus does not constitute an offer of, or an invitation to purchase, the Offer Shares in any jurisdiction in which such offer or sale would be unlawful. For further details, see "Important information" and Section 19 "Selling and transfer restrictions".

The Bookbuilding Period for the Institutional Offering is expected to take place from 8 October 2019 at 09:00 hours (CEST) to 16 October 2019 at 14:00 hours (CEST). The Application Period for the Retail Offering and the Employee Offering is expected to take place from 8 October 2019 at 09:00 hours (CEST) to 16 October 2019 at 12:00 hours (CEST). The Selling Shareholder, in consultation with the Company and the Managers, reserve the right to shorten or extend the Bookbuilding Period and/or the Application Period at any time at their sole discretion. Any shortening of the Bookbuilding Period and/or the Application Period will be announced through Oslo Børs' information system. The Bookbuilding Period and/or the Application Period will in no event be shortened to expire prior to 16:30 hours (CEST) on 15 October 2019. Any extension of the Bookbuilding Period and/or the Application Period will be announced through Oslo

Børs' information system on or before 09:00 hours (CEST) on the first business day following the then prevailing expiration date of the Bookbuilding Period and/or the Application Period. An extension of the Bookbuilding Period and/or the Application Period can be made one or several times provided, however, that in no event will the Bookbuilding Period and/or the Application Period be extended beyond 14:00 hours (CEST) on 5 November 2019. In the event of a shortening or an extension of the Bookbuilding Period and/or the Application Period, the allocation date, the payment due dates and the dates of delivery of Offer Shares will be changed accordingly, but the date of the Listing and commencement of trading on Oslo Børs may not necessarily be changed.

The Selling Shareholder has, in consultation with the Company and the Managers, set an Indicative Price Range for the Offering from NOK 35 to NOK 45 per Offer Share. The Indicative Price Range may change during the course of the Offering, and the Offer Price may be set within, above or below the Indicative Price Range. The Selling Shareholder, in consultation with the Company and the Managers, will determine the number of Offer Shares and the Offer Price on the basis of the bookbuilding process in the Institutional Offering and the number of applications received in the Retail Offering and the Employee Offering. The bookbuilding process, which will form the basis for the final determination of the number of Offer Shares and the Offer Price, will be conducted only in connection with the Institutional Offering. The Indicative Price Range may be amended during the Bookbuilding Period. Any change to the Indicative Price Range will be communicated by way of a press release distributed through Oslo Børs' information system.

The Company expects that it will, on or about 16 October 2019, together with the Selling Shareholder, enter into a placing agreement (the "**Placing Agreement**") with the Managers with respect to the Offering of the Offer Shares.

In order to permit delivery in respect of over-allotments made, if any, the Selling Shareholder will grant to the Stabilisation Manager (ABGSC) the Borrowing Option to borrow from the Selling Shareholder, on behalf of the Managers, a number of Shares equal to the number of Additional Shares. The Selling Shareholder is further expected to grant the Stabilisation Manager, on behalf of the Managers, the Greenshoe Option to purchase a number of Shares from the Selling Shareholder up to the number of Additional Shares at a price per Share equal to the Offer Price, exercisable, in whole or in part, within a 30-day period commencing at the time at which trading in the Shares commences on Oslo Børs expected to be on or about 18 October 2019, on the terms and subject to the conditions described in this Prospectus. See Section 18.11 "Over-allotment and stabilisation activities" for further details.

The Offer Shares allocated in the Offering are expected to be traded on Oslo Børs from and including 18 October 2019.

Completion of the Offering is conditional upon, among other conditions, the Company satisfying the listing conditions and being listed on Oslo Børs, see Section 18.15 "Conditions for completion of the Offering – Listing and trading of the Offer Shares".

The Company and the Selling Shareholder has made and will make certain representations and warranties in favor of, and have agreed to certain undertakings with the Managers in the mandate agreement (the "**Mandate Agreement**"), and are expected to agree to certain undertakings with the Managers in the Placing Agreement and ancillary agreements and documents entered into in connection with the Offering and the Listing. Further, the Company and the Selling Shareholder will give an undertaking in favor of the Global Coordinators that will restrict their ability to issue, sell or transfer Shares for 12 months and 180 days, respectively, from the Institutional Closing Date (as defined below). The members of the Board of Directors, the Management and other primary insiders of the Group who purchase Shares in the Offering are expected to give an undertaking in favor of the Global Coordinators on the same for 12 months from the Institutional Closing Date. Furthermore, the Company has undertaken, subject to certain conditions and limitations, to indemnify the Managers against certain liabilities arising out of or in connection with the Offering.

See Section 18.17 "Expenses of the Offering and the Listing" for information regarding fees expected to be paid to the Managers and costs expected to be paid by the Company in connection with the Offering.

18.2 Timetable

The timetable set out below provides certain indicative key dates for the Offering (subject to shortening or extensions):

Bookbuilding Period commences	8 October 2019 at 09:00 hours (CEST)
Bookbuilding Period ends	16 October 2019 at 14:00 hours (CEST)
Application Period commences	8 October 2019 at 09:00 hours (CEST)
Application Period ends	16 October 2019 at 12:00 hours (CEST)
Allocation and pricing of the Offer Shares	On or about 16 October 2019
Publication of the results of the Offering	On or about 16 October 2019

Distribution of allocation notes	On or about 17 October 2019
Listing and commencement of trading in the Shares	On or about 18 October 2019
Accounts from which payment will be debited in the Retail Offering and the Employee Offering to be sufficiently funded	On or about 17 October 2019
Payment date in the Retail Offering and the Employee Offering	On or about 18 October 2019
Delivery of the Offer Shares in the Retail Offering and the Employee Offering (subject to timely payment)	On or about 21 October 2019
Payment date in the Institutional Offering	On or about 21 October 2019
Delivery of the Offer Shares in the Institutional Offering	On or about 21 October 2019

Note that the Company and the Selling Shareholder, together with the Managers, reserve the right to shorten or extend the Bookbuilding Period and/or the Application Period. In the event of a shortening or an extension of the Bookbuilding Period and/or the Application Period, the allocation date, the payment due date and the dates of delivery of Offer Shares will be changed accordingly, but the date of the Listing and commencement of trading on Oslo Børs may not necessarily be changed.

18.3 The Institutional Offering

18.3.1 Determination of the number of Offer Shares and the Offer Price

The Selling Shareholder has, in consultation with the Company and the Managers, set an Indicative Price Range for the Offering from NOK 35 to NOK 45 per Offer Share. The Selling Shareholder will, in consultation with the Company and the Managers, determine the number of Offer Shares and the final Offer Price on the basis of the applications received and not withdrawn in the Institutional Offering during the Bookbuilding Period and the number of applications received in the Retail Offering and the Employee Offering. The final Offer Price will be determined on or about 16 October 2019. The final Offer Price may be set within, below or above the Indicative Price Range. Investors' applications for Offer Shares in the Institutional Offering will, after the end of the Bookbuilding Period, be irrevocable and binding regardless of whether the final Offer Price is set within, below or above the Indicative Price Range. The final Offer Price is expected to be announced by the Company through Oslo Børs' information system on or about 16 October 2019 under the ticker code "NSKOG".

18.3.2 Bookbuilding Period

The Bookbuilding Period for the Institutional Offering will be from 8 October 2019 at 09:00 hours (CEST) to 16 October 2019 at 14:00 hours (CEST), unless shortened or extended.

The Selling Shareholder may, in consultation with the Company and the Managers, shorten or extend the Bookbuilding Period at any time, and extension may be made on one or several occasions. The Bookbuilding Period may in no event expire prior to 16:30 hours (CEST) on 15 October 2019 or be extended beyond 14:00 hours (CEST) on 5 November 2019. In the event of a shortening or an extension of the Bookbuilding Period, the allocation date, the payment due date and the date of delivery of Offer Shares may be changed accordingly, but the date of the Listing and commencement of trading on Oslo Børs will not necessarily be changed.

18.3.3 Minimum application

The Institutional Offering is subject to a minimum application of NOK 2,000,000 per application. Investors in Norway who intend to place an application for less than NOK 2,000,000 must do so in the Retail Offering or the Employee Offering.

18.3.4 Application procedure

Applications for Offer Shares in the Institutional Offering must be made during the Bookbuilding Period by informing one of the Managers shown below of the number of Offer Shares that the investor wishes to order, and the price per share that the investor is offering to pay for such Offer Shares.

ABG Sundal Collier ASA	**DNB Markets**	**Carnegie AS**
Munkedamsveien 45E	Dronning Eufemias gate 30	Fjordalleen 16
P.O. Box 1444 Vika	P.O. Box 1600 Sentrum	P.O. Box 684 Sentrum
N-0115 Oslo	N-0021 Oslo	NO-0106 Oslo
Norway	Norway	Norway
Tel: +47 22 01 60 00	Tel: +47 23 26 80 20	Tel: +47 22 00 93 00

All applications in the Institutional Offering will be treated in the same manner regardless of which Manager the applicant chooses to place the application with. Any orally placed application in the Institutional Offering will be binding for the investor and subject to the same terms and conditions as a written application. The Managers may, at any time and in their sole discretion, require the investor to confirm orally placed applications in writing. Applications made may be withdrawn or amended by the investor at any time up to the expiry of the Bookbuilding Period. At the close of the Bookbuilding Period, all applications in the Institutional Offering that have not been withdrawn or amended are irrevocable and binding for the investor.

18.3.5 Allocation, payment for and delivery of Offer Shares

The Managers expect to issue notifications of allocation of Offer Shares in the Institutional Offering on or about 17 October 2019, by issuing contract notes to the applicants by mail or otherwise.

Payment by applicants in the Institutional Offering will take place against delivery of Offer Shares. Delivery and payment for Offer Shares is expected to take place on or about 21 October 2019 (the "**Institutional Closing Date**") through the facilities of the VPS.

For late payment, interest will accrue on the amount due at a rate equal to the prevailing interest rate under the Norwegian Act on Overdue Payment of 17 December 1976 no. 100 (the "**Norwegian Act on Overdue Payment**"), which, at the date of this Prospectus, is 9.25% per annum. Should payment not be made when due, the Offer Shares allocated will not be delivered to the applicants, and the Managers reserve the right, at the risk and cost of the applicant, to cancel the application and to re-allot or, from the third day after the payment due date, otherwise dispose of or assume ownership to the allocated Offer Shares on such terms and in such manner as the Managers may decide (and the applicant will not be entitled to any profit). The original applicant remains liable for payment for the Offer Shares allocated to the applicant, together with any interest, cost, charges and expenses accrued, and the Selling Shareholder and/or the Managers may enforce payment of any such amount outstanding.

The investors will not have any rights or claims against the Managers.

18.4 The Retail Offering

18.4.1 Offer Price

The price for the Offer Shares offered in the Retail Offering will be the same as in the Institutional Offering, see Section 18.3.1 "Determination of the number of Offer Shares and the Offer Price".

Each applicant in the Retail Offering will be permitted, but not required, to indicate when ordering through the VPS online application system or on the application form to be used to apply for Offer Shares in the Retail Offering, attached to this Prospectus as Appendix D and Appendix E (the "**Retail Application Form**"), that the applicant does not wish to be allocated Offer Shares should the Offer Price be set higher than the highest price in the Indicative Price Range (i.e. NOK 45 per Offer Share). If the applicant does so, the applicant will not be allocated any Offer Shares in the event that the Offer Price is set higher than the highest price in the Indicative Price Range. If the applicant does not expressly stipulate such reservation when ordering through the VPS online application system or on the Retail Application Form, the application will be binding regardless of whether the Offer Price is set within or above (or below) the Indicative Price Range, as long as the Offer Price has been determined on the basis of orders placed during the bookbuilding process described above.

18.4.2 Application period

The Application Period during which applications for Offer Shares in the Retail Offering will be accepted will last from 8 October 2019 at 09:00 hours (CEST) to 16 October 2019 at 12:00 hours (CEST), unless shortened or extended. The Selling Shareholder may, in consultation with the Company and the Managers, shorten or extend the Application Period at any time and for any reason, and extension may be made on one or several occasions. The Application Period may in no event expire prior to 16:30 hours (CEST) on 15 October 2019 or be extended beyond 14:00 hours (CEST) on 5 November 2019. In the event of a shortening or an extension of the Application Period, the allocation date, the payment due date and the date of delivery of Offer Shares may be changed accordingly, but the date of the Listing and commencement of trading on Oslo Børs will not necessarily be changed.

18.4.3 Minimum and maximum application

The Retail Offering is subject to a minimum application amount of NOK 10,500 and a maximum application amount of NOK 1,999,999 for each applicant.

Multiple applications are allowed. One or multiple applications from the same applicant in the Retail Offering with a total application amount in excess of NOK 1,999,999 will be adjusted downwards to an application amount of NOK 1,999,999. If two or more identical application forms are received from the same investor, the application form will only be counted once unless otherwise explicitly stated on one of the application forms. In the case of multiple applications through the VPS online application system or applications made both on a physical application form and through the VPS online application system, all applications will be counted. Investors who intend to place an order in excess of NOK 1,999,999 must do so in the Institutional Offering.

18.4.4 Application procedures and application offices

Norwegian applicants in the Retail Offering who are residents of Norway with a personal identification number are recommended to apply for Offer Shares through the VPS online application system by following the link to such online application system on the following websites: www.abgsc.no, www. dnb.no/emisjoner and www.carnegie.no. Applicants in the Retail Offering not having access to the VPS online application system must apply using the Retail Application Form attached to this Prospectus as Appendix D "**Application Form for the Retail Offering**" in English or Appendix E "**Application Form for the Retail Offering**" in Norwegian. Retail Application Forms, together with this Prospectus, can be obtained from the Company free of charge at its registered office, the Company's website www.norskeskog.com, the Managers' websites or the application offices listed below. Applications made through the VPS online application system must be duly registered during the Application Period.

The application offices for physical applications in the Retail Offering are:

ABG Sundal Collier ASA	**DNB Markets Registrars Department**	**Carnegie AS**
Munkedamsveien 45E	Dronning Eufemias gate 30	Fjordalleen 16
P.O. Box 1444 Vika	P.O. Box 1600 Sentrum	P.O. Box 684 Sentrum
N-0115 Oslo	N-0021 Oslo	NO-0106 Oslo
Norway	Norway	Norway
Tel: +47 22 01 60 00	Tel: +47 23 26 80 20	Tel: +47 22 00 93 60
E-mail: subscription@abgsc.no	E-mail: retail@dnb.no	E-mail: subscriptions@carnegie.no

All applications in the Retail Offering will be treated in the same manner regardless of which of the above Managers the applications are placed with. Further, all applications in the Retail Offering will be treated in the same manner regardless of whether they are submitted by delivery of a Retail Application Form or through the VPS online application system.

Retail Application Forms that are incomplete or incorrectly completed, electronically or physically, or that are received after the expiry of the Application Period, may be disregarded without further notice to the applicant. The same applies to applications that are unlawful. Properly completed Retail Application Forms must be received by one of the application offices listed above or registered electronically through the VPS application system by 12:00 hours (CEST) on 16 October 2019, unless the Application Period is being shortened or extended. None of the Company, the Selling Shareholder or any of the Managers may be held responsible for postal delays, unavailable fax lines, internet lines or servers or other logistical or technical matters that may result in applications not being received in time or at all by any application office.

Subject to Section 18.4.1 "Offer Price" above, all applications made in the Retail Offering will be irrevocable and binding upon receipt of a duly completed Retail Application Form, or in the case of applications through the VPS online application system, upon registration of the application, irrespective of any shortening or extension of the Application Period, and cannot be withdrawn, cancelled or modified by the applicant after having been received by the application office, or in the case of applications through the VPS online application system, upon registration of the application.

18.4.5 Allocation, payment and delivery of Offer Shares

DNB Markets, acting as settlement agent for the Retail Offering, expects to issue notifications of allocation of Offer Shares in the Retail Offering on or around 17 October 2019, by issuing allocation notes to the applicants by mail or otherwise. Any applicant wishing to know the precise number of Offer Shares allocated to it may contact one of the application offices listed above on or around 17 October 2019 during business hours. Applicants who have access to investor services through an institution that operates the applicant's account with the VPS for the registration of holdings of securities ("**VPS account**") should be able to see how many Offer Shares they have been allocated from on or around 17 October 2019.

In registering an application through the VPS online application system or completing a Retail Application Form, each applicant in the Retail Offering will authorize DNB Markets (on behalf of the Managers) to debit the applicant's Norwegian bank account for the total amount due for the Offer Shares allocated to the applicant. The applicant's bank account number must be stipulated on the VPS online application or on the Retail Application Form. Accounts will be debited on or about 18 October 2019 (the "**Payment Date**"), and there must be sufficient funds in the stated bank account from and including 17 October 2019. Applicants who do not have a Norwegian bank account must ensure that payment for the allocated Offer Shares is made on or before the Payment Date (expected to be 18 October 2019).

Further details and instructions will be set out in the allocation notes to the applicant to be issued on or around 17 October 2019, or can be obtained by contacting the Managers.

Should any applicant have insufficient funds on his or her account, or should payment be delayed for any reason, or if it is not possible to debit the account, interest will accrue on the amount due at a rate equal to the prevailing interest rate under the Norwegian Act on Interest on Overdue Payments, which at the date of this Prospectus is 9.25% per annum. DNB Markets (on behalf of the Managers) reserves the right (but has no obligation) to make up to three debit attempts through 25 October 2019 if there are insufficient funds on the account on the Payment Date. Should payment not be made when due, the Offer Shares allocated will not be delivered to the applicant, and the Managers reserve the right, at the risk and cost of the applicant, to cancel at any time thereafter the application and to re-allot or, from the third day after the Payment Date, otherwise dispose of or assume ownership to the allocated Offer Shares, on such terms and in such manner as the Managers may decide (and the applicant will not be entitled to any profit there from). The original applicant will remain liable for payment of the Offer Price for the Offer Shares allocated to the applicant, together with any interest, costs, charges and expenses accrued, and the Selling Shareholder and/or the Managers may enforce payment of any such amount outstanding.

The original applicant will be liable for payment of the Offer Price for the Offer Shares allocated to the applicant, together with any interest, costs, charges and expenses accrued, and the Selling Shareholder and/or the Managers may enforce payment of any such amount outstanding. The investors will not have any rights or claims against the Managers.

Subject to timely payment by the applicant, delivery of the Offer Shares allocated in the Retail Offering is expected to take place on or around 21 October 2019.

18.5 The Employee Offering

18.5.1 Eligible Employees and offer price

Subject to applicable laws, all of the employees of the Group employed by a Norwegian entity as of the last day of the Application Period (collectively the "**Eligible Employees**") are eligible for participation in the Employee Offering.

The price for the Offer Shares offered in the Employee Offering will be the same as in the Institutional Offering, see Section 18.3.1 "Determination of the number of Offer Shares and the Offer Price", provided, however, that each Eligible Employee will receive a fixed cash discount of NOK 3,000 on the aggregate amount payable for the Offer Shares allocated to such employee. Eligible Employees participating in the Employee Offering will receive full allocation for any application up to and including the relevant application amounts for which the discount described above will be applied. Multiple applications by one applicant in the Employee Offering will be treated as one application with respect to the discount and the guaranteed allocation. For a description of relevant tax legislation in Norway applicable to the discount in the Employee Offering, see Section 17.2 "Taxation of discount in the Employee Offering".

Each applicant in the Employee Offering will be permitted, but not required, to indicate when ordering through the VPS online application system or on the application form to be used to apply for Offer Shares in the Employee Offering, attached to this Prospectus as Appendix F and Appendix G (the "**Employee Application Form**"), that the applicant does not wish to be allocated Offer Shares should the Offer Price be set higher than the highest price in the Indicative Price Range. If the applicant does so, the applicant will not be allocated any Offer Shares in the event that the Offer Price is set higher than the highest price in the Indicative Price Range. If the applicant does not expressly stipulate such reservation when ordering through the VPS online application system or on the Employee Application Form, the application will be binding regardless of whether the Offer Price is set within or above (or below) the Indicative Price Range, as long as the Offer Price has been determined on the basis of orders placed during the bookbuilding process described above.

18.5.2 Application Period

The Application Period during which applications for Offer Shares in the Employee Offering will be accepted will last from 8 October 2019 at 09:00 hours (CEST) to 16 October 2019 at 12:00 hours (CEST), unless shortened or extended. The Selling Shareholder may, in consultation with the Company and the Managers, shorten or extend the Application Period at any time and for any reason, and extension may be made on one or several occasions. The Application Period may in no event expire prior to 16:30 hours (CEST) on 15 October 2019 or be extended beyond 14:00 hours (CEST) on 5 November 2019. In the event of a shortening or an extension of the Application Period, the allocation date, the payment due date and the date of delivery of Offer Shares may be changed accordingly, but the date of the Listing and commencement of trading on Oslo Børs will not necessarily be changed.

18.5.3 Minimum and maximum application

The Employee Offering is subject to a minimum application amount of NOK 15,000 and a maximum application amount of NOK 1,999,999 for each applicant.

Multiple applications are allowed. One or multiple applications from the same applicant in the Employee Offering with a total application amount in excess of NOK 1,999,999 will be adjusted downwards to an application amount of NOK 1,999,999. If two or more identical application forms are received from the same investor, the application form will only be counted once unless otherwise explicitly stated on one of the application forms. In the case of multiple applications through the VPS online application system or applications made both on a physical application form and through the VPS online application system, all applications will be counted. Investors who intend to place an order in excess of NOK 1,999,999 must do so in the Institutional Offering.

18.5.4 Application procedures and application offices

To participate in the Employee Offering, each Eligible Employee must have a VPS account. For the establishment of VPS accounts, please see Section 18.7 "VPS account" for further details.

Eligible Employees in the Employee Offering who are residents of Norway with a Norwegian personal identification number are recommended to apply for Sale Shares through the VPS online application system by following the link to such online application system on the following website: www. dnb.no/emisjoner. Eligible Employees in the Employee Offering who do not have access to the VPS online application system must apply for Offer Shares by using the Employee Application Form attached to this Prospectus as Appendix F "Application Form for the Employee Offering" in English or as Appendix G "Application form for the Employee Offering" in Norwegian. Employee Application Forms, together with this Prospectus, can be obtained from the Company, the Company's website www.norskeskog.com, the Managers' websites listed above or the application offices set out below. Applications made through the VPS online application system must be duly registered during the Application Period.

The application offices for physical applications in the Employee Offering is:

DNB Markets Registrars Department
Dronning Eufemias gate 30
P.O. Box 1600 Sentrum
N-0021 Oslo
Norway
Tel: +47 23 26 80 20

All applications in the Employee Offering will be treated in the same manner regardless of whether they are submitted by delivery of an Employee Application Form or through the VPS online application system.

Employee Application Forms that are incomplete or incorrectly completed, electronically or physically, or that are received after the expiry of the Application Period, may be disregarded without further notice to the applicant. Properly completed Employee Application Forms must be received by one of the application offices listed above or registered electronically through the VPS application system by 12:00 hours (CEST) on 16 October 2019, unless the Application Period is being shortened or extended. None of the Company, the Selling Shareholder or any of the Managers may be held responsible for postal delays, unavailable fax lines, internet lines or servers or other logistical or technical matters that may result in applications not being received in time or at all by any application office.

Subject to Section 18.4.1 "Eligible Employees and offer price" above, all applications made in the Employee Offering will be irrevocable and binding upon receipt of a duly completed Employee Application Form, or in the case of applications through the VPS online application system, upon registration of the application, irrespective of any shortening or extension of the Application Period, and cannot be withdrawn, cancelled or modified by the applicant after having been received by the application office, or in the case of applications through the VPS online application system, upon registration of the application.

18.5.5 Allocation, payment and delivery of Offer Shares

Eligible Employees participating in the Employee Offering will receive full allocation for any application up to and including an application amount for which the relevant Eligible Employee will receive the deduction (i.e. application amounts up to NOK 1,999,999).

DNB Markets, acting as settlement agent for the Employee Offering, expects to issue notifications of allocation of Offer Shares in the Employee Offering on or about 17 October 2019, by issuing allocation notes to the applicants by mail or otherwise. Any applicant wishing to know the precise number of Offer Shares allocated to it may contact one of the application offices listed above on or about 17 October 2019 during business hours. Applicants who have access to investor services through an institution that operates the applicant's VPS account should be able to see how many Offer Shares they have been allocated from on or about 17 October 2019.

In registering an application through the VPS online application system or completing an Employee Application Form, each applicant in the Employee Offering will authorize DNB Markets (on behalf of the Managers) to debit the applicant's Norwegian bank account for the total amount due for the Offer Shares allocated to the applicant. The applicant's bank account number must be stipulated on the VPS online application or on the Employee Application Form. Accounts will be debited on the Payment Date, and there must be sufficient funds in the stated bank account from and including 17 October 2019. Applicants who do not have a Norwegian bank account must ensure that payment for the allocated Offer Shares is made on or before the Payment Date (expected to be 18 October 2019).

Further details and instructions will be set out in the allocation notes to the applicant to be issued on or about 17 October 2019, or can be obtained by contacting DNB Markets.

Should any applicant have insufficient funds on his or her account, or should payment be delayed for any reason, or if it is not possible to debit the account, interest will accrue on the amount due at a rate equal to the prevailing interest rate under the Norwegian Act on Interest on Overdue Payments, which at the date of this Prospectus is 9.25% per annum. DNB Markets (on behalf of the Managers) reserves the right (but has no obligation) to make up to three debit attempts through 25 October 2019 if there are insufficient funds on the account on the Payment Date. Should payment not be made when due, the Offer Shares allocated will not be delivered to the applicant, and the Managers reserve the right, at the risk and cost of the applicant, to cancel at any time thereafter the application and to re-allot or, from the third day after the Payment Date, otherwise dispose of or assume ownership to the allocated Offer Shares, on such terms and in such manner as the Managers may decide (and the applicant will not be entitled to any profit there from). The original applicant will remain liable for payment of the Offer Price for the Offer Shares allocated to the applicant, together with any interest, costs, charges and expenses accrued, and the Selling Shareholder and/or the Managers may enforce payment of any such amount outstanding.

The original applicant will remain liable for payment of the Offer Price for the Offer Shares allocated to the applicant, together with any interest, costs, charges and expenses accrued, and the Selling Shareholder and/or the Managers may enforce payment of any such amount outstanding. The investors will not have any rights or claims against the Managers.

Subject to timely payment by the applicant, delivery of the Offer Shares allocated in the Employee Offering is expected to take place on or around 21 October 2019.

18.6 Mechanism of allocation

It has been provisionally assumed that approximately 90% - 99% of the Offering will be allocated in the Institutional Offering and that approximately 1% - 10%% of the Offering will be allocated in the Retail Offering and the Employee Offering. The final determination of the number of Offer Shares allocated to the Institutional Offering, the Retail Offering and the Employee Offering will only be decided, however, by the Selling Shareholder, in consultation with the Company and the Managers, following the completion of the bookbuilding process for the Institutional Offering, based on among other things the level of orders or applications received from each of the categories of investors. The Company, the Selling Shareholder and the Managers reserve the right to deviate from the provisionally assumed allocation between tranches without further notice and at their sole discretion.

No Offer Shares have been reserved for any specific national market.

In the Institutional Offering, the Company and the Selling Shareholder, together with the Managers, will determine the allocation of Offer Shares. An important aspect of the allocation principles is the desire to create an appropriate long-term shareholder structure for the Company. The allocation principles will, in accordance with normal practice for institutional placements, include factors such as premarketing and management road-show participation and feedback, timeliness of the order, price level, relative order size, sector knowledge, investment history, perceived investor quality and investment horizon. The Company, the Selling Shareholder and the Managers further reserve the right, at their sole discretion, to take into account the creditworthiness of any applicant. The Company, the Selling Shareholder and the Managers may also set a maximum allocation, or decide to make no allocation to any applicant.

In the Retail Offering, no allocations will be made for a number of Offer Shares representing an aggregate value of less than NOK 10,500 per applicant provided, however, that all allocations will be rounded down to the nearest number of whole Offer Shares and the payable amount will hence be adjusted accordingly. One or multiple orders from the same applicant in the Retail Offering with a total application amount in excess of NOK 1,999,999 will be adjusted downwards to an application amount of NOK 1,999,999. In the Retail Offering, allocation will be made on a pro rata basis using the VPS automated simulation procedures, provided, however, that the Company, the Selling Shareholder and the Managers reserve the right, at their sole discretion, to give full allocation to employees of the Group and members of the Board of Directors having applied for Offer Shares in the Retail Offering.

In the Employee Offering, no allocation will be made for a number of Offer Shares of an aggregate value of less than NOK 15,000 (not taking into account the fixed cash discount of NOK 3,000 offered to Eligible Employees), provided however, that all allocations will be rounded down to the nearest number of whole Offer Shares. Further, the applicants will receive full allocation for any applications up to and including the application amount for which the relevant Eligible Employee will receive the discount. To the extent any application exceeds such relevant amount, the excess number of Offer Shares will be allocated based on the same allocation principles as in the Institutional Offering.

The Company, the Selling Shareholder and the Managers reserve the right to limit the total number of applicants to whom Offer Shares are allocated if the Company, the Selling Shareholder and the Managers deem this to be necessary in order to keep the number of shareholders in the Company at an appropriate level and such limitation does not have the effect that any conditions for the Listing regarding the number of shareholders will not be satisfied. If the Company, the Selling Shareholder and the Managers should decide to limit the total number of applicants to whom Offer Shares are allocated, the applicants to whom Offer Shares are allocated will be determined on a random basis by using the VPS automated simulation procedures and/or other random allocation mechanism.

18.7 VPS account

To participate in the Offering, each applicant must have a VPS account. The VPS account number must be stated when registering an application through the VPS online application system or on the Retail Application Form for the Retail Offering or the Employee Application Form for the Employee Offering. VPS accounts can be established with authorized VPS registrars, which can be Norwegian banks, authorized investment firms in Norway and Norwegian branches of credit institutions established within the EEA. Non-Norwegian investors may use nominee VPS accounts registered in the name of a nominee, provided, however, that this does not apply to Eligible Employees or other employees participating in the Company's share incentive program (see Section 12.4.4 "Share incentive program"). The nominee must be authorized by the Norwegian Ministry of Finance. Establishment of VPS accounts requires verification of identification by the relevant VPS registrar in accordance with Norwegian anti-money laundering legislation (see Section 18.10 "Mandatory anti-money laundering procedures").

18.8 National Client Identifier and Legal Entity Identifier

18.8.1 Introduction

In order to participate in the Offering, subscribers will need a global identification code. Physical persons will need a so-called National Client Identifier ("**NCI**") and legal entities will need a so-called Legal Entity Identifier ("**LEI**"). Investors who do not already have an NCI or LEI, as applicable, must obtain such codes in time for the application in order to participate in the Offering.

18.8.2 NCI code for physical persons

As of 3 January 2018, physical persons need an NCI code to participate in a financial market transaction. The NCI code is a global identification code for physical persons. For physical persons with only a Norwegian citizenship, the NCI code is the 11 digit personal ID number (*Nw: "fødselsnummer"*). If the person in question has multiple citizenships or another citizenship than Norwegian, another relevant NCI code can be used. Investors are encouraged to contact their bank for further information.

18.8.3 LEI code for legal entities

As of 3 January 2018, a LEI code is a mandatory number for all legal entities investing in a financial market transaction. A LEI code is a 20-character code that identifies distinct legal entities that engage in financial market transactions. The Global Legal Identifier Foundation ("**GLEIF**") is not directly issuing LEIs, but delegates this responsibility to Local Operating Units ("**LOUs**").

Norwegian companies can apply for a LEI code through the website https://no.nordlei.org/. The application can be submitted through an online form and signed electronically with BankID. It normally takes one to two working days to process the application.

Non-Norwegian companies can find a complete list of LOUs on the website https://www.gleif.org/en/about-lei/get-an-lei-find-lei-issuing-organizations.

18.9 Product governance

Solely for the purposes of the product governance requirements contained within: (a) EU Directive 2014/65/EU on markets in financial instruments, as amended (MiFID II); (b) Articles 9 and 10 of Commission Delegated Directive (EU) 2017/593 supplementing MiFID II; and (c) local implementing measures (together, the MiFID II Product Governance Requirements), and disclaiming all and any liability, which any "manufacturer" (for the purposes of the MiFID II Product Governance Requirements) may otherwise have with respect thereto, the Shares have been subject to a product approval process, which has determined that they each are: (i) compatible with an end target market of retail investors and investors who meet the criteria of professional clients and eligible counterparties, each as defined in MiFID II; and (ii) eligible for distribution through all distribution channels as are permitted by MiFID II (the Target Market Assessment).

Notwithstanding the Target Market Assessment, Distributors should note that: the price of the Shares may decline and investors could lose all or part of their investment; the Shares offer no guaranteed income and no capital protection; and an investment in the Shares is compatible only with investors who do not need a guaranteed income or capital protection, who (either alone or in conjunction with an appropriate financial or other adviser) are capable of evaluating the merits and risks of such an investment and who have sufficient resources to be able to bear any losses that may result therefrom. Each distributor is responsible for undertaking its own Target Market Assessment in respect of the Shares and determining appropriate distribution channels.

The Target Market Assessment is without prejudice to the requirements of any contractual, legal or regulatory selling restrictions in relation to the Offering. Furthermore, it is noted that, notwithstanding the Target Market Assessment, the Managers will only procure investors who meet the criteria of professional clients and eligible counterparties. For the avoidance of doubt, the Target Market Assessment does not constitute: (a) an assessment of suitability or appropriateness for the purposes of MiFID II; or (b) a recommendation to any investor or group of investors to invest in, or purchase, or take any other action whatsoever with respect to the Shares.

18.10 Mandatory anti-money laundering procedures

The Offering is subject to applicable anti-money laundering legislation, including the Norwegian Money Laundering Act of 1 June 2018 no. 23 and the Norwegian Money Laundering Regulations of 14 September 2018 no. 1324 (collectively, the "**Anti-Money Laundering Legislation**").

Applicants who are not registered as existing customers of any of the Managers must verify their identity to the Manager with which the order is placed in accordance with the requirements of the Anti-Money Laundering Legislation, unless an exemption is available. Applicants who have designated an existing Norwegian bank account and an existing VPS account on the Retail Application Form or the Employee Application Form, or when registering an application through the VPS online application system, are exempted, unless verification of identity is requested by any of the Managers. Applicants who have not completed the required verification of identity prior to the expiry of the Application Period may not be allocated Offer Shares.

18.11 Over-allotment and stabilisation activities

18.11.1 Over-allotment of Additional Shares

In connection with the Offering, the Managers may elect to over-allot a number of Additional Shares, equal to up to approximately 15% of the aggregate number of Sale Shares sold in the Offering and, in order to permit delivery in respect of over-allotments made, the Stabilisation Manager (ABGSC) may, pursuant to the Borrowing Option, require the Selling Shareholder to lend to the Stabilisation Manager, on behalf of the Managers, a number of Shares equal to the number of Additional Shares allocated in the Offering. Further, the Selling Shareholder is expected to grant to the Stabilisation Manager, on behalf of the Managers, the Greenshoe Option to purchase a number of Shares up to the number of Additional Shares allocated in the Offering at a price equal to the final Offer Price in the Offering, which may be exercised by the Stabilisation Manager, on behalf of the Managers within 30 days of commencement of trading in the Shares on Oslo Børs. To the extent that the Managers have over-allotted Shares in the Offering, the Managers have created a short position in the Shares. The Stabilisation Manager may close out this short position by buying Shares in the market through stabilisation activities and/or by exercising the Greenshoe Option.

A stock exchange notice will be published on the first day of trading in the Shares on Oslo Børs (expected to take place on 18 October 2019), announcing whether the Managers have over-allotted Shares in connection with the Offering. Any exercise of the Greenshoe Option will be promptly announced by the Stabilisation Manager through Oslo Børs' information system.

18.11.2 Price stabilisation

The Stabilisation Manager (ABGSC) may, upon exercise of the Borrowing Option, from the first day of the Listing effect transactions with a view to support the market price of the Shares at a level higher than what might otherwise prevail, through buying Shares in the open market at prices equal to or lower than the Offer Price. There is no obligation on the Stabilisation Manager to conduct stabilisation activities and there is no assurance that stabilisation activities will be undertaken. Such stabilizing activities, if commenced, may be discontinued at any time, and will be brought to an end at the latest 30 calendar days after the commencement of trading in the Shares on Oslo Børs.

Any stabilisation activities will be conducted in accordance with Section 3-12 of the Norwegian Securities Trading Act and the EC Commission Regulation 2273/2003 regarding buy-back programs and stabilisation of financial instruments.

The Selling Shareholder and the Managers have agreed that any profit resulting from stabilisation activities conducted by the Stabilisation Manager, on behalf of the Managers, will be for the account of the Selling Shareholder.

Within one week after the expiry of the 30 calendar day period of price stabilisation, the Stabilisation Manager will publish information as to whether or not price stabilisation activities were undertaken. If stabilisation activities were undertaken, the statement will also include information about: (i) the total amount of Shares sold and purchased; (ii) the dates on which the stabilisation period began and ended; (iii) the price range between which stabilisation was carried out, as well as the highest, lowest and average price paid during the stabilisation period; and (iv) the date at which stabilisation activities last occurred.

It should be noted that stabilisation activities might result in market prices that are higher than would otherwise prevail. Stabilisation may be undertaken, but there is no assurance that it will be undertaken and it may be stopped at any time.

18.12 Publication of information in respect of the Offering

In addition to press releases which will be posted on the Company's website, the Company will use Oslo Børs' information system to publish information relating to the Offering, such as amendments to the Bookbuilding Period and the Application Period (if any), the final Offer Price, the number of Offer Shares, the total amount of the Offering, allocation percentages and the first day of trading.

The final determination of the Offer Price, the final number of Offer Shares and the total amount of the Offering is expected to be published on or about 16 October 2019.

18.13 The rights conferred by the Offer Shares

The Offer Shares will in all respects carry full shareholders' rights in the Company on an equal basis as any other Shares in the Company, including the right to any dividends. For a description of rights attached to the Shares, see Section 15 "Corporate information and description of the share capital".

18.14 VPS registration

The Sale Shares have been created under the Norwegian Public Limited Companies Act. The Sale Shares are registered in book-entry form with the VPS and have ISIN NO 0010861115. The Company's register of shareholders with the VPS is administrated by DNB Bank ASA, Registrars Department.

18.15 Conditions for completion of the Offering – Listing and trading of the Offer Shares

The Company will on or about 8 October 2019 apply for Listing of its Shares on Oslo Børs. It is expected that the board of directors of Oslo Børs will approve the listing application of the Company on or about 11 October 2019, conditional upon the Company obtaining a minimum of 500 shareholders, each holding Shares with a value of more than NOK 10,000 and there being a minimum free float of the Shares of 25%. The Company expects that these conditions will be fulfilled through the Offering.

Completion of the Offering on the terms set forth in this Prospectus is expressly conditional upon the board of directors of Oslo Børs approving the application for Listing in its meeting to be held on or about 11 October 2019, on conditions acceptable to the Company and that any such conditions are satisfied by the Company. The Offering will be cancelled in the event that the conditions are not satisfied. There can be no assurance that the board of directors of Oslo Børs will give such approval or that the Company will satisfy these conditions.

Completion of the Offering on the terms set forth in this Prospectus is otherwise only conditional on (i) the Selling Shareholder, in consultation with the Board of Directors and the Managers, resolving to proceed with the Offering, (ii) the Selling Shareholder, in consultation with the Company and the Managers, having approved the Offer Price, the number of Sale Shares and the allocation of the Offer Shares to eligible investors following the bookbuilding process and (iii) the Managers, the Company and the Selling Shareholder having entered into the Placing Agreement. There can be no assurance that these conditions will be satisfied. If the conditions are not satisfied, the Offering may be revoked or suspended.

Assuming that the conditions are satisfied, the first day of trading of the Shares, including the Offer Shares, on Oslo Børs, is expected to be on or about 18 October 2019. The Shares are expected to trade under the ticker code "NSKOG".

Applicants in the Retail Offering and the Employee Offering selling Offer Shares prior to delivery must ensure that payment for such Offer Shares is made on or prior to the Payment Date, by ensuring that the stated bank account is sufficiently funded on 17 October 2019. Applicants in the Institutional Offering selling Offer Shares prior to delivery must ensure that payment for such Offer Shares is made on or prior to the Institutional Closing Date. Accordingly, an applicant who wishes to sell his/her Offer Shares, following confirmed allocation of Offer Shares, but before delivery, must ensure that timely payment is made in order for such Offer Shares to be delivered in time to the applicant.

Prior to the Listing and the Offering, the Shares are not listed on any stock exchange or authorized market place, and no application has been filed for listing on any other stock exchanges or regulated market places than Oslo Børs.

18.16 Dilution

No new shares will be issued as part of the Offering and no dilution for the existing shareholder will therefore occur.

18.17 Expenses of the Offering and the Listing

The Company's total costs and expenses of, and incidental to, the Listing and the Offering are estimated to amount to approximately NOK 6.5 million.

The Company will not issue any shares in connection with the Offering and will therefore not pay any fees to the Managers. The Selling Shareholder will, pursuant to the Mandate Agreement, pay to the Managers a commission based on a percentage of the gross proceeds of all shares allocated in the Offering, multiplied with the price per Share, including Shares allocated in any over-allotment and shares allocated to underwriters. In addition, the Selling Shareholder may, in its sole discretion, agree that the Managers shall receive a discretionary fee.

The Company and the Selling Shareholder are liable to pay or cause to be paid all expenses of the Managers incidental to the completion of the Offering.

No expenses or taxes will be charged by the Company, the Selling Shareholder or the Managers to the applicants in the Offering.

18.18 Lock-up

18.18.1 The Company

Pursuant to a lock-up undertaking to be included in the Placing Agreement, the Company is expected to undertake that it will not, without the prior written consent of the Global Coordinators, which shall not be unreasonably withheld, during the period up to and including the date falling 12 months from the first day of trading of the Shares on Oslo Børs, (1) issue, offer, pledge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option right or warrant to purchase, lend or otherwise transfer or dispose of, directly or indirectly, any Shares or other equity interest in the capital of the Company or any securities convertible into or exercisable for such Shares or other equity interests, or (2) enter into any swap or other agreement that transfers to another, in whole or in part, any of the economic consequences of ownership of the Shares or other equity interests, whether any such transaction described in (1) or (2) above is to be settled by delivery of the Shares or other securities or interests, in cash or otherwise, or (3) publicly announce or indicate an intention to effect any transaction specified in (1) or (2) above. The foregoing shall not apply to the granting of options or other rights to Shares, or the honoring of options or such other rights to Shares, by the Company pursuant to any management or employee share incentive schemes.

18.18.2 The Selling Shareholder

Pursuant to a lock-up undertaking to be included in the Placing Agreement, the Selling Shareholder is expected to undertake that it will not, and that it will procure that none of Oceanwood, wholly owned subsidiaries of the Selling Shareholder or other entities managed by Oceanwood Capital Management Ltd. will, without the prior written consent of the Global Coordinators, during the period up to and including the date falling 180 days from the first day of trading of the Shares on Oslo Børs, (1) sell, offer to sell, contract or agree to sell, pledge, grant any option to purchase or otherwise dispose of or agree to dispose of, directly or indirectly any Shares or any securities convertible into or exercisable or exchangeable for Shares, or warrants or other rights to purchase Shares, (2) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of Shares or any securities convertible into or exercisable or exchangeable for Shares, or warrants or other rights to purchase Shares, whether any such transaction is to be settled by delivery of Shares or such other securities, in cash or otherwise, or (3) publicly announce an intention to effect any transaction specified in clause (1) or (2), provided, however, that the foregoing shall not apply to: (A) the sale or other transfer of Shares to any of the Managers pursuant to the Placing Agreement, (B) any action in connection with a takeover offer for all Shares in accordance with chapter 6 of the Norwegian Securities Trading Act or a legal merger, (C) any transfer of Shares to Oceanwood, wholly owned subsidiaries of the Selling Shareholder or other entities managed by Oceanwood Capital Management Limited, who assume the same lock-up obligations as undertaken by the Selling Shareholder or (D) any Shares acquired following the date of the Placing Agreement.

18.18.3 Primary insiders, Board Members and Management

Pursuant to additional lock-up undertakings, the Board Members, Management and other primary insiders of the Company who purchase Shares in the Offering, will undertake that they will not, without the prior written consent of the Global Coordinators, during the period up to and including the date falling 12 months from the first day of trading of the Shares on Oslo Børs, directly or indirectly, (1) offer, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase, lend, pledge or otherwise transfer or dispose of any Shares or any securities convertible into or exercisable or exchangeable for Shares or (2) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of Shares (whether any such transaction described in clause (1) or (2) above is to be settled by delivery of Shares in the Company or such other securities, in cash or otherwise), or (3) agree or publicly announce an intention to effect any transaction specified in clause (1) or (2), provided, however, that the foregoing shall not apply to: (A) any pre-acceptance, acceptance and any similar action in connection with a voluntary or mandatory takeover offer for Shares, or warrants or other rights to purchase Shares, whether any such transaction is settled by delivery of Shares or such other securities, in cash or otherwise or (B) any sale or transfer of Shares to any entity directly or indirectly controlled by the Primary Insider, Board Member or Management member who assume the same lock-up obligations.

18.18.4 Eligible Employees

The Offer Shares allocated to Eligible Employees in the Employee Offering will not be subject to lock-up, with the exception of Offer Shares allocated to Board Members, Management members and other primary insiders.

18.19 Interest of natural and legal persons involved in the Offering

The Managers or their affiliates have provided from time to time, and may provide in the future, financial advisory, investment and commercial banking services, as well as financing, to the Company and its affiliates in the ordinary course of business, for which they may have received and may continue to receive customary fees and commissions. The Managers do not intend to disclose the extent of any such investments or transactions otherwise than in accordance with any legal or regulatory obligation to do so. The Managers will receive a fee in connection with the Offering and, as such, have an interest in the Offering. In addition, the Selling Shareholder may, at its sole and absolute discretion, pay to the Managers an additional discretionary fee in connection with the Offering. See Section 18.17 "Expenses of the Offering and the Listing" for information on fees to the Managers in connection with the Offering.

The Selling Shareholder will receive the proceeds from the sale of the Sale Shares, from the sale of any Shares sold pursuant to the Greenshoe Option and any net profit from stabilization activities conducted by the Stabilization Agent.

As described in Section 12.4.3 "Bonus scheme", certain employees, including members of Management, may receive a bonus connection with the Offering.

Beyond the above-mentioned, the Company is not aware of any interest, including conflicting ones, of any natural or legal persons involved in the Offering.

18.20 Participation of major existing shareholders and members of the Management, supervisory and administrative bodies in the Offering

The following members of Management have committed to participate in the Offering:

Name	Position	Amount
Sven Ombudstvedt	President and Chief Executive Officer	NOK 1,000,000
Rune Sollie	Chief Financial Officer	NOK 600,000
Tore Hansesætre	Chief Operating Officer / Senior Vice President Strategic Projects	NOK 200,000
Lars P.S. Sperre	Senior Vice President Corporate Strategy	NOK 500,000
Robert Wood	Senior Vice President Commercial	NOK 200,000

Other than the members of the Management set out above, the Company is not aware of any major shareholders of the Company or members of the Management, supervisory or administrative bodies which intend to apply for Offer Shares in the Offering, or whether any person intends to apply for more than 5% of the Offer Shares in the Offering.

18.21 Governing law and jurisdiction

This Prospectus, the Retail Application Form, the Employee Application Form and the terms and conditions of the Offering shall be governed by and construed in accordance with Norwegian law. Any dispute arising out of, or in connection with, this Prospectus, the Retail Application Form, the Employee Application Form or the Offering shall be subject to the exclusive jurisdiction of the courts of Norway, with the Oslo District Court as the legal venue.

19 SELLING AND TRANSFER RESTRICTIONS

19.1 General

As a consequence of the following restrictions, prospective investors are advised to consult legal counsel prior to making any offer, resale, pledge or other transfer of the Shares offered hereby.

Other than in Norway, the Company is not taking any action to permit a public offering of the Shares in any jurisdiction. Receipt of this Prospectus will not constitute an offer in those jurisdictions in which it would be illegal to make an offer and, in those circumstances, this Prospectus is for information only and should not be copied or redistributed. Except as otherwise disclosed in this Prospectus, if an investor receives a copy of this Prospectus in any jurisdiction other than Norway, the investor may not treat this Prospectus as constituting an invitation or offer to it, nor should the investor in any event deal in the Shares, unless, in the relevant jurisdiction, such an invitation or offer could lawfully be made to that investor, or the Shares could lawfully be dealt in without contravention of any unfulfilled registration or other legal requirements. Accordingly, if an investor receives a copy of this Prospectus, the investor should not distribute or send the same, or transfer Shares, to any person or in or into any jurisdiction where to do so would or might contravene local securities laws or regulations.

19.2 Selling restrictions

19.2.1 United States

The Offer Shares have not been and will not be registered under the U.S. Securities Act or with any securities regulatory authority of any state or other jurisdiction in the United States, and may not be offered or sold except: (i) within the United States to QIBs in reliance on Rule 144A or pursuant to another available exemption from the registration requirements of the U.S. Securities Act; or (ii) outside the United States to certain persons in offshore transactions in compliance with Regulation S under the U.S. Securities Act, and, in accordance with any applicable securities laws of any state or territory of the United States or any other jurisdiction. Accordingly, each Manager has represented and agreed that it has not offered or sold, and will not offer or sell, any of the Offer Shares as part of its allocation at any time other than (i) within the United States to QIBs in accordance with Rule 144A or (ii) outside of the United States in compliance with Rule 903 of Regulation S. Transfer of the Offer Shares will be restricted and each purchaser of the Offer Shares in the United States will be required to make certain acknowledgements, representations and agreements, as described under Section 19.3.1 "United States".

Any offer or sale in the United States will be made solely by affiliates of the Managers who are broker-dealers registered under the U.S. Exchange Act. In addition, until 40 days after the commencement of the Offering, an offer or sale of Offer Shares within the United States by a dealer, whether or not participating in the Offering, may violate the registration requirements of the U.S. Securities Act if such offer or sale is made otherwise than in accordance with Rule 144A or another exemption from the registration requirements of the U.S. Securities Act and in connection with any applicable state securities laws.

19.2.2 United Kingdom

Each Manager has represented, warranted and agreed that:

a) it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA in connection with the issue or sale of any Offer Shares in circumstances in which Section 21(1) of the FSMA does not apply to the Company; and

b) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Offer Shares in, from or otherwise involving the United Kingdom.

19.2.3 European Economic Area

In relation to each Relevant Member State, no Offer Shares have been offered or will be offered to the public in that Relevant Member State, pursuant to the Offering, except that Offer Shares may be offered to the public in that Relevant Member State at any time in reliance on the following exemptions under the EU Prospectus Regulation:

a) to persons who are "qualified investors" within the meaning of Article 2(e)in the EU Prospectus Regulation;

b) to fewer than 150 natural or legal persons (other than qualified investors as defined in the EU Prospectus Regulation) per Relevant Member State, with the prior written consent of the Managers for any such offer; or

c) in any other circumstances falling under the scope of Article 3(2) of the EU Prospectus Regulation;

provided that no such offer of Offer Shares shall result in a requirement for the Company, the Selling Shareholder or any Manager to publish a prospectus pursuant to Article 3 of the EU Prospectus Regulation or supplementary prospectus pursuant to Article 23 of the EU Prospectus Regulation.

For the purpose of this provision, the expression an "offer to the public" in relation to any Offer Shares in any Relevant Member State means a communication to persons in any form and by any means presenting sufficient information on the terms of the Offering and the Offer Shares to be offered, so as to enable an investor to decide to acquire any Offer Shares.

This EEA selling restriction is in addition to any other selling restrictions set out in this Prospectus.

19.2.4 Additional jurisdictions

19.2.4.1 Switzerland

The Offer Shares may not be publicly offered in Switzerland and will not be listed on the Swiss Exchange ("**SIX**") or on any other stock exchange or regulated trading facility in Switzerland. This document has been prepared without regard to the disclosure standards for issuance prospectuses under article 652a or article 1156 of the Swiss Code of Obligations or the disclosure standards for listing prospectuses under article 27 ff of the SIX Listing Rules or the listing rules of any other stock exchange or regulated trading facility in Switzerland. Neither this document nor any other offering or marketing material relating to the Offer Shares or the Offering may be publicly distributed or otherwise made publicly available in Switzerland. Neither this document nor any other offering or marketing material relating to the Offering, the Company or our Shares has been or will be filed with or approved by any Swiss regulatory authority. In particular, this document will not be filed with, and the Offering will not be supervised by, the Swiss Financial Market Supervisory Authority FINMA, and the Offering has not been and will not be authorized under the Swiss Federal Act on Collective Investment Schemes ("**CISA**"). The investor protection afforded to acquirers of interests in collective investment schemes under the CISA does not extend to acquirers of shares.

19.2.4.2 Canada

The Offer Shares may be sold only to purchasers purchasing, or deemed to be purchasing, as principal that are accredited investors, as defined in National Instrument 45-106 Prospectus Exemptions or subsection 73.3(1) of the Securities Act (Ontario), and are permitted clients, as defined in National Instrument 31-103 Registration Requirements, Exemptions and Ongoing Registrant Obligations. Any resale of the Offer Shares must be made in accordance with an exemption from, or in a transaction not subject to, the prospectus requirements of applicable securities laws.

Securities legislation in certain provinces or territories of Canada may provide a purchaser with remedies for rescission or damages if this Prospectus (including any amendment thereto) contains a misrepresentation, provided that the remedies for rescission or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province or territory. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province or territory for particulars of these rights or consult with a legal advisor.

Pursuant to section 3A.3 (or, in the case of securities issued or guaranteed by the government of a non-Canadian jurisdiction, section 3A.4) of National Instrument 33-105 Underwriting Conflicts (NI 33-105), the Managers are not required to comply with the disclosure requirements of NI 33-105 regarding underwriter conflicts of interest in connection with this offering.

19.2.4.3 Hong Kong

The Offer Shares may not be offered or sold in Hong Kong by means of any document other than (i) in circumstances which do not constitute an offer to the public within the meaning of the Companies Ordinance (Cap. 32) of Hong Kong, or (ii) to "professional investors" within the meaning of the Securities and Futures Ordinance (Cap. 571) of Hong Kong and any rules made thereunder, or (iii) in other circumstances which do not result in the document being a "prospectus" within the meaning of the Companies Ordinance (Cap. 32) of Hong Kong, and no advertisement, invitation or document relating to the Offer Shares may be issued or may be in the possession of any person for the purposes of issue (in each case whether in Hong Kong or elsewhere), which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Offer Shares which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" within the meaning of the Securities and Futures Ordinance (Cap. 571) of Hong Kong and any rules made thereunder.

19.2.4.4 Singapore

This Prospectus has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, this Prospectus and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Offer Shares may not be circulated or distributed, nor may they be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor under Section 274 of the Securities and Futures Act, Chapter 289 of Singapore (the "**SFA**"), (ii) to a relevant person, or any person pursuant to Section 275(1A), and in accordance with the conditions, specified in Section 275 of the SFA or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

19.2.4.5 Other jurisdictions

The Offer Shares may not be offered, sold, resold, transferred or delivered, directly or indirectly, in or into, Japan, Australia or any other jurisdiction in which it would not be permissible to offer the Offer Shares.

In jurisdictions outside the United States and the EEA where the Offering would be permissible, the Offer Shares will only be offered pursuant to applicable exceptions from prospectus requirements in such jurisdictions.

19.3 Transfer restrictions

19.3.1 United States

The Offer Shares have not been, and will not be, registered under the U.S. Securities Act or with any securities regulatory authority of any state or other jurisdiction in the United States, and may not be offered or sold except: (i) within the United States only to QIBs in reliance on Rule 144A or pursuant to another exemption from the registration requirements of the U.S. Securities Act; and (ii) outside the United States in compliance with Regulation S, and in each case in accordance with any applicable securities laws of any state or territory of the United States or any other jurisdiction. Terms defined in Rule 144A or Regulation S shall have the same meaning when used in this section.

Each purchaser of the Offer Shares outside the United States pursuant to Regulation S will be deemed to have acknowledged, represented and agreed that it has received a copy of this Prospectus and such other information as it deems necessary to make an informed investment decision and that:

- The purchaser is authorized to consummate the purchase of the Offer Shares in compliance with all applicable laws and regulations.
- The purchaser acknowledges that the Offer Shares have not been and will not be registered under the U.S. Securities Act, or with any securities regulatory authority or any state of the United States, and , subject to certain exceptions, may not be offered or sold within the United States.
- The purchaser is, and the person, if any, for whose account or benefit the purchaser is acquiring the Offer Shares, was located outside the United States at the time the buy order for the Offer Shares was originated and continues to be located outside the United States and has not purchased the Offer Shares for the account or benefit of any person in the United States or entered into any arrangement for the transfer of the Offer Shares or any economic interest therein to any person in the United States.
- The purchaser is not an affiliate of the Company or a person acting on behalf of such affiliate, and is not in the business of buying and selling securities or, if it is in such business, it did not acquire the Offer Shares from the Company or an affiliate thereof in the initial distribution of such Shares.
- The purchaser is aware of the restrictions on the offer and sale of the Offer Shares pursuant to Regulation S described in this Prospectus.
- The Offer Shares have not been offered to it by means of any "directed selling efforts" as defined in Regulation S.

- The Company shall not recognize any offer, sale, pledge or other transfer of the Offer Shares made other than in compliance with the above restrictions.

- If the purchaser is acquiring any of the Offer Shares as a fiduciary or agent for one or more accounts, the purchaser represents that it has sole investment discretion with respect to each such account and that it has full power to make the foregoing acknowledgements, representations and agreements in behalf of each such account.

- The purchaser acknowledges that the Company, the Selling Shareholder, the Managers and their respective advisers will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements.

Each purchaser of the Offer Shares within the United States purchasing pursuant to Rule 144A or another available exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act will be deemed to have acknowledged, represented and agreed that it has received a copy of this Prospectus and such other information as it deems necessary to make an informed investment decision and that:

- The purchaser is authorized to consummate the purchase of the Offer Shares in compliance with all applicable laws and regulations.

- The purchaser acknowledges that the Offer Shares have not been and will not be registered under the U.S. Securities Act or with any securities regulatory authority of any state of the United States and are subject to significant restrictions to transfer.

- The purchaser (i) is a QIB (as defined in Rule 144A), (ii) is aware that the sale to it is being made in reliance on Rule 144A and (iii) is acquiring such Offer Shares for its own account or for the account of a QIB, in each case for investment and not with a view to any resale or distribution to the Offer Shares, as the case may be.

- The purchaser is aware that the Offer Shares are being offered in the United States in a transaction not involving any public offering in the United States within the meaning of the U.S. Securities Act.

- If, in the future, the purchaser decides to offer, resell, pledge or otherwise transfer such Offer Shares, or any economic interest therein, as the case may be, such Offer Shares or any economic interest therein may be offered, sold, pledged or otherwise transferred only (i) to a person whom the beneficial owner and/or any person acting on its behalf reasonably believes is a QIB in a transaction meeting the requirements of Rule 144A, (ii) outside the United States in a transaction meeting the requirements of Regulation S, (iii) in accordance with Rule 144 (if available), (iv) pursuant to any other exemption from the registration requirements of the U.S. Securities Act, subject to the receipt by the Company of an opinion of counsel or such other evidence that the Company may reasonably require that such sale or transfer is in compliance with the U.S. Securities Act or (v) pursuant to an effective registration statement under the U.S. Securities Act, in each case in accordance with any applicable securities laws of any state or territory of the United States or any other jurisdiction.

- The purchaser is not an affiliate of the Company or a person acting on behalf of such affiliate, and is not in the business of buying and selling securities or, if it is in such business, it did not acquire the Offer Shares from the Company or an affiliate thereof in the initial distribution of such Shares.

- The purchaser will not deposit or cause to be deposited such Offer Shares into any depositary receipt facility established or maintained by a depository bank other than a Rule 144A restricted depository receipt facility, so long as such Offer Shares are "restricted securities" within the meaning of Rule 144(a) (3) under the U.S. Securities Act.

- The purchaser acknowledges that the Offer Shares are "restricted securities" within the meaning of Rule 144(a) (3) and no representation is made as to the availability of the exemption provided by Rule 144 for resales of any Offer Shares, as the case may be.

- The purchaser acknowledges that the Company shall not recognize any offer, sale pledge or other transfer of the Offer Shares made other than in compliance with the above-stated restrictions.

- If the purchaser is requiring any of the Offer Shares as a fiduciary or agent for one or more accounts, the purchaser represents that it has sole investment discretion with respect to each such account and that it has full power to make the foregoing acknowledgements, representations and agreements on behalf of each such account.
- The purchaser acknowledges that the these representations and undertakings are required in connection with the securities laws of the United States and that Company, the Selling Shareholder, the Managers and their respective advisers will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements.

19.3.2 European Economic Area

Each person in a Relevant Member State (other than, in the case of paragraph (a), persons receiving offers contemplated in this Prospectus in Norway) who receives any communication in respect of, or who acquires any Offer Shares under, the offers contemplated in this Prospectus will be deemed to have represented, warranted and agreed to and with each Manager and the Company that:

a) it is a qualified investor within the meaning of Articles 2(e) of the EU Prospectus Regulation; and

b) in the case of any Offer Shares acquired by it as a financial intermediary, as that term is used in Article 1 of the EU Prospectus Regulation, (i) the Offer Shares acquired by it in the offer have not been acquired on behalf of, nor have they been acquired with a view to their offer or resale to, persons in any Relevant Member State other than qualified investors, as that term is defined in the EU Prospectus Directive, or in circumstances in which the prior consent of the Managers has been given to the offer or resale; or (ii) where Offer Shares have been acquired by it on behalf of persons in any Relevant Member State other than qualified investors, the offer of those Shares to it is not treated under the EU Prospectus Regulation as having been made to such persons.

For the purpose of this representation, the expression an "offer to the public" in relation to any Offer Shares in any Relevant Member State means a communication to persons in any form and by any means presenting sufficient information on the terms of the Offering and the Offer Shares to be offered, so as to enable an investor to decide to acquire any Offer Shares.

20 ADDITIONAL INFORMATION

20.1 Auditor and advisors

The Company's independent auditor is BDO with registration number 993 606 650, and business address Munkedamsveien 45 A, N-0250 Oslo, Norway. The partners of BDO are members of The Norwegian Institute of Public Accountants (*Nw.: Den Norske Revisorforening*). BDO has been the auditor of the Company since 23 August 2016.

Advokatfirmaet Thommessen AS (Haakon VIIs gate 10, N-0161 Oslo, Norway) is acting as Norwegian legal counsel to the Company.

ABG Sundal Collier ASA (Munkedamsveien 45 D, Vika Atrium, N-0250 Oslo, Norway) and DNB Markets, a part of DNB Bank ASA (Dronning Eufemias gate 30, N-0191 Oslo, Norway), are acting as joint global coordinators to the Company in connection with the Offering and Listing.

Wikborg Rein Advokatfirma AS (Dronning Mauds gate 11, N-0250 Oslo, Norway) is acting as Norwegian counsel to the Managers.

20.2 Documents on display

Copies of the following documents will be available for inspection at the Company's offices at Sjølyst plass 2, 0278 Oslo, Norway, during normal business hours from Monday to Friday each week (except public holidays) for a period of twelve months from the date of this Prospectus:

- The Company's certificate of incorporation and Articles of Association;
- All reports, letters, and other documents, historical financial information, valuations and statements prepared by any expert at the Company's request any part of which is included or referred to in this Prospectus;
- The historical financial information of the Company and its subsidiary undertakings for each of the two financial years preceding the publication of this Prospectus; and
- This Prospectus.

The documents may also be inspected at www.norskeskog.com.

21 NORWEGIAN SUMMARY (NORSK SAMMENDRAG)

I dette norske sammendraget skal definerte ord og uttrykk (angitt med stor forbokstav) som er oversatt til norsk forstås i samsvar med tilsvarende engelskspråklige ord eller uttrykk slik disse er definert i det engelskspråklige Prospektet. Noen eksempler på slike engelskspråklige motstykker til definerte ord og uttrykk som er oversatt til norsk er som følger: Med "Prospektet" forstås "Prospectus", med "Konsernet" forstås "Group", med "Selskapet" forstås "Company", med "Noteringen" forstås "Listing", med "Tilbudet" forstås "Offering", med "Aksjene" forstås "Shares", med "Salgsaksjene" forstås "Sale Shares", med "Tilleggsaksjene" forstås "Additional Shares", med "Tilbudsaksjene" forstås "Offer Shares", med "Selgende Aksjonær" forstås "Selling Shareholder", med "Insitusjonelle Tilbudet" forstås "Institutional Offering", med "Offentlige Tilbudet" forstås "Retail Offering", med "Ansattetilbudet" forstås "Employee Offering", med "Kvalifiserte Ansatte" forstås "Eligible Employees", med "Koordinatorene" forstås "Global Coordinators", med "Tilretteleggerne" forstås "Managers", med "Overtildelingsopsjonen" forstås "Greenshoe Option" og med "Låneopsjonen" forstås "Borrowing Option".

Introduksjon

Advarsel	Dette sammendraget bør leses som en innledning til Prospektet. Enhver beslutning om å investere i verdipapirene bør baseres på investorens vurdering av Prospektet i sin helhet. En investering i Selskapet innebærer en iboende risiko og investoren kan tape hele eller deler av sin investerte kapital. Dersom et krav knyttet til informasjonen i Prospektet fremsettes for en domstol, kan saksøkende investor, i henhold til nasjonal rett, bli pålagt å dekke kostnadene med å oversette Prospektet før rettsforhandlingene igangsettes. Kun de personer som har satt opp sammendraget, herunder oversatt dette, kan pådra seg sivilrettslig ansvar, men kun dersom sammendraget er misvisende, ikke korrekt eller usammenhengende når det leses i sammenheng med øvrige deler av Prospektet eller dersom sammendraget, når det leses sammen med øvrige deler av Prospektet, ikke gir nøkkelinformasjon som investorene behøver når de skal vurdere om de skal investere i slike verdipapirer.
Verdipapirer	Selskapet har én aksjeklasse. Aksjene (inkludert Salgsaksjene) er registrert i VPS under ISIN NO 0010861115.
Utsteder	Selskapet er registrert med organisasjonsnummer 914 483 549 i Foretaksregisteret og har LEI 529900MYY60WXHHY3039. Selskapets registrerte forretningsadresse er Sjølyst plass 2, 0278 Oslo, Norge, dets hovedtelefonnummer på denne adressen er +47 22 51 20 20 og e-postadressen er info@norskeskog.com. Konsernets hjemmeside er www.norskeskog.com.
Tilbyder	NS Norway Holding AS er registrert med organisasjonsnummer 920 596 363 i Foretaksregisteret og har LEI 549300LHBRONESGRLM08. Selskapets registrerte forretningsadresse er Sjølyst plass 2, 0278 Oslo, Norge, dets hovedtelefonnummer er +44 7912 895129 og e-postadressen er john.chiang@oceanwoodcapital.com.
Kompetent myndighet	Finanstilsynet, som er registrert med organisasjonsnummer 840 747 972, har sin registrerte adresse i Revierstredet 3, 0151 Oslo, Norge og telefonnummer +47 22 93 98 00, har gjennomgått og godkjent dette Prospektet den 7. oktober 2019.

Nøkkelinformasjon for Utsteder

Hvem er utsteder?

Selskapsinformasjon	Selskapet er et allmennaksjeselskap, organisert i henhold til og underlagt den norske allmennaksjeloven. Selskapet ble stiftet den 5. november 2014 i Norge, dets organisasjonsnummer i Foretaksregisteret er 914 483 549 og LEI er 529900MYY60WXHHY3039.
Hovedaktiviteter	Norske Skog er en global produsent av papir for både aviser og magasiner. Konsernets samlede produksjonskapasitet fordelt mellom Konsernets syv papirfabrikker i Europa og Australasia er 2.625.000 tonn. I Europa, har Konsernet fire papirfabrikker med en samlet produksjonskapasitet på 1.925.000 tonn papir. Av disse papirfabrikkene ligger to i Norge, én ligger i Frankrike og én ligger i Østerrike. Basert på PPPC[26], estimerer Konsernet at det er den tredje største europeiske produsenten av papir for

[26] Kilde: 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)

publiseringsformål. I Australasia (som inkluderer Australia, New Zealand, New Guinea, samt nærliggende øyer), har Konsernet to papirfabrikker i Australia og én papirfabrikk i New Zealand, med en samlet produksjonskapasitet på 700.000 tonn papir. Konsernet er den eneste produsenten av papir for aviser og magasiner i denne regionen. Den 2. oktober 2019 inngikk Norske Skog en avtale om salg av fabrikken i Albury, Australia samt enkelte andre eiendeler til den australske emballasjeprodusenten Visy. Norske Skog forventer å stanse produksjonen av avispapir og stenge ned fabrikken i desember 2019. Etter gjennomføring av transaksjonen vil Visy gjennomføre en studie av muligheten til å konvertere fabrikken til produksjon av emballasjeprodukter. Salget vil redusere produksjonskapasitet for avispapir i Australasia og redusere regionens eksporteksponering mot det Asiatiske markedet.

For avispapir, tilbyr Konsernet papirtypene standard avispapir og finkvalitets avispapir, mens for magasinpapir tilbyr Konsernet papirtypene superkalandrert ubestrøket magasinpapir (SC) og bestrøket magasinpapir (LWC). Konsernets produkter ender hovedsakelig opp med å bli brukt til aviser og magasiner, men også til forskjellige typer kataloger, bilag/flyers, tillegg, skrivepapir, direktereklame og brosjyrer. Konsernet selger sine produkter under kjente merkevarer, herunder Nornews, Norbright, NorX, Norstar, Norcote, NorSC, Norbook, Vantage og Tasman Directory. Konsernets kunder inkluderer utgivere av ledende aviser og magasiner i Europa, Australasia og resten av verden. Konsernet har et langvarig forhold til flere av sine største kunder.

Større aksjonærer .... Aksjonærer som eier 5% eller mer av Aksjene har et eierskap i Selskapets aksjekapital som er meldepliktig etter verdipapirhandelloven. Per datoen for dette Prospektet eier ingen andre aksjonærer enn de inkludert i tabellen under mer enn 5% av de utstedte Aksjene.

#	Navn på aksjonær	Ultimat eier	Antall aksjer	Prosent (%)
1	NS Norway Holding AS	Oceanwood Special Situations Malta Limited	82.500.000	100%
Total			82.500.000	100%

Ledende ansatte............ Konsernets ledelse består av seks personer. Navn og stilling for de seks medlemmene av er presentert i tabellen under.

Navn	Stilling
Sven Ombudstvedt	Administrerende direktør
Rune Sollie	Økonomisjef
Tore Hansesætre	Driftsdirektør / Ansvarlig for strategiske prosjekter[1]
Lars P.S. Sperre	Ansvarlig for selskapsstrategi
Robert Wood	Ansvarlig for kommersiell drift
Amund Saxrud	Driftsdirektør[1]

1 Tore Hansesætre fungerer som Konsernets driftsdirektør inntil erstattet av Amund Saxrud den 15. oktober 2019. Bjørn Einar Ugedal vil ta over Amund Saxruds nåværende stilling som administrerende direktør for Konsernet papirfabrikk Skogn.

Ansvarlig revisor............ Selskapets uavhengige revisor er BDO, som har organisasjonsnummer 993 606 650, og forretningsadresse Munkedamsveien 45 A, 0250 Oslo, Norge.

Hva er utsteders finansielle nøkkeltall?

Konsolidert resultatregnskap

I NOK millioner	Tremånedersperioden avsluttet 30. juni		Seksmånedersperioden avsluttet 30. juni		Året avsluttet 31. desember		
	2019 *IAS 34 (urevidert)*	**2018** *IAS 34 (urevidert)*	**2019** *IAS 34 (urevidert)*	**2018** *IAS 34 (urevidert)*	**2018** *IFRS (revidert)*	**2017** *IFRS (revidert)*	**2016** *IFRS (revidert)*
Sum driftsinntekter....	3.316	3.040	6.423	6.001	12.641	11.527	11.852
Driftsresultat	1.150	184	1.403	351	926	(1.702)	(947)
Resultat etter skatt....	1.032	183	1.184	210	1.525	(3.551)	(972)
Årlig vekst i salgsinntekt....................	9,1%	6,7%	7,0%	8,3%	9,7%	(2,7)%	6,5%

Konsolidert balanseregnskap

I NOK millioner	Per 30. juni		Per 31. desember		
	2019 *IAS 34 (urevidert)*	**2018** *IAS 34 (urevidert)*	**2018** *IFRS (revidert)*	**2017** *IFRS (revidert)*	**2016** *IFRS (revidert)*
Sum eiendeler................................	9.372	8.058	8.565	8.109	10.497
Sum egenkapital	4.560	(1.275)	2.365	(1.427)	2.090
Netto rentebærende gjeld........	941	5.455	2.268	5.717	5.038

Konsolidert kontantstrømoppstilling

I NOK millioner	Tremånedersperioden avsluttet 30. juni		Seksmånedersperioden avsluttet 30. juni		Året avsluttet 31. desember		
	2019 *IAS 34 (urevidert)*	**2018** *IAS 34 (urevidert)*	**2019** *IAS 34 (urevidert)*	**2018** *IAS 34 (urevidert)*	**2018** *IFRS (revidert)*	**2017** *IFRS (revidert)*	**2016** *IFRS (revidert)*
Netto kontantstrøm fra operasjonelle aktiviteter........................	225	303	531	464	881	404	514
Netto kontantstrøm fra investerings-aktiviteter........................	(88)	62	(180)	(9)	(188)	(279)	(105)
Netto kontantstrøm fra finansierings-aktiviteter........................	95	(21)	(379)	(146)	(215)	(65)	(293)

Hva er de viktigste risikoene som er spesifikke for utsteder?

Vesentlige risikofaktorer .

- Etterspørsel for Konsernets produkter er påvirket av globale økonomiske faktorer og trender, og den økende digitaliseringen det siste tiåret har fundamentalt endret markedet for Konsernets produkter. Disse endringene har resultert i perioder med vesentlig overkapasitet og sterk konkurranse blant papirprodusenter. Nedgangen er strukturell og Selskapet forventer at denne trenden vil vedvare.
- En vesentlig del av etterspørselen for Konsernets produkter genereres direkte eller indirekte av reklame/annonsering. I økonomiske nedgangstider reduseres generelt reklame og salgsfremmende annonsering, og etterspørselen etter Konsernets produkter avtar.
- Ettersom markedene for papirprodukter for publiseringsformål er sykliske, har Konsernet historisk sett opplevd betydelig prisvolatilitet. Som andre bedrifter innenfor papirindustrien har Konsernet begrenset innflytelse over tidspunktet og omfanget av prisendringer for sine produkter, som er påvirket av mange faktorer utenfor Konsernets kontroll og som ofte kan være ustabile.
- Konsernet står overfor betydelig konkurranse når det gjelder kvalitet og pris for sine produkter samt med hensyn til produksjonskostnader. Hvis Konsernet ikke er i stand til å konkurrere effektivt, kan det være umulig å opprettholde og/eller øke sine markedsandeler og/eller marginer.

- Konsernet er ubetinget avhengig av energi for sin produksjon. Tap av energikontrakter eller alvorlige forstyrrelser i strømforsyning, kan medføre at Konsernet ikke får produsert tilstrekkelig mengder produkter til å oppfylle forpliktelsene i kundekontrakter. Videre utgjør energikostnader 20–25% av Konsernets totale kostnader og er den enkeltstående største kostnaden for Konsernets papirfabrikker, noe som betyr at Konsernets driftsresultat er avhengig av verdien dets energikontrakter representer.
- Konsernet har stort sett kortsiktige kontrakter, både for kunder og for leverandører. Selv om fornyelsesraten for disse kontraktene er høy, er det en risiko for at kontraktene ikke blir fornyet, termineres eller fornyes på mindre gunstige vilkår.Konsernet driver i en bransje som er underlagt omfattende miljølover og forskrifter, som har blitt strengere over tid og som kan resultere i betydelig økte etterlevelseskostnader og forpliktelser for Konsernet. Videre kan manglende overholdelse av gjeldende miljølovgivning, forskrifter, tillatelser og krav føre til sivilrettslige og strafferettslige bøter, straff eller pålegg om tiltak.

Nøkkelinformasjon for verdipapirene

Hva er hovedkarakteristikkene for verdipapirene?

Type, klasse og ISIN	Samtlige Aksjer er ordinære aksjer i Selskapet og har blitt utstedt i henhold til allmennaksjeloven. De eksisterende Aksjene (inkludert Salgsaksjene) er registrert i VPS under ISIN NO 0010861115.
Valuta, pålydende verdi og antall verdipapirer	Aksjene vil omsettes i NOK på Oslo Børs. Per datoen for dette Prospektet har Selskapet en aksjekapital på NOK 330.000.000 fordelt på 82.500.000 Aksjer, hver pålydende NOK 4,00.
Rettigheter knyttet til verdipapirene	Selskapet har én aksjeklasse, og i samsvar med allmennaksjeloven gir samtlige Aksjer i denne klassen like rettigheter i Selskapet. Hver Aksje har én stemme.
Omsetningsbegrensninger	Aksjene er fritt omsettelige. Selskapets vedtekter setter ingen restriksjoner på Aksjenes omsettelighet og inneholder heller ikke bestemmelser om forkjøpsrett. Aksjenes omsettelighet er ikke betinget av styrets samtykke. Selgende Aksjonær er forventet å inngå en lock-up forpliktelse med Koordinatorene for en periode på 180 dager regnet fra første handelsdag for Aksjene på Oslo Børs, og Selskapet, primærinsiderne i Selskapet som erverver Aksjer i Tilbudet, samt Styremedlemmene og Ledelsen, vil påta seg lock-up forpliktelser med Koordinatorene for en periode til og med datoen som faller 12 måneder fra den første dagen for handel i Aksjene på Oslo Børs.
Utbytte og utbyttepolitikk	Selskapets langsiktige utbyttepolitikk er å betale utbytte som reflekterer underliggende inntjening og kontantstrøm, samtidig som hensiktsmessig finansiering av Konsernet sikres. På mellomlang sikt har Selskapet et mål om utbytteutbetalinger tilsvarende 75 % av justert netto resultat, fra og med utbytteutbetalingen for regnskapsåret 2019. Ved fastsettelse av utbyttenivået vil Styret videre hensynta investeringsplaner, finansieringsbehov og opprettholdelse av passende strategisk fleksibilitet for Konsernet. Selskapet har ikke utbetalt utbytte på sine Aksjer i løpet av regnskapsårene 2018, 2017 og 2016.

Hvor vil verdipapirene handles?

Selskapet vil på eller rundt den 8. oktober 2019 søke om notering for sine Aksjer på Oslo Børs. Selskapet forventer at handel i Aksjene på Oslo Børs vil begynne på eller rundt den 18. oktober 2019. Selskapet har ikke søkt om opptak til handel for Aksjene på noen annen børs, regulert marked eller en Multilateral handelsplattform (MTF).

Hva er de sentral risikoene spesifikke for verdipapirene?

Vesentlige risikofaktorer ..	• Selgende Aksjonær vil eie mellom 50 % og 65 % av Aksjene i Selskapet etter Tilbudet, forutsatt at maks antall Salgsaksjer selges av den Selgende Aksjonær og Overtildelingsopsjonen ikke utøves, og har dermed muligheten til å påvirke utfallet av saker som skal stemmes over av Selskapets aksjonærer. Selgende Aksjonærs kommersielle målsetninger som Aksjonær, og Selskapets målsetninger, er ikke

nødvendigvis alltid samsvarende, og slik konsentrasjonen av eierskap er ikke nødvendigvis alltid i Selskapets øvrige aksjeeieres interesse.

- Selskapets evne til å utbetale utbytte er avhengig av tilgjengeligheten av reserver og kontante ressurser som kan utdeles. Videre kan Selskapet være uvillig til å utbetale utbytte i fremtiden uavhengig av tilgjengeligheten av distribuerbare reserver og kontant ressurser.

Nøkkelinformasjon for tilbudet av verdipapirer til offentligheten og/eller opptak til handel på et regulert marked

Under hvilke forutsetninger og i henhold til hvilken tidsplan kan jeg investere i dette verdipapiret?

Vilkår og betingelser for tilbudet ....

Tilbudet består av:

- Et Institusjonelt Tilbud, hvor Tilbudsaksjer tilbys til (a) institusjonelle og profesjonelle investorer i Norge, (b) investorer utenfor Norge og USA, i henhold til gjeldende unntak fra prospekt- og registreringskrav, og (c) investorer i USA som er QIBer i transaksjoner unntatt fra registreringskrav under U.S Securities Act. For det Institusjonelle Tilbudet gjelder det en nedre grense per bestilling på NOK 2.000.000.
- Et Offentlig Tilbud, hvor Tilbudsaksjer tilbys til allmennheten i Norge med en nedre grense per bestilling på NOK 10.500 og en øvre grense per bestilling på NOK 1.999.999 for hver investor. Investorer som ønsker å legge inn en bestilling som overstiger NOK 1.999.999 må gjøre dette i det Institusjonelle Tilbudet. Flere bestillinger fra én bestiller i det Offentlige Tilbudet vil bli behandlet som én bestilling hva gjelder den maksimale bestillingsgrensen.
- Et Ansattetilbud, hvor Tilbudsaksjer blir tilbudt Kvalifiserte Ansatte og solgt til samme pris som i det Institusjonelle Tilbudet og det Offentlige Tilbudet, imidlertid slik at de ansatte vil motta en fast kontantrabatt på NOK 3.000 som trekkes fra det totale beløpet som skal betales for Tilbudsaksjene tildelt en slik ansatt. For Ansattetilbudet gjelder det for hver Kvalifiserte Ansatte en nedre grense per bestilling på NOK 15.000 og en øvre grense per bestilling på NOK 1.999.999. Kvalifiserte Ansatte som deltar i Ansattetilbudet vil motta full tildeling for enhver bestilling til og med det aktuelle bestillingsbeløpet som den reduserte tilbudsprisen beskrevet over så vil gjelde for (rundet ned til nærmeste hele Aksje). Flere bestillinger fra én bestiller i Ansattetilbudet vil bli behandlet som én bestilling hva gjelder maksimal bestillingsgrense, garantert tildeling, redusert tilbudspris og rabatt.

Ethvert tilbud og salg i USA vil bare bli gjort til QIBer etter Rule 144A eller i henhold til et annet unntak fra, eller i transaksjoner som ikke er underlagt, registreringskravene i U.S Securities Act. Alle tilbud og salg utenfor USA vil bli gjort i henhold til Regulation S.

Tilretteleggerne kan i tillegg velge å overtildele et antall Tilleggsaksjer tilsvarende opp til 15% av det endelige antallet Salgsaksjer. I denne forbindelse, er Selgende Aksjonær forventet å gi Stabiliserende Tilrettelegger (ABGSC), på vegne av Tilretteleggerne, en Låneopsjon til å låne et antall Aksjer tilsvarende antallet Tilleggsaksjer for å tilrettelegge for slik overtildeling. Videre er Selgende Aksjonær forventet å gi Stabiliserende Tilrettelegger, på vegne av Tilretteleggerne, en Overtildelingsopsjon til å kjøpe et antall Aksjer opp til antallet Tilleggsaksjer til en pris per Aksje tilsvarende Tilbudsprisen, for å legge til rette for tilbakelevering av lånte Aksjer.

Selgende Aksjonær har, i konsultasjon med Selskapet og Tilretteleggerne, fastsatt et Indikativt Prisintervall fra NOK 35 til NOK 45 per Tilbudsaksje. Forutsatt at det maksimale antall Salgsaksjer blir solgt og Overtildelingsopsjonen utøves fullt ut, vil Selgende Aksjonær selge 47.437.500 Tilbudsaksjer, som representerer 57,50 % av de utstedte Aksjene etter Tilbudet.

Tidsplan for tilbudet ....

De sentrale datoene i Tilbudet fremgår nedenfor. Vær oppmerksom på at den Selgende Aksjonær og Selskapet, i samråd med Tilretteleggerne, forbeholder seg retten til å forkorte eller forlenge Bookbuildingperioden og Bestillingsperioden til enhver tid og etter eget skjønn.

Bookbuildingperioden starter	8. oktober 2019 kl. 09:00 (CEST)
Bookbuildingperioden slutter	16. oktober 2019 kl. 14:00 (CEST)
Bestillingsperioden starter	8. oktober 2019 kl. 09:00 (CEST)
Bestillingsperioden slutter	16. oktober 2019 kl. 12:00 (CEST)
Tildeling av Tilbudsaksjene	På eller rundt 16. oktober 2019
Publisering av resultatene for Tilbudet	På eller rundt 16. oktober 2019
Utstedelse av allokeringsbrev	På eller rundt 17. oktober 2019
Når kontoer som betaling vil bli belastet fra i det Offentlige Tilbudet og Ansattetilbudet må være tilført tilstrekkelig midler	På eller rundt 17. oktober 2019
Betalingsdato i det Offentlige Tilbudet og Ansattetilbudet	På eller rundt 18. oktober 2019
Levering av Tilbudsaksjene i det Offentlige Tilbudet og Ansattetilbudet	På eller rundt 21. oktober 2019
Betalingsdato i det Institusjonelle Tilbudet	På eller rundt 21. oktober 2019
Levering av Tilbudsaksjene i det Institusjonelle Tilbudet	På eller rundt 21. oktober 2019
Notering og oppstart av handel i Aksjene	På eller rundt 18. oktober 2019

Opptak til handel .... Selskapet vil på eller rundt 8. oktober 2019 søke om opptak til handel for sine Aksjer på Oslo Børs. Det forventes at Oslo Børs sitt styret godkjenner Selskapets noteringssøknad den 11. oktober 2019, betinget av at Selskapet oppnår minst 500 aksjonærer, som hver har Aksjer til en verdi på mer enn NOK 10.000 og at minimum 25% av Aksjene er i fri flyt. Selskapet forventer at disse vilkårene oppfylles gjennom Tilbudet.

Per nå, forventer Selskapet at handel i Aksjene vil påbegynnes på Oslo Børs på eller rundt 18. oktober 2019.

Plan for distribusjon .... I det Institusjonelle Tilbudet vil Selgende Aksjonær, i konsultasjon med Selskapet og Tilretteleggerne, bestemme tildelingen av Tilbudsaksjer basert på visse tildelingsprinsipper.

I det Offentlige Tilbudet vil tildeling bli gjort på pro rata basis ved bruk av VPS' automatiserte simuleringsprosedyrer, derimot slik at Selskapet, Selgende Aksjonær og Tilretteleggerne forbeholder seg retten til, etter eget skjønn, å gi full tildeling til ansatte i Konsernet og styremedlemmer i Selskapet som har bestilt Tilbudsaksjer i det Offentlige Tilbudet. Selskapet, Selgende Aksjonær og Tilretteleggerne forbeholder seg retten til å begrense det totale antallet bestillere som får tildelt Tilbudsaksjer for å holde antall aksjonærer på et passende nivå, i hvilket tilfelle, bestillere som får tildelt Tilbudsaksjer vil bestemmes tilfeldig ved å bruk VPS' automatiserte simuleringsprosedyre og/eller annen tilfeldig tildelingsmekanisme.

I Ansattetilbudet vil bestillerne få full tildeling for enhver bestilling opp til og inkludert bestillingsantallet den aktuelle Kvalifiserte Ansatte er berettiget til å motta til redusert bestillingsspris (dvs. tilbudsbeløp opp til NOK 1.999.999). I den utstrekning en bestilling overgår et slikt beløp, vil det overskytende antall Tilbudsaksjer bli tildelt basert på de samme tildelingsprinsipper som i det Institusjonelle Tilbudet.

Utvanning .... Ingen nye aksjer utstedes som en del av Tilbudet og det vil derfor ikke ha noen utvanningseffekt for den eksisterende aksjonæren.

Samlede utgifter til utstedelsen/tilbudet .... Selskapets samlede kostnader og utgifter til, og som er forbundet med, Noteringen og Tilbudet er estimert til omtrent NOK 6,5 millioner. Verken Selskapet eller Tilretteleggerne vil belaste bestillerne i Tilbudet med utgifter eller avgifter.

Hvem er tilbyderen og/eller personen som ønsker opptak til handel på børs?

Kort beskrivelse av tilbyderen(e) .... Tilbyderen er NS Norway Holding AS, et aksjeselskap som er heleid av Oceanwood. NS Norway Holding AS har registreringsnummer 920 596 363 og forretningsadresse Sjølyst plass 2, 0278 Oslo, Norge.

Hvorfor er dette Prospektet produsert?

Årsak til tilbudet/adgang til handel på børs .... Konsernet tror at Tilbudet og Noteringen vil:

- gjøre det mulig for Selgende Aksjonær delvis å realisere sin beholdning, optimalisere sin kapitalstruktur og investeringsportefølje og gi rom for et likvid marked for Aksjene,
- diversifisere aksjonærbasen og gjøre det mulig for andre investorer å ta del i Konsernets fremtidige vekst og verdiskapning,
- forsterke Konsernets profil mot investorer, forretningspartnere, leverandører og kunder,
- gjøre det mulig for Konsernet å kapitalisere på utvidelsen til nye produktsegmenter, kostnadsreduserende investeringer og konsolideringsmuligheter i bransjen gjennom tilgang til aksjekapitalmarkedet og bruk av aksjene som betalingsmiddel i M&A transaksjoner, og
- forbedre Konsernets evne til å tiltrekke og beholde sentrale ansatte i ledelsen og øvrige sentrale ansatte.

Bruk av proveny............ Selskapet vil ikke motta noe proveny fra Tilbudet.

Fulltegningsgaranti .... Tilbudet er ikke garantert fulltegnet.

Interessekonflikter......... Tilretteleggerne eller deres tilknyttede selskaper har fra tid til annen ytt, og kan i fremtiden yte finansiell rådgivning, investerings- og kommersielle banktjenester, samt finansiering til Selskapet og dets tilknyttede selskaper som ledd i sin ordinære virksomhet, som de kan ha mottatt og kan fortsette å motta vanlige gebyrer og honorar for. Tilretteleggerne har ikke til hensikt å opplyse omfanget av slike investeringer eller transaksjoner annet enn for å overholde juridiske eller regulatoriske forpliktelser. Tilretteleggerne vil motta et honorar i forbindelse med Tilbudet og har som sådan en interesse i Tilbudet. I tillegg kan Selgende Aksjonær, etter eget skjønn, betale Tilretteleggerne et skjønnsmessig tilleggshonorar i forbindelse med Tilbudet.

Selgende Aksjonær vil motta salgsproveny fra salget av Salgsaksjene og provenyet fra salget av eventuelle Aksjer solgt i henhold til Overtildelingsopsjonen.

22 DEFINITIONS AND GLOSSARY

In the Prospectus, the following defined terms have the following meanings:

ABGSC	ABG Sundal Collier ASA.
Additional Shares	The additional Shares over-alloted in the Offering, equaling up to 15% of the final number of Sale Shares sold in the Offering.
Adjusted EPS	Profit/loss after tax per share, adjusted for the share split resolved after the reporting period, pursuant to which the number of Shares was increased from 30,000 to 82,500,000.
Albury Assets	The Albury mill and the operating assets of Norske Skog Paper Mills Albury Ltd.
Anti-Money Laundering Legislation	Applicable anti-money laundering legislation, including the Norwegian Money Laundering Act of 1 June 2018 no. 23 and the Norwegian Money Laundering Regulations of 14 September 2018 no. 1324.
APMs	Alternative performance measures.
Application Period	The application period for the Retail Offering and the Employee Offering which will take place from 09:00 hours (CEST) on 8 October 2019 to 12:00 hours (CEST) on 16 October 2019, unless shortened or extended.
Articles of Association	The Company's articles of association attached hereto as Appendix A.
AUD	Australian Dollars, the lawful currency of Australia.
BAT	Best available techniques.
BDO	BDO AS.
Board of Directors	The board of directors of the Company.
Board Members	The members of Board of Directors.
Bond EBITDA	The consolidated operating profit of the Group according to the latest annual financial statements or interim accounts: (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) 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, (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 the Bond 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.
Bookbuilding Period	The bookbuilding period for the Institutional Offering which will take place from 09:00 hours (CEST) on 8 October 2019 to 14:00 hours (CEST) on 16 October 2019, unless shortened or extended.
Borrowing Option	An option expected to be granted to the Stabilisation Manager by the Selling Shareholder, pursuant to which the Stabilisation Manager may require the Selling Shareholder to lend to the Stabilisation Manager, on behalf of the Managers, up to a number of Shares equal to the number of Additional Shares.
Brexit	United Kingdom's potential withdrawal from the European Union.
Carnegie	Carnegie AS.
CEO	The Company's President and Chief executive officer.
CEST	Central European Summer Time.
CISA	The Swiss Federal Act on Collective Investment Schemes.
Company	Norske Skog ASA.
Corporate Governance Code	The Norwegian Code of Practice for Corporate Governance last updated 17 October 2018.

DNB Markets	DNB Markets, a part of DNB Bank ASA.
EEA	The European Economic Area.
EBITDA	Operating profit for the period, before restructuring expenses, depreciation and amortization and impairment charges, derivatives and other fair value adjustments, determined on an entity, combined or consolidated basis.
EBITDA margin	EBITDA / total operating income.
Eligible Employees	Includes all of the employees of the Group employed by a Norwegian entity as of the last day of the Application Period.
Employee Application Form	Application form to be used to apply for Offer Shares in the Employee Offering, attached to this Prospectus as Appendix F in English and Appendix G in Norwegian.
Employee Offering	An Employee Offering, in which Offer Shares are being offered to the Company's Eligible Employees, subject to a lower limit of NOK 15,000 and an upper limit per application of NOK 1,999,999 for each Eligible Employee.
ESMA	The European Securities and Markets Authority.
EU	The European Union.
EUR	The lawful currency of the participating member states in the European Union.
EUTR	EU Timber Regulation 995/2010.
EU Prospectus Regulation	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 20014/71/EC.
EY	Ernst & Young AS.
FID	Final investment decision.
Financial Statements	The Company's audited consolidated financial statements as at, and for the years ended 31 December 2018, 2017 and 2016, as attached hereto as Appendix B..
Financial Information	The Financial Statements and the Interim Financial Statements, as attached hereto as Appendix B and Appendix C, respectively.
Former Group	The prior Norske Skog group of companies.
Forward-looking Statements	Statements that reflect the Company's current views with respect to future events and financial and operational performance, typically identified by the use of forward-looking terminology, such as the terms "anticipates", "assumes", "believes", "can", "could", "estimates", "expects", "forecasts", "intends", "may", "might", "plans", "projects", "should", "will", "would" or, in each case, their negative, or other variations or comparable terminology.
FTEs	Full-time employees.
FSMA	Financial Services and Markets Act 2000.
GAAP	Generally accepted accounting principles.
GBP	British Pounds Sterling, the lawful currency of the United Kingdom.
General Meeting	The Company's general meeting of shareholders.
GLEIF	Global Legal Identifier Foundation.
Global Coordinators	ABGSC and DNB Markets.
Greenshoe Option	An option expected to be granted by the Selling Shareholder to the Managers to buy a number of Shares up to the number of Additional Shares in order to facilitate redelivery of Shares borrowed pursuant to the Borrowing Option.
Gross Proceeds	The gross proceeds of all shares allocated in the Offering, multiplied with the price per Share, including Shares allocated in any over-allotment and shares allocated to underwriters.
Group	The Company taken together with its subsidiaries.
Group Compan(y)ies	the Company or other companies within the Group
IAS 34	International Accounting Standard 34 "Interim Financial Reporting" as adopted by the EU.
IFRS	International Financial Reporting Standards as adopted by the EU.
Indicative Price Range	The indicative price range in the Offering of NOK 35 to NOK 45 per Offer Share.
Institutional Closing Date	The date of delivery of, and payment for, the Offer Shares to/by the applicants in the Institutional Offering, expected to take place on or about 21 October 2019.
Institutional Offering	An institutional offering, in which Offer Shares are being offered (a) to institutional and professional investors in Norway, (b) investors outside Norway and the United States, subject to applicable exemptions from the prospectus requirements, and (c) in the United States to QIBs, as defined in, and in reliance on, Rule 144A of the U.S. Securities Act; subject to a lower limit per application of NOK 2,000,000.

Interim Board Members	The three Board Members and two observers forming the Company's Board of Directors as at the date of this Prospectus.
Interim Financial Statements	The Company's unaudited condensed consolidated interim financial statements as of and for the three and six months' periods ended 30 June 2019, with comparable figures as of and for the three and six months' period ended 30 June 2018, as attached hereto as Appendix C, respectively.
LEI	Legal Entity Identifier.
Listing	The listing of the Shares on Oslo Børs.
LOUs	Local Operating Units.
LWC	Lightweight coated paper.
Managers	ABGSC, DNB Markets and Carnegie.
Management	The members of the senior management of the Group.
Mandate Agreement	The mandate agreement entered into between the Company, the Selling Shareholder and the Managers.
MiFID II	EU Directive 2014/65/EU on markets in financial instruments, as amended.
MiFID II Product Governance Requirements	MiFID II, Articles 9 and 10 of Commission Delegated Directive (EU) 2017/593 supplementing MiFID II and local implementing measures.
NCI	National Client Identifier.
New Board of Directors	The seven Board Members who will form the Company's Board of Directors from the first day of the Listing.
NOK	Norwegian Kroner, the lawful currency of Norway.
NOM-account	Nominee account.
Non-Norwegian Corporate Shareholders	Shareholders who are limited liability companies and certain similar corporate entities not resident in Norway for tax purposes.
Non-Norwegian Personal Shareholders	Shareholders who are individuals not resident in Norway for tax purposes.
Norske Skog	The Company taken together with its subsidiaries.
Norwegian Corporate Shareholders	Shareholders who are limited liability companies and certain similar corporate entities resident in Norway for tax purposes.
Norwegian FSA	The Financial Supervisory Authority of Norway *(Nw.: Finanstilsynet)*.
Norwegian Act on Overdue Payment	The Norwegian Act on Overdue Payment of 17 December 1976 no. 100 *(Nw.: forsinkelsesrenteloven)*.
Norwegian Personal Shareholders	Shareholders who are individuals resident in Norway for tax purposes.
Norwegian Public Limited Companies Act	Norwegian Public Limited Companies Act of 13 June 1997 No 45 *(Nw.: allmennaksjeloven)*.
Norwegian Securities Trading Act	The Norwegian Securities Trading Act of 28 June 2007 No 75 *(Nw.: verdipapirhandelloven)*.
Note Guarantors	The Company’s subsidiaries having guaranteed, subject to certain exceptions, for the Company's obligations under the Notes.
Notes	The EUR 125 million of new 3 months EURIBOR + 6.00% Senior Secured Notes due 2022 issued at par by the Company on 14 June 2019.
NSF	The Norwegian Securitisation Facility of NOK 786 million repaid following the issue of the Notes.
NZD	New Zealand Dollars, the lawful currency of New Zealand.
Oceanwood	Oceanwood Special Situations Malta Limited.
Offering	The initial public offering of the Shares.
Offer Price	The final offer price for the Offer Shares in the Offering. The Offer Price may be set within, below or above the Indicative Price Range.
Offer Shares	The Sale Shares and any Additional Shares – the Shares offered pursuant to the Offering.
Order	The UK Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended.
Oslo Børs	Oslo Børs, a Norwegian stock exchange operated by Oslo Børs ASA.
Payment Date	The payment date for the Offer Shares in the Retail Offering and the Employee Offering, expected to be on 18 October 2019.
Placing Agreement	Agreement between the Company, the Selling Shareholder and the Managers with respect to the Offering of the Offer Shares.
PPE	Property, plant and equipment.
PPPC	The Pulp and Paper Products Council, a recognized industry reference and principal source of information on the global pulp and graphic paper markets (www.pppc.org).

Prospectus	This Prospectus dated 7 October 2019.
QIBs	Qualified institutional buyers as defined in Rule 144A.
RCF	The Company's revolving credit facility, due June 2022.
RCP	Recovered paper.
Regulation S	Regulation S under the U.S. Securities Act.
Relevant Implementation Date	The date on which the EU Prospectus Regulation is implemented in that Relevant Member State.
Relevant Member State	Each Member State of the European Economic Area which has implemented the EU Prospectus Regulation.
Relevant Persons	Persons in the United Kingdom that are (i) investment professionals falling within Article 19(5) of the Order or (ii) high net worth entities, and other persons to whom the Prospectus may lawfully be communicated, falling within Article 49(2)(a) to (d) of the Order.
Retail Application Form	Application form to be used to apply for Offer Shares in the Retail Offering, attached to this Prospectus as Appendix D in English and Appendix E in Norwegian.
Retail Offering	A retail offering, in which Offer Shares are being offered to the public in Norway subject to a lower limit per application of NOK 10,500 and an upper limit per application of NOK 1,999,999 for each investor.
RISI	Fastmarkets RISI, price reporting and market analysis provider for the forest products sector (www.risiinfo.com).
Rule 144A	Rule 144A under the U.S. Securities Act.
Sale Shares	Between 28,875,000 and 41,250,000 Shares, all of which are existing, validly issued and fully paid-up registered Shares with a nominal value of NOK 4.00, offered by the Selling Shareholder in the Offering.
SC	Uncoated super-calendered paper.
Selling Shareholder	Oceanwood Special situations Malta Limited through NS Norway Holding AS.
SFA	The Securities and Futures Act, Chapter 289 of Singapore.
Share(s)	Means the shares of the Company, each with a nominal value of NOK 4.00.
SIX	The Swiss Exchange.
SSNs	The Company's Senior Secured Notes EUR 290 million repaid with proceeds from the sale of the Group to Oceanwood.
Stabilisation Manager	ABGSC.
Target Market Assessment	The product approval process which has determined that each Share are (i) compatible with an end target market of retail investors and investors who meet the criteria of professional clients and eligible counterparties, each as defined in MiFID II, and (ii) eligible for distribution through all distribution channels as are permitted by MiFID II.
TMP	Thermo-mechanical pulp.
U.S. or United States	The United States of America.
U.S. Exchange Act	The United States Exchange Act of 1934, as amended.
U.S. Securities Act	The United States Securities Act of 1933, as amended.
USD	United States Dollars, the lawful currency of the United States of America.
Visy	Visy Industries Australia Pty Ltd.
VPS	The Norwegian Central Securities Depository *(Nw.: Verdipapirsentralen)*.
VPS account	Account with the VPS for the registration of holdings of securities.
VPS Registrar	DNB Verdipapirservice.

APPENDIX A

ARTICLES OF ASSOCIATION

VEDTEKTER

FOR

NORSKE SKOG ASA

Sist endret 18. september 2019

§ 1 - Foretaksnavn

Selskapets navn er Norske Skog ASA. Selskapet er et allmennaksjeselskap.

§ 2 - Forretningskontor

Selskapets forretningskontor er i Oslo kommune.

§ 3 - Formål

Selskapets formål er treforedling, investeringsvirksomhet samt virksomhet som hermed står i forbindelse, herunder kan selskapet ta opp eksterne lån og foreta konsernfinansiering.

§ 4 - Aksjekapital

Aksjekapitalen er NOK 330.000.000 fordelt på 82.500.000 aksjer, hver pålydende NOK 4. Aksjene skal registreres i et verdipapirregister.

§ 5 - Styre

Selskapets styre skal ha mellom tre og åtte medlemmer. Styrets medlemmer velges for to år om gangen om ikke generalforsamlingen fastsetter en annen periode i forbindelse med valget.

§ 6 - Signatur

Selskapet tegnes av styrets leder alene eller daglig leder alene. Styret kan meddele prokura.

§ 7 - Generalforsamling

Dokumenter som gjelder saker som skal behandles på selskapets generalforsamling, herunder dokumenter som etter lov skal inntas i eller vedlegges innkallingen til generalforsamlingen, trenger ikke sendes til aksjonærene dersom dokumentene er tilgjengelige på selskapets hjemmeside. En

OFFICE TRANSLATION

ARTICLES OF ASSOCIATION

FOR

NORSKE SKOG ASA

As of 18 September 2019

Section 1 - Company name

The company's name is Norske Skog ASA. The company is a public limited company.

Section 2 - Registered office

The company's registered office is in the municipality of Oslo, Norway.

Section 3 - Objective

The company's objective is to conduct wood processing industry, investing activities and activities related to this, including raise of external loans and to conducting group financing arrangements.

Section 4 - Share capital

The share capital is NOK 330,000,000, divided into 82,500,000 shares, each with a nominal value of NOK 4. The shares shall be registered with a central securities depository.

Section 5 - Board of directors

The company's board of directors shall consist of between three and eight members. The board of directors is elected for a period of two years, unless otherwise decided by the general meeting in connection with the election.

Section 6 - Signatory rights

The chairman of the board of directors or the chief executive officer may each solely sign for and on behalf of the company. The board of directors may grant powers of procuration.

Section 7 - General meeting

Documents relating to matters to be dealt with by the company's general meeting, including documents which by law shall be included in or attached to the notice of the general meeting, do not need to be sent to the shareholders if such documents have been made available on the company's website. A shareholder may aksjonær kan likevel kreve å få tilsendt dokumenter som gjelder saker som skal behandles på generalforsamlingen.

nevertheless request that documents relating to matters to be dealt with at the general meeting, is sent to him/her.

På den ordinære generalforsamlingen skal følgende spørsmål behandles og avgjøres:

- Godkjennelse av årsregnskapet og årsberetningen, herunder utdeling av utbytte.

- Andre saker som etter loven eller vedtektene hører under generalforsamlingen.

The annual general meeting shall address and decide upon the following matters:

- Approval of the annual accounts and the annual report, including distribution of dividend.

- Any other matters which are referred to the general meeting by law or the articles of association.

Aksjonærer kan avgi sin stemme skriftlig, herunder ved bruk av elektronisk kommunikasjon, i en periode før generalforsamlingen. Styret kan fastsette nærmere retningslinjer for slik forhåndsstemming. Det skal fremgå av generalforsamlingsinnkallingen hvilke retningslinjer som er fastsatt.

The shareholders may cast their votes in writing, including through electronic communication, in a period prior to the general meeting. The board of directors may establish specific guidelines for such advance voting. It must be stated in the notice of the general meeting which guidelines have been set.

Retten til å delta og stemme på generalforsamlingen kan bare utøves når ervervet er innført i aksjeeierregisteret den femte virkedagen før generalforsamlingen.

The right to participate and vote at the general meeting may only be exercised when the acquisition is entered in the share register the fifth business day before the general meeting.

Styret kan beslutte at aksjonærer som vil delta på generalforsamlingen, må melde dette til selskapet innen en bestemt frist som ikke kan utløpe tidligere enn tre dager før generalforsamlingen.

The board of directors may decide that shareholders who want to participate in the general meeting must notify the company thereof within a specific deadline that cannot expire earlier than three days prior to the general meeting.

§ 8 - Valgkomité

Selskapet skal ha en valgkomité. Valgkomiteen skal bestå av ett til tre medlemmer, etter generalforsamlingens beslutning, hvor flertallet skal være uavhengige av styret og den daglige ledelse. Valgkomiteens medlemmer, herunder valgkomiteens leder, velges av generalforsamlingen for to år av gangen om ikke generalforsamlingen fastsetter en annen periode i forbindelse med valget.

Valgkomiteen avgir innstilling til generalforsamlingen om valg av aksjonærvalgte medlemmer til styret og styrets leder, medlemmer til valgkomiteen og godtgjørelse til styrets medlemmer og valgkomiteens medlemmer. Generalforsamlingen kan fastsette instruks for valgkomiteen.

Section 8 - Nomination committee

The company shall have a nomination committee. The nomination committee shall consist of between one and three members, as resolved by the general meeting, where the majority of the members shall be independent of the board of directors and the management. The members of the nomination committee, including the chairperson, will be elected by the general meeting for a term of two years unless the general meeting decides otherwise in connection with the election.

The nomination committee shall give recommendations to the general meeting for the election of shareholder elected members to the board of directors and the chairperson of the board, and to members of the nomination committee, in addition to recommendations for remuneration to the members of the board of directors and the members of the nomination committee. The general meeting may adopt instructions for the nomination committee.

APPENDIX B

FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2018, 2017 AND 2016

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

Sven Ombudstvedt
Chair

Jen-Yue (John) Chiang
Board member

Arvid Grundekjøn
Board member

Svein Erik Veie
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

Sven Ombudstvedt
Chair

Jen-Yue (John) Chiang
Board member

Arvid Grundekjøn
Board member

Svein Erik Veie
Board member

Paul Kristiansen
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.

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**

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

Sven Ombudstvedt
Chair

Jen-Yue (John) Chiang
Board member

Arvid Grundekjøn
Board member

Svein Erik Veie
Board member

Paul Kristiansen
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.

BDO AS
Munkedamsveien 45
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:	In our opinion:
• 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.	• 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
BDO AS

Terje Tvedt
State Authorised Public Accountant

REPORT OF THE BOARD OF DIRECTORS

2017

NORSKE SKOG AS

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	Lars P. S. Sperre President and CEO

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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

Sven Ombudstvedt
Chair

Nils Ingemund Hoff
Board member

Lars P. S. Sperre
President and CEO

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President and CEO

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.

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**

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

Sven Ombudstvedt
Chair

Nils Ingemund Hoff
Board member

Lars P. S. Sperre
President and CEO

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

Sven Ombudstvedt
Chair

Nils Ingemund Hoff
Board member

Lars P.S. Sperre
President and CEO

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.

BDO AS
Munkedamsveien 45
Postboks 1704 Vika
0121 Oslo

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:	*In our opinion:*
• 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.	• 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

REPORT OF THE BOARD OF DIRECTORS

Norske Skog AS Group (Norske Skog or group) is one of the leading producers of publication paper in the world, with an annual production capacity of 2.7 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 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 newsprint and 0.9 million tonnes magazine paper. Norske Skog acquired its Australasian assets in 2000 and only produced newsprint in the region for a number of years. 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, giving the group a considerable competitive advantage.

Norske Skog aims to generate 25% of group GOE from new businesses by 2020, with the shift predominantly involving new green investments like biogas and wood pellets. In 2017 Norske Skog will add a new revenue stream, biogas. The biogas production at Saugbrugs in Norway will provide environmental friendly fuel to local buses. In 2015, Norske Skog acquired Nature's Flame, the market leading wood pellets producer in New Zealand. The production of wood pellets has since increased and export opportunities to Japan are being explored. At the Bruck mill in Austria, Norske Skog intends to close its oldest and least efficient paper machine towards the end of 2017. A project is ongoing to replace the newsprint machine from 1953 with a state of the art tissue machine.

NORSKE SKOG IN 2016

Norske Skog benefitted from a better market for publication paper in Europe in 2016 compared to the previous year. Newsprint prices increased and the group re-established and increased its presence in the German market and increased its market share other markets. In 2015 Norske Skog reduced volumes to the German market for parts of the year to avoid delivering newsprint with open price contract. Consequently, capacity utilization increased to 92% (82%) in 2016.

In Australasia, domestic newsprint prices remained stable with long-term customer contracts. Exports of newsprint to Asia increased due to a structural demand decline in domestic markets. Norske Skog has a significant competitive advantage in Australasia as the only domestic producer. Capacity utilization increased to 95% (91%) in 2016 with improved export prices for newsprint in Asia. Despite this, more exports to Asia negatively impacts margins given the still low prices in the Asian markets, relative to other markets.

As part of the year-end audit for 2015, Norske Skog and our auditors at such time, Ernst & Young AS disagreed the on the basis for calculating the value in use of the group's property, plant and equipment. On the basis of the disagreement, Ernst & Young resigned as auditor. Following the resignation Norske Skog commenced work to appoint a new auditor. BDO AS was appointed as auditor for the parent and the group companies in August 2016.

INCOME STATEMENT AND CASH FLOW

Norske Skog's operating revenue was NOK 11.9 billion in 2016 (NOK 11.1 billion). The increase reflected better newsprint prices in Europe and higher sales volumes. Group variable costs decline per tonne with lower energy costs, while fixed costs remained stable. A weaker GBP following the UK's vote to leave the EU in June 2016 had a negative impact on Norske Skog's newsprint exports from Norway to the UK. The negative currency effect was however partly offset by higher newsprint prices in the UK.

Gross operating earnings improved to NOK 1 097 million in 2016 (NOK 818 million) with the better market on the continent clearly offsetting the headwind from a weaker GBP. Depreciation was NOK 674 million in 2016 (NOK 754 million), the reduction is due to impairment charges recognised in 2016.

Restructuring expenses in 2016 amounted to NOK 64 million (NOK 49 million), mainly related to de-manning. Other gains and losses in 2016 were NOK -126 million (NOK 5 million), largely reflecting a lower valuation of energy contracts in Norway and New Zealand. A total impairment charge of NOK 1.4 billion was recognized in the second quarter of 2016, predominately reflecting a more conservative projection for the Australasian business.

Operating earnings were NOK -947 million in 2016 (NOK 19 million). The decline reflected the impairment charge.

Financial items in 2016 were NOK -340 (NOK -840 million) due to the deleveraging effect from the modified exchange offer. Net interest expenses were NOK 488 million in 2016 (NOK 477 million). Currency gains of NOK 179 million (NOK -299 million) reflected NOK appreciation to debt denominated in EUR and USD.

Income taxes recognized in the income statement for 2016 amounted to NOK 527 million (NOK -474 million). This included a change in deferred tax of NOK 543 million, whereof recognized deferred tax assets were NOK 257 million at 31 December 2016.

Profit for the period was NOK -1.0 billion in 2016 (NOK -1.3 billion).
Net cash flow from operating activities was NOK 514 million in 2016 (NOK 146 million). Cash from operations was NOK 988 million (NOK 588 reflecting the better operating environment in 2016. Cash from net financial items, primarily interest payments, was NOK -470 million (NOK -432 million), while taxes paid was NOK 4 million (NOK 9 million).

BALANCE SHEET
Total assets were NOK 10.5 billion at 31 December 2016 (NOK 13.1 billion). Total non-current assets were NOK 7.2 billion at 31 December 2016 (NOK 9.6 billion). The reduction of NOK 2.4 billion mainly reflected impairment charges, depreciation and changes in non-current assets. Investments in property, plant and equipment were NOK 305 million in 2016 (NOK 184 million). Investments in 2016 included the construction of the new biogas facility at Saugbrugs in Norway in addition to normal maintenance capital expenditure.

Total current assets were NOK 3.3 billion at 31 December 2016 (NOK 3.5 billion), a decrease due to lower inventories and accounts receivables. Cash and cash equivalents were NOK 371 million at 31 December 2016 (NOK 271 million).

Total non-current liabilities were NOK 6.0 billion at 31 December 2016 (NOK 5.7 billion). Net interest-bearing debt, the main portion of non-current liabilities, increased by NOK 0.5 billion through 2016 and amounted to NOK 5.0 billion at 31 December 2016.

Total current liabilities were NOK 2.4 billion (NOK 2.7 billion). The decreased reflected a reduction in interest-bearing current liabilities and trade payables.

Equity was NOK 2 090 million at 31 December 2016 (NOK 4 729 million). The decrease reflected loss for the period, negative other comprehensive income and repayment of paid-in capital.

DIVIDEND PROPOSAL
The board recommends that no dividend is disbursed for the financial year 2016.

PROFITABILITY IMPROVEMENTS AND FINANCIAL POSITION
Norske Skog's European operations has sites in Norway, France and Austria. Annual production capacity is 2.0 million tonnes. Operating revenue was NOK 8.3 billion in 2016 (NOK 7.7billion). Gross operating earnings clearly improved to NOK 778 million (NOK 458 million). The improvement reflected better newsprint prices and higher sales volumes. Sales volumes in the segment increased by 7% to 1.9 million tonnes. An on average weaker NOK to EUR and USD compared to the previous year was favourable, but a weaker GBP reduced the export margin for newsprint to the UK. Variable costs per tonne were helped by lower energy costs, but spot electricity prices in Norway and higher recovered paper prices were headwinds in the second half of the year. Fixed costs were somewhat lower.

The market for publication paper in Europe improved in 2016 with better prices for newsprint following announcements of capacity closures/conversions and a modest demand decline. The announced capacity take outs will support high industry utilization rates for newsprint in Europe throughout 2017. For magazine paper the industry utilization rate for SC is acceptable, while LWC is oversupplied with an industry utilization rate below 90%. Norske Skog's SC exports from Norway to North America benefits from a strong USD, while the LWC production in Austria has a competitive advantage locally.

Norske Skog's Australasia operations has sites in Australia and New Zealand. Annual production capacity is 0.7 million tonnes. Operating revenue in 2016 was NOK 3.5 billion (NOK 3.4 billion), while gross operating earnings declined slightly to NOK 323 million (NOK 361 million). Revenue increased with higher sales volumes, up 3% on 2015, due to a better export market for newsprint to Asia. Relatively more exports to Asia, offsetting the secular demand decline in domestic markets, however weighed on margins as Norske Skog has a significant domestic competitive advantage being the sole producer. An on average weaker NOK to AUD and diversification into wood pellets resulted in higher fixed costs. Variable costs per tonne were stable with predominantly long-term sourcing contracts.

Asian newsprint prices improved in 2016, but lagged the price increases in the North American market. A historical correlation between the two prices are supportive for the Asian prices in 2017. In Australasia, the domestic prices are stable with a considerable element of long-term contracts, while Asian prices could be a tailwind for Norske Skog's newsprint exports.

A weaker NOK makes Norske Skog more competitive in international markets. Norske Skog is predominately financed through international bonds denominated in EUR and USD. NOK appreciated from year-end 2015 to year-end 2016. A stronger NOK makes foreign debt smaller in NOK terms.

The board of directors recognizes the challenging industry Norske Skog operates in and the group's high leverage and interest expenses. 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. The business risk of the group is amplified by its high financial leverage; although the group has no bond maturities until 2019, it is unlikely that those bonds maturing in 2019 can be satisfied simply from group cash generation and there is significant uncertainty as to whether a refinancing of this maturity will be available or achievable. There is uncertainty with regards to the changes in the broader economic climate development and more adverse developments than expected may influence all of the above. The aforementioned risks may all impact on the operating plan for 2017 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 2017 is realistic given facts at hand. However, given the challenging industry and that the level of equity at year end 2016 is low the board of directors will continue working to improve all of the mentioned elements further.

In light of the high leverage, high interest cost and with an aim to improve the financial position of the group, the ultimate parent company Norske Skogindustrier ASA has in 2017 discussed a recapitalisation proposal with key equity- and bondholders of the group. On June 2, 2017, Norske Skog launched an exchange offer to significantly reduce the group's debt level and interest cost, increase the equity value, and position the company to deliver on its future growth strategy. As of June 13, 2017, the exchange offers and consent solicitations announced on June 2, 2017 had received significant engagement from debtholders, but not yet reached the adequate level of acceptance. The board of Norske Skogindustrier ASA has thus decided to amend the terms of the exchange offers and consent solicitations to extend the acceptance and consent deadline until July 12, 2017. The Board has also decided to use the 30-day interest payment grace period on the existing 2019 senior secured notes (SSN) to support the operating business. A successful transaction will pro forma reduce the total debt inclusive perpetual notes from NOK 8.7 billion to around NOK 4.2 billion and improve the group's book equity to approximately NOK 3.5 billion.

A deleveraged and recapitalized group would be in a better position to diversify its business model. Identified growth projects include biogas, wood pellets and tissue paper in addition to green energy savings and production of fibre based alternatives to other materials. A diversified Norske Skog with a stronger balance sheet could be an attractive consolidation partner for publication paper in Europe.

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 uncertainties described above and the potential impact both on liquidity and equity has been thoroughly considered as it is very important for the going concern assumption. The board of directors has also considered the operating environment for the group and the industry in general going forward as these are reflected in the operating plan for 2017 as well as the group's highly leveraged position and the significant challenge that is presented by its next bond maturity in 2019. The board of directors has further considered that the group is subject to many factors that are uncertain in nature and has evaluated these uncertainties in relation to the operations and operating environment when assessing the going concern assumption. Based on these considerations and reflecting inherent material uncertainties, also in relation to the application of the going concern assumption, the board of directors confirms that the assumption applies and that the financial statements have been prepared on the going concern basis.

PARENT COMPANY

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

BOARD OF DIRECTORS & MANAGEMENT

Norske Skog Holding's board of directors consists of Rune Sollie (Chair) and Lars P. Sperre. The company has no employees and services are purchased from Norske Skogindustrier ASA.

CORPORATE GOVERNANCE AND CORPORATE SOCIAL RESPONSIBILITY

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 in separate sections of the Annual Report 2016 for Norske Skogindustrier ASA (www.norskeskog.com/Investors/Reports).

EMPLOYEES

Norske Skog had 2 426 employees at year end 2016 (2 515). The reduction is due to general staff reductions in all units.

HEALTH AND SAFETY

Norske Skog aims to have zero injuries among employees. Health and safety is a corporate responsibility, followed up by the individual business units. All near misses and injuries are reported in a global system. Experiences from every single incident are shared with the entire organisation. The H1-value, which represents lost-time injuries per million working hours, was 1.5 in 2016. Norske Skog had an absence rate due to sickness of 3.8% in 2016.

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.

GENDER EQUALITY, GENDER BALANCE AND DIVERSITY

The paper industry has traditionally had few female employees. At Norske Skog, the proportion women has been around 10% for many years. The board of directors consists of three 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.

RISK MANAGEMENT

Norske Skog performs an annual Enterprise Risk Management (ERM) evaluation based on reports from all operating units and corporate functions. The report is presented to the board and is part of the group's risk management activities.

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. Exposure to both newsprint and magazine paper grades give some product diversification. Business segments located on opposite sides of the world provide geographical diversification. The group's green diversification strategy will gradually shift the focus beyond publication paper.

Norske Skog is not vertically integrated and has to source input factors from third parties. The supply of these input factors is largely covered by long-term contracts which reduce cost fluctuations.

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 and USD, replicating cash flows from the EUR based European market and USD based exports. The interest rates (coupons) on these bonds are fixed, providing predictability. Liquidity is ensured by 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 Notes 8 and 22 in the consolidated financial statements.

ENVIRONMENT

Norske Skog sets environmental targets for each individual production unit, with clear procedures for performance reporting. The group's annual report is prepared in accordance with the Global Reporting Initiative (GRI). In 2003, Norske Skog signed the UN Global Compact treaty, for compliance with the principles of human rights, employee rights, the environment and anti-corruption work. All of Norske Skog's business units are certified in accordance with ISO 14001. For further details of Norske Skog's GRI and UN Global Compact reporting, please see, www.norskeskog.com/responsibility.

RESOURCES AND GREENHOUSE GAS EMISSIONS

Use of recovered paper is an important part of the group's energy and climate work. Recovered paper requires less energy in the production process than wood, thereby reducing greenhouse gas emissions.

Norske Skog prioritizes the procurement of logs and wood chips from certified forestry. The company's procurement policy states that all wood must come from sustainable forests. Norske Skog's business units all have traceability certificates to document the origin of wood.

Norske Skog has decided to reduce its greenhouse gas emissions by 25% from 2006 to 2020. The reduction target includes direct greenhouse gas emissions from paper production and indirect emissions from purchased electricity and heat. The goal will be achieved through a combination of energy conservation and use of alternative energy sources.

OUTLOOK FOR 2017

The market balance for publication paper in Europe is expected to improve with announced capacity conversions/closures in the industry. This has resulted in a favourable pricing environment for newsprint with operating rates to remain well above 90% throughout 2017. Cost inflation from recovered paper and energy prices, together with headwinds from a weaker GBP, will however dampen the positive price effect.

The Asian export market for newsprint, constituting around a quarter of the Australasian business for the group, is encouraging with improved prices. Domestically in Australia and New Zealand, the group has margin protection through long-term customer contracts, but the business is exposed to a secular decline in demand.

Group sales volumes are expected to be on level with the previous year in 2017. Fixed cost initiatives target a group run rate of NOK 600 million per quarter by year-end 2017.

Given high leverage and inflated interest costs, the board of directors remain focused on improving Norske Skog's financial position. As part of this the board of directors has continuous attention on operational enhancements, increased revenue and cost improvement measures. The board of directors has pursued significant recapitalisation options in the prior year and will continue to explore further financing and recapitalisation opportunities with the aim of reducing leverage and interest cost and improving equity level. This will enable Norske Skog to develop its current business, diversify its business model and be an attractive consolidation partner for publication paper in Europe.

NORSKE SKOG AS (THE PARENT COMPANY)

The activities of Norske Skog AS consist of holding shares in the operating companies of Norske Skog group and the company has no employees or operating activity of its own.

Financial items amounted to NOK -938 million (NOK -1 897 million) mainly due to external interest expenses at NOK 421 and impairment charges of NOK 752 million. Gains on foreign currency amounts to NOK 130 million in 2016 compared to loss of NOK 280 million in 2015. The loss for Norske Skog AS was NOK 942 million in 2016 (NOK 1 898 million).

Net cash flow from operating activities was NOK -255 million (NOK -221 million). The figure largely constituted interest payments of NOK 250 million (NOK 221 million).

Total assets were NOK 6.6 billion at 31 December 2016 (NOK 7.4 billion). Total non-current assets were NOK 6.5 billion at 31 December 2016 (NOK 7.4 billion). The reduction of NOK 0.9 billion mainly reflected impairment of investments in subsidiaries of NOK 0.8 billion.

Total non-current liabilities were NOK 4.0 billion at 31 December 2016 (NOK 2.7 billion).

Equity was NOK 2.3 billion at 31 December 2016 (NOK 4.7 billion). The decrease reflected loss for the period and repayment of paid in equity.

As described above the board of directors recognizes the challenging industry Norske Skog operates in, the remaining high financial leverage in Norske Skog AS and the exposures to the groups 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 being available for the company when required by way of intragroup loans or other capital transactions such as dividends. The business risk of the company is impacted by its high financial leverage which is exposed to currency developments in EUR and USD against NOK.

PROFIT/LOSS ALLOCATION

The loss for the year for Norske Skog AS (the parent company) in 2016 was NOK 942 million (NOK 1 898 million) which has been allocated from share premium.

SKØYEN, 28 JUNE 2017 – THE BOARD OF DIRECTORS OF NORSKE SKOG HOLDING AS

Rune Sollie	Lars Sperre
Chair	Board member

CONSOLIDATED INCOME STATEMENT

NOK MILLION	NOTE	2016	2015
Operating revenue	3	**11 852**	**11 130**
Distribution costs		-1 229	-1 217
Cost of materials		-6 791	-6 577
Change in inventories		-66	47
Employee benefit expenses	12	-1 762	-1 686
Other operating expenses	14	-907	-879
Gross operating earnings		**1 097**	**818**
Depreciation	4	-674	-754
Restructuring expenses	20	-64	-49
Other gains and losses	16	-126	5
Impairments	4	-1 180	0
Operating earnings		**-947**	**19**
Share of profit in associated companies	19	-211	-23
Financial income	5	16	23
Financial expenses	5	-535	-564
Net unrealised/realised gains/losses on foreign currency	5	179	-299
Profit/loss before income taxes		**-1 498**	**-844**
Income taxes	17	527	-474
Profit/loss		**-972**	**-1 318**

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

NOK MILLION		2016	2015
Profit/loss		**-972**	**-1 318**
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Currency translation differences		-223	197
Tax expense on translation differences		0	0
Total		**-223**	**197**
Items that will not be reclassified subsequently to profit or loss			
Remeasurements of post employment benefit obligations		-10	6
Tax effect on remeasurements of post employment benefit obligations		-1	-4
Total		**-11**	**2**
Other comprehensive income		**-234**	**199**
Total Comprehensive income		**-1 206**	**-1 119**

CONSOLIDATED BALANCE SHEET

NOK MILLION	NOTE	31.12.2016	31.12.2015
Assets			
Deferred tax asset	17	257	0
Intangible assets	4	22	17
Property, plant and equipment	3, 4	6 548	8 570
Investments in associated companies	19	151	374
Other non-current assets	10	206	660
Total non-current assets		**7 184**	**9 620**
Inventories	3, 18	1 161	1 253
Trade and other receivables	10	1 732	1 894
Cash and cash equivalents	8	371	271
Other current assets	18	49	94
Total current assets		**3 313**	**3 512**
Total assets		**10 497**	**13 133**
Shareholders' equity and liabilities			
Paid-in equity		5 160	6 593
Retained earnings and other reserves		-3 069	-1 864
Total equity		**2 090**	**4 729**
Pension obligations	13	226	232
Deferred tax liability	17	303	619
Interest-bearing non-current liabilities	6, 11, 18	4 979	4 263
Other non-current liabilities	18	524	631
Total non-current liabilities		**6 033**	**5 745**
Interest-bearing current liabilities	11, 18	430	536
Trade and other payables	18	1 797	1 878
Tax payable	17	11	7
Other current liabilities	18	137	238
Total current liabilities		**2 374**	**2 659**
Total liabilities		**8 407**	**8 404**
Total equity and liabilities		**10 497**	**13 133**

SKØYEN, 28 JUNE 2017 – THE BOARD OF DIRECTORS OF NORSKE SKOG AS

Rune Sollie
Chair

Lars Sperre
Board member

CONSOLIDATED STATEMENT OF CASH FLOWS

NOK MILLION	NOTE	2016	2015
Cash flow from operating activities			
Cash generated from operations		11 804	10 872
Cash used in operations		-10 816	-10 284
Cash flow from currency hedges and financial items		-28	-20
Interest payments received	5	15	30
Interest payments made	5	-457	-442
Taxes paid		-4	-9
Net cash flow from operating activities	3	**514**	**146**
Cash flow from investing activities			
Purchases of property, plant and equipment and intangible assets	3, 4	-299	-179
Sales of property, plant and equipment and intangible assets		194	2
Dividend received		0	0
Purchase of shares in companies and other financial payments		0	-1
Sales of shares in companies and other financial payments		-1	3
Net cash flow from investing activities		**-105**	**-174**
Cash flow from financing activities			
New loans raised		1 446	2 614
Repayments of loans		-553	-305
New equity		0	0
Change in intercompany balance with group		-1 185	-2 028
Net cash flow from financing activities		**-293**	**281**
Foreign currency effects on cash and cash equivalents		-17	18
Total change in cash and cash equivalents		**99**	**271**
Cash and cash equivalents per opening balance		271	0
Cash and cash equivalents 31 December		371	271

CONSOLIDATED STATEMENT OF CHANGES IN GROUP EQUITY

NOK MILLION	PAID-IN EQUITY	RETAINED EARNINGS	OTHER EQUITY RESERVES	TOTAL EQUITY
Opening balance per incorporation 5 November 2014	**0**	**0**	**0**	**0**
Contributions in kind 14 January 2015	6 593	-645	0	5 948
Profit/loss	0	-1 318	0	-1 318
Group contributions	0	-100	0	-100
Other comprehensive income	0	0	199	199
Equity 31 December 2015	**6 593**	**-2 063**	**199**	**4 729**
Profit/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**

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) and one partly-owned mill in Malaysia.

Norske Skog AS is incorporated in Norway and has its head office at Skøyen outside of Oslo. Norske Skog AS was founded 5 November 2014 and became owner of the operating entities (business units and sales offices) from the beginning of 2015. The consolidated financial statements were authorised for issue by the board of directors in Norske Skog AS on 28 June 2017.

The consolidated financial statements are prepared and presented in accordance with International Financial Reporting Standards (IFRS). They have been prepared under the assumption of going concern. The annual financial statements are presented in English only.

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

The table below shows the average un-weighted monthly foreign exchange rates applied in the income statement 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**	
	2016	**2015**	**31.12.2016**	**31.12.2015**
AUD	6.25	6.06	6.23	6.45
EUR	9.29	8.94	9.09	9.62
GBP	11.39	12.32	10.61	13.07
NZD	5.85	5.63	5.99	6.04
USD	8.40	8.06	8.62	8.81

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 policies have been consistently applied to all periods presented, unless otherwise stated.

The consolidated financial statements are presented in accordance with International Financial Reporting Standards (IFRS) and interpretations from the IFRS Interpretations Committee (IFRIC), as adopted by the European Union (EU). They have been prepared under the historical cost convention, as modified by the revaluation of biological assets, available-for-sale financial assets and financial assets at fair value through profit or loss.

Business Combinations

Acquisitions in 2015

In January 2015, the Norske Skog AS group acquired 100% of the voting shares of the operating mills in the Norske Skog group and Nornews AS. Norske Skog AS group acquired 100% of the shares in Norske Skog Bruck GmbH, Norske Skog Skogn AS, Norske Skog Saugbrugs AS, Norske Skog Golbey SA, Norske Skog Industries Australia Ltd. (owns 100% of the shares in Norske Skog Paper Mills (Australia) Ltd and Norske Skog Tasman Ltd.) and Norske Skog Papers (Malaysia) Sdn Bhd (owns 33.3% of the shares in Malaysian Newsprint Industries Sdn Bhd). Nornews AS is the owner of all the European sales companies. All the operating mills in the group are producing publication paper (newsprint and magazine paper). The Norske Skog AS group acquired the mills and the European sales companies as part of the restructuring of the Norske Skog group in connection with the refinancing conducted during first quarter 2015.

Accounting treatment of the business combinations

All the entities involved in the business combinations were previously part of the group accounts (Norske Skog group) for the ultimate parent company Norske Skogindustrier ASA. As this was a business combination of entities under common control, the carrying value of the assets and liabilities in the Norske Skog group consolidated financial statements were carried forward. Revenues and expenses are included form the acquisition date. Financial information for periods prior to the business combination under common control has not been restated.

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 2016. 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.

Profit or loss and each component of other comprehensive income are attributed to the equity holders of the parent of the Norske Skog AS group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. 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 fully or partially sold, such exchange differences are booked out of comprehensive income and recognised in the income statement line Other gains and losses as part of the gain or loss on sale.

Property, plant and equipment

Land and buildings comprise mainly mills, machinery and office premises. All property, plant and equipment (PPE) is shown at historical cost less subsequent depreciation and impairments. Historical cost includes expenditure directly attributable to the acquisition of the items. The residual value of production equipment is defined as the realisable value after deduction of the estimated cost of dismantling and removal of the asset. If the estimated cost exceeds the estimated value, the net liability is added to the cost of the related asset, and a provision is recognised as a liability in the balance sheet.

Borrowing costs, which are directly related to qualifying assets, are recognised as part of the acquisition cost for the qualifying asset.

Subsequent costs are included in the asset’s carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repair and maintenance costs are charged to the income statement during the financial period in which they are incurred.

Land is not depreciated. Depreciation on other assets is calculated using the straight-line method to allocate their cost or revalued amounts to their residual values over their estimated useful lives.

The residual value and useful life of property, plant and equipment are reviewed and adjusted. Impairment test of property, plant and equipment are performed annually or more frequently if indicators of impairment are identified. An asset’s carrying amount is written down immediately to its recoverable amount if the asset’s carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount, and included in the income statement line Other gains and losses.

Biological assets

Biological assets are measured upon initial recognition and at the end of each reporting period at fair value less estimated point-of-sale costs, unless fair value cannot be reliably measured. A gain or loss arising on initial recognition, and from changes in fair value during a period, is reported in net profit or loss for the period in which it arises. When fair value cannot be reliably estimated, the asset is measured at cost less any accumulated depreciation and any accumulated impairment losses.

Intangible assets

a) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the group’s share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose.

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. The group designates derivatives as either:

a) Hedging of a net investment in a foreign operation (net investment hedge),
b) Derivatives at fair value through profit or loss.

Upon inception of a transaction, the group documents the relationship between the hedging instruments and the hedged items, as well as its risk management objectives and strategy for undertaking various hedging transactions. The group also documents its assessment of whether the derivatives that are used are highly effective in offsetting changes in fair values or cash flows of hedged items. This assessment is documented both at hedge inception and on an ongoing basis through the hedging period.

a) Net investment hedge
Gains and losses on the hedging instrument relating to the effective portion of the hedge are recognised directly in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in the income statement within financial items. Gains and losses accumulated in equity are included in the income statement when the foreign operation is disposed of or sold.

b) Derivatives at fair value through profit or loss
Certain derivative instruments do not qualify for hedge accounting. Changes in the fair value of any of these derivative instruments are recognised in the income statement.

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

Bond loans
The value of bond loans in the balance sheet is reduced by holdings of Norske Skog AS bonds. Amounts above or below amortised costs upon buy-back are recognised in the income statement in the same period the buy-back occurs.

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 2016 reporting periods and have not been early adopted in 2016 by the group. New standards and amendments that are expected to have an impact on the consolidated financial statements are set out below:

IFRS 9 Financial instruments
IFRS 9 replaces the multiple classification and measurement models in IAS 39 Financial Instruments: Recognition and Measurement 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 standard is mandatory for annual periods beginning 1 January 2018 or later. The group has not fully assessed the impact of the adoption of IFRS 9 but at the current stage, no material impacts have been identified. The group does not intend to adopt IFRS 9 before its mandatory date. 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. Expected date of adoption by the group is 1 January 2018.

IFRS 15 Revenue from contracts with customers
The IASB has issued a new standard for recognition of revenue. IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue recognition guidance, including IAS 18 Revenue, IAS 11 Construction Contracts and IFRIC 13 Customer loyalty programmes. The standard is mandatory for annual periods beginning 1 January 2018 or later. The new 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. An analysis of the consequences of IFRS 15 have not identified any material impacts. The group will make more detailed assessments of the impact during 2017. Expected date of adoption by the group is 1 January 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 67 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. At this stage, 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.

At the end of 2016, Norske Skog had seven fully owned paper mills in five countries. One of the mills produce only magazine paper, two produces both magazine paper and newsprint and four mills produce newsprint only.

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 2 520 000 tonnes in 2016, of which sales to the group's largest customer constituted approximately 300 000 tonnes. Total sales volume in 2016 of newsprint and magazine paper to the five largest customers in Europe and Australasia amounted to approximately 356 000 and 518 000 tonnes respectively.

OPERATING REVENUE AND EXPENSES PER OPERATING SEGMENT

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

2015	PUBLICATION PAPER EUROPE	PUBLICATION PAPER AUSTRALASIA	OTHER ACTIVITIES	ELIMINATIONS	NORSKE SKOG GROUP
Operating revenue	**7 688**	**3 422**	**20**	**0**	**11 130**
Distribution costs	-814	-400	-4	0	-1 217
Cost of materials	-4 674	-1 894	-9	0	- 6 577
Change in inventories	29	15	2	0	47
Employee benefit expenses	-1 168	-515	-2	0	-1 686
Other operating expenses	-603	-267	-9	0	-879
Gross operating earnings	**458**	**361**	**-2**	**0**	**818**
Depreciation	-414	-339	-2	0	-754
Restructuring expenses	-31	-17	0	0	-49
Other gains and losses	7	-9	6	0	5
Impairments	0	0	0	0	0
Operating earnings	**20**	**-4**	**3**	**0**	**19**
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.

	2016	2015
Norway	286	258
Rest of Europe	6 971	6 385
North America	598	582
South America	43	148
Australasia	2 772	2 880
Asia	990	649
Africa	191	228
Total	**11 852**	**11 130**

NET CASH FLOW FROM OPERATING ACTIVITIES

	2016	2015
Publication paper Europe	802	432
Publication paper Australasia	186	172
Other activities	-0	-16
Total cash flow allocated to segments	**988**	**587**
Cash from net financial items	-471	-432
Taxes paid	-4	-9
Net cash flow from operating activities	**514**	**146**

PURCHASES OF PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

	2016	2015
Publication paper Europe	175	84
Publication paper Australasia	122	70
Other activities	1	25
Total	**299**	**179**

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.

	31.12.2016	31.12.2015
Norway	2 152	2 498
Rest of Europe	1 950	2 170
Australasia	2 446	3 545
Activities not allocated to regions	0	358
Total	**6 548**	**8 570**

INVENTORIES

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

	31.12.2016	31.12.2015
Publication paper Europe	744	810
Publication paper Australasia	408	431
Other activities	9	13
Total	**1 161**	**1 253**

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 reviewed 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 impairment tests performed in 2016 are based on the new CGU assessment.

Cash flow is calculated individually for each mill. 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 18 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.

When preparing the financial statements of 2015 the impairment model included three scenarios Reactive, Proactive and Consolidated. As part of the impairment process in 2016, a new impairment model was developed using one base case scenario. Additionally, one scenario using RISI price estimates and one scenario using a -2.0% price decline across all grades in 2018 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 operating plan 2017 approved by the board of directors, updated with the latest forecast of sale prices and costs. Beyond 2017 sales prices are increased by inflation adjusted by a factor assuming that not all cost increases are passed on to customers. Costs beyond 2017 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.

The market outlook was discussed throughout in the second quarter 2016 impairment testing process. Norske Skog had lately reached lower levels of gross operating earnings reflecting an industry fight for market share in Europe, declining demand in Australasia and historically low prices for newsprint in Asia. To avoid low margin sales and to support the company's commercial policy, the mills have reduced their capacity utilization when needed. The management is of the opinion that a reversal towards a more sustainable industry structure represents the best estimate for cash flows over the life time of the paper machines. The IFRS accounting standard IAS 36 however requires more weight to be assigned to historical and current margins resulting in an impairment charge for Norske Skog assets of approximately NOK 1.4 billion in the second quarter 2016. 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 30 June 2016, the discount rate after tax (WACC) was 7% for Norway, 7% for France, 6.3% for Austria, 7.8% for Australia, 8.1% for New Zealand and 11.2% for Malaysia. The reason for differences in discount rates are different interest rate levels and country specific risks.

In connection with the impairment test carried out in second quarter 2016, Norske Skog requested the consultancy Boston Consulting Group to prepare a comprehensive analysis of the paper markets that Norske Skog operates in. The analysis gives a forward looking view based on the dynamics that have been observed in the market as well as the key drivers for prices and volumes up to 2020. The conclusions of analysis are broadly in line with management views, but slightly more conservative on prices and margins compared to the impairment model used for 2015.

An updated impairment test has been carried out as of 31 December 2016. The starting point for the impairment test was the operating plan 2017 approved by the board of directors, updated with the latest forecast of sale prices and costs. The impairment test has been prepared consistent with the impairment test as of 30 June 2016. The test shows no need for further impairment as of 31 December 2016.

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.

The forecast for 2017 assumes similar margins, compared to 2016, for the Norske Skog group reflecting contracted higher prices and lower costs. Weak margins in 2014 and 2015 was due to underperforming assets, investments and trough of the cycle. Higher margins outlook due to favorable pricing environment, enhanced cost position and completed investments and higher capacity utilization in industry

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. Given the assumptions outlined above, there is no impairment indication for fully owned assets. 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	-2 540
5% decrease in volume	-798
1% increase in the discount rate (WACC)	-129

Property, plant and equipment allocated to cash-generating units

The table below shows machinery and equipment and land and buildings allocated to Norske Skog's cash-generating units.

	MACHINERY AND EQUIPMENT	LAND AND BUILDINGS
Europe Newsprint	2 135	862
Australasia Newsprint	1 502	121
Magazine	263	217
Super calendared	512	441
Other	11	10
Carrying value 31 December 2016	**4 422**	**1 651**

Expected useful life

Norske Skog has conducted sensitivity analyses with respect to changes in expected useful life of the group's paper machines. If the expected useful life of all the group's paper machines is reduced by one year, the annual depreciation charge will increase by around NOK 53 million.

In connection with the year-end closing process for 2016, Norske Skog performed a review of the expected remaining useful lives of PPE. The useful life of all 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 2016 by far exceeded purchases of PPE the future annual depreciation amount is expected to decrease.

INTANGIBLE ASSETS	OTHER INTANGIBLE ASSETS	LICENSES AND PATENTS	TOTAL
Historical acquisition cost from new companies	131	77	208
Additions	0	0	0
Disposals	-4	0	-4
Reclassified from plant under construction	1	2	3
Currency translation differences	5	5	10
Acquisition cost 31 December 2015	**133**	**84**	**217**
Historical accumulated depreciation from new companies	123	67	190
Depreciation	0	1	1
Disposals	0	0	0
Currency translation differences	5	4	9
Accumulated depreciation and impairments 31 December 2015	**128**	**72**	**200**
Carrying value 31 December 2015	**5**	**12**	**17**
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**

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
Historical acquisition cost from new companies	306	29 688	6 497	467	587	37 545
Additions	0	27	14	1	142	184
Disposals	0	-178	-18	0	0	-196
Reclassified from plant under construction	14	500	13	7	-537	-3
Currency translation differences	19	1 170	216	27	29	1 461
Acquisition cost 31 December 2015	**339**	**31 207**	**6 722**	**502**	**221**	**38 991**
Historical accumulated depreciation from new companies	140	23 587	4 530	427	45	28 729
Depreciation	0	594	150	9	0	753
Value changes	6	0	0	0	0	6
Disposals	0	-177	-18	0	0	-195
Currency translation differences	9	939	156	24	0	1 128
Accumulated depreciation and impairments 31 December 2015	**155**	**24 943**	**4 818**	**460**	**45**	**30 421**
Carrying value 31 December 2015	**184**	**6 264**	**1 904**	**42**	**176**	**8 570**

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**

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 2016 amounted to NOK 3 million, and the interest rate used was 4.2% There was none capitalised borrowing cost capitalised during 2015.

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. Disposals in 2015 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 2016.

5. FINANCIAL ITEMS

FINANCIAL ITEMS		2016	2015
Financial income			
Dividends received		0	1
External interest income		4	5
Interest income from group companies [1)]		12	18
Total		**16**	**23**
Financial expenses			
External interest expense		-430	-344
Interest expense from group companies [1)]		-62	-138
Other financial expenses		-42	-82
Total		**-535**	**-564**
Realised/unrealised gains / (losses) on foreign currency		**179**	**-299**
Financial items		**-340**	**-840**

[1)] Intercompany interest is calculated based on a standard margin, adjusted where necessary to reflect local market conditions and transfer pricing principles.

6. MORTGAGES

	31.12.2016	31.12.2015
Loans secured by mortgages on property		
2019 Senior Secured Notes (EUR 290 million)	2 635	2 790
Other mortgage debt	128	148

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.

7. FINANCIAL INSTRUMENTS

CATEGORIES OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

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**	

31.12.2015	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	18	259	383	0	660
Trade and other receivables	10	1 838	0	0	56	1 894
Cash and cash equivalents		271	0	0	0	271
Other current assets	18	67	27	0	0	94
Total		**2 193**	**286**	**383**	**56**	
	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	4 263	0	4 263
Interest-bearing current liabilities	11, 18		0	536	0	536
Other non-current liabilities	18		307	0	324	631
Trade and other payables	18		0	1 878	0	1 878
Other current liabilities	18		174	51	13	238
Total			**481**	**6 728**	**337**	

FAIR VALUE MEASUREMENT HIERARCHY FOR FINANCIAL ASSETS AND LIABILITIES

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

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

31.12.2016	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**

31.12.2015	CARRYING AMOUNT	FAIR VALUE	LEVEL 1	LEVEL 2	LEVEL 3
Derivatives	28	28	0	0	28
Commodity contracts	231	231	0	0	231
Miscellaneous other non-current assets	401	401	0	0	401
Other non-current assets	**660**	**660**	**0**	**0**	**660**
Accounts receivable	1 091	1 091	0	0	1 091
Other receivables	747	747	0	0	747
Prepaid VAT	56	56	0	0	56
Trade and other receivables	**1 894**	**1 894**	**0**	**0**	**1 894**
Cash and cash equivalents	**271**	**271**	**0**	**0**	**271**
Derivatives	3	3	0	0	3
Commodity contracts	24	24	0	0	24
Current investments	67	67	0	0	67
Other current assets	**94**	**94**	**0**	**0**	**94**
Interest-bearing non-current liabilities [1)]	4 263	3 594	0	1 939	1 655
Interest-bearing current liabilities	536	536	0	0	536
Total interest-bearing liabilities	**4 799**	**4 130**	**0**	**1 939**	**2 191**

Derivatives	269	269	0	0	269
Commodity contracts	38	38	0	18	20
Non-financial non-current liabilities	324	324	0	0	324
Other non-current liabilities	**631**	**631**	**0**	**18**	**613**
Accounts payable	1 042	1 042	0	0	1 042
Other payables	836	836	0	0	836
Trade and other payables	**1 878**	**1 878**	**0**	**0**	**1 878**
Derivatives	54	54	0	0	54
Commodity contracts	20	20	0	18	2
Non-financial current liabilities	163	163	0	0	163
Other current liabilities	**238**	**238**	**0**	**18**	**217**

[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 of non-current bank loan debt (Level 3) is based on cash flows discounted using the swap rate, plus the credit default swap (CDS). 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 AND HEDGE ACCOUNTING

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 2016 or 2015.

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	31.12.2016			31.12.2015		
	FLOATING	FIXED	TOTAL	FLOATING	FIXED	TOTAL
Interest-bearing liabilities	493	3 554	4 047	706	2 608	3 314
Interest-bearing assets	-371	0	-371	-271	0	-271
Net exposure	**122**	**3 554**	**3 676**	**435**	**2 608**	**3 043**

All amounts presented in the table are notional amounts. Total interest-bearing liabilities will therefore differ from booked amounts due to bond discounts/premiums and hedge reserve (see Note 11). 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 24%.

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 2016 (NOK 2 million higher/lower at 31 December 2015). Change in net interest payments accounts for NOK 2 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 has not done any cash flow hedging during 2016 or 2015.

Translation risk - net investment hedge

Norske Skog AS group do not do net investment hedge.

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 2016, 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 274 million higher/lower (NOK 230 million higher/lower at 31 December 2015). 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 strengthened against EUR during 2016, which had a positive 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 31.12.2016**	**NET PROFIT AFTER TAX - INCREASE**	**NET PROFIT AFTER TAX - DECREASE**
Energy price	change 10%	-19	+146	-139
Currency	change 10%	-19	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 31.12.2016**	**NET PROFIT AFTER TAX - INCREASE**	**NET PROFIT AFTER TAX - DECREASE**
Currency	change 10%	-292	175	-175
Price index	change 2.5%	-292	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. This is done in the Group 's parent company Norske Skogindustirer ASA in 2016 and 2015.

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 current investments, cash and cash equivalents of NOK 371 million at 31 December 2016 (NOK 271 million at 31 December 2015). Restricted bank deposits amounted to NOK 130 million at 31 December 2016. (NOK 171 million at 31 December 2015)

The board of directors recognises the challenging markets that Norske Skog AS group operates in with price and currency uncertainty. The board of directors will thus have a continuous focus on cash generation through 2017 to ensure sufficient liquidity for both debt maturities and the operations of Norske Skog AS group.

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 2016. 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 2016 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 2016.

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 trades with a group of large Nordic and international banks which are publicly rated in the interval from AA- to A-. The credit risk on deposits and derivative transactions is spread across these banks. This is done in the Group's ultimate parent company Norske Skogindustrier ASA.

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).

31.12.2016	**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**

31.12.2015	**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	286	286
Total	**0**	**0**	**286**	**286**
Financial liabilities at fair value through profit or loss				
Trading derivatives	0	-36	0	-36
Commodity contracts and embedded derivatives	0	0	-346	-346
Total	**0**	**-36**	**-346**	**-382**

The following table shows the changes in level 3 instruments at 31 December 2015.

	ASSETS	**LIABILITIES**
Opening balance	286	-346
Gains and losses recognised in profit or loss	-231	77
Currency translation differences	-7	1
Closing balance	**48**	**-268**

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. Currency options are valued using recognised option pricing models. Quoted cash and swap rates are used as input for calculating zero coupon curves used for discounting.

The 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 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		**31.12.2016**	**31.12.2015**
Assets			
Commodity contracts	Energy price -2%	42	257
Liabilities			
Commodity contracts	Energy price -2%	-281	-343

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 2016 would be a downwards parallel shift of the long end of the forward curve of 2% (downwards shift of 2% in 2015).

	31.12.2016		**31.12.2015**	
DERIVATIVES	**ASSETS**	**LIABILITIES**	**ASSETS**	**LIABILITIES**
Commodity contracts	34	-29	255	-58
Embedded derivatives	39	-240	31	-22
Total	**73**	**-268**	**286**	**-80**

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

The group has no active management contracts (forward rate contracts, currency options and forward contracts) at year-end.

10. RECEIVABLES AND OTHER NON-CURRENT ASSETS

	NOTE	31.12.2016	31.12.2015
Trade and other receivables			
Accounts receivable		998	1 091
Provision for bad debt		-80	-105
Current receivable group companies Norske Skogindustrier ASA		434	601
VAT receivables		52	56
Prepaid expenses		125	69
Other receivables		204	182
Total		**1 732**	**1 894**
Other non-current assets			
Non-current receivables group companies Norske Skogindustrier ASA		49	280
Long-term shareholdings	21	97	102
Derivatives	7	33	28
Commodity contracts	7	8	231
Pension plan assets	13	7	0
Loans to employees		1	1
Other non-current receivables		12	17
Total		**206**	**660**

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 2016 was NOK 129 million (31 December 2016 was NOK 125 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	31.12.2016	31.12.2015
Not due	1 627	1 800
0 to 3 months	112	104
3 to 6 months	0	2
Over 6 months	74	93
Total [1)]	**1 813**	**1 999**

[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 is guaranteed and secured. The Table below shows the maturity and coupon interest for the interest- bearing debt as of 31.12.2016.

MATURITY	CURRENCY	COUPON	NOMINAL VALUE AT DATE OF ISSUE	AMOUNT OUTSTANDING 31.12.2016
December 2019	EUR	11.75%	EUR 290 million	EUR 290 million

INTEREST-BEARING DEBT		31.12.2016	31.12.2015
Bonds		2 635	2 790
Debt to financial institutions		368	206
Securitisation/Factoring Facilities		1 201	502
Total		**4 204**	**3 498**

INTEREST-BEARING DEBT BY CURRENCY	CURRENCY AMOUNT 31.12.2016	NOK 31.12.2016	NOK 31.12.2015
EUR	435	3 950	3 083
AUD	29	180	175
NZD	0	0	6
Total interest-bearing debt in foreign currencies		**4 130**	**3 264**
Interest-bearing debt in NOK	73	73	235
Total interest-bearing debt		**4 204**	**3 498**

The average interest rate on par value of debt at 31 December 2016 was 9.5% (10.4% at 31 December 2015).

FINANCIAL DEBT PAYMENTS

MATURITY OF THE GROUP'S FINANCIAL DEBT AT 31.12.2016	PROJECTED INTEREST [1)]	OTHER LOANS	BONDS	TOTAL
2017	369	430		798
2018	366	48		414
2019	368	35	2 635	3 038
2020	15	949		963
2021	0	21		21
2022	0	22		22
2023	0	24		24
2024	0	21		21
2025-2033	0	20		20
Total	**1 117**	**1 569**	**2 635**	**5 321**

MATURITY OF THE GROUP'S FINANCIAL DEBT AT 31. 12. 2015	PROJECTED INTEREST [1]	OTHER LOANS	BONDS	TOTAL
2016	328	537		865
2017	328	47		375
2018	328	17		345
2019	328	17	2 790	3 135
2020	0	18		18
2021	0	20		20
2022	0	16		16
2023	0	18		18
2024-2033	0	18		18
Total	**1 311**	**708**	**2 790**	**4 809**

[1)] *Projected interests comprise interests on bonds and loan facilities*

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 2016, the financial statements included a discount of NOK 157 million (discount of NOK 182 million at 31 December 2015). Premiums or discounts on issued bonds are amortised in the income statement over the lifetime of the issued bonds. See Note 6 for loans secured by mortgage. The facilities do not contain any material financial covenants.

Trade payables amounted to NOK 997 million at 31 December 2016 are payable in 2017.

Norske Skog has changed its accounting practice with respect to classification of the financed amount from different securitisation arrangements in Norway, France and Australia during fourth quarter 2015. The change in accounting practice has resulted in a reclassification from interest-bearing non-current liabilities to interest-bearing current liabilities.

Norske Skog has changed its interpretation based on a reassessment of the securitisation loan arrangements. The financed amount represents a group of individual loans, which are settled individually at maturity of the accounts receivable. New loans are initiated on a consecutive basis based on new accounts receivable included under the securitisation agreement. The liability is in its nature current and Norske Skog does not have an unconditional right to defer settlement beyond twelve months. The liabilities are liabilities that are settled through its normal operating cycle. The corresponding accounts receivable is derecognised when the customer pays it.

12. EMPLOYEE BENEFIT EXPENSES

EMPLOYEE BENEFIT EXPENSES	NOTE	2016	2015
Salaries including holiday pay		1 339	1 318
Social security contributions		294	286
Pension costs	13	68	30
Other employee benefit expenses		60	52
Total		**1 762**	**1 686**

NUMBER OF EMPLOYEES BY REGION	31.12.2016	31.12.2015
Europe	1 762	1 827
Australasia	664	688
Parent company	0	0
Total	**2 426**	**2 515**

The company has not paid any remuneration or other benefits, as there are no employees. There are no incentive programs.
Norske Skogindustrier ASA manages the company. No management fee is paid for the services.
No remuneration is paid to the board of directors.

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	215	483	2 413	586	3 697
Audit-related assistance [1)]	50	41	93	0	183
Tax assistance	0	0	0	58	58
Other fees	0	0	394	0	394
Total	**265**	**524**	**2 901**	**644**	**4 333**

[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 1 727 current and former employees are covered by such schemes. Of these, 250 people are covered by defined benefit plans and 1 477 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	106
Norske Skog Skogn AS	65	30	70	62	109
Norske Skog Deutschland GmbH		35	65	65	10

The defined benefit schemes in Norway cover people between 58 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.

The defined benefit plan in Germany is closed.

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.

Expected return on plan assets is based on historical return and the investment profile of the plan assets.

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	2016	2015
Discount rate/expected return on plan assets	2.6%	2.4%
Salary adjustment	2.0%	2.2%
Social security increase/inflation rate	2.0%	2.8%
Pension growth rate	0.0%	0.0%

The discount rate applied for the pension schemes in Norway for 2015 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 2.4% to 3.8% and salary adjustments vary from 2.2% to 3%. Norske Skog has used the mortality table in Norway (K2013BE) and Richttafeln 2005G in Germany.

NET PERIODIC PENSION COST	2016	2015
Current service cost	5	7
Pension cost defined contribution schemes	64	25
Accrued national insurance contributions	0	0
Recognised curtailment and settlement	0	-2
Net periodic pension cost	**68**	**30**
Net periodic interest cost	**5**	**6**

Estimated payments to the group's defined benefit pension schemes in 2017 amounts to NOK 13 million.

PENSION PLANS IN THE BALANCE SHEET

PARTLY OR FULLY FUNDED PENSION PLANS	31.12.2016	31.12.2015
Projected benefit obligations including national insurance contributions	-158	-183
Plan assets at fair value	165	179
Net plan assets/pension obligations (-) in the balance sheet	**7**	**-4**

UNFUNDED PENSION PLANS	31.12.2016	31.12.2015
Projected benefit obligations including national insurance contributions	-226	-228
Net plan assets/pension obligations (-) in the balance sheet	**-233**	**-232**

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	31.12.2016	31.12.2015
Pension assets in the balance sheet	7	0
Pension liabilities in the balance sheet	-226	-232
Net pension obligations	**-219**	**-232**
Net unfunded pension plans	-226	-228
Net partly or fully funded pension plans	7	-4

CHANGES IN PENSION OBLIGATIONS FOR PARTLY OR FULLY FUNDED PENSION PLANS	2016	2015
Balance 1 January	183	270
Deconsolidated company	0	0
Current years’ service cost	5	7
Current years’ interest cost	4	5
Pension paid	-2	-1
Curtailments/settlements	-3	-53
Other changes	-1	0
Currency translation differences	0	4
Re-measurements	-28	-49
Balance 31 December	**158**	**183**

CHANGES IN PLAN ASSETS FOR PARTLY OR FULLY FUNDED PENSION PLANS	2016	2015
Balance 1 January	179	235
Divested companies	0	0
Return on plan assets	4	4
Curtailments/settlements	-3	14
Other changes	-1	-39
Employer contribution	7	-2
Re-measurements	-20	-34
Currency translation differences	0	1
Balance 31 December	**165**	**179**

CHANGES IN PENSION OBLIGATIONS FOR UNFUNDED PENSION PLANS	2016	2015
Balance 1 January	-228	-207
Current years' service cost	-2	-7
Current year's interest cost	-1	0
Pension paid	1	4
Contributions to the plan assets	0	0
Curtailments/settlements	0	0
Other changes	0	-12
Currency translation differences	7	-3
Re-measurements	-4	-6
Balance 31 December	**-226**	**-231**

Re-measurements is mainly related to changes in financial assumptions.

SPESIFICATION OF RE-MEASUREMENT GAINS/LOSSES IN OTHER COMPREHENSIVE INCOME (OCI)	2016	2015
Return on plan assets	0	0
Actuarial changes arising from changes in demographic assumptions	0	6
Actuarial changes arising from changes in financial assumptions	-15	0
Experience adjustments + investment management costs	4	0
Asset ceiling	0	0
Total	**-11**	**6**

	2016		2015	
INVESTMENT PROFILE FOR PENSION FUNDS	**FUNDS**	**DISTRIBUTION**	**FUNDS**	**DISTRIBUTION**
Shares	17	10%	27	15%
Bonds	120	73%	134	75%
Properties and real estate	24	14%	17	9%
Money market	0	0%	1	1%
Other	4	2%	0	0%
Total	**165**	**100%**	**179**	**100%**

SENSITIVITY ANALYSIS
Norske Skog Holding 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%	-10	12
Salary adjustment - 0.5%	5	-5
Future national security - 1.0%	-5	6
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	2016	2015
Maintenance materials and services		450	419
Marketing expenses		10	10
Administration, insurance, travel expenses etc.		185	188
Losses on accounts receivable		-5	7
Operating leases	15	47	46
Research and development		1	1
Changes in environmental provisions		-10	-26
Internal services to group companies		106	112
Other expenses		121	123
Total		**907**	**879**
Specification of losses on accounts receivable			
Receivables written off during the period		8	4
Payments received on items previously written off		0	0
Change in provision for bad debt		-13	3
Total		**-5**	**7**

15. LEASES

OPERATING LEASES

The group recognised expenses of NOK 47 million in relation to operating leases in 2016. The equivalent expense in 2015 was NOK 46 million.

MINIMUM LEASE PAYMENTS RELATING TO OPERATING LEASES	31.12.2016	31.12.2015
Not later than one year	19	24
Later than one year and not later than five years	38	60
Later than five years	10	12
Total	**67**	**96**

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	31.12.2016	31.12.2015
Not later than one year	26	26
Later than one year and not later than five years	93	96
Later than five years	60	84
Total	**179**	**206**
Future finance charges on finance leases	-59	-74
Present value of minimum lease payments	**120**	**132**

PRESENT VALUE OF MINIMUM LEASE PAYMENTS	31.12.2016	31.12.2015
Not later than one year	24	24
Later than one year and not later than five years	68	71
Later than five years	28	37
Total	**120**	**132**
Capitalised value of leased machinery and equipment	**48**	**101**

16. OTHER GAINS AND LOSSES

	2016	2015
Gains and losses from divestments and deconsolidating of business activities, property, plant and equipment	-17	0
Changes in value – commodity contracts [1)]	-181	8
Changes in value – embedded derivatives	85	1
Changes in value – biological assets	-12	-6
Other realised gains and losses	-2	2
Total	**-126**	**5**

[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 sell 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 is due to that NOK has strengthened against EUR during the year.The loss on commodity contracts in 2016 is due to lower expected future energy prices. In 2015 the gain were due to negative change in producer price index in New Zealand.

Other realised gains and losses of NOK -2 million in 2016 and NOK 2 million in 2015 primarily related to financial hedging of energy.

17. INCOME TAXES

TAX EXPENSE	2016	2015
Current tax expense	16	-9
Change in deferred tax	543	-465
Total	**527**	**-474**

RECONCILIATION OF THE GROUP TAX EXPENSE	2016	2015
Profit/loss before income taxes	-1 498	-844
Computed tax at nominal tax rate of 25%/27%	375	228
Differences due to different tax rates	61	2
Result from associated companies	-2	-6
Exempted income/non-deductible expenses	-54	-20
Reversal tax provision	0	0
Adjustment previous years	-12	-10
Change in tax rate	56	0
Deferred tax asset not recognised	83	-665
Other items	18	-3
Total tax expense (-) income (+)	**527**	**-474**
Effective tax rate	**35%**	**-56%**

CURRENT TAX LIABILITY	31.12.2016	31.12.2015
Norway	4	0
Rest of Europe	7	7
Outside Europe	0	0
Total	**11**	**7**

DEFERRED TAX - MOVEMENTS	2016	2015
Net deferred tax asset 1 January	-619	-36
Change in deferred tax in the income statement	543	-465
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	-94
Currency translation differences	-30	-30
Net deferred tax asset/liability (-) 31 December	**-46**	**-619**

DEFERRED TAX ASSET AND DEFERRED TAX LIABILITY	31.12.2016	31.12.2015
Norway	133	0
Rest of Europe	0	0
Outside Europe	125	0
Deferred tax asset	**257**	**0**
Norway	0	0
Rest of Europe	303	-385
Outside Europe	0	-234
Deferred tax liability	**-303**	**-619**
Net deferred tax asset/liability (-)	**-46**	**-619**

DEFERRED TAX DETAILS	31.12.2016	31.12.2015
Fixed assets, excess values and depreciation	-247	-775
Pensions	0	3
Provisions and other liabilities	139	153
Currency translation differences and financial instruments	140	219
Deferred tax current items	20	17
Tax losses and tax credit to carry forward	1 138	1 010
Deferred tax asset not recognised [1)]	-1 236	-1 246
Net deferred tax asset/liability (-)	**-46**	**-619**

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 [1)]	-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%**	**24%**

LOSSES TO CARRY FORWARD BY REGION AND EXPIRY DATE 31.12.2015	NORWAY	REST OF EUROPE	OUTSIDE EUROPE	TOTAL
2016	0	0	0	0
2017	0	125	0	125
2018	0	111	0	111
2019	0	46	0	46
2020	0	36	0	36
2021	0	35	0	35
2022 and later	0	1	0	1
Indefinite expiry	1 511	97	2 124	3 732
Tax losses to carry forward	**1 511**	**451**	**2 124**	**4 086**
Temporary differences	1 117	-70	-62	985
Tax losses and temporary differences not recognised	-2 628	-381	-2 062	-5 071
Total tax losses and tax credits to carry forward (recognised)	**0**	**0**	**0**	**0**
Deferred tax asset	**0**	**0**	**0**	**0**
Tax rate	**25%**	**25-34%**	**28%**	**25%**

[1)] Basis for deferred tax asset not recognised amounted to NOK 4 908 million at 31 December 2016. NOK 3 646 million was related to tax losses to carry forward and NOK 1 262 million was related to other deductible temporary differences. Deferred tax asset not recognised amounted to NOK 1 190 million at 31 December 2016.

Deferred tax asset arising from the carry forward of unused tax losses is tested against expected future taxable profit on entity level. NOK 257 million is recognised as deferred tax assets in the consolidated financial statements as of 31 December 2016. NOK 62 million relates to Norske Skog Saugbrugs AS, NOK 71 million to Norske Skog Skogn AS and NOK 125 million to Norske Skog Australia Industries Ltd. The judgement are made on basis of conservative estimates of long term financial forecast 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.

Indirect tax regimes are complex in many jurisdictions and between jurisdictions in cross-border sales. Basis for indirect taxes may differ from taxes related to stamp duty tax on restructuring and business combinations.

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

18. SPECIFICATION OF BALANCE SHEET ITEMS

	NOTE	31.12.2016	31.12.2015
Inventories			
Raw materials and other production input		705	703
Semi-manufactured materials		9	12
Finished goods		447	538
Total	3	**1 161**	**1 253**
Other current assets			
Derivatives	7	4	3
Commodity contracts	7	28	24
Current investments	7	10	9
Interest-free assets group Norske Skogindustrier ASA	7	7	58
Total	7	**49**	**94**
Trade and other payables			
Accounts payable	7	997	1 042
Accrued labour costs and taxes		490	465
Accrued expenses		246	306
Interest-free liabilities group Norske Skogindustrier ASA		53	53
Other interest-free liabilities		11	13
Total		**1 797**	**1 878**
Other current liabilities			
Derivatives	7	39	54
Commodity contracts	7	28	20
Accrued emission rights		10	13
Accrued financial costs		15	100
Restructuring provision	20	46	51
Total		**137**	**238**
Other non-current liabilities			
Derivatives	7	201	269
Commodity contracts	7	1	38
Dismantling provision	20	83	71
Environmental provision	20	191	200
Deferred recognition of emission rights		0	0
Deferred recognition of government grants		29	43
Other non interest-bearing debt		20	11
Total		**524**	**631**
Interest-bearing non-current liabilities			
Bond adjusted for amortization		2 478	2 608
Debt to financial institutions		1 139	170
Interest-bearing non-current liabilities group Norske Skogindustrier ASA Lysaker Invest AS Norske Treindustrier AS		 724 66 573	 553 338 593
Total	**7**	**4 979**	**4 263**
Interest-bearing current liabilities			
Debt to financial institutions		151	34
Securitisation / Factoring Facilities		278	502
Total	**7**	**430**	**536**

19. INVESTMENTS IN ASSOCIATED COMPANIES

COMPANY	SHARE 31.12.2016	CARRYING VALUE 31.12.2016	SHARE OF PROFIT/LOSS 2016	CURRENCY TRANSLATION DIFFERENCES	IMPAIRMENT	CARRYING VALUE 31.12.2015
Malaysian Newsprint Industries Sdn. Bhd.	33.7%	150	-6	-12	-205	373
Other associated companies		1	0	0	0	1
Total		**151**	**-6**	**-12**	**-205**	**374**

Investments in associated companies are accounted for in accordance with the equity method. Share of profit presented in the table above is the group's percentage share of profit after tax, adjusted for amortisation of surplus value at group level allocated to the investment at the time of acquisition. In 2016, the recognised share of profit/loss in associated companies amounted to NOK -6 million, currency translation differences amounted to NOK -12 million and impairment amounted to NOK -205 million.

Malaysian Newsprint Industries Sdn. Bhd. (MNI)

The company is incorporated in Kuala Lumpur, Malaysia, and is a producer of newsprint. Norske Skog has performed an impairment test for the investment in MNI both at year-end and at 30 June 2016. Norske Skog has in the impairment testing valued MNI within the impairment model for the fully owned mills of the group. Considering the valuation assumptions, Norske Skog's impairment testing concluded with an impairment of MYR 100 million (approximately NOK 205 million) at 30 June 2016. For a more thorough description of Norske Skog's impairment testing model, see Note 4.

The carrying value of Norske Skog's investment in MNI was NOK 151 million at 31 December 2016, which is approximately MYR 100 million lower than Norske Skog's share (33.7%) of the equity in MNI's company financial statements, since no impairment charges were recognised in the 31 December 2016 annual accounts of MNI. Based on the company's financial statements in the year ended 31 December 2016, operating revenue was NOK 880 million (NOK 883 million in 2015) and net loss was NOK 24 million (net loss of NOK 70 million in 2015). Total assets amounted to NOK 1 456 million at 31 December 2016 (MYR 1 668 million at 30 June 2015) and total liabilities were NOK 402 million at 31 December 2016 (NOK 519 million at 31 December 2015).

20. PROVISIONS

	RESTRUCTURING PROVISION	DISMANTLING PROVISION	ENVIRONMENTAL PROVISION
Addition from acquisition	15	65	211
Changes and new provisions	49	0	0
Utilised during the year	-14	0	-26
Periodic unwinding of discount	0	2	6
Currency translation differences	0	3	8
Balance 31 December 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**

Restructuring provision

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 at Norske Skog Golbey (NOK 24 million), Norske Skog Tasman (NOK 6 million), Norske Skog Saugbrugs (NOK 6 million), Norske Skog Boyer (NOK 3 million) and Australasia Corporate (NOK 5 million).

The amount expensed in 2016 in relation to restructuring activities amounted to NOK 64 million. This relates mainly to the restructuring activities listed above, including Norske Skog Bruck (NOK 18 million), Norske Skog Tasman (11 million), Norske Skog Boyer (NOK 13 million), Norske Skog Albury (NOK 9 million) and Australasia Corporate (NOK 16 million). Total payments relating to restructuring activities in 2016 amounted to NOK 69 million. This relates mainly to Norske Skog Bruck (NOK 18 million), Norske Skog Golbey (NOK 6 million), Norske Skog Saugbrugs (NOK 7 million), Norske Skog Tasman (NOK 5 million), Norske Skog Boyer (NOK 10 million, Norske Skog Albury (NOK 9 million) and Australasia Corporate (NOK 11 million).

The restructuring provision of NOK 51 million at 31 December 2015 is classified in the balance sheet line item Other current liabilities. The provision includes various restructuring activities included provision for severance payments and other costs at Norske Skog Boyer (NOK 10 million), Norske Skog Golbey (NOK 31 million) and Norske Skog Saugbrugs (NOK 7 million).

The amount expensed in 2015 in relation to restructuring activities amounted to NOK 49 million. This relates mainly to the restructuring activities listed above. Total payments relating to restructuring activities in 2015 amounted to NOK 14 million. This relates mainly to Norske Skog Boyer (NOK 4 million), Norske Skog Skogn (NOK 4 million) and Norske Skog Tasman (NOK 4 million).

Dismantling provision

Provisions related to future dismantling costs arising from a future closing down of production facilities amounted to NOK 83 million at 31 December 2016, compared to NOK 71 million at 31 December 2015. 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 11 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 191 million at 31 December 2016 compared to NOK 200 million at 31 December 2015. The decrease is mainly due to decrease in environmental provision at Norske Skog Boyer. Resources spent on environmental activities during 2016 amounted to NOK 10 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 21 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	5 009	100
Norske Skog Saugbrugs AS Halden, Norway	NOK	1 152 300	100
Norske Skog Skogn, 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 Danmark ApS, Værløse, Denmark	DKK	200	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
Norske Skog Holdings (No.3) Ltd., Auckland, New Zealand	NZD	7 750	100
Norske Skog Holland B.V., Amsterdam, The Netherlands	EUR	245 105	100
Norske Skog Hungary Kft., Budapest, Hungary	HUF	3 000	100
Norske Skog Industries Canada Ltd., British Columbia, Canada	CAD	821 186	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				
Exeltium SAS, Paris, France	EUR	174 504	5	75 789
Exeltium 2 SAS, Paris, France	EUR	3 440	5	1 490
Ignite Energy Resources Ltd., Sydney, Australia	AUD	254 183	1	12 450
SEM, Golbey, France	EUR	358	10	3 344
Other shares, each with book value below NOK 1 million				3 382
Total				**96 455**

[1] *Carrying value for the shares is original cost less impairment.*

22. CAPITAL 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. 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.

Norske Skog's debt level was significantly reduced, debt maturities extended and liquidity improved by financing and recapitalisation efforts in 2016. Liquidity improved by issuance of new equity and various other liquidity initiatives. Following the redemption of the 2016 bond, the group has no bond maturities until December 2019.

The board of directors recognizes the challenging industry Norske Skog operates in and the group's high leverage and interest expenses. 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. The business risk of the group is amplified by its high financial leverage; although the group has no bond maturities until 2019, it is unlikely that those bonds maturing in 2019 can be satisfied simply from group cash generation and there is significant uncertainty as to whether a refinancing of this maturity will be available or achievable. There is uncertainty with regards to the changes in the broader economic climate development and more adverse developments than expected may influence all of the above. The aforementioned risks may all impact on the operating plan for 2017 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 2017 is realistic given facts at hand. However, given the challenging industry and that the level of equity at year end 2016 is low the board of directors will continue working to improve all of the mentioned elements further.

In light of the low level of equity, high leverage, high interest cost and with an aim to improve the financial position of the group, The ultimate parent company Norske Skogindustrier ASA has in 2017 discussed a recapitalisation proposal with key equity- and bondholders of the group. On June 2, 2017, Norske Skog launched an exchange offer to significantly reduce the group's debt level and interest cost, increase the equity value, and position the company to deliver on its future growth strategy. As of June 13, 2017, the exchange offers and consent solicitations announced on June 2, 2017 had received significant engagement from debtholders, but not yet reached the adequate level of acceptance. The board of Norske Skogindustrier ASA has thus decided to amend the terms of the exchange offers and consent solicitations to extend the acceptance and consent deadline until July 12, 2017. The Board has also decided to use the 30-day interest payment grace period on the existing 2019 senior secured notes (SSN) to support the operating business. A successful transaction will pro forma reduce the total debt inclusive perpetual notes from NOK 8.7 billion to around NOK 4.2 billion and improve the group's book equity to approximately NOK 3.5 billion. Existing shareholders will hold 10% of the new book equity following the transaction.

A deleveraged and recapitalized group would be in a better position to diversify its business model. Identified growth projects include biogas, wood pellets and tissue paper in addition to green energy savings and production of fibre based alternatives to other materials. A diversified Norske Skog with a stronger balance sheet could be an attractive consolidation partner for publication paper in Europe.

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 uncertainties described above and the potential impact both on liquidity and equity has been thoroughly considered as it is very important for the going concern assumption. The board of directors has also considered the operating environment for the group and the industry in general going forward as these are reflected in the operating plan for 2017 as well as the group's highly leveraged position and the significant challenge that is presented by its next bond maturity in 2019. The board of directors has further considered that the group is subject to many factors that are uncertain in nature and has evaluated these uncertainties in relation to the operations and operating environment when assessing the going concern assumption. Based on these considerations and reflecting inherent material uncertainties, also in relation to the application of the going concern assumption, the board of directors confirms that the assumption applies and that the financial statements have been prepared on the going concern basis.

23. CONTINGENT LIABILITIES

Norske Skog AS and its subsidiaries is an international group 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.

The Norske Skog AS group has continued the process related to simplification of the group's corporate structure in 2016. The simplification of the group's corporate structure in combination with changes in individual countries' tax laws could increase the group's tax exposure. However, due to completed reorganisations and tax assessments, the overall tax exposure has decreased during the last years.

24. EVENTS AFTER THE BALANCE SHEET DATE

On May 7, 2017, we announced that Norske Skogindustrier ASA's Board of Directors have unanimously appointed Lars P. S. Sperre as interim President and Chief Executive Officer with immediate effect. Mr. Sperre, who was our Senior Vice President Corporate Strategy & Legal, replaced Sven Ombudstvedt, who notified the Board of Directors of his resignation, which the Board accepted with immediate effect.

On June 2, 2017, we announced launch of an exchange offer to significant reduce the group's debt level. See Note 22 for further information.

There have been no other events after the balance sheet date with significant impact on the financial statements for 2016.

25. RELATED PARTIES

All transactions with related parties are conducted in accordance with the arm's length principle.

Due to their level of ownership in the ultimate parent company Norske Skogindustrier ASA's issued share capital, GSO Capital Partners LP and Cyrus Capital Partners, L.P. may be deemed to be related parties to Norske Skog AS group. GSO Capital Partners LP and Cyrus Capital Partners, L.P. each submitted the name of a candidate, Ms Owen and Mr Hoff, respectively, to the Election and Remuneration Committee for consideration for nomination for election to the Board of Directors at Norske Skogindustrier ASA's extraordinary general meeting in January 2016. Both persons were nominated and elected.

The significant transactions that have been entered into with GSO Capital Partners LP and Cyrus Capital Partners, L.P. include
(i) the Norwegian Securitization Facility
Norske Skog AS has entered into a new securitisation facility of EUR 100 million with GSO Capital Partners LP and Cyrus Capital Partners, L.P. which has refinanced the NOK 250 million facility with Sparebank 1 Gruppen Finans AS. The facility has a 4 year tenor, and is secured by accounts receivables at the Skogn and Saugbrugs mills, and inventory at Skogn, Saugbrugs and Golbey.

(ii) a EUR10 million loan facility
Norske Skog AS has entered into a EUR 10 million short-term facility with funds managed by GSO Capital Partners LP and Cyrus Capital Partners, L.P. The loan was settled 30 March 2017 at date of maturity.

(iii) financing arrangements entered into in connection with the sale of the New Zealand power plant. The sale was completed in December 2016, and the loan was settled.

Some of Norske Skogindustrier ASA's shareholders are forest owners delivering forestry products to the group's production units in Norway. One of the board members, Eilif Due, is a forest owner who supplies wood to the group on normal commercial terms. All contracts for supply of wood are entered into through forest owner associations or companies. Mr Due is chair of the board of Allskog SA.

FINANCIAL STATEMENTS NORSKE SKOG AS

INCOME STATEMENT

NOK MILLION	NOTE	2016	2015
Operating revenue		**0**	**0**
Other operating expenses		0	-1
Gross operating earnings		**0**	**-1**
Operating earnings		**0**	**-1**
Financial income	5	110	53
Financial expenses	5	-1 178	-1 670
Net unrealised/realised gains/losses on foreign currency	5	130	-280
Profit/loss before income taxes		**-938**	**-1 898**
Income taxes	8	4	0
Profit/loss		**-942**	**-1 898**

STATEMENT OF COMPREHENSIVE INCOME

NOK MILLION		2016	2015
Profit/loss		**-942**	**-1 898**
Other comprehensive income		**0**	**0**
Comprehensive income		**-942**	**-1 898**

BALANCE SHEET

NOK MILLION	NOTE	31.12.2016	31.12.2015
Assets			
Investments in subsidiaries	4	5 809	6 209
Other non-current assets	9	698	1 186
Total non-current assets		**6 507**	**7 395**
Trade and other receivables	9	65	0
Cash and cash equivalents		0	0
Total current assets		**65**	**0**
Total assets		**6 572**	**7 395**
Shareholders' equity and liabilities			
Paid-in equity		2 319	4 695
Retained earnings and other reserves		0	0
Total equity	3	**2 319**	**4 695**
Interest-bearing non-current liabilities	6,9	3 799	2 686
Total non-current liabilities		**3 799**	**2 686**
Interest-bearing current liabilities	6, 9	435	0
Tax payable	8	4	0
Other current liabilities		15	15
Total current liabilities		**453**	**15**
Total liabilities		**4 252**	**2 700**
Total equity and liabilities		**6 572**	**7 395**

SKØYEN, 28 JUNE 2017 – THE BOARD OF DIRECTORS OF NORSKE SKOG AS

Rune Sollie
Chair

Lars Sperre
Board member

STATEMENT OF CASH FLOWS

NOK MILLION	NOTE	2016	2015
Cash flow from operating activities			
Cash generated from operations		0	0
Cash used in operations		0	-1
Cash flow from financial items		-5	0
Interest payments received		110	53
Interest payments made		-360	-274
Net cash flow from operating activities		**-255**	**-221**
Net cash flow from investing activities		**0**	**0**
Cash flow from financing activities			
New loans raised		1 027	2 283
New equity		0	0
Change in intercompany balance with group		-765	-2 086
Net cash flow from financing activities		**255**	**197**
Foreign currency effects on cash and cash equivalents		-7	24
Total change in cash and cash equivalents		**0**	**0**
Cash and cash equivalents 1 January / per incorporation 5 November 2014		0	0
Cash and cash equivalents 31 December		0	0

STATEMENT OF CHANGES IN EQUITY

NOK MILLION	NOTE	SHARE CAPITAL	SHARE PREMIUM	RETAINED EARNINGS	TOTAL EQUITY
Opening balance per incorporation 5 November 2014		**0**	**0**	**0**	**0**
Contribution in kind 14 January 2015		300	6 293	0	6 593
Comprehensive income		0	0	-1 898	-1 898
Uncovered loss allocated other paid in equity		0	-1 898	1 898	0
Equity 31 December 2015	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**

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.

Norske Skog AS was founded 5 November 2014. The income statement, statement of comprehensive income and statement of cash flows for 2015 cover the period from 5 November 2014 until 31 December 2015.

The financial statements were authorised for issue by the board of directors on 28 June 2017.

2. ACCOUNTING POLICIES

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

Requirements related to recognition and measurement applied to the company financial statements of Norske Skog 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 cost in the company financial statements, as well as fair value hedge and net investment hedge which are only recognised at group level.

3. EQUITY

The share capital of Norske Skog AS at 31 December 2016 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 register at Brønnøysund Register Centre, 21 January 2015.

A private placement against Norske Skog Holding AS was carried out as consideration for the contribution in-kind. The contribution in-kind consisted of a combination of shares in operating subsidiaries and receivables from sale of operating subsidiaries to Norske Skog AS from Norske Skog Holding AS.

PRINCIPAL SHAREHOLDERS	OWNERSHIP %
Norske Skog Holding AS	100.00

4. SHARES IN SUBSIDIARIES

SHARES IN SUBSIDIARIES	CURRENCY	SHARE CAPITAL (IN 1 000)	OWNERSHIP %	CARRYING VALUE (IN NOK 1 000)
Norske Skog Skogn AS, Levanger, Norway	NOK	1 152 300	100	1 539 000
Norske Skog Saugbrugs AS, Halden, Norway	NOK	1 152 300	100	1 129 000
Nornews AS, Oslo, Norway	NOK	100	100	17 000
Norske Skog Bruck GmbH, Bruck, Austria	EUR	10 000	100	522 000
Norske Skog Golbey SAS, Golbey, France	EUR	137 388	100	1 595 000
Norske Skog Industries Australia Ltd., Sydney, Australia	AUD	190 000	100	829 000
Norske Skog Papers (Malaysia) Sdn. Bhd., Kuala Lumpur, Malaysia	MYR	5 009	100	178 000
Total				**5 809 000**

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 752 million related to investments in Norske Skog Saugbrugs AS, Norske Skog Industries Australia Ltd. and Norske Skog Papers (Malaysia) are recognized in 2016. 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 6 209 million to NOK 5 809 million during 2016 due to increase in paid-in equity in the investments in Norske Skog Skogn AS (NOK 178 million) and Norske Skog Saugbrugs AS (NOK 174 million), and impairment of NOK 752 million.

5. FINANCIAL ITEMS

FINANCIAL ITEMS	NOTE	2016	2015
Financial income			
Interest income from group companies [1)]		110	53
Total		**110**	**53**
Financial expenses			
External interest expense		-421	-321
Interest expense from group companies [1)]		0	-7
Impairment of investments in subsidiaries	4	-752	-1 343
Other financial expenses		-5	0
Total		**-1 178**	**-1 670**
Gains / (losses) on foreign currency		**130**	**-280**
Financial items		**-938**	**-1 897**

[1)] Intercompany interest is calculated based on a standard margin, adjusted where necessary to reflect local market conditions and transfer pricing principles.

6. MATURITY OF INTEREST-BEARING LIABILITIES

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	0	0	0
2021	949	0	949
Total	**949**	**2 635**	**3 584**

MATURITY OF THE COMPANY'S DEBT AT 31.12.2015		BONDS	TOTAL
2016		0	0
2017		0	0
2018		0	0
2019		2 790	2 790
2020		0	0
Total		**2 790**	**2 790**

Foreign currency debt is presented using exchange rate at 31 December 2016. 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

Norske Skog AS is a purely holding company with no employees. Norske Skogindustrier ASA, which is the ultimate parent company in the Norske Skog group, employs all the members of the board of directors. The members of the board of directors did not receive any remuneration from Norske Skog AS.

8. INCOME TAXES

TAX EXPENSE	2016	2015
Current tax expense	4	0
Change in deferred tax	0	0
Total	**4**	**0**

INCOME TAX RECONCILIATION	2016	2015
Profit/loss before income taxes	-938	-1 898
Computed tax at nominal tax rate of 25% / 27%	235	512
Exempted income/non-deductible expenses	-12	-12
Impairment of investments in subsidiaries	-180	-351
Change tax loss not recognised	-43	-149
Withholding tax	4	0
Total tax expense(-)/income	**4**	**0**

TEMPORARY DIFFERENCES AND TAX LOSSES - DETAILS	31.12.2016	31.12.2015
Financial debt and currency translation	91	-291
Tax losses to carry forward	-832	-264
Tax losses and other tax credits not recognised [1)]	741	555
Basis for deferred tax	**0**	**0**

DEFERRED TAX	2016	2015
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

	31.12.2016	31.12.2015
NON-CURRENT INTERCOMPANY RECEIVABLES		
Norske Skog Skogn AS	109	265
Norske Skog Saugbrugs AS	125	276
Norske Skog Industries Australia Ltd.	464	645
Total	**698**	**1 186**
CURRENT INTERCOMPANY RECEIVABLES		
Norske Skog Skogn AS	21	0
Norske Skog Industries Australia Ltd.	42	0
Norske Skog Italia SrL	2	0
Total	**65**	**0**
NON-CURRENT INTERCOMPANY LIABILITIES		
Norske Skogindustrier ASA	187	78
Norske Skog Bruck GmbH	69	0
Norske Skog Golbey SA	142	0
Total	**398**	**78**
CURRENT INTERCOMPANY LIABILITIES		
Norske Skog Skogn AS	23	0
Norske Skog Saugbrugs AS	74	0
Norske Skog Bruck GmbH	97	0
Norske Skog Golbey SA	112	0
Norske Skog Deutschland GmbH	38	0
Total	**344**	**0**

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 no guarantees as at 31 December 2016.

11. RELATED PARTIES

A description of transactions with related parties is given in Note 24 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 25 Events after the balance sheet date in the consolidated financial statements.

BDO AS
Munkedamsveien 45
Postboks 1704 Vika
0121 Oslo

Independent Auditor's Report

To the General Meeting of Norske Skog AS

Report on the Audit of the Financial Statements

Qualified opinion

We have audited the financial statements of Norske Skog AS.

The financial statements comprise:	*In our opinion:*
• The financial statements of the parent company, which comprise the balance sheet as at 31 December 2016, and income statement, statement of comprehensive income, statement of changes in equity, cash flow for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, 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 2016, and income statement, statement of comprehensive income, statement of changes in equity, cash flow for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.	• The financial statements are prepared in accordance with laws and regulations, except for the possible effects of the matter described in the Basis for Qualified Opinion section of our report. • The accompanying financial statements give a true and fair view of the financial position of the parent company as at 31 December 2016, 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, except for the possible effects of the matter described in the Basis for Qualified Opinion section of our report. • The accompanying financial statements give a true and fair view of the financial position of the group as at 31 December 2016, 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, except for the possible effects of the matter described in the Basis for Qualified Opinion section of our report.

Basis for Qualified Opinion

Based upon disagreements with the previous auditor, management decided to perform a revised impairment test related to Property, Plant, and Equipment as at 30 June 2016. This impairment test was the basis for an impairment for the group of NOK 1 385 million as at this date. This also led to an impairment of NOK 752 million in Investment in Subsidiaries for the Parent Company. We have performed audit procedures related to this impairment test and the updated impairment test as at 31 December 2016 as described under "Key Audit Matters". However, we have not been able to obtain sufficient appropriate evidence regarding the valuation of the group's Property, Plant, and Equipment as at 31 December 2015, and consequently, we were unable to identify whether all, or parts, of the impairments recorded 30 June 2016 should have been allocated to prior accounting periods.

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 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 qualified opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 22 and the Board of Directors' report, which indicates that although the group has no bond maturities until 2019, it is unlikely that the bonds maturing in 2019 can be satisfied from group cash generation alone, and there is significant uncertainty as to whether a refinancing of this maturity will be available or achievable. These matters along with other matters described in note 22 and the Board of Directors' report indicate that a material uncertainty exists that may cast significant doubt on the company's and group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the Basis for Qualified Opinion section, we have determined the matters described below to be the key audit matters to be communicated in our report.

Description of the key audit matter	*How the key audit matter was addressed in the audit*
Valuation of Property, Plant, and Equipment (PPE)	
The global market for the group's 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. One impairment test was performed as at 30 June resulting in an impairment of NOK 1 385 million as at this date. This impairment test was updated for the purpose of issuing financial reporting 31 December 2016. Management engaged external experts to analyze and evaluate the prospective market for the industry to provide presumably objective	As a part of our audit, we obtained and evaluated information about the external experts' individual and collective competence and experience with the industry to be able to evaluate their independence, objectivity and professional competence to prepare adequate support to the impairment tests. Further, we performed 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 2016 forecasts and the degree of accuracy reached when

information about industry trends and developments to support the impairment tests. In connection with the impairment tests, management also concluded that it was appropriate to redefine the number of Cash Generating Units (CGUs) from two to four. The updated impairment test resulted in no further impairment as at 31 December 2016. We refer to the description in note 4 to the consolidated financial statements.	comparing actual results to plans and forecasts for prior periods. Our audit procedures encompassed both the impairment test as at 30 June 2016 and the updated test related to yearend financial reporting. We also evaluated the appropriateness of redefining the CGUs compared to the requirements in IAS 36. For issues related to allocation of impairment to appropriate accounting periods, we refer to our description under "Basis for qualified opinion".
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 2016, the group reported a tax expense (-income) of NOK -527 million, deferred tax asset of NOK 257 million and deferred tax liability of NOK 303 million. Deferred tax asset not recognized amounts to NOK 1 236 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 and statements on Corporate Governance and Corporate Social Responsibility, but does not include the financial statements and our auditor's report thereon.

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. As described in the *Basis for Qualified Opinion* section above, we were unable to obtain sufficient appropriate evidence about the valuation of the group's Property, Plant, and Equipment as at 31 December 2015, and consequently, we were unable to identify whether all, or parts, of the impairments recorded 30 June 2016 should have been allocated to prior accounting periods. Accordingly, we are unable to conclude whether or not the other information is materially misstated with respect to this matter.

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 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 International Standards on Auditing, 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 the Company'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'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 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 those charged with governance 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 those charged with governance 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 those charged with governance, 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 allocation of the profit is consistent with the financial statements and complies with the law and regulations.

Opinion on Registration and Documentation

Based on our audit of the financial statements as described above, and control procedures we have considered necessary in accordance with the International Standard on Assurance Engagements *(ISAE) 3000, Assurance Engagements Other than Audits or Reviews of Historical Financial Information*, it is our opinion that management has fulfilled its duty to produce a proper and clearly set out registration and documentation of the company's accounting information in accordance with the law and bookkeeping standards and practices generally accepted in Norway.

Oslo, 28 June 2017
BDO AS

Terje Tvedt
State Authorised Public Accountant

APPENDIX C

INTERIM FINANCIAL STATEMENTS FOR THE THREE AND SIX MONTHS' PERIOD ENDED 30 JUNE 2019

Norske Skog

SECOND QUARTER 2019

QUARTERLY REPORT

INTRODUCTION

Norske Skog is a world leading producer of publication paper. Publication paper includes newsprint and magazine paper. The Norske Skog group has seven mills in five countries, with an annual production capacity of 2.6 million tonnes. Newsprint and magazine paper is sold through sales offices and agents to over 80 countries. The group has approximately 2 400 employees. In addition to the traditional publication paper business, new growth initiatives related to renewable energy, bio cheminal products and fibre products have been launced.

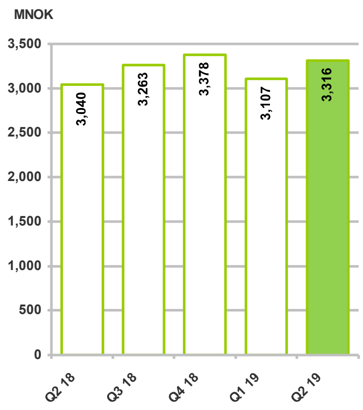
The parent company, Norske Skog AS, is incorporated in Norway and has its head office at Skøyen in Oslo.

KEY FIGURES

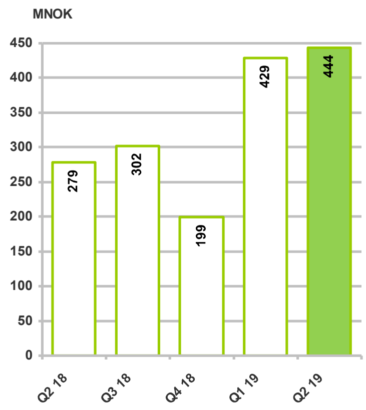
NOK MILLION (unless otherwise stated)	Q2 2019	Q1 2019	Q2 2018	YTD 2019	YTD 2018
INCOME STATEMENT					
Total operating income	3 316	3 107	3 040	6 423	6 001
EBITDA*	444	429	279	873	530
Operating earnings	1 150	253	184	1 403	351
Profit/loss for the period	1 032	153	183	1 184	210
Earnings per share (NOK)	NA	NA	NA	NA	NA
CASH FLOW					
Net cash flow from operating activities	225	305	303	531	464
Net cash flow from operating activities per share (NOK)	NA	NA	NA	NA	NA
Net cash flow from investing activities	-88	-92	62	-180	-9
OPERATING MARGIN AND PROFITABILITY (%)					
EBITDA margin	13.4	13.8	9.2	13.6	8.8
Return on capital employed (annualised)	26.8	26.0	17.4	26.6	15.9
PRODUCTION / DELIVERIES / CAPACITY UTILISATION					
Production (1 000 tonnes)	588	585	618	1 173	1 228
Deliveries (1 000 tonnes)	591	549	610	1 140	1 217
Production / capacity (%)	90	89	94	89	93

* As defined in Alternative Performance Measures

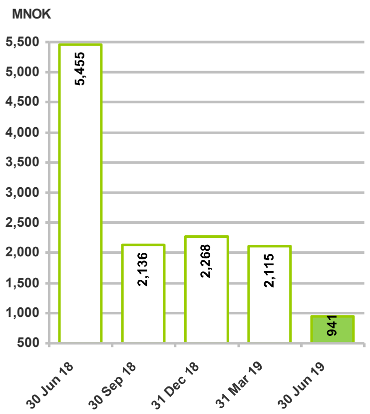
TOTAL OPERATING INCOME



EBITDA



NET INTEREST-BEARING DEBT



NOK MILLION	30 JUN 2019	31 MAR 2019	30 JUN 2018	31 DEC 2018
BALANCE SHEET				
Non-current assets	5 512	4 878	4 666	4 789
Current assets	3 859	3 675	3 391	3 776
Total assets	9 372	8 553	8 058	8 565
Equity	4 560	2 456	-1 275	2 365
Net interest-bearing debt	941	2 115	5 455	2 268

REPORT OF THE BOARD OF DIRECTORS FOR THE SECOND QUARTER OF 2019

- EBITDA second quarter NOK 444 million, an increase of NOK 15 million in the previous quarter
  - Europe: Sales prices in line with previous quarter, but some increase in fixed costs
  - Australasia: Sharp drop in Asian prices impacts profitability of export sales significantly
- EUR 125 million bond issued in Q2 re-introduced Norske Skog to the capital markets
  - Net interest bearing debt NOK 941 million at 30 June 2019
- Decision to invest in EUR 72 million in new energy bolier in Bruck
  - Increases mills competitiveness and improves carbon footprint from 2022
  - New revenue streams from renewable energy
- Profit for the period NOK 1 032 million, compared to NOK 153 million in the previous quarter
  - Change in value of derivatives and other fair value adjustment of NOK 828 million in second quarter
  - Strong balance sheet with equity ratio of 49 %
- Cash flow from operations NOK 366 million before net financial items and taxes, an increase from NOK 326 million in the previous quarter

PROFIT/LOSS FOR THE PERIOD

NOK MILLION	Q2 2019	Q1 2019	Q2 2018	YTD 2019	YTD 2018
Operating revenue	3 158	2 996	2 983	6 154	5 875
Other operating income	158	111	57	270	126
Total operating income	**3 316**	**3 107**	**3 040**	**6 423**	**6 001**
Distribution costs	-308	-304	-323	-612	-635
Cost of materials	-1 853	-1 687	-1 750	-3 540	-3 479
Fixed cost	-711	-687	-688	-1 398	-1 357
EBITDA	**444**	**429**	**279**	**873**	**530**

Operating revenue increased from the previous quarter with higher sales volumes. Publication paper prices were relatively stable in the first half of 2019 in Europe while Asian prices dropped sharply.

Other operating income for the second quarter includes gain on sale of a power plant in Bruck of NOK 89 million.

Variable costs per tonne increased slightly due to reduced machine efficiency in Australasia. Fixed costs increase slightly due to higher labour and maintenance costs.

EBITDA increased quarter-over-quarter, mainly due to the increase in other operating income.

NOK MILLION	Q2 2019	Q1 2019	Q2 2018	YTD 2019	YTD 2018
Restructuring expenses	-9	-8	-4	-18	-5
Depreciation	-113	-113	-111	-225	-223
Derivatives and other fair value adjustments	828	-55	21	773	49
Operating earnings	**1 150**	**253**	**184**	**1 403**	**351**

Depreciation of NOK -113 million in line with previous quarters.

Derivatives and other fair value adjustments reflects a significant higher mark to market valuation of embedded derivatives sensitive to change in paper and pulpwood prices mainly related to energy contracts in Norway. The external forecast prices on paper has decreased and the prices on pulpwood have increased compared to Q4 2018 and compared to the previous quarter, which have a significant positive effect on the embedded derivatives in the second quarter of 2019.

NOK MILLION	Q2 2019	Q1 2019	Q2 2018	YTD 2019	YTD 2018
Financial items	-68	8	-3	-59	-117
Income taxes	-50	-109	1	-159	-24
Profit/loss for the period	**1 032**	**153**	**183**	**1 184**	**210**

Financial items increase with NOK 76 million mainly due to currency. Net interest expenses redused by NOK 12 million to NOK 42 million as a result of lower interest-bearing debt.

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

DIVERSIFICATION BEYOND PUBLICATION PAPER

The Group has launched several growth initiatives beyond its traditional publication paper business. These initiatives broaden the operations of the Group, from renewable energy in the form of biogas to wood pellets to fibre-based construction boards. Currently, the Group has some 25 to 30 initiatives, which it explores. The initiatives are at various stages of the development cycle, ranging from early-phase research to final stages of implementation. At the Bruck paper mill, a EUR 72 million investment in a waste-to-energy facility decided in June 2019 to provide additional revenue and cost savings potential. By 2023, the Group expects approximately 25% of its EBITDA to be generated from non-paper growth initiatives.

SEGMENT INFORMATION

PUBLICATION PAPER EUROPE

NOK MILLION (unless otherwise stated)	Q2 2019	Q1 2019	Q2 2018	YTD 2019	YTD 2018
Total operating income	2 528	2 366	2 196	4 895	4 324
EBITDA	**419**	**393**	**208**	**811**	**412**
EBITDA margin (%)	16.6	16.6	9.5	16.6	9.5
Return on capital employed (%) (annualised)	32.7	30.3	15.4	31.2	14.8
Production (1 000 tonnes)	433	446	470	878	918
Deliveries (1 000 tonnes)	441	416	458	857	899
Production / capacity (%)	90	93	97	91	95

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

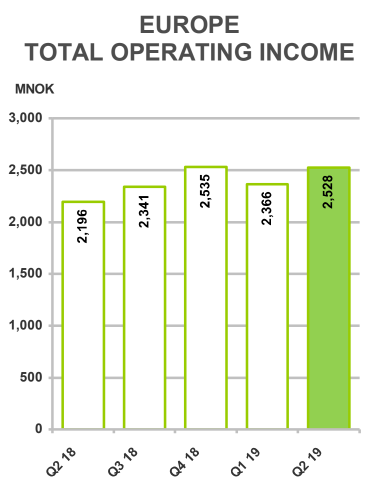
Operating income increased from the previous quarter with higher sales volumes and gain on sale of a power plant in Bruck of NOK 89 million.

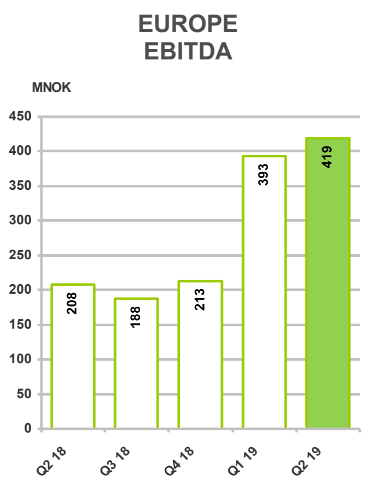
Variable cost increased per tonne due to higher cost for input factors. Fixed costs were slightly up compared to the previous quarter due to higher labour and maintenance costs.

EBITDA increased in the period as a consequence of the income from the sale of the power plant while other revenue from sale of CO2 quotas was reduced compared to previous quarter.

Demand for newsprint in Europe decreased by 6% through June this year compared to the same period last year. Magazine paper demand declined with SC paper decreasing 11% and LWC paper decreasing 12%.

Capacity utilisation was 90% in the period.





PUBLICATION PAPER AUSTRALASIA

NOK MILLION (unless otherwise stated)	Q2 2019	Q1 2019	Q2 2018	YTD 2019	YTD 2018
Total operating income	774	747	832	1 521	1 660
EBITDA	**20**	**43**	**71**	**63**	**126**
EBITDA margin (%)	2.6	5.7	8.5	4.1	7.6
Return on capital employed (%) (annualised)	-2.7	6.1	23.7	2.9	15.4
Production (1 000 tonnes)	155	139	148	294	310
Deliveries (1 000 tonnes)	149	133	152	283	318
Production / capacity (%)	89	80	84	84	87

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

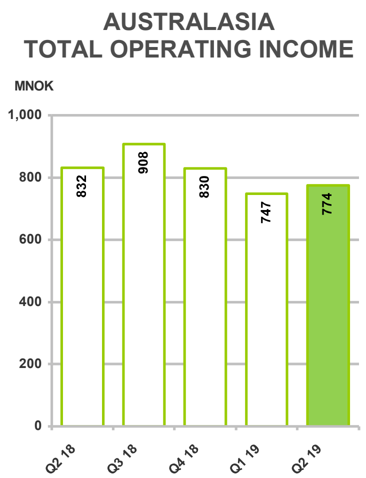
Operating income increased from the previous quarter with higher sales volumes.

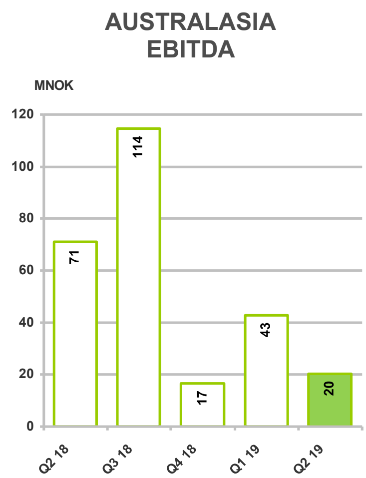
Variable costs per tonne was reduced in the period and fixed costs were flat in the quarter.

EBITDA decreased compared with the previous quarter as Asian export prices continued to decline and more than offset increased volume.

Demand for newsprint in Australasia declined by 7% through June this year compared to the same period last year. Demand for magazine paper increase by 6%.

Capacity utilisation was 89% in the period improving from the previous quarter which reflected better operating performance and less market related downtime.





OTHER ACTIVITIES

NOK MILLION	Q2 2019	Q1 2019	Q2 2018	YTD 2019	YTD 2018
Total operating income	44	34	38	78	70
EBITDA	**5**	**-6**	**0**	**-1**	**-8**

Operating income in other activities mainly consist of non-paper related operations defined as Green Energy. Other activites also include unallocated headquarter costs. The unallocated headquarter costs are approximately NOK 40 million per annum, but are not uniformly distributed throughout the quarters of the year.

CASH FLOW

NOK MILLION	Q2 2019	Q1 2019	Q2 2018	YTD 2019	YTD 2018
EBITDA	444	429	279	873	530
Change in working capital	35	-75	63	-40	2
Restructuring activities	-13	-4	-2	-17	-6
Gain and losses from divestment of business activities and PPE	-89	0	0	-89	-1
Net financial items	-50	-20	-19	-69	-33
Taxes paid	-91	-1	-7	-92	-8
Other items	-11	-23	-11	-34	-21
Net cash flow from operating activities	**225**	**305**	**303**	**531**	**464**
Purchases of property, plant and equipment and intangible assets	**-78**	**-77**	**-46**	**-154**	**-111**

Net cash flow from operating activities was NOK 225 million in the second quarter reflecting the improved operating environment in 2019, however lower than the previous quarter due to payment of taxes. Taxes paid in the quarter is higher due to a change of schedule for payment of income tax for Golbey.

BALANCE SHEET

NOK MILLION	30 JUN 2019	31 MAR 2019	30 JUN 2018
Non-current assets	5 512	4 878	4 666
Cash and cash equivalents	**861**	**638**	**718**
Other current assets	2 998	3 037	2 674
Total assets	9 372	8 553	8 058
Equity	**4 560**	**2 456**	**-1 275**
Non-current liabilities	2 403	3 417	2 403
Current liabilities	2 409	2 680	6 930
Net interest-bearing debt	**941**	**2 115**	**5 455**

Other non-current assets increased in the second quarter due to higner mark to market valuation of embedded dervatives.

Cash and cash equivalents increased by NOK 223 million to NOK 861 million at quarter end.. and includes restricted cash of NOK 154 milion. Net cash from loans amounted to NOK 95 million in the quarter.

Group equity was NOK 4.6 billion giving an equity ratio of 49% reflecting the underlying profit for the period as well as conversion of shareholder's debt to equity of NOK 1.1 billion in the quarter.

Net interest-bearing debt was NOK 941 million at quarter end.

INTERIM FINANCIAL STATEMENTS, SECOND QUARTER OF 2019

CONDENSED CONSOLIDATED INCOME STATEMENT

NOK MILLION	NOTE	Q2 2019	Q1 2019	Q2 2018	YTD 2019	YTD 2018
Operating revenue		3 158	2 996	2 983	6 154	5 875
Other operating income		158	111	57	270	126
Total operating income	5	**3 316**	**3 107**	**3 040**	**6 423**	**6 001**
Distribution costs		-308	-304	-323	-612	-635
Cost of materials		-1 853	-1 687	-1 750	-3 540	-3 479
Employee benefit expenses		-476	-456	-462	-932	-914
Other operating expenses		-235	-231	-226	-466	-442
Restructuring expenses		-9	-8	-4	-18	-5
Depreciation	4	-113	-113	-111	-225	-223
Derivatives and other fair value adjustments	7	828	-55	21	773	49
Operating earnings		**1 150**	**253**	**184**	**1 403**	**351**
Financial items	6	-68	8	-3	-59	-117
Profit/loss before income taxes		**1 082**	**261**	**181**	**1 343**	**233**
Income taxes		-50	-109	1	-159	-24
Profit/loss for the period		**1 032**	**153**	**183**	**1 184**	**210**
Basic earnings per share (NOK)		NA	NA	NA	NA	NA
Diluted earnings per share (NOK)		NA	NA	NA	NA	NA

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

NOK MILLION	Q2 2019	Q1 2019	Q2 2018	YTD 2019	YTD 2018
Profit/loss for the period	**1 032**	**153**	**183**	**1 184**	**210**
Other comprehensive income					
Items that may be reclassified subsequently to profit or loss					
Currency translation differences	-28	-62	-33	-90	-58
Tax expense on translation differences	0	0	0	0	0
Other comprehensive income for the period	**-28**	**-62**	**-33**	**-90**	**-58**
Total omprehensive income for the period	**1 004**	**91**	**150**	**1 094**	**151**

CONDENSED CONSOLIDATED BALANCE SHEET

NOK MILLION	NOTE	30 JUN 2019	31 MAR 2019	31 DEC 2018	30 JUN 2018
Deferred tax asset		64	64	64	65
Intangible assets	4	26	66	30	29
Property, plant and equipment	4	4 459	4 513	4 483	4 422
Investments in associated companies	3	1	1	1	1
Other non-current assets	7	962	234	211	150
Total non-current assets		**5 512**	**4 878**	**4 789**	**4 666**
Inventories		1 547	1 502	1 304	1 216
Trade and other receivables		1 227	1 223	1 403	1 341
Cash and cash equivalents		861	638	912	718
Other current assets	7	224	312	157	117
Total current assets		**3 859**	**3 675**	**3 776**	**3 391**
Total assets		**9 372**	**8 553**	**8 565**	**8 058**
Paid-in equity	8	8 510	7 409	7 409	5 160
Retained earnings and other reserves		-3 950	-4 953	-5 044	-6 435
Total equity		**4 560**	**2 456**	**2 365**	**-1 275**
Pension obligations		260	261	271	249
Deferred tax liability		326	329	328	321
Interest-bearing non-current liabilities	6	1 473	2 348	2 318	1 321
Other non-current liabilities	7	343	480	353	513
Total non-current liabilities		**2 403**	**3 417**	**3 270**	**2 403**
Interest-bearing current liabilities	6	329	405	862	4 852
Trade and other payables		1 796	1 822	1 864	1 749
Tax payable		144	181	87	36
Other current liabilities	7	140	272	118	293
Total current liabilities		**2 409**	**2 680**	**2 931**	**6 930**
Total liabilities		**4 811**	**6 097**	**6 200**	**9 333**
Total equity and liabilities		**9 372**	**8 553**	**8 565**	**8 058**

SKØYEN, 22 AUGUST 2019
THE BOARD OF DIRECTORS OF NORSKE SKOG AS

Sven Ombudstvedt
Chair and CEO

Jen-Yue (John) Chiang
Board member

Arvid Grundekjøn
Board member

Svein Erik Veie
Board member

Paul Kristiansen
Board member

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

NOK MILLION	Q2 2019	Q1 2019	Q2 2018	YTD 2019	YTD 2018
Cash generated from operations	3 312	3 265	3 134	6 577	6 155
Cash used in operations	-2 946	-2 939	-2 805	-5 885	-5 651
Cash flow from currency hedges and financial items	-9	-7	-12	-16	-21
Interest payments received	2	2	1	5	3
Interest payments made	-43	-15	-8	-58	-15
Taxes paid	-91	-1	-7	-92	-8
Net cash flow from operating activities [1)]	**225**	**305**	**303**	**531**	**464**
Purchases of property, plant and equipment and intangible assets	-78	-77	-46	-154	-111
Sales of property, plant and equipment and intangible assets	0	0	0	0	1
Purchase of shares in companies and other financial payments	-15	-15	-12	-30	-19
Sales of shares in companies and other financial instruments	4	0	119	4	119
Net cash flow from investing activities	**-88**	**-92**	**62**	**-180**	**-9**
New loans raised	1 261	26	91	1 287	99
Repayments of loans	-1 166	-501	-111	-1 667	-244
Net cash flow from financing activities	**95**	**-474**	**-21**	**-379**	**-146**
Foreign currency effects on cash and cash equivalents	-9	-13	-2	-23	-24
Total change in cash and cash equivalents	**223**	**-274**	**341**	**-51**	**285**
Cash and cash equivalents at start of period	638	912	376	912	433
Cash and cash equivalents at end of period	861	638	718	861	718
[1)] Reconciliation of net cash flow from operating activities					
Profit/loss before income taxes	1 082	261	181	1 343	233
Change in working capital	35	-75	63	-40	2
Change in restructuring provisions	-3	4	2	1	-1
Depreciation and impairments	113	113	111	225	223
Derivatives and other fair value adjustments	-829	35	-27	-793	-60
Gain and losses from divestment of business activities and PPE	-89	0	0	-89	-1
Share of profit in associated companies	0	0	0	0	0
Net financial items without cash effect	18	28	-17	-10	84
Taxes paid	-91	-1	-7	-92	-8
Change in environmental provision	0	0	0	0	0
Change in pension obligations and other employee benefits	-4	-3	-2	-7	-6
Adjustment for other items	-7	0	-2	-7	-4
Net cash flow from operating activities	**225**	**305**	**303**	**531**	**464**

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN GROUP EQUITY

NOK MILLION	Paid-in equity	Other paid-in equity	Retained earnings	Total equity
Equity 1 January 2018	**5 160**	**0**	**-6 586**	**-1 427**
Profit/loss for the period	0	0	27	27
Other comprehensive income for the period	0	0	-25	-25
Equity 31 March 2018	**5 160**	**0**	**-6 584**	**-1 425**
Profit/loss for the period	0	0	183	183
Other comprehensive income for the period	0	0	-33	-33
Equity 30 June 2018	**5 160**	**0**	**-6 435**	**-1 275**
Profit/loss for the period	0	0	1 315	1 315
Derecognition of debt	0	2 249	0	2 249
Other comprehensive income for the period	0	0	75	75
Equity 31 December 2018	**5 160**	**2 249**	**-5 044**	**2 365**
Profit/loss for the period	0	0	153	153
Other comprehensive income for the period	0	0	-62	-62
Equity 31 March 2019	**5 160**	**2 249**	**-4 953**	**2 456**
Profit/loss for the period	0	0	1 032	1 032
Increase in share capital	1 102	0	0	1 102
Other comprehensive income for the period	0	0	-28	-28
Equity 30 June 2019	**6 261**	**2 249**	**-3 949**	**4 560**

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1. GENERAL INFORMATION

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

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

The table below shows the applied average (un-weighted monthly) foreign exchange rates per quarters (Q2 2019 and Q1 2019) and the closing exchange rate at month ends for the most important currencies for the Norske Skog group.

	Q2 2019	Q1 2019	30 JUN 2019	31 MAR 2019	31 DEC 2018
AUD	6.05	6.11	5.97	6.11	6.13
EUR	9.72	9.74	9.69	9.66	9.95
GBP	11.11	11.17	10.81	11.25	11.12
NZD	5.73	5.85	5.72	5.85	5.83
USD	8.65	8.58	8.52	8.60	8.69

2. ACCOUNTING POLICIES

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

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

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

New standards adopted by the group

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

- Right-of-use assets and lease liability: NOK 127 million

And the full year effects 2019 on the consolidated financial statements are estimated as follows:

- Decresed operating expenses: NOK 30 million

- Increased interest expenses: NOK 10 million

- Increased depreciations: NOK 30 million

3. ESTIMATES, JUDGEMENTS AND ASSUMPTIONS

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

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

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

Commodity contracts

Norske Skog's portfolio of commodity contracts consist mainly of contracts that are settled through physical delivery. Embedded derivatives in commodity contracts are measured at fair value and embedded derivatives that are not traded in an active marked, are assessed through valuation techniques.

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

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

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

Provisions

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

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

Contingent liabilities

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

4. PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

JAN-JUN 2019	PROPERTY, PLANT AND EQUIPMENT	RIGHT-OF-USE ASSETS	TOTAL PROPERTY PLANT AND EQUIPMENT	INTANGIBLE ASSETS
Carrying value at start of period	4 483	0	4 483	30
Addition due to implementation of IFRS 16	0	127	127	0
Additions *)	153	6	159	42
Depreciation	-189	-16	-206	-5
Value changes	-6	0	-6	0
Disposals	0	0	0	-41
Currency translation differences	-99	0	-99	0
Carrying value at end of period	**4 342**	**117**	**4 459**	**26**

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

PER OPERATING SEGMENTS

30 JUN 2019	TOTAL PROPERTY, PLANT AND EQUIPMENT	INTANGIBLE ASSETS
Publication paper Europe	3 173	7
Publication paper Australasia	1 261	10
Other activities	26	9
Total	**4 459**	**26**

5. OPERATING SEGMENTS

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

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

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

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

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

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

Q1 2019	PUBLICATION PAPER EUROPE	PUBLICATION PAPER AUSTRALASIA	OTHER ACTIVITIES	ELIMINATIONS	NORSKE SKOG GROUP
Operating revenue	2 263	740	33	-40	2 996
Other operating income	104	7	1	0	111
Total operating income	**2 366**	**747**	**34**	**-40**	**3 107**
Distribution costs	-215	-86	-2	0	-304
Cost of materials	-1 271	-428	-4	15	-1 687
Employee benefit expenses	-312	-127	-17	0	-456
Other operating expenses	-175	-63	-18	25	-231
EBITDA	**393**	**43**	**-6**	**0**	**429**
Restructuring expenses	-2	0	-7	0	-8
Depreciation	-81	-28	-3	0	-113
Derivatives and other fair value adjustments	0	-6	-50	0	-55
Operating earnings	**310**	**9**	**-65**	**0**	**253**
Share of operating revenue from external parties (%)	99	100	31		100

Q2 2018	PUBLICATION PAPER EUROPE	PUBLICATION PAPER AUSTRALASIA	OTHER ACTIVITIES	ELIMINATIONS	NORSKE SKOG GROUP
Operating revenue	2 166	805	38	-27	2 983
Other operating income	30	27	1	0	57
Total operating income	**2 196**	**832**	**38**	**-27**	**3 040**
Distribution costs	-229	-92	-3	0	-323
Cost of materials	-1 279	-470	-2	0	-1 750
Employee benefit expenses	-318	-130	-14	0	-462
Other operating expenses	-163	-70	-20	27	-226
EBITDA	**208**	**71**	**0**	**0**	**279**
Restructuring expenses	-3	1	-2	0	-4
Depreciation	-80	-29	-2	0	-111
Derivatives and other fair value adjustments	0	-6	26	0	21
Operating earnings	**125**	**37**	**22**	**0**	**184**
Share of operating revenue from external parties (%)	100	100	33		100

YTD 2019	PUBLICATION PAPER EUROPE	PUBLICATION PAPER AUSTRALASIA	OTHER ACTIVITIES	ELIMINATIONS	NORSKE SKOG GROUP
Operating revenue	4 648	1 507	68	-70	6 154
Other operating income	246	13	10	0	270
Total operating income	**4 895**	**1 521**	**78**	**-70**	**6 423**
Distribution costs	-428	-178	-6	0	-612
Cost of materials	-2 660	-895	-5	20	-3 540
Employee benefit expenses	-645	-254	-33	0	-932
Other operating expenses	-350	-131	-35	50	-466
EBITDA	**811**	**63**	**-1**	**0**	**873**
Restructuring expenses	-2	-7	-10	0	-18
Depreciation	-163	-56	-6	0	-225
Derivatives and other fair value adjustments	0	-14	787	0	773
Operating earnings	**646**	**-14**	**770**	**0**	**1 403**
Share of operating revenue from external parties (%)	100	100	40		100

YTD 2018	PUBLICATION PAPER EUROPE	PUBLICATION PAPER AUSTRALASIA	OTHER ACTIVITIES	ELIMINATIONS	NORSKE SKOG GROUP
Operating revenue	4 232	1 627	68	-53	5 875
Other operating income	92	33	1	0	126
Total operating income	**4 324**	**1 660**	**70**	**-53**	**6 001**
Distribution costs	-446	-184	-4	0	-635
Cost of materials	-2 525	-956	1	0	-3 479
Employee benefit expenses	-618	-261	-35	0	-914
Other operating expenses	-323	-133	-40	53	-442
EBITDA	**412**	**126**	**-8**	**0**	**530**
Restructuring expenses	-3	0	-2	0	-5
Depreciation	-160	-58	-4	0	-223
Derivatives and other fair value adjustments	0	-13	62	0	49
Operating earnings	**249**	**55**	**48**	**0**	**351**
Share of operating revenue from external parties (%)	100	100	27		100

OTHER ACTIVITIES

INCOME STATEMENT	Q2 2019	Q1 2019	Q2 2018	YTD 2019	YTD 2018
OTHER OPERATING REVENUE					
Corporate functions	24	24	26	48	51
Green energy and other	20	10	13	30	18
Eliminations	0	0	0	0	0
Total	**44**	**34**	**38**	**78**	**70**
EBITDA					
Corporate functions	-5	-6	0	-11	-5
Green energy and other	10	0	0	10	-2
Eliminations	0	0	0	0	0
Total	**5**	**-6**	**0**	**-1**	**-8**

6. FINANCIAL ITEMS AND DEBT REPAYMENTS

FINANCIAL ITEMS

NOK MILLION	Q2 2019	Q1 2019	Q2 2018	YTD 2019	YTD 2018
Net interest expenses	**-42**	**-54**	**-157**	**-97**	**-311**
Currency gains/losses [*)]	-16	73	63	57	131
Other financial items	-9	-10	91	-20	62
Total financial items	**-68**	**8**	**-3**	**-59**	**-117**

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

FINANCING

In June 2019 Norske Skog AS issued a EUR 125 million senior secured bond. The bond matures in June 2022 and has an interest rate of EURIBOR (zero floor) + 6% with quarterly interest payments. The proceeds were used to refinance existing debt. In addition, in June 2019, Norske Skog AS established a revolving credit facility of EUR 31 million. The facility has a tenor of three years. The facility was undrawn per 30.06.2019 and is as such not included as interest bearing debt. The remaining financing arrangements for the group includes leasing, factoring, and other credit facilities on mill level.

BONDS

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

DEBT REPAYMENT SCHEDULE*

NOK MILLION	2019**	2020	2021	2022	2023-
Bond loan	0	0	0	1 212	0
Debt to credit institutions	272	49	34	35	109
Total	**272**	**49**	**34**	**1 247**	**109**

*Not including items relating to IFRS 16 and amortized costs.
**Remainder of 2019. Expected debt installmet in second half of 2019 is NOK 33 million.

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

The Norske Skog AS EUR 100 million securitization facility (NSF) was wholly repaid in June 2019.

Financed amounts from securitization arrangements is classified as interest-bearing current liabilities. This amounts to NOK 239 million in debt repayment in Q3 2019. The financed amount represents a group of individual loans, which are settled individually at maturity of the accounts receivable. New loans are initiated on a consecutive basis based on new accounts receivable included under the securitisation agreement. The liability is in its nature current and Norske Skog does not have an unconditional right to defer settlement beyond twelve months. The liabilities are liabilities that are settled through its normal operating cycle. The corresponding accounts receivable is derecognised when the customer pays it.

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

	ASSETS		LIABILITIES	
30 JUN 2019	CURRENT	NON-CURRENT	CURRENT	NON-CURRENT
Energy contracts and embedded derivatives in energy contracts (level 3)	150	838	-12	-9
Energy contracts (level 2)	0	0	-67	-16
Other raw material contracts (level 3)	0	0	0	0
Other derivatives and financial instruments carried at fair value (level 2)	0	0	0	0
Total	**150**	**838**	**-80**	**-26**

Norske Skog's portfolio of commodity contracts consists primarily of contracts that at settled through physical delivery. The fair value of financial energy contracts is particularly sensitive to future fluctuations in energy prices. The fair value of embedded derivatives in physical contracts depends on paper prices, pulpwood prices, currency and price index fluctuations. Higher energy prices have a positive impact on fair value. Energy prices in New Zealand have decreased in the short end and have increased in the long end of the price curve compared to previous quarter.

The energy contracts in Norway are nominated in EUR. The energy contracts at Skogn and Saugbrugs expires in the end of 2026, and both contracts have a yearly consumption of 876 000 MWh. The contract prices are sensitive to change in paper and pulpwood prices. These contracts contain embedded derivatives that are recognised at fair value in accordance with IFRS 9 *Financial instruments - recognition and measurement*. The assumed paper and pulpwood prices in the contract period are based on forecasts from external sources independent of the company. The base line for price assumptions used in the initial valuation was the forecasts as of Q4 2018 when the electricity contracts started. The external forecast prices on paper has decrease and the prices on pulpwood have increased compared to Q4 2018 and compared to the previous quarter, which have a significant positive effect on the embedded derivatives in the second quarter of 2019.

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

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

Gains and losses on level 3 financial instruments recognised in the income statement, line item Derivatives and other fair value adjustments, amounted to NOK 805 million in the second quarter (NOK 811 million year to date 2019).

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

8. PRINCIPAL SHAREHOLDERS

	NUMBER OF SHARES	OWNERSHIP %
NS Norway Holding AS	30 000	100
Total	**30 000**	**100**

9. THE NORSKE SKOG SHARE

	30 JUN 2019	31 MAR 2019	31 DEC 2018	30 JUN 2018
Share price (NOK)	NA	NA	NA	NA
Book value of equity per share (NOK)	NA	NA	NA	NA

10. EVENTS AFTER THE BALANCE SHEET DATE

On 8 August 2019, The Ministry of Climate and Environment amends The Norwegian Environment Agency's decision of 19 December 2013 on the basis for CO2 compensation for Norske Skog Saugbrugs AS. The changes are that Saugbrugs will not receive a reduction in CO2-compensation for the years 2018, 2019 and 2020. For the years 2018 and 2019 the compensation amounts to NOK 32 million and NOK 86 million respectively. The CO2-compensation for 2020 depends on the future CO2 quota prices.

Norske Skog has initiated a process to consider an initial public offering ("IPO") and listing of its shares on Oslo Stock Exchange. The possible IPO and listing of the shares is expected to be concluded in the second half of 2019, subject to prevalent market conditions.

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

11. HISTORICAL FIGURES

INCOME STATEMENT	Q2 2019	Q1 2019	Q4 2018	Q3 2018	Q2 2018
Total operating income	**3 316**	**3 107**	**3 378**	**3 263**	**3 040**
Variable costs	-2 161	-1 991	-2 433	-2 276	-2 073
Fixed costs	-711	-687	-746	-685	-688
EBITDA	**444**	**429**	**199**	**302**	**279**
Restructuring expenses	-9	-8	-6	-4	-4
Depreciation	-113	-113	-113	-109	-111
Derivatives and other fair value adjustment	828	-55	331	-26	21
Operating earnings	**1 150**	**253**	**412**	**163**	**184**
Share of profit in associated companies	0	0	-9	0	0
Financial items	-68	8	-67	871	-3
Profit/loss before income taxes	**1 082**	**261**	**336**	**1 034**	**181**
Income taxes	-50	-109	-27	-27	1
Profit/loss for the period	**1 032**	**153**	**309**	**1 006**	**183**

SEGMENT INFORMATION	Q2 2019	Q1 2019	Q4 2018	Q3 2018	Q2 2018
Publication paper Europe					
Total operating income	2 528	2 366	2 535	2 341	2 196
EBITDA	419	393	213	188	208
Deliveries (1 000 tonnes)	441	416	485	464	458
Publication paper Australasia					
Total operating income	774	747	830	908	832
EBITDA	20	43	17	114	71
Deliveries (1 000 tonnes)	149	133	150	168	152
Other activities					
Total operating income	44	34	37	42	38
EBITDA	5	-6	-31	0	0

BALANCE SHEET	30 JUN 2019	31 MAR 2019	31 DEC 2018	30 SEP 2018	30 JUN 2018
Total non-current assets	**5 512**	**4 878**	**4 789**	**4 586**	**4 666**
Inventories	1 547	1 502	1 304	1 300	1 216
Trade and other receivables	1 227	1 223	1 403	1 455	1 341
Cash and cash equivalents	861	638	912	630	718
Other current assets	224	312	157	79	117
Total current assets	**3 859**	**3 675**	**3 776**	**3 465**	**3 391**
Total assets	**9 372**	**8 553**	**8 565**	**8 051**	**8 058**
Total equity	**4 560**	**2 456**	**2 365**	**1 969**	**-1 275**
Total non-current liabilities	**2 403**	**3 417**	**3 270**	**2 407**	**2 403**
Trade and other payables	1 796	1 822	1 864	1 841	1 749
Other current liabilities	613	858	1 067	1 834	5 181
Total current liabilities	**2 409**	**2 680**	**2 931**	**3 675**	**6 930**
Total liabilities	**4 811**	**6 097**	**6 200**	**6 082**	**9 333**
Total equity and liabilities	**9 372**	**8 553**	**8 565**	**8 051**	**8 058**

CASH FLOW	Q2 2019	Q1 2019	Q4 2018	Q3 2018	Q2 2018
Reconciliation of net cash flow from operating activities					
EBITDA	444	429	199	302	279
Change in working capital	35	-75	146	-153	63
Payments made relating to restructuring activities	-13	-4	-11	-9	-2
Gain and losses from divestment of business activites and PPE	-89	0	0	0	0
Cash flow from net financial items	-50	-20	-23	-14	-19
Taxes paid	-91	-1	-6	-6	-7
Other	-11	-23	0	-8	-11
Net cash flow from operating activities	**225**	**305**	**305**	**112**	**303**
Purchases of property, plant and equipment and intangible assets	-78	-77	-105	-63	-46
Net divestments	-11	-15	-3	-8	107
Net cash flow from investing activities	**-88**	**-92**	**-109**	**-71**	**62**
Net cash flow from financing activities	**95**	**-474**	**56**	**-126**	**-21**
Foreign currency effects on cash and cash equivalents	**-9**	**-13**	**29**	**-3**	**-2**
Total change in cash and cash equivalents	**223**	**-274**	**282**	**-87**	**341**

ALTERNATIVE PERFORMANCE MEASURES

The European Securities and Markets Authority's (ESMA) has defined new guidelines for alternative performance measures (APM). An APM is a financial measure of historical or future financial performance, financial position, or cash flow figures, other than a financial measure defined or specified in the applicable financial reporting framework. In order to enhance investors' understanding of the group's performance, the company presents in the interim financial statements for second quarter APMs as described below:

EBITDA: Operating earnings for the period, before restructuring expenses, depreciation and amortization and impairment charges, derivatives and other fair value adjustments, determined on an entity, combined or consolidated basis.

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

Return on capital employed (annualised): (Annualised EBITDA – Annualised Capital expenditure) / Capital employed (average). Return on capital employed assist in providing a more comprehensive analysis of returns relative to other companies.

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

Fixed costs: Employee benefit expenses + other operating expenses.

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

EBITDA	Q2 2019	Q1 2019	Q2 2018	YTD 2019	YTD 2018
Operating earnings	1 150	253	184	1 403	351
Restructuring expenses	9	8	4	18	5
Depreciation	113	113	111	225	223
Impairment	-	-	-	-	-
Derivatives and other fair value adjustments	-828	55	-21	-773	-49
EBITDA	**444**	**429**	**279**	**873**	**530**

RETURN ON CAPITAL EMPLOYED (ANNUALISED)	Q2 2019	Q1 2019	Q2 2018	YTD 2019	YTD 2018
EBITDA	444	429	279	873	530
Capital expenditure	79	75	45	154	110
Average capital employed	5 473	5 419	5 361	5 410	5 333
Return on capital employed (annualised)	**26.8%**	**26.0%**	**17.4%**	**26.6%**	**15.9%**

CAPITAL EMPLOYED	30 JUN 2019	31 MAR 2019	31 DEC 2018	30 JUN 2018
Intangible assets	26	66	30	29
Tangible assets	4 459	4 513	4 483	4 422
Inventory	1 547	1 502	1 304	1 216
Trade and other receivables	1 227	1 223	1 403	1 341
Trade and other payables	-1 796	-1 822	-1 864	-1 749
Capital employed	**5 464**	**5 482**	**5 356**	**5 258**

NET INTEREST BEARING DEBT	30 JUN 2019	31 MAR 2019	31 DEC 2018	30 JUN 2018
Interest bearing non-current liabilities	1 473	2 348	2 318	1 321
Interest bearing current liabilities	329	405	862	4 852
Cash and cash equivalents	-861	-638	-912	-718
Net interest bearing debt	**941**	**2 115**	**2 268**	**5 455**

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Report on Review of Interim Financial Information

To Norske Skog AS

Introduction

We have reviewed the accompanying condensed consolidated balance sheet of Norske Skog AS as of June 30, 2019 and the related condensed statements of income, changes in equity and cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. Management is responsible for the preparation and fair presentation of this interim financial information in accordance with International Accounting Standard 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements 2410, Review of Interim Financial Information Performed by the Independent Auditor of the Entity. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed interim financial information does not give a true and fair view of the financial position of the entity as at June 30 2019, and of its financial performance and its cash flows for the six-month period then ended in accordance with International Accounting Standard 34 "Interim Financial Reporting".

Other matter

The corresponding figures for the six-months period ending June 30, 2018 have not been subjected to review.

Oslo, 22 August 2019
BDO AS

Terje Tvedt
State Authorized Public Accountant, Norway

APPENDIX D

APPLICATION FORM FOR THE RETAIL OFFERING IN ENGLISH

APPLICATION FORM FOR THE RETAIL OFFERING

General information: The terms and conditions for the Retail Offering are set out in the prospectus dated 7 October 2019 (the "**Prospectus**"), which has been issued by Norske Skog ASA (the "**Company**") in connection with the initial public offering (the "**Offering**") of existing shares in the Company by Oceanwood Special Situations Malta Limited ("**Oceanwood**") through NS Norway Holding AS (the "**Selling Shareholder**") and the listing of the Company's Shares on the Oslo Stock Exchange. All capitalised terms not defined herein shall have the meaning as assigned to them in the Prospectus.

Application procedure: Norwegian applicants in the Retail Offering who are residents of Norway with a Norwegian personal identification number may apply for Offer Shares through the VPS online application system by following the link to such online application system on the following websites: www.abgsc.no, www.dnb.no/emisjoner and www.carnegie.no. Applications in the Retail Offering can also be made by using this Retail Application Form. Retail Application Forms must be correctly completed and submitted by the expiry of the Application Period to one of the following application offices:

ABG Sundal Collier ASA	**DNB Markets Registrars Department**	**Carnegie AS**
Munkedamsveien 45E P.O. Box 1444 Vika Norway Tel: +47 22 01 60 00 E-mail: subscription@abgsc.no	Dronning Eufemias gate 30 P.O. Box 1600 Sentrum Norway Tel: +47 23 26 80 20 E-mail: retail@dnb.no	Fjordalleen 16 P.O. Box 684 Sentrum Norway Tel: +47 22 00 93 60 E-mail: subscriptions@carnegie.no

The applicant is responsible for the correctness of the information filled in on this Retail Application Form. Retail Application Forms that are incomplete or incorrectly completed, electronically or physically, or that are received after the expiry of the Application Period, and any application that may be unlawful, may be disregarded without further notice to the applicant. **Subject to any shortening or extension of the Application Period, applications made through the VPS online application system must be duly registered by 12:00 hours (CEST) on 16 October 2019, while applications made on Retail Application Forms must be received by one of the application offices by the same time**. None of the Company, the Selling Shareholder or any of the Managers may be held responsible for postal delays, unavailable fax lines, internet lines or servers or other logistical or technical matters that may result in applications not being received in time or at all by any of the application offices. All applications made in the Retail Offering will be irrevocable and binding upon receipt of a duly completed Retail Application Form, or in the case of applications through the VPS online application system, upon registration of the application, irrespective of any shortening or extension of the Application Period, and cannot be withdrawn, cancelled or modified by the applicant after having been received by the application office, or in the case of applications through the VPS online application system, upon registration of the application.

Price of Offer Shares: The Selling Shareholder has, in consultation with the Company and the Managers, set an Indicative Price Range for the Offering from NOK 35 to NOK 45 per Offer Share. The Selling Shareholder will, in consultation with the Company and the Managers, determine the final number of Offer Shares and the final Offer Price on the basis of the applications received and not withdrawn in the Institutional Offering during the Bookbuilding Period and the number of applications received in the Retail Offering and the Employee Offering. The Offer Price will be determined on or about 16 October 2019 and announced through the Oslo Stock Exchange's information system on or about the same date under the ticker code "NSKOG". The Indicative Price Range is non-binding and the Offer Price may be set within, below or above the Indicative Price Range. Each applicant in the Retail Offering will be permitted, but not required, to indicate when ordering through the VPS online application system or on the Retail Application Form that the applicant does not wish to be allocated Offer Shares should the Offer Price be set higher than the highest price in the Indicative Price Range (i.e. NOK 45 per Offer Share). If the applicant does so, the applicant will not be allocated any Offer Shares in the event that the Offer Price is set higher than the highest price in the Indicative Price Range. If the applicant does not expressly stipulate such reservation when ordering through the VPS online application system or on the Retail Application Form, the application will be binding regardless of whether the Offer Price is set within or above (or below) the Indicative Price Range.

Allocation, payment and delivery of Offer Shares: DNB Markets, a part of Bank ASA ("**DNB Markets**"), acting as settlement agent for the Retail Offering, expects to issue notifications of allocation of Offer Shares in the Retail Offering on or about 17 October 2019, by issuing allocation notes to the applicants by e-mail or otherwise. Any applicant wishing to know the precise number of Offer Shares allocated to it may contact one of the application offices listed above from on or about 17 October 2019 during business hours. Applicants who have access to investor services through an institution that operates the applicant's account with the VPS for the registration of holdings of securities ("**VPS account**") should be able to see how many Offer Shares they have been allocated from on or about 17 October 2019. In registering an application through the VPS online application system or by completing a Retail Application Form, each applicant in the Retail Offering will grant DNB Markets (on behalf of the Managers) an irrevocable authorisation to debit the applicant's Norwegian bank account for the total amount due for the Offer Shares allocated to the applicant. The applicant's bank account number must be stipulated on the VPS online application or on the Retail Application Form. Accounts will be debited on or about 18 October 2019 (the "**Payment Date**"), and there must be sufficient funds in the stated bank account from and including 17 October 2019. Applicants who do not have a Norwegian bank account must ensure that payment for the allocated Offer Shares is made on or before the Payment Date. Further details and instructions will be set out in the allocation notes to the applicant to be issued on or about 17 October 2019, or can be obtained by contacting one of the Managers. DNB Markets (on behalf of the Managers) reserves the right (but has no obligation) to make up to three debit attempts through 25 October 2019 if there are insufficient funds on the account on the Payment Date. Should any applicant have insufficient funds on its account, or should payment be delayed for any reason, or if it is not possible to debit the account, overdue interest will accrue and other terms will apply as set out under the heading "Overdue and missing payment" below. Subject to timely payment by the applicant, delivery of the Offer Shares allocated in the Retail Offering is expected to take place on or about 21 October 2019 (or such later date upon the successful debit of the relevant account).

Guidelines for the applicant: Please refer to the second page of this Retail Application Form for further application guidelines

Applicant's VPS account (12 digits):	**I/we apply for Offer Shares for a total of NOK (minimum NOK 10,500 and maximum NOK 1,999,999):**	**Applicant's bank account to be debited (11 digits):**

OFFER PRICE: My/our application is conditional upon the final Offer Price not being set above the Indicative Price Range (insert cross) **(must only be completed if the application is conditional upon the final Offer Price not being set above the Indicative Price Range):**	

I/we hereby irrevocably (i) apply for the number of Offer Shares allocated to me/us, at the Offer Price, up to the aggregate application amount as specified above subject to the terms and conditions set out in this Retail Application Form and in the Prospectus, (ii) authorise and instruct each of the Managers (or someone appointed by any of them) acting jointly or severally to take all actions required to purchase and/or subscribe the Offer Shares allocated to me/us on my/our behalf, to take all other actions deemed required by them to give effect to the transactions contemplated by this Retail Application Form, and to ensure delivery of such Offer Shares to me/us in the VPS, (iii) authorise DNB Markets to debit my/our bank account as set out in this Retail Application Form for the amount payable for the Offer Shares allocated to me/us, and (iv) confirm and warrant to have read the Prospectus and that I/we are aware of the risks associated with an investment in the Offer Shares and that I/we are eligible to apply for and purchase Offer Shares under the terms set forth therein.

Date and place*:	**Binding signature****:

* Must be dated during the Application Period.
** The applicant must be of legal age. If the Retail Application Form is signed by proxy, documentary evidence of authority to sign must be attached in the form of a power of attorney or company registration certificate.

DETAILS OF THE APPLICANT — ALL FIELDS MUST BE COMPLETED	
First name	Surname/Family name/Company name
Home address (for companies: registered business address)	Zip code and town
Identity number (11 digits) / business registration number (9 digits)	Nationality
Telephone number (daytime)	E-mail address

Please note: if the Retail Application Form is sent to the Managers by e-mail, the e-mail will be unsecured unless the applicant itself takes measures to secure it. The Retail Application Form may contain sensitive information, including national identification numbers, and the Managers recommend the applicant to send the Retail Application Form to the Managers in a secured e-mail. **Please refer to the second page of this Retail Application Form for further information on the Managers' processing of personal data.**

GUIDELINES FOR THE APPLICANT

THIS RETAIL APPLICATION FORM IS NOT FOR DISTRIBUTION OR RELEASE, IN WHOLE OR IN PART, DIRECTLY OR INDIRECTLY, IN OR INTO THE UNITED STATES OF AMERICA (INCLUDING ITS TERRITORIES AND POSSESSIONS, ANY STATE OF THE UNITED STATES OF AMERICA AND THE DISTRICT OF COLUMBIA), AUSTRALIA, CANADA, THE HONG KONG SPECIAL ADMINISTRATIVE REGION OF THE PEOPLE'S REPUBLIC OF CHINA OR JAPAN, OR ANY OTHER JURISDICTION IN WHICH THE DISTRIBUTION OR RELEASE WOULD BE UNLAWFUL. OTHER RESTRICTIONS ARE APPLICABLE. PLEASE SEE "SELLING RESTRICTIONS" BELOW.

Regulatory issues: Legislation passed throughout the European Economic Area (the "**EEA**") pursuant to Directive 2014/65/EU of the European Parliament and of the Council of 15 May 2014 on markets in financial instruments ("**MiFID II**") implemented in the Norwegian Securities Trading Act, imposes requirements on intermediaries in securities markets. In this respect, the Managers must categorise all new clients in one of three categories: Eligible counterparties, Professional clients and Non-professional clients. All applicants applying for Offer Shares in the Offering who/which are not existing clients of one of the Managers will be categorised as Non-professional clients. The applicant can by written request to the Managers ask to be categorised as a Professional client if the applicant fulfils the provisions of the Norwegian Securities Trading Act and ancillary regulations. For further information about the categorisation, the applicant may contact one of the Managers. The applicant represents that it has sufficient knowledge, sophistication and experience in financial and business matters to be capable of evaluating the merits and risks of an investment decision to invest in the Company by applying for Offer Shares, and the applicant is able to bear the economic risk, and to withstand a complete loss of an investment in the Company.

Execution only: As the Managers are not in the position to determine whether the application for Offer Shares is suitable for the applicant, the Managers will treat the application as an execution only instruction from the applicant to apply for Offer Shares in the Offering. Hence, the applicant will not benefit from the corresponding protection of the relevant conduct of business rules in accordance with the Norwegian Securities Trading Act.

Information Exchange: The applicant acknowledges that, under the Norwegian Securities Trading Act and the Norwegian Financial Undertakings Act and foreign legislation applicable to the Managers there is a duty of secrecy between the different units of the Managers as well as between the Managers and the other entities in the Managers' respective groups. This may entail that other employees of the Managers or the Managers' respective groups may have information that may be relevant to the subscriber, but which the Managers will not have access to in their capacity as Managers for the Retail Offering.

Information barriers: The Managers are securities firms offering a broad range of investment services. In order to ensure that assignments undertaken in the Managers' corporate finance departments are kept confidential, the Managers' other activities, including analysis and stock broking, are separated from their corporate finance departments by information barriers known as "Chinese walls". The applicant acknowledges that the Managers' analysis and stock broking activity may act in conflict with the applicant's interests with regard to transactions in the Offer Shares as a consequence of such Chinese walls.

VPS account and anti-money laundering procedures: The Retail Offering is subject to applicable anti-money laundering legislation, including the Norwegian Money Laundering Act of 1 June 2018 no. 23 and the Norwegian Money Laundering Regulation of 14 September 2018 no. 1324 (collectively, the "**Anti-Money Laundering Legislation**"). Applicants who are not registered as existing customers of one of the Managers must verify their identity to one of the Managers in accordance with requirements of the Anti-Money Laundering Legislation, unless an exemption is available. Applicants who have designated an existing Norwegian bank account and an existing VPS account on the Retail Application Form are exempted, unless verification of identity is requested by a Manager. Applicants who have not completed the required verification of identity prior to the expiry of the Application Period will not be allocated Offer Shares. Participation in the Retail Offering is conditional upon the applicant holding a VPS account. The VPS account number must be stated in the Retail Application Form. VPS accounts can be established with authorised VPS registrars, which can be Norwegian banks, authorised investment firms in Norway and Norwegian branches of credit institutions established within the EEA. Establishment of a VPS account requires verification of identity to the VPS registrar in accordance with the Anti-Money Laundering Legislation. However, non-Norwegian investors may use nominee VPS accounts registered in the name of a nominee. The nominee must be authorised by the Norwegian Ministry of Finance.

Selling restrictions: The Offering is subject to specific legal or regulatory restrictions in certain jurisdictions, see Section 19 "Selling and Transfer Restrictions" in the Prospectus. Neither the Company nor the Selling Shareholder assume any responsibility in the event there is a violation by any person of such restrictions. The Offer Shares 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 any securities laws of any state or other jurisdiction of the United States and may not be taken up, offered, sold, resold, transferred, delivered or distributed, directly or indirectly, within, into or from the United States except pursuant to an applicable exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act and in compliance with the securities laws of any state or other jurisdiction of the United States. There will be no public offer in the United States. The Offer Shares will, and may, not be offered, sold, resold, transferred, delivered or distributed, directly or indirectly, within, into or from any jurisdiction where the offer or sale of the Offer Shares is not permitted, or to, or for the account or benefit of, any person with a registered address in, or who is resident or ordinarily resident in, or a citizen of, any jurisdiction where the offer or sale is not permitted, except pursuant to an applicable exemption. In the Retail Offering, the Offer Shares are being offered and sold to certain persons outside the United States in offshore transactions within the meaning of and in compliance with Rule 903 of Regulation S under the U.S. Securities Act.

The Company has not authorised any offer to the public of its securities in any Member State of the EEA other than Norway. With respect to each Member State of the EEA other than Norway which has implemented the EU Prospectus Regulation (each, a "**Relevant Member State**"), no action has been undertaken or will be undertaken to make an offer to the public of the Offer Shares requiring a publication of a prospectus in any Relevant Member State. Any offers outside Norway will only be made in circumstances where there is no obligation to produce a prospectus.

Stabilisation: In connection with the Offering, ABG Sundal Collier ASA ("**ABGSC**", as the "**Stabilisation Manager**"), or its agents, on behalf of the Managers, may from the first day of the Listing engage in transactions that stabilise, maintain or otherwise affect the price of the Shares for up to 30 days from the first day of the Listing. Specifically, the Stabilisation Manager may effect transactions with a view to supporting the market price of the Shares at a level higher than might otherwise prevail, through buying Shares in the open market at prices equal to or lower than the Offer Price. There is no obligation on the Stabilisation Manager and its agents to conduct stabilisation activities and there is no assurance that stabilisation activities will be undertaken. Such stabilisation activities, if commenced, may be discontinued at any time, and will be brought to an end at the latest 30 calendar days after the first day of the Listing.

Personal data: The applicant confirms that it has been provided information regarding the Managers' processing of personal data, and that it is informed that the Managers will process the applicant's personal data in order to manage and carry out the Offering and the application from the applicant, and to comply with statutory requirements.

The data controllers who are responsible for the processing of personal data are the Managers. The processing of personal data is necessary in order to fulfil the application and to meet legal obligations. The Norwegian Securities Trading Act and the Norwegian Money Laundering Act require that the Managers process and store information about clients and trades, and control and document activities. The applicant's data will be processed confidentially, but if it is necessary in relation to the aforementioned purposes or obligations, the personal data may be shared between the Managers, with the company(ies) participating in the Offering, with companies within the Managers' groups, VPS, stock exchanges and/or public authorities. The personal data will be processed as long as necessary for the purposes, and will subsequently be deleted unless there is a statutory duty to keep it.

If the Managers transfer personal data to countries outside the EEA, that have not been approved by the EU Commission, the Managers will make sure the transfer takes place in accordance with the legal mechanisms protecting the personal data, for example the EU Standard Contractual Clauses.

As a data subject, the applicants have several legal rights. This includes i.e. the right to access its personal data, and a right to request that incorrect information is corrected. In certain instances, the applicants will have the right to impose restrictions on the processing or demand that the information is deleted. The applicants may also complain to a supervisory authority if they find that the Managers' processing is in breach of the applicable laws. Supplementary information on processing of personal data and the applicants' rights can be found at the Managers' websites.

Investment decisions based on full Prospectus: Investors must neither accept any offer for, nor acquire any Offer Shares, on any other basis than on the complete Prospectus.

Terms and conditions for payment by direct debiting - securities trading: Payment by direct debiting is a service provided by cooperating banks in Norway. In the relationship between the payer and the payer's bank the following standard terms and conditions apply:

1. The service "Payment by direct debiting — securities trading" is supplemented by the account agreement between the payer and the payer's bank, in particular Section C of the account agreement, General terms and conditions for deposit and payment instructions.
2. Costs related to the use of "Payment by direct debiting — securities trading" appear from the bank's prevailing price list, account information and/or information is given by other appropriate manner. The bank will charge the indicated account for incurred costs.
3. The authorisation for direct debiting is signed by the payer and delivered to the beneficiary. The beneficiary will deliver the instructions to its bank who in turn will charge the payer's bank account.
4. In case of withdrawal of the authorisation for direct debiting the payer shall address this issue with the beneficiary. Pursuant to the Financial Contracts Act, the payer's bank shall assist if payer withdraws a payment instruction which has not been completed. Such withdrawal may be regarded as a breach of the agreement between the payer and the beneficiary.
5. The payer cannot authorise for payment a higher amount than the funds available at the payer's account at the time of payment. The payer's bank will normally perform a verification of available funds prior to the account being charged. If the account has been charged with an amount higher than the funds available, the difference shall be covered by the payer immediately.
6. The payer's account will be charged on the indicated date of payment. If the date of payment has not been indicated in the authorisation for direct debiting, the account will be charged as soon as possible after the beneficiary has delivered the instructions to its bank. The charge will not, however, take place after the authorisation has expired as indicated above. Payment will normally be credited the beneficiary's account between one and three working days after the indicated date of payment/delivery.
7. If the payer's account is wrongfully charged after direct debiting, the payer's right to repayment of the charged amount will be governed by the account agreement and the Financial Contracts Act.

Overdue and missing payments: Overdue payments will be charged with interest at the applicable rate under the Norwegian Act on Interest on Overdue Payments of 17 December 1976 no. 100, which at the date of the Prospectus is 9.25% per annum. Should payment not be made when due, the Offer Shares allocated will not be delivered to the applicant, and the Managers reserve the right, at the risk and cost of the applicant, to cancel at any time thereafter the application and to re-allot or, from the third day after the Payment Date, otherwise dispose of or assume ownership to the allocated Offer Shares, on such terms and in such manner as the Managers may decide (and the applicant will not be entitled to any profit therefrom). The original applicant will remain liable for payment of the Offer Price for the Offer Shares allocated to the applicant, together with any interest, costs, charges and expenses accrued, and the Company, the Selling Shareholder and/or the Managers may enforce payment of any such amount outstanding.

APPENDIX E

APPLICATION FORM FOR THE RETAIL OFFERING IN NORWEGIAN

BESTILLINGSBLANKETT FOR DET OFFENTLIGE TILBUDET

Generell informasjon: Vilkårene og betingelsene for det Offentlige Tilbudet fremgår av prospektet datert 7. oktober 2019 ("**Prospektet**"), som er utarbeidet av Norske Skog ASA ("**Selskapet**") i forbindelse med salget av eksisterende aksjer i Selskapet av Oceanwood Special Situations Malta Limited ("**Oceanwood**") gjennom NS Norway Holding AS (den "**Selgende Aksjonæren**") og noteringen av Selskapets aksjer på Oslo Børs. Prospektet inneholder også et norsk sammendrag. Alle definerte ord og uttrykk (angitt med stor bokstav) som ikke er definert i denne bestillingsblanketten, skal ha samme innhold som definisjonen av de tilsvarende engelskspråklige ord og uttrykk slik de er definert i Prospektet.

Bestillingsprosedyre: Norske bestillere i det Offentlige Tilbudet som er norske statsborgere med et norsk personnummer anbefales å foreta bestilling av Tilbudsaksjer gjennom VPS' nettbaserte bestillingssystemer ved å følge linken til slikt nettbasert bestillingssystem gjennom følgende internettsider: www.abgsc.no, www.dnb.no/emisjoner og www.carnegie.no. Bestillinger i det Offentlige Tilbudet kan også foretas ved å bruke denne bestillingsblanketten. Korrekt utfylt bestillingsblankett må være mottatt av et av de følgende bestillingskontorer før utløpet avbestillingsperioden:

ABG Sundal Collier ASA	**DNB Markets Registrars Department**	**Carnegie AS**
Munkedamsveien 45E	Dronning Eufemias gate 30	Fjordalleen 16
P.O. Box 1444 Vika	P.O. Box 1600 Sentrum	P.O. Box 684 Sentrum
Norway	Norway	Norway
Tel: +47 22 01 60 00	Tel: +47 23 26 80 20	Tel: +47 22 00 93 60
E-mail: subscription@abgsc.no	E-mail: retail@dnb.no	E-mail: subscriptions@carnegie.no

Bestilleren er ansvarlig for riktigheten av informasjonen som er fylt inn i bestillingsblanketten. Bestillingsblanketter som er ufullstendige eller uriktig utfylt, elektronisk eller på papir, eller som mottas etter utløpet av bestillingsperioden, og enhver bestilling som kan være ulovlig, kan bli avvist uten nærmere varsel til bestilleren. **Bestillinger som gjøres gjennom VPS' nettbaserte bestillingssystem må være registrert, og bestillinger som gjøres på bestillingsblanketter må være mottatt av et av bestillingskontorene, innen kl. 12.00 norsk tid den 16. oktober 2019, med mindre bestillingsperioden forkortes eller forlenges**. Verken Selskapet, den Selgende Aksjonæren eller noen av Tilretteleggerne kan holdes ansvarlig for forsinkelser i postgang, utilgjengelige fakslinjer, internettlinjer eller servere eller andre logistikk- eller tekniske problemer som kan resultere i at bestillinger ikke blir mottatt i tide, eller i det hele tatt, av noen av bestillingskontorene. Alle bestillinger i det Offentlige Tilbudet er ugjenkallelige og bindende og kan ikke trekkes, kanselleres eller endres av bestilleren etter at bestillingen er registrert i VPS' nettbaserte bestillingssystem eller hvis bestilling gjøres på bestillingsblankett, når komplett utfylt bestillingsblankett er mottatt av et av bestillingskontorene, uavhengig av en eventuell forkortelse eller forlengelse av bestillingsperioden.

Pris på Tilbudsaksjene: Den Selgende Aksjonæren har, i konsultasjon med Selskapet og Tilretteleggerne, fastsatt et Indikativt Prisintervall i Tilbudet fra NOK 35 til NOK 45 per Tilbudsaksje. Den Selgende Aksjonæren vil i samråd med Selskapet og Tilretteleggerne, fastsette endelig antall Tilbudsaksjer og den endelige Tilbudsprisen basert på bestillinger som mottas og som ikke trekkes tilbake i det Institusjonelle Tilbudet i løpet av bookbuilding-perioden og antall bestillinger mottatt i det Offentlige Tilbudet og Ansattetilbudet. Tilbudsprisen vil fastsettes rundt den 16. oktober 2019 og vil bli kunngjort gjennom Oslo Børs sitt informasjonssystem rundt den samme datoen under tickeren "NSKOG". Det Indikative Prisintervallet er ikke bindende og Tilbudsprisen kan fastsettes innenfor, under eller over det Indikative Prisintervallet. Hver av bestillerne i det Offentlige Tilbudet har mulighet til, men er ikke forpliktet til, enten gjennom VPS' nettbaserte bestillingssystem eller på bestillingsblanketten for det Offentlige Tilbudet, å spesifisere at vedkommende ikke ønsker å bli tildelt Tilbudsaksjer dersom Tilbudsprisen settes høyere enn den høyeste prisen i det Indikative Prisintervallet (det vil si NOK 45 per Tilbudsaksje). Dersom bestilleren gjør dette, vil vedkommende ikke bli tildelt Tilbudsaksjer dersom Tilbudsprisen settes høyere enn den høyeste prisen i det Indikative Prisintervallet. Dersom bestilleren ikke uttrykkelig foretar en slik reservasjon i VPS' nettbaserte bestillingssystem eller på bestillingsblanketten, vil bestillingen være bindende uavhengig av om Tilbudsprisen er satt innenfor eller over (eller under) det Indikative Prisintervallet.

Allokering, betaling og levering av Tilbudsaksjer: DNB Markets, en del av DNB Bank ASA ("**DNB Markets**"), som oppgjørsagent for det Offentlige Tilbudet, forventer å gi beskjed om tildeling av Tilbudsaksjer i det Offentlige Tilbudet rundt den 17. oktober 2019, gjennom utstedelse av tildelingsbrev til bestillerne via e-post eller på annen måte. Bestillere som ønsker nøyaktig informasjon om antall aksjer tildelt dem, kan kontakte et av bestillingskontorene rundt den 17. oktober 2019 innenfor arbeidstiden. Bestillere som har tilgang til investortjenester gjennom en institusjon som forvalter søkerens VPS-konto, bør kunne se antallet Tilbudsaksjer vedkommende er tildelt fra rundt den 17. oktober 2019. Ved å registrere en bestilling i VPS' nettbaserte bestillingssystem eller ved å fylle ut og sende inn en bestillingsblankett, gir hver bestiller i det Offentlige Tilbudet en ugjenkallelig fullmakt til DNB Markets (på vegne av Tilretteleggerne) til å debitere bestillerens norske bankkonto for et beløp som tilsvarer den samlede kjøpesummen for de Tilbudsaksjene som bestilleren blir tildelt. Bestillerens bankkontonummer må fremgå av VPS' nettbaserte bestillingsskjema eller av bestillingsblanketten. Bankkontoen vil debiteres på eller rundt den 18. oktober 2019 ("**Betalingsdatoen**"), og det må være tilstrekkelige innestående midler på den aktuelle kontoen for å debitere den samlede kjøpesummen for de Tilbudsaksjene som bestilleren blir tildelt fra og med den 17. oktober 2019. Bestillere som ikke har en norsk bankkonto må forsikre seg om at betaling for tildelte Tilbudsaksjer foretas senest på Betalingsdatoen. Ytterligere betalingsdetaljer og instruksjoner vil fremgå av tildelingsbrevet som sendes ut rundt den 17. oktober 2019. Slike betalingsdetaljer og instruksjoner kan også fås ved å kontakte Tilretteleggerne. DNB Markets (på vegne av Tilretteleggerne) forbeholder seg retten (men har ingen forpliktelse) til å gjøre inntil tre debiteringsforsøk frem til og med den 25. oktober 2019 dersom det er utilstrekkelig med midler på kontoen på Betalingsdatoen. Dersom en bestiller ikke har tilstrekkelig innestående midler på den aktuelle bankkontoen, eller betaling er forsinket av en annen årsak, eller dersom det ikke er mulig å debitere kontoen, vil det påløpe forsinkelsesrente og andre vilkår vil gjelde som fastsatt under overskriften "Forsinket og manglende betaling" nedenfor. Dersom betaling for tildelte Tilbudsaksjer er mottatt rettidig, forventes det at levering av tildelte Tilbudsaksjer i det Offentlige Tilbudet foretas rundt den 21. oktober 2019 (eller på det senere tidspunkt det er mulig å debitere kontoen).

Retningslinjer for bestilleren: Vennligst se side to av denne bestillingsblanketten for ytterligere retningslinjer for bestillingen.

Bestillerens VPS-konto (12 siffer):	**Jeg/vi bestiller herved Tilbudsaksjer for totalt NOK (minimum NOK 10 500 og maksimum NOK 1 999 999):**	**Bestillerens bankkonto som skal debiteres (11 siffer):**

TILBUDSPRIS: Min/vår bestilling er betinget av at Tilbudsprisen ikke settes over det Indikative Prisintervallet (kryss av) **(skal kun fylles ut dersom bestillingen er betinget av at Tilbudsprisen ikke settes over det Indikative Prisintervallet):**	

Jeg/vi (i) bestiller herved ugjenkallelig, i henhold til vilkårene og betingelsene som fremgår av denne bestillingsblanketten og av Prospektet, det antall Tilbudsaksjer tildelt meg/oss til Tilbudsprisen, opp til det samlede bestillingsbeløpet angitt ovenfor, (ii) gir herved hver av Tilretteleggerne (eller noen utpekt av dem) en ugjenkallelig fullmakt og instruerer hver av dem til, sammen eller hver for seg, å gjennomføre enhver handling som er nødvendig for å kjøpe og/eller tegne Tilbudsaksjene som tildeles meg/oss, og til å gjennomføre enhver handling som er nødvendig for å effektuere transaksjonen som fremgår av denne bestillingsblanketten, og sikre levering av disse Tilbudsaksjene i VPS på mine/våre vegne, (iii) gir herved DNB Markets ugjenkallelig fullmakt til å debitere min/vår bankkonto som angitt i bestillingsblanketten for den samlede kjøpesummen for de Tilbudsaksjene som jeg/vi får tildelt, og (iv) bekrefter og garanterer herved å ha lest Prospektet og at jeg/vi er klar over risikoen forbundet med en investering i Tilbudsaksjene, samt at jeg/vi er kvalifiserte til å bestille og kjøpe Tilbudsaksjer på de vilkår som fremgår av Prospektet.

Dato og sted*:	**Bindende signatur**:**

* Må være datert i bestillingsperioden.
**Undertegneren må være myndig. Dersom bestillingsblanketten undertegnes på vegne av bestilleren, må det vedlegges dokumentasjon i form av firmaattest eller fullmakt for at undertegner har slik kompetanse.

INFORMASJON OM BESTILLEREN — ALLE FELT MÅ FYLLES UT

Fornavn	Etternavn/Foretaksnavn
Adresse (for foretak: registrert forretningsadresse)	Postnummer og sted
Fødselsnummer (11 siffer) / organisasjonsnummer (9 siffer)	Nasjonalitet
Telefonnr (dagtid)	E-postadresse

Tilretteleggerne gjør oppmerksom på at bestillingsblanketter som sendes til Tilretteleggerne per e-post vil være usikret, med mindre bestilleren selv sørger for å sikre e-posten. Tilretteleggerne gjør oppmerksom på at bestillingsblanketten kan inneholde sensitiv informasjon, herunder personnummer, og anbefaler at bestilleren sender bestillingsblanketten i sikret e-post til Tilretteleggerne. **Se side to av denne bestillingsblanketten for ytterligere informasjon om Tilretteleggernes behandling av personopplysninger.**

RETNINGSLINJER FOR BESTILLEREN

DENNE BESTILLINGSBLANKETTEN SKAL IKKE DISTRIBUERES ELLER OFFENTLIGGJØRES, VERKEN HELT ELLER DELVIS, DIREKTE ELLER INDIREKTE, I ELLER TIL USA, (INKLUDERT DETS TERRITORIER OG BESITTELSER, ENHVER STAT I USA OG DISTRICT OF COLUMBIA), AUSTRALIA, CANADA, HONG KONG ELLER JAPAN, ELLER NOEN ANNEN JURISDIKSJON DER SLIK DISTRIBUSJON ELLER OFFENTLIGGJØRING VIL VÆRE ULOVLIG. ANDRE RESTRIKSJONER GJELDER OGSÅ, SE PUNKTET "SALGSRESTRIKSJONER" NEDENFOR.

Regulatoriske forhold: Lovgivning vedtatt i det europeiske økonomiske samarbeidsområde ("**EØS**") i overensstemmelse med "Directive 2014/65/EU of the European Parliament and of the Council of 15 May 2014 on markets in financial instruments" ("**MiFID II**"), gjennomført i lov av 29. juni 2007 nr 75 om verdipapirhandel ("**Verdipapirhandelloven**") og tilhørende forskrifter, oppstiller krav relatert til formidlere i verdipapirmarkedet. I den forbindelse må Tilretteleggerne kategorisere alle nye kunder i en av tre kategorier; kvalifiserte motparter, profesjonelle og ikke-profesjonelle kunder. Alle bestillere som bestiller Tilbudsaksjer i det Offentlige Tilbudet og som ikke allerede er kunde hos en av Tilretteleggerne, vil bli kategorisert som ikke-profesjonelle kunder. Bestilleren kan ved skriftlig henvendelse til Tilretteleggerne anmode om å bli kategorisert som profesjonell kunde dersom Verdipapirhandellovens, med tilhørende forskrifter, vilkår for dette er oppfylt. For ytterligere informasjon om kundekategorisering kan bestilleren kontakte en av Tilretteleggerne. Bestilleren bekrefter herved å inneha tilstrekkelig kunnskap og erfaring om finansielle og forretningsmessige forhold for å kunne evaluere risikoen ved å investere i Selskapet gjennom å bestille Tilbudsaksjer i det Offentlige Tilbudet, og bestilleren bekrefter å være i stand til å ta den økonomiske risikoen og tåle et fullstendig tap av sin investering i Selskapet.

Kun ordreutførelse: Tilretteleggerne vil behandle bestillingen av Tilbudsaksjer som en instruksjon om utførelse av ordre (execution only) fra bestilleren, ettersom Tilretteleggerne ikke vil være i stand til å avgjøre om bestillingen er hensiktsmessig for bestilleren. Bestilleren vil derfor ikke kunne påberope seg Verdipapirhandellovens regler om investorbeskyttelse.

Informasjonsutveksling: Bestilleren bekrefter å være kjent med at det, i henhold til Verdipapirhandelloven, finansforetaksloven og utenlandsk lovgivning som er gjeldende for Tilretteleggerne, foreligger taushetsplikt mellom de ulike avdelinger hos Tilretteleggerne samt mellom Tilretteleggerne og deres respektive konsernselskaper. Dette kan medføre at andre ansatte hos Tilretteleggerne eller ansatte i Tilretteleggernes respektive konsernselskaper kan ha informasjon som er relevant for bestilleren, men som Tilretteleggerne ikke har adgang til i sin kapasitet som Tilrettelegger for det Offentlige Tilbudet.

Informasjonsbarrierer: Tilretteleggerne er verdipapirforetak som tilbyr et bredt spekter av investeringstjenester. For å sikre at oppdrag som gjennomføres av Tilretteleggernes "corporate finance"-avdelinger holdes konfidensielle, er disse avdelingene adskilt fra Tilretteleggernes andre avdelinger, herunder avdelinger for analyse og aksjemegling, gjennom bruk av informasjonsbarrierer også kjent som "chinese walls". Bestilleren erkjenner at som en konsekvens av dette kan Tilretteleggernes analyse- og aksjemeglingsavdelinger komme til å opptre i strid med bestillerens interesser i forbindelse med transaksjoner i Tilbudsaksjene.

VPS-konto og pålagte hvitvaskingingsprosedyrer: Det Offentlige Tilbudet er underlagt gjeldende hvitvaskingslovgivning, herunder kravene i lov 1. juni 2018 nr 23 om tiltak mot hvitvasking og terrorfinansiering samt hvitvaskingsforskriften av 14. september 2018 nr. 1324 (sammen "**Hvitvaskingslovgivningen**"). Bestillere som ikke er registrert som kunde hos en av Tilretteleggerne må bekrefte sin identitet til en av Tilretteleggerne, i samsvar med Hvitvaskingslovgivningen, med mindre det gjelder spesielle unntak. Bestillere som har oppgitt en eksisterende norsk bankkonto og en eksisterende VPS-konto på bestillingsblanketten er unntatt med mindre verifikasjon av bestillerens identitet blir krevet av en av Tilretteleggerne. Bestillere som ikke har gjennomført tilstrekkelig verifikasjon av identitet før utløpet av bestillingsperioden vil ikke bli tildelt Tilbudsaksjer. Deltakelse i det Offentlige Tilbudet er betinget av at bestilleren har en VPS-konto. VPS-kontonummeret må være angitt i bestillingsblanketten. En VPS-konto kan etableres ved en autorisert VPS-kontofører som kan være en norsk bank, autorisert verdipapirforetak i Norge og norske avdelinger av finansinstitusjoner i EØS. Etablering av en VPS-konto krever bekreftelse på identitet overfor kontoføreren i henhold til Hvitvaskingslovgivningen. Utenlandske investorer kan imidlertid benytte en forvalterkonto registrert i VPS i forvalterens navn. Forvalteren må være autorisert av Finanstilsynet.

Salgsrestriksjoner: Tilbudet er underlagt salgsrestriksjoner i enkelte jurisdiksjoner, se kapittel 19 "Selling and Transfer Restrictions" i Prospektet. Verken Selskapet eller den Selgende Aksjonæren påtar seg noe ansvar dersom noen bryter disse restriksjonene. Tilbudsaksjene har ikke vært, og vil ikke bli, registrert i henhold til United States Securities Act av 1933 som endret ("**U.S. Securities Act**") eller i henhold til noen verdipapirlovgivning i noen stat eller annen jurisdiksjon i USA og kan ikke tas opp, tilbys, selges, videreselges, overføres, leveres eller distribueres, verken direkte eller indirekte, innenfor, til eller fra USA bortsett fra i henhold til et gjeldende unntak fra, eller i en transaksjon som ikke er underlagt, registreringsbestemmelsene i U.S. Securities Act og i overensstemmelse med verdipapirlovgivningen i enhver stat eller annen jurisdiksjon i USA. Det vil ikke forekomme noe offentlig tilbud i USA. Tilbudsaksjene vil, og kan ikke, tilbys, selges, videreselges, overføres, leveres eller distribueres, verken direkte eller indirekte, innenfor, til eller fra noen jurisdiksjon der tilbud eller salg av Tilbudsaksjer ikke er tillatt, eller til, eller på vegne av eller til fordel for, enhver person med registrert adresse i, eller som bor eller vanligvis bor i, eller er innbygger i, noen jurisdiksjon der tilbud eller salg ikke er tillatt, bortsatt fra i henhold til et gjeldende unntak. I det Offentlige Tilbudet tilbys og selges Tilbudsaksjene til enkelte personer utenfor USA i "offshore transactions" innenfor betydningen av og i overensstemmelse med Rule 903 i Regulation S i U.S. Securities Act.

Selskapet har ikke gitt tillatelse til noe offentlig tilbud av dets verdipapirer i noe medlemsland av EØS bortsett fra Norge. Når det gjelder andre medlemsland i EØS enn Norge som har implementert Prospektforordningen ("**Aktuelle Medlemsland**"), har det ikke og vil det ikke bli gjort noe for å fremsette et offentlig tilbud av Tilbudsaksjene som krever publisering av et prospekt i noen Aktuelle Medlemsland. Alle tilbud utenfor Norge vil derfor skje i henhold til unntak fra krav om prospekt.

Stabilisering: I forbindelse med Tilbudet kan ABG Sundal Collier ASA ("**ABGSC**", som "**Stabiliserende Tilrettelegger**"), eller dets agenter, på vegne av Tilretteleggerne, utføre transaksjoner med tanke på å stabilisere, støtte eller på annen måte påvirke kursen på aksjene i inntil 30 dager fra første noteringsdag. Stabiliserende Tilrettelegger kan særlig utføre transaksjoner med formål å stabilisere markedskursen til Aksjene på et høyere nivå enn det som ellers kan tenkes å ville gjelde, gjennom å erverve Aksjer i det åpne markedet til priser som er lik eller lavere enn Tilbudsprisen. Stabiliserende Tilrettelegger eller dets agenter har ingen forpliktelse til å foreta stabiliserende handlinger og det er ikke sikkert at stabiliseringshandlinger vil gjennomføres. Slike stabiliseringshandlinger kan, hvis påbegynt, avsluttes når som helst, og vil avsluttes ikke mer enn 30 kalenderdager fra første noteringsdag.

Personopplysninger: Bestilleren bekrefter å ha mottatt informasjon om Tilretteleggernes behandling av personopplysninger, og å være innforstått med at Tilretteleggerne behandler bestillerens personopplysninger for å administrere og gjennomføre Tilbudet og bestillingen, samt for å oppfylle lovpålagte plikter.

Behandlingsansvarlig for behandlingen av personopplysninger er Tilretteleggerne. Behandlingen av personopplysninger er nødvendig for å oppfylle bestillingen og for å oppfylle lovpålagte plikter. Verdipapirhandelloven og hvitvaskingsloven krever at Tilretteleggerne behandler og oppbevarer informasjon om kunder og handler, samt kontrollerer og dokumenterer sin virksomhet. Bestillerens personopplysninger vil bli behandlet konfidensielt, men i den grad det er nødvendig for de nevnte formål og forpliktelser, vil personopplysningene kunne bli delt mellom Tilretteleggerne, med selskap(ene) som deltar i Tilbudet, med Tilretteleggernes konsernselskaper, VPS, regulerte markedsplasser og/eller offentlige myndigheter. Personopplysningene vil bli behandlet så lenge det er nødvendig av hensyn til formålene, og vil deretter slettes med mindre det foreligger en lovpålagt oppbevaringsplikt.

Dersom Tilretteleggerne overfører personopplysninger til land utenfor EØS som ikke er godkjent av EU-kommisjonen, vil Tilretteleggerne sørge for at overføringen skjer i henhold til lovlige mekanismer som ivaretar personopplysningene, for eksempel EU Standard Contractual Clauses.

Bestillere har flere rettigheter i henhold til lovverket. Dette omfatter blant annet retten til innsyn i bestillers egne personopplysninger, og en rett til å be om at uriktige opplysninger blir rettet. I visse tilfeller har bestillere rett til å kreve at behandlingen begrenses eller at opplysningene slettes. Bestillere har også rett til å klage til en tilsynsmyndighet dersom de mener at Tilretteleggernes behandling er i strid med lov. Ytterligere informasjon om behandling av personopplysninger og bestilleres rettigheter fremgår av Tilretteleggernes hjemmesider.

Investeringsbeslutninger må baseres på Prospektet: Investorer må verken akseptere noe tilbud om, eller erverve Tilbudsaksjer, på annet grunnlag enn det fullstendige Prospektet.

Vilkår for betaling med engangsfullmakt — verdipapirhandel: Betaling med engangsfullmakt er en banktjeneste tilbudt av samarbeidende banker i Norge. I forholdet mellom betaler og betalers bank gjelder følgende standard vilkår:

1. Tjenesten "Betaling med engangsfullmakt — verdipapirhandel" suppleres av kontoavtalen mellom betaler og betalers bank, se særlig kontoavtalen del C, Generelle vilkår for innskudd og betalingsoppdrag.
2. Kostnader ved å bruke "Betaling med engangsfullmakt — verdipapirhandel" fremgår av Selskapets gjeldende prisliste, kontoinformasjon og/eller opplyses på annen egnet måte. Selskapet vil belaste oppgitt konto for påløpte kostnader.
3. Engangsfullmakten signeres av betaler og leveres til betalingsmottaker. Betalingsmottaker vil levere belastningsoppdraget til sin bank som igjen kan belaste betalers bank.
4. Ved et eventuelt tilbakekall av engangsfullmakten skal betaler først ta forholdet opp med betalingsmottaker. Etter finansavtaleloven skal betalers bank medvirke hvis betaler tilbakekaller et betalingsoppdrag som ikke er gjennomført. Slikt tilbakekall kan imidlertid anses som brudd på avtalen mellom betaler og betalingsmottaker.
5. Betaler kan ikke angi et større beløp på engangsfullmakten enn det som på belastningstidspunktet er disponibelt på konto. Betalers bank vil normalt gjennomføre dekningskontroll før belastning. Belastning ut over disponibelt beløp skal betaler dekke inn umiddelbart.
6. Betalers konto vil bli belastet på angitt belastningsdag. Dersom belastningsdag ikke er angitt i engangsfullmakten vil kontobelastning skje snarest mulig etter at betalingsmottaker har levert oppdraget til sin bank. Belastningen vil likevel ikke skje etter engangsfullmaktens gyldighetsperiode som er angitt foran. Betaling vil normalt være godskrevet betalingsmottaker én til tre virkedager etter angitt belastningsdag/innleveringsdag.
7. Dersom betalers konto blir urettmessig belastet på grunnlag av en engangsfullmakt, vil betalers rett til tilbakeføring av belastet beløp bli regulert av kontoavtalen og finansavtaleloven.

Forsinket og manglende betaling: Forsinket betaling belastes med gjeldende forsinkelsesrente i henhold til forsinkelsesrenteloven av 17. desember 1976 nr. 100, som per datoen for Prospektet er 9,25 % p.a. Dersom betaling ikke skjer ved forfall, vil Tilbudsaksjene ikke bli levert til bestilleren, og Tilretteleggerne forbeholder seg retten til å, for tegnerens regning og risiko, når som helst kansellere og reallokere eller på annen måte disponere over de allokerte Tilbudsaksjene, på de vilkår og på den måten Tilretteleggerne bestemmer (og bestilleren ikke vil være berettiget til noe overskudd derfra). Den opprinnelige bestilleren vil fortsette å være ansvarlig for betaling av Tilbudsprisen for Tilbudsaksjene tildelt bestilleren, sammen med enhver rente, kostnader, gebyrer og utgifter påløpt, og Selskapet, den Selgende Aksjonæren og/eller Tilretteleggerne kan inndrive betaling for alle utestående beløp.

APPENDIX F

APPLICATION FORM FOR THE EMPLOYEE OFFERING IN ENGLISH

APPLICATION FORM FOR THE EMPLOYEE OFFERING

General information: The terms and conditions for the Employee Offering are set out in the prospectus dated 7 October 2019 (the "**Prospectus**"), which has been issued by Norske Skog ASA (the "**Company**") in connection with the initial public offering (the "**Offering**") of existing shares in the Company by Oceanwood Special Situations Malta Limited ("**Oceanwood**") through NS Norway Holding AS (the "**Selling Shareholder**") and the listing of the Company's Shares on the Oslo Stock Exchange. All capitalised terms not defined herein shall have the meaning as assigned to them in the Prospectus.

Application procedure: Eligible Employees who are residents of Norway with a Norwegian personal identification number may apply for Offer Shares through the VPS online application system by following the link to such online application system on the following website: www.dnb.no/emisjoner. Applications in the Employee Offering can also be made by using this Employee Application Form. Employee Application Forms must be correctly completed and submitted by the expiry of the Application Period to the following application office:

DNB Markets Registrars Department
Dronning Eufemias gate 30
P.O. Box 1600 Sentrum
Norway
Tel: +47 23 26 80 20
E-mail: retail@dnb.no

The applicant is responsible for the correctness of the information filled in on this Employee Application Form. Employee Application Forms that are incomplete or incorrectly completed, electronically or physically, or that are received after the expiry of the Application Period, and any application that may be unlawful, may be disregarded without further notice to the applicant. **Subject to any shortening or extension of the Application Period, applications made through the VPS online application system must be duly registered by 12:00 hours (CEST) on 16 October 2019, while applications made on Employee Application Forms must be received by the application offices by the same time**. None of the Company, the Selling Shareholder or any of the Managers may be held responsible for postal delays, unavailable fax lines, internet lines or servers or other logistical or technical matters that may result in applications not being received in time or at all by the application office. All applications made in the Employee Offering will be irrevocable and binding upon receipt of a duly completed Employee Application Form, or in the case of applications through the VPS online application system, upon registration of the application, irrespective of any shortening or extension of the Application Period, and cannot be withdrawn, cancelled or modified by the applicant after having been received by the application office, or in the case of applications through the VPS online application system, upon registration of the application.

Price of Offer Shares: The Selling Shareholder has, together with the Company and the Managers, set an Indicative Price Range for the Offering from NOK 35 to NOK 45 per Offer Share. The Selling Shareholder will, in consultation with the Company and the Managers, determine the final number of Offer Shares and the final Offer Price on the basis of the applications received and not withdrawn in the Institutional Offering during the Bookbuilding Period and the number of applications received in the Retail Offering and the Employee Offering. The Offer Price will be determined on or about 16 October 2019 and announced through the Oslo Stock Exchange's information system on or about the same date under the ticker code "NSKOG". The Indicative Price Range is non-binding and the Offer Price may be set within, below or above the Indicative Price Range. Each applicant in the Employee Offering will be permitted, but not required, to indicate when ordering through the VPS online application system or on the Employee Application Form that the applicant does not wish to be allocated Offer Shares should the Offer Price be set higher than the highest price in the Indicative Price Range (i.e. NOK 45 per Offer Share). If the applicant does so, the applicant will not be allocated any Offer Shares in the event that the Offer Price is set higher than the highest price in the Indicative Price Range (even if after taking into account the fixed cash discount of NOK 3,000, it can be argued that the reduced offer price applicable to the applicant falls within the Indicative Price Range). If the applicant does not expressly stipulate such reservation when ordering through the VPS online application system or on the Employee Application Form, the application will be binding regardless of whether the Offer Price is set within or above (or below) the Indicative Price Range. Each Eligible Employee will receive a fixed cash discount of NOK 3,000 on the aggregate amount payable for the Offer Shares allocated to such employee. Eligible Employees participating in the Employee Offering will receive full allocation for any application up to and including the relevant application amounts for which the discount will be applied. Multiple applications by one applicant in the Employee Offering will be treated as one application with respect to the discount and the guaranteed allocation. For a description of relevant tax legislation in Norway applicable to the discount in the Employee Offering, see Section 17.2 of the Prospectus "Taxation of discount in the Employee Offering". No allocation will be made for a number of Offer Shares of an aggregate value of less than NOK 15,000 (not taking into account the fixed cash discount of NOK 3,000 offered to Eligible Employees), provided however, that all allocations will be rounded down to the nearest number of whole Offer Shares.

Allocation, payment and delivery of Offer Shares: DNB Markets, a part of DNB Bank ASA ("**DNB Markets**"), acting as settlement agent for the Employee Offering, expects to issue notifications of allocation of Offer Shares in the Employee Offering on or about 17 October 2019, by issuing allocation notes to the applicants by e-mail or otherwise. Any applicant wishing to know the precise number of Offer Shares allocated to it may contact the application office listed above from on or about 17 October 2019 during business hours. Applicants who have access to investor services through an institution that operates the applicant's account with the VPS for the registration of holdings of securities ("**VPS account**") should be able to see how many Offer Shares they have been allocated from on or about 17 October 2019. In registering an application through the VPS online application system or by completing an Employee Application Form, each applicant in the Employee Offering will grant DNB Markets (on behalf of the Managers) an irrevocable authorisation to debit the applicant's Norwegian bank account for the total amount due for the Offer Shares allocated to the applicant. The applicant's bank account number must be stipulated on the VPS online application or on the Employee Application Form. Accounts will be debited on or about 18 October 2019 (the "**Payment Date**"), and there must be sufficient funds in the stated bank account from and including 17 October 2019. Applicants who do not have a Norwegian bank account must ensure that payment for the allocated Offer Shares is made on or before the Payment Date. Further details and instructions will be set out in the allocation notes to the applicant to be issued on or about 17 October 2019, or can be obtained by contacting one of the Managers. DNB Markets (on behalf of the Managers) reserves the right (but has no obligation) to make up to three debit attempts through 25 October 2019 if there are insufficient funds on the account on the Payment Date. Should any applicant have insufficient funds on its account, or should payment be delayed for any reason, or if it is not possible to debit the account, overdue interest will accrue and other terms will apply as set out under the heading "Overdue and missing payment" below. Subject to timely payment by the applicant, delivery of the Offer Shares allocated in the Employee Offering is expected to take place on or about 21 October 2019 (or such later date upon the successful debit of the relevant account).

Guidelines for the applicant: Please refer to the second page of this Employee Application Form for further application guidelines.

Applicant's VPS account (12 digits):	I/we apply for Offer Shares for a total of NOK (minimum NOK 15,000 and maximum NOK 1,999,999):	Applicant's bank account to be debited (11 digits):

OFFER PRICE: My application is conditional upon the final Offer Price not being set above the Indicative Price Range (insert cross) **(must only be completed if the application is conditional upon the final Offer Price not being set above the Indicative Price Range)**:	

I hereby irrevocably (i) apply for the number of Offer Shares allocated to me, at the Offer Price, up to the aggregate application amount as specified above subject to the terms and conditions set out in this Employee Application Form and in the Prospectus, (ii) authorise and instruct each of the Managers (or someone appointed by any of them) acting jointly or severally to take all actions required to purchase the Offer Shares allocated to me on my behalf, to take all other actions deemed required by them to give effect to the transactions contemplated by this Employee Application Form, and to ensure delivery of such Offer Shares to me in the VPS, on my behalf, (iii) authorise DNB Markets to debit my bank account as set out in this Employee Application Form for the amount payable for the Offer Shares allocated to me, and (iv) confirm and warrant to have read the Prospectus and that I am aware of the risks associated with an investment in the Offer Shares and that I am eligible to apply for and purchase Offer Shares under the terms set forth therein.

Date and place*:	**Binding signature****:

* Must be dated during the Application Period.
** The applicant must be of legal age. If the Employee Application Form is signed by proxy, documentary evidence of authority to sign must be attached in the form of a power of attorney.

DETAILS OF THE APPLICANT — ALL FIELDS MUST BE COMPLETED	
First name	Surname/Family name/Company name
Home address (for companies: registered business address)	Zip code and town
Identity number (11 digits) / business registration number (9 digits)	Nationality
Telephone number (daytime)	E-mail address

Please note: if the Employee Application Form is sent to the Managers by e-mail, the e-mail will be unsecured unless the applicant itself takes measures to secure it. The Employee Application Form may contain sensitive information, including national identification numbers, and the Managers recommend the applicant to send the Employee Application Form to the Managers in a secured e-mail. **Please refer to the second page of this Employee Application Form for further information on the Managers' processing of personal data.**

GUIDELINES FOR THE APPLICANT

THIS RETAIL APPLICATION FORM IS NOT FOR DISTRIBUTION OR RELEASE, IN WHOLE OR IN PART, DIRECTLY OR INDIRECTLY, IN OR INTO THE UNITED STATES OF AMERICA (INCLUDING ITS TERRITORIES AND POSSESSIONS, ANY STATE OF THE UNITED STATES OF AMERICA AND THE DISTRICT OF COLUMBIA), AUSTRALIA, CANADA, THE HONG KONG SPECIAL ADMINISTRATIVE REGION OF THE PEOPLE'S REPUBLIC OF CHINA OR JAPAN, OR ANY OTHER JURISDICTION IN WHICH THE DISTRIBUTION OR RELEASE WOULD BE UNLAWFUL. OTHER RESTRICTIONS ARE APPLICABLE. PLEASE SEE "SELLING RESTRICTIONS" BELOW.

Regulatory issues: Legislation passed throughout the European Economic Area (the "**EEA**") pursuant to Directive 2014/65/EU of the European Parliament and of the Council of 15 May 2014 on markets in financial instruments ("**MiFID II**") implemented in the Norwegian Securities Trading Act, imposes requirements on intermediaries in securities markets. In this respect, the Managers must categorise all new clients in one of three categories: Eligible counterparties, Professional clients and Non-professional clients. All applicants applying for Offer Shares in the Offering who/which are not existing clients of one of the Managers will be categorised as Non-professional clients. The applicant can by written request to the Managers ask to be categorised as a Professional client if the applicant fulfils the provisions of the Norwegian Securities Trading Act and ancillary regulations. For further information about the categorisation, the applicant may contact one of the Managers. The applicant represents that it has sufficient knowledge, sophistication and experience in financial and business matters to be capable of evaluating the merits and risks of an investment decision to invest in the Company by applying for Offer Shares, and the applicant is able to bear the economic risk, and to withstand a complete loss of an investment in the Company.

Execution only: As the Managers are not in the position to determine whether the application for Offer Shares is suitable for the applicant, the Managers will treat the application as an execution only instruction from the applicant to apply for Offer Shares in the Offering. Hence, the applicant will not benefit from the corresponding protection of the relevant conduct of business rules in accordance with the Norwegian Securities Trading Act.

Information Exchange: The applicant acknowledges that, under the Norwegian Securities Trading Act and the Norwegian Financial Undertakings Act and foreign legislation applicable to the Managers there is a duty of secrecy between the different units of the Managers as well as between the Managers and the other entities in the Managers' respective groups. This may entail that other employees of the Managers or the Managers' respective groups may have information that may be relevant to the subscriber, but which the Managers will not have access to in their capacity as Managers for the Employee Offering.

Information barriers: The Managers are securities firms offering a broad range of investment services. In order to ensure that assignments undertaken in the Managers' corporate finance departments are kept confidential, the Managers' other activities, including analysis and stock broking, are separated from their corporate finance departments by information barriers known as "Chinese walls". The applicant acknowledges that the Managers' analysis and stock broking activity may act in conflict with the applicant's interests with regard to transactions in the Offer Shares as a consequence of such Chinese walls.

VPS account and anti-money laundering procedures: The Employee Offering is subject to applicable anti-money laundering legislation, including the Norwegian Money Laundering Act of 1 June 2018 no. 23 and the Norwegian Money Laundering Regulation of 14 September 2018 no. 1324 (collectively, the "**Anti-Money Laundering Legislation**"). Applicants who are not registered as existing customers of one of the Managers must verify their identity to one of the Managers in accordance with requirements of the Anti-Money Laundering Legislation, unless an exemption is available. Applicants who have designated an existing Norwegian bank account and an existing VPS account on the Employee Application Form are exempted, unless verification of identity is requested by a Manager. Applicants who have not completed the required verification of identity prior to the expiry of the Application Period will not be allocated Offer Shares. Participation in the Employee Offering is conditional upon the applicant holding a VPS account. The VPS account number must be stated in the Employee Application Form. VPS accounts can be established with authorised VPS registrars, which can be Norwegian banks, authorised investment firms in Norway and Norwegian branches of credit institutions established within the EEA. Establishment of a VPS account requires verification of identity to the VPS registrar in accordance with the Anti-Money Laundering Legislation. However, non-Norwegian investors may use nominee VPS accounts registered in the name of a nominee. The nominee must be authorised by the Norwegian Ministry of Finance.

Selling restrictions: The Offering is subject to specific legal or regulatory restrictions in certain jurisdictions, see Section 19 "Selling and Transfer Restrictions" in the Prospectus. Neither the Company nor the Selling Shareholder assume any responsibility in the event there is a violation by any person of such restrictions. The Offer Shares 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 any securities laws of any state or other jurisdiction of the United States and may not be taken up, offered, sold, resold, transferred, delivered or distributed, directly or indirectly, within, into or from the United States except pursuant to an applicable exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act and in compliance with the securities laws of any state or other jurisdiction of the United States. There will be no public offer in the United States. The Offer Shares will, and may, not be offered, sold, resold, transferred, delivered or distributed, directly or indirectly, within, into or from any jurisdiction where the offer or sale of the Offer Shares is not permitted, or to, or for the account or benefit of, any person with a registered address in, or who is resident or ordinarily resident in, or a citizen of, any jurisdiction where the offer or sale is not permitted, except pursuant to an applicable exemption. In the Employee Offering, the Offer Shares are being offered and sold to certain persons outside the United States in offshore transactions within the meaning of and in compliance with Rule 903 of Regulation S under the U.S. Securities Act.

The Company has not authorised any offer to the public of its securities in any Member State of the EEA other than Norway. With respect to each Member State of the EEA other than Norway which has implemented the EU Prospectus Regulation (each, a "**Relevant Member State**"), no action has been undertaken or will be undertaken to make an offer to the public of the Offer Shares requiring a publication of a prospectus in any Relevant Member State. Any offers outside Norway will only be made in circumstances where there is no obligation to produce a prospectus.

Stabilisation: In connection with the Offering, ABG Sundal Collier ASA ("**ABGSC**", as the "**Stabilisation Manager**"), or its agents, on behalf of the Managers, may from the first day of the Listing engage in transactions that stabilise, maintain or otherwise affect the price of the Shares for up to 30 days from the first day of the Listing. Specifically, the Stabilisation Manager may effect transactions with a view to supporting the market price of the Shares at a level higher than might otherwise prevail, through buying Shares in the open market at prices equal to or lower than the Offer Price. There is no obligation on the Stabilisation Manager and its agents to conduct stabilisation activities and there is no assurance that stabilisation activities will be undertaken. Such stabilisation activities, if commenced, may be discontinued at any time, and will be brought to an end at the latest 30 calendar days after the first day of the Listing.

Personal data: The applicant confirms that it has been provided information regarding the Managers' processing of personal data, and that it is informed that the Managers will process the applicant's personal data in order to manage and carry out the Offering and the application from the applicant, and to comply with statutory requirements.

The data controllers who are responsible for the processing of personal data are the Managers. The processing of personal data is necessary in order to fulfil the application and to meet legal obligations. The Norwegian Securities Trading Act and the Norwegian Money Laundering Act require that the Managers process and store information about clients and trades, and control and document activities. The applicant's data will be processed confidentially, but if it is necessary in relation to the aforementioned purposes or obligations, the personal data may be shared between the Managers, with the company(ies) participating in the Offering, with companies within the Managers' groups, VPS, stock exchanges and/or public authorities. The personal data will be processed as long as necessary for the purposes, and will subsequently be deleted unless there is a statutory duty to keep it.

If the Managers transfer personal data to countries outside the EEA, that have not been approved by the EU Commission, the Managers will make sure the transfer takes place in accordance with the legal mechanisms protecting the personal data, for example the EU Standard Contractual Clauses.

As a data subject, the applicants have several legal rights. This includes i.e. the right to access its personal data, and a right to request that incorrect information is corrected. In certain instances, the applicants will have the right to impose restrictions on the processing or demand that the information is deleted. The applicants may also complain to a supervisory authority if they find that the Managers' processing is in breach of the applicable laws. Supplementary information on processing of personal data and the applicants' rights can be found at the Managers' websites.

Investment decisions based on full Prospectus: Investors must neither accept any offer for, nor acquire any Offer Shares, on any other basis than on the complete Prospectus.

Terms and conditions for payment by direct debiting - securities trading: Payment by direct debiting is a service provided by cooperating banks in Norway. In the relationship between the payer and the payer's bank the following standard terms and conditions apply.

1. The service "Payment by direct debiting — securities trading" is supplemented by the account agreement between the payer and the payer's bank, in particular Section C of the account agreement, General terms and conditions for deposit and payment instructions.
2. Costs related to the use of "Payment by direct debiting — securities trading" appear from the bank's prevailing price list, account information and/or information is given by other appropriate manner. The bank will charge the indicated account for incurred costs.
3. The authorisation for direct debiting is signed by the payer and delivered to the beneficiary. The beneficiary will deliver the instructions to its bank who in turn will charge the payer's bank account.
4. In case of withdrawal of the authorisation for direct debiting the payer shall address this issue with the beneficiary. Pursuant to the Financial Contracts Act, the payer's bank shall assist if payer withdraws a payment instruction which has not been completed. Such withdrawal may be regarded as a breach of the agreement between the payer and the beneficiary.
5. The payer cannot authorise for payment a higher amount than the funds available at the payer's account at the time of payment. The payer's bank will normally perform a verification of available funds prior to the account being charged. If the account has been charged with an amount higher than the funds available, the difference shall be covered by the payer immediately.
6. The payer's account will be charged on the indicated date of payment. If the date of payment has not been indicated in the authorisation for direct debiting, the account will be charged as soon as possible after the beneficiary has delivered the instructions to its bank. The charge will not, however, take place after the authorisation has expired as indicated above. Payment will normally be credited the beneficiary's account between one and three working days after the indicated date of payment/delivery.
7. If the payer's account is wrongfully charged after direct debiting, the payer's right to repayment of the charged amount will be governed by the account agreement and the Financial Contracts Act.

Overdue and missing payments: Overdue payments will be charged with interest at the applicable rate under the Norwegian Act on Interest on Overdue Payments of 17 December 1976 no. 100, which at the date of the Prospectus is 9.25% per annum. Should payment not be made when due, the Offer Shares allocated will not be delivered to the applicant, and the Managers reserve the right, at the risk and cost of the applicant, to cancel at any time thereafter the application and to re-allot or, from the third day after the Payment Date, otherwise dispose of or assume ownership to the allocated Offer Shares, on such terms and in such manner as the Managers may decide (and the applicant will not be entitled to any

profit therefrom). The original applicant will remain liable for payment of the Offer Price for the Offer Shares allocated to the applicant, together with any interest, costs, charges and expenses accrued, and the Company, the Selling Shareholder and/or the Managers may enforce payment of any such amount outstanding.

APPENDIX G

APPLICATION FORM FOR THE EMPLOYEE OFFERING IN NORWEGIAN

BESTILLINGSBLANKETT FOR ANSATTETILBUDET

Generell informasjon: Vilkårene og betingelsene for Ansattetilbudet fremgår av prospektet datert 7. oktober 2019 ("**Prospektet**"), som er utarbeidet av Norske Skog ASA ("**Selskapet**") i forbindelse med salget av eksisterende aksjer i Selskapet av Oceanwood Special Situations Malta Limited ("**Oceanwood**") gjennom NS Norway Holding AS (den "**Selgende Aksjonæren**") og noteringen av Selskapets aksjer på Oslo Børs. Prospektet inneholder også et norsk sammendrag. Alle definerte ord og uttrykk (angitt med stor bokstav) som ikke er definert i denne bestillingsblanketten, skal ha samme innhold som definisjonen av de tilsvarende engelskspråklige ord og uttrykk slik de er definert i Prospektet.

Bestillingsprosedyre: Kvalifiserte Ansatte som er norske statsborgere med et norsk personnummer anbefales å foreta bestilling av Tilbudsaksjer gjennom VPS' nettbaserte bestillingssystemer ved å følge linken til slikt nettbasert bestillingssystem gjennom følgende internettside: www.dnb.no/emisjoner. Bestillinger i Ansattetilbudet kan også foretas ved å bruke denne bestillingsblanketten. Korrekt utfylt bestillingsblankett må være mottatt av et av de følgende bestillingskontorer før utløpet av den relevante fristen:

DNB Markets Registrars Department
Dronning Eufemias gate 30
P.O. Box 1600 Sentrum
Norway
Tel: +47 23 26 80 20
E-mail: retail@dnb.no

Bestilleren er ansvarlig for riktigheten av informasjonen som er fylt inn i bestillingsblanketten. Bestillingsblanketter som er ufullstendige eller uriktig utfylt, elektronisk eller på papir, eller som mottas etter utløpet av bestillingsperioden, og enhver bestilling som kan være ulovlig, kan bli avvist uten nærmere varsel til bestilleren. **Bestillinger som gjøres gjennom VPS' nettbaserte bestillingssystem må være registrert, og bestillinger som gjøres på bestillingsblanketter må være mottatt av et av bestillingskontorene, innen kl. 12.00 norsk tid den 16. oktober 2017, med mindre bestillingsperioden forkortes eller forlenges**. Verken Selskapet, den Selgende Aksjonæren eller noen av Tilretteleggerne kan holdes ansvarlig for forsinkelser i postgang, utilgjengelige fakslinjer, internettlinjer eller servere eller andre logistikk- eller tekniske problemer som kan resultere i at bestillinger ikke blir mottatt i tide, eller i det hele tatt, av noen av bestillingskontorene. Alle bestillinger i Ansattetilbudet er ugjenkallelige og bindende og kan ikke trekkes, kanselleres eller endres av bestilleren etter at bestillingen er registrert i VPS' nettbaserte bestillingssystem eller hvis bestilling gjøres på bestillingsblankett, når komplett utfylt bestillingsblankett er mottatt av et av bestillingskontorene, uavhengig av en eventuell forkortelse eller forlengelse av bestillingsperioden.

Pris på Tilbudsaksjene: Den Selgende Aksjonæren har, i konsultasjon med Selskapet og Tilretteleggerne, fastsatt et Indikativt Prisintervall i Tilbudet fra NOK 35 til NOK 45 per Tilbudsaksje. Den Selgende Aksjonæren vil i samråd med Selskapet og Tilretteleggerne, fastsette endelig antall Tilbudsaksjer og den endelige Tilbudsprisen basert på bestillinger som mottas og som ikke trekkes tilbake i det Institusjonelle Tilbudet i løpet av bookbuilding-perioden og antall bestillinger mottatt i det Offentlige Tilbudet og Ansattetilbudet. Tilbudsprisen vil fastsettes rundt den 16. oktober 2019 og vil bli kunngjort gjennom Oslo Børs sitt informasjonssystem rundt den samme datoen under tickeren "NSKOG". Det Indikative Prisintervallet er ikke bindende og Tilbudsprisen kan fastsettes innenfor, under eller over det Indikative Prisintervallet. Hver av bestillerne i Ansattetilbudet har mulighet til, men er ikke forpliktet til, enten gjennom VPS' nettbaserte bestillingssystem eller på bestillingsblanketten for Ansattetilbudet, å spesifisere at vedkommende ikke ønsker å bli tildelt Tilbudsaksjer dersom Tilbudsprisen settes høyere enn den høyeste prisen i det Indikative Prisintervallet (det vil si NOK 45 per Tilbudsaksje). Dersom bestilleren gjør dette, vil vedkommende ikke bli tildelt Tilbudsaksjer dersom Tilbudsprisen settes høyere enn den høyeste prisen i det Indikative Prisintervallet (selv om det ved å anvende kontantrabatten på NOK 3 000 kan argumenteres for at den reduserte tilbudsprisen som bestilleren er berettiget til, faller innenfor det Indikative Prisintervallet). Dersom bestilleren ikke uttrykkelig foretar en slik reservasjon i VPS' nettbaserte bestillingssystem eller på bestillingsblanketten, vil bestillingen være bindende uavhengig av om Tilbudsprisen er satt innenfor eller over (eller under) det Indikative Prisintervallet. Hver av de Kvalifiserte Ansatte vil motta en kontantrabatt på NOK 3 000 på den samlede prisen for Tilbudsaksjene tildelt den ansatte. Kvalifiserte Ansatte som deltar i Ansattetilbudet er garantert tildeling av Tilbudsaksjer innenfor det bestillingsbeløpet de er berettiget til å motta til redusert pris. Flere bestillinger fra samme bestiller i Ansattetilbudet vil bli behandlet som én bestilling når det gjelder kontantrabatten og den garanterte tildelingen. For en beskrivelse av relevant skattelovgivning i Norge for rabatten i Ansattetilbudet, se kapittel 17.2 i Prospektet " Taxation of discount in the Employee Offering". Det vil ikke bli foretatt noen tildeling for et antall Tilbudsaksjer til en samlet verdi på mindre enn NOK 15 000 (ikke tatt i betraktning kontantrabatten på NOK 3 000 som tilbys kvalifiserte Ansatte), forutsatt at all tildeling blir avrundet til nærmeste antall hele Tilbudsaksje.

Allokering, betaling og levering av Tilbudsaksjer: DNB Markets, en del av DNB Bank ASA ("**DNB Markets**"), som oppgjørsagent for Ansattetilbudet, forventer å gi beskjed om tildeling av Tilbudsaksjer i Ansattetilbudet rundt den 17. oktober 2019, gjennom utstedelse av tildelingsbrev til bestillerne via e-post eller på annen måte. Bestillere som ønsker nøyaktig informasjon om antall aksjer tildelt dem, kan kontakte et av bestillingskontorene rundt den 17. oktober 2019 innenfor arbeidstiden. Bestillere som har tilgang til investortjenester gjennom en institusjon som forvalter søkerens VPS-konto, bør kunne se antallet Tilbudsaksjer vedkommende er tildelt fra rundt den 17. oktober 2019. Ved å registrere en bestilling i VPS' nettbaserte bestillingssystem eller ved å fylle ut og sende inn en bestillingsblankett, gir hver bestiller i Ansattetilbudet en ugjenkallelig fullmakt til DNB Markets (på vegne av Tilretteleggerne) til å debitere bestillerens norske bankkonto for et beløp som tilsvarer den samlede kjøpesummen for de Tilbudsaksjene som bestilleren blir tildelt. Bestillerens bankkontonummer må fremgå av VPS' nettbaserte bestillingsskjema eller av bestillingsblanketten. Bankkontoen vil debiteres på eller rundt den 18. oktober 2019 ("**Betalingsdatoen**"), og det må være tilstrekkelige innestående midler på den aktuelle kontoen for å debitere den samlede kjøpesummen for de Tilbudsaksjene som bestilleren blir tildelt fra og med den 17. oktober 2019. Bestillere som ikke har en norsk bankkonto må forsikre seg om at betaling for tildelte Tilbudsaksjer foretas senest på Betalingsdatoen. Ytterligere betalingsdetaljer og instruksjoner vil fremgå av tildelingsbrevet som sendes ut rundt den 17. oktober 2019. Slike betalingsdetaljer og instruksjoner kan også fås ved å kontakte Tilretteleggerne. DNB Markets (på vegne av Tilretteleggerne) forbeholder seg retten (men har ingen forpliktelse) til å gjøre inntil tre debiteringsforsøk frem til og med den 25. oktober 2019 dersom det er utilstrekkelig med midler på kontoen på Betalingsdatoen. Dersom en bestiller ikke har tilstrekkelig innestående midler på den aktuelle bankkontoen, eller betaling er forsinket av en annen årsak, eller dersom det ikke er mulig å debitere kontoen, vil det påløpe forsinkelsesrente og andre vilkår vil gjelde som fastsatt under overskriften "Forsinket og manglende betaling" nedenfor. Dersom betaling for tildelte Tilbudsaksjer er mottatt rettidig, forventes det at levering av tildelte Tilbudsaksjer i Ansattetilbudet foretas rundt den 21. oktober 2019 (eller på det senere tidspunkt det er mulig å debitere kontoen).

Retningslinjer for bestilleren: Vennligst se side to av denne bestillingsblanketten for ytterligere retningslinjer for bestillingen.

Bestillerens VPS-konto (12 siffer):	**Jeg bestiller herved Tilbudsaksjer for totalt NOK (minimum NOK 15 000 og maksimum NOK 1 999 999):**	**Bestillerens bankkonto som skal debiteres (11 siffer):**

TILBUDSPRIS: Min bestilling er betinget av at Tilbudsprisen ikke settes over det Indikative Prisintervallet (kryss av) **(skal kun fylles ut dersom bestillingen er betinget av at Tilbudsprisen ikke settes over det Indikative Prisintervallet):**

Jeg (i) bestiller herved ugjenkallelig, i henhold til vilkårene og betingelsene som fremgår av denne bestillingsblanketten og av Prospektet, det antall Tilbudsaksjer tildelt meg til Tilbudsprisen (redusert som beskrevet ovenfor og i Prospektet for det bestillingsbeløp som er relevant for meg), opp til det samlede bestillingsbeløpet angitt ovenfor, (ii) gir herved hver av Tilretteleggerne (eller noen utpekt av dem) en ugjenkallelig fullmakt og instruerer hver av dem til, sammen eller hver for seg, å gjennomføre enhver handling som er nødvendig for å kjøpe og/eller tegne Tilbudsaksjene som tildeles meg, og til å gjennomføre enhver handling som er nødvendig for å effektuere transaksjonen som fremgår av denne bestillingsblanketten, og sikre levering av disse Tilbudsaksjene i VPS på mine vegne, (iii) gir herved DNB Markets ugjenkallelig fullmakt til å debitere min bankkonto som angitt i bestillingsblanketten for den samlede kjøpesummen for de Tilbudsaksjene som jeg får tildelt, og (iv) bekrefter og garanterer herved å ha lest Prospektet og at jeg er klar over risikoen forbundet med en investering i Tilbudsaksjene, samt at jeg er kvalifiserte til å bestille og kjøpe Tilbudsaksjer på de vilkår som fremgår av Prospektet.

Dato og sted*:	**Bindende signatur**:**

* Må være datert i bestillingsperioden.
**Undertegneren må være myndig. Dersom bestillingsblanketten undertegnes på vegne av bestilleren, må det vedlegges dokumentasjon i form av fullmakt for at undertegner har slik kompetanse.

INFORMASJON OM BESTILLEREN — ALLE FELT MÅ FYLLES UT	
Fornavn	Etternavn
Adresse	Postnummer og sted
Fødselsnummer (11 siffer)	Nasjonalitet
Telefonnr (dagtid)	E-postadresse

Tilretteleggerne gjør oppmerksom på at bestillingsblanketter som sendes til Tilretteleggerne per e-post vil være usikret, med mindre bestilleren selv sørger for å sikre e-posten. Tilretteleggerne gjør oppmerksom på at bestillingsblanketter kan inneholde sensitiv informasjon, herunder personnummer, og anbefaler at bestilleren sender bestillingsblanketter i sikret e-post til Tilretteleggerne. **Se side to av denne bestillingsblanketten for ytterligere informasjon om Tilretteleggernes behandling av personopplysninger.**

RETNINGSLINJER FOR BESTILLEREN

DENNE BESTILLINGSBLANKETTEN SKAL IKKE DISTRIBUERES ELLER OFFENTLIGGJØRES, VERKEN HELT ELLER DELVIS, DIREKTE ELLER INDIREKTE, I ELLER TIL USA, (INKLUDERT DETS TERRITORIER OG BESITTELSER, ENHVER STAT I USA OG DISTRICT OF COLUMBIA), AUSTRALIA, CANADA, HONG KONG ELLER JAPAN, ELLER NOEN ANNEN JURISDIKSJON DER SLIK DISTRIBUSJON ELLER OFFENTLIGGJØRING VIL VÆRE ULOVLIG. ANDRE RESTRIKSJONER GJELDER OGSÅ, SE PUNKTET "SALGSRESTRIKSJONER" NEDENFOR.

Regulatoriske forhold: Lovgivning vedtatt i det europeiske økonomiske samarbeidsområde ("**EØS**") i overensstemmelse med "Directive 2014/65/EU of the European Parliament and of the Council of 15 May 2014 on markets in financial instruments" ("**MiFID II**"), gjennomført i lov av 29. juni 2007 nr 75 om verdipapirhandel ("**Verdipapirhandelloven**") og tilhørende forskrifter, oppstiller krav relatert til formidlere i verdipapirmarkedet. I den forbindelse må Tilretteleggerne kategorisere alle nye kunder i en av tre kategorier; kvalifiserte motparter, profesjonelle og ikke-profesjonelle kunder. Alle bestillere som bestiller Tilbudsaksjer i Ansattetilbudet og som ikke allerede er kunde hos en av Tilretteleggerne, vil bli kategorisert som ikke-profesjonelle kunder. Bestilleren kan ved skriftlig henvendelse til Tilretteleggerne anmode om å bli kategorisert som profesjonell kunde dersom Verdipapirhandellovens, med tilhørende forskrifter, vilkår for dette er oppfylt. For ytterligere informasjon om kundekategorisering kan bestilleren kontakte en av Tilretteleggerne. Bestilleren bekrefter herved å inneha tilstrekkelig kunnskap og erfaring om finansielle og forretningsmessige forhold for å kunne evaluere risikoen ved å investere i Selskapet gjennom å bestille Tilbudsaksjer i Ansattetilbudet, og bestilleren bekrefter å være i stand til å ta den økonomiske risikoen og tåle et fullstendig tap av sin investering i Selskapet.

Kun ordreutførelse: Tilretteleggerne vil behandle bestillingen av Tilbudsaksjer som en instruksjon om utførelse av ordre (execution only) fra bestilleren, ettersom Tilretteleggerne ikke vil være i stand til å avgjøre om bestillingen er hensiktsmessig for bestilleren. Bestilleren vil derfor ikke kunne påberope seg Verdipapirhandellovens regler om investorbeskyttelse.

Informasjonsutveksling: Bestilleren bekrefter å være kjent med at det, i henhold til Verdipapirhandelloven, finansforetaksloven og utenlandsk lovgivning som er gjeldende for Tilretteleggerne, foreligger taushetsplikt mellom de ulike avdelinger hos Tilretteleggerne samt mellom Tilretteleggerne og deres respektive konsernselskaper. Dette kan medføre at andre ansatte hos Tilretteleggerne eller ansatte i Tilretteleggernes respektive konsernselskaper kan ha informasjon som er relevant for bestilleren, men som Tilretteleggerne ikke har adgang til i sin kapasitet som Tilretteleggere for Ansattetilbudet.

Informasjonsbarrierer: Tilretteleggerne er verdipapirforetak som tilbyr et bredt spekter av investeringstjenester. For å sikre at oppdrag som gjennomføres av Tilretteleggernes "corporate finance"-avdelinger holdes konfidensielle, er disse avdelingene adskilt fra Tilretteleggernes andre avdelinger, herunder avdelinger for analyse og aksjemegling, gjennom bruk av informasjonsbarrierer også kjent som "chinese walls". Bestilleren erkjenner at som en konsekvens av dette kan Tilretteleggernes analyse- og aksjemeglingsavdelinger komme til å opptre i strid med bestillerens interesser i forbindelse med transaksjoner i Tilbudsaksjene.

VPS-konto og pålagte hvitvaskingingsprosedyrer: Ansattetilbudet er underlagt gjeldende hvitvaskingslovgivning, herunder kravene i lov 1. juni 2018 nr 23 om tiltak mot hvitvasking og terrorfinansiering samt hvitvaskingsforskriften av 14. september 2018 nr. 1324 (sammen "**Hvitvaskingslovgivningen**"). Bestillere som ikke er registrert som kunde hos en av Tilretteleggerne må bekrefte sin identitet til en av Tilretteleggerne, i samsvar med Hvitvaskingslovgivningen, med mindre det gjelder spesielle unntak. Bestillere som har oppgitt en eksisterende norsk bankkonto og en eksisterende VPS-konto på bestillingsblanketten er unntatt med mindre verifikasjon av bestillerens identitet blir krevet av en av Tilretteleggerne. Bestillere som ikke har gjennomført tilstrekkelig verifikasjon av identitet før utløpet av bestillingsperioden vil ikke bli tildelt Tilbudsaksjer. Deltakelse i Ansattetilbudet er betinget av at bestilleren har en VPS-konto. VPS-kontonummeret må være angitt i bestillingsblanketten. En VPS-konto kan etableres ved en autorisert VPS-kontofører som kan være en norsk bank, autorisert verdipapirforetak i Norge og norske avdelinger av finansinstitusjoner i EØS. Etablering av en VPS-konto krever bekreftelse på identitet overfor kontoføreren i henhold til Hvitvaskingslovgivningen. Utenlandske investorer kan imidlertid benytte en forvalterkonto registrert i VPS i forvalterens navn. Forvalteren må være autorisert av Finanstilsynet.

Salgsrestriksjoner: Tilbudet er underlagt salgsrestriksjoner i enkelte jurisdiksjoner, se kapittel 19 "Selling and Transfer Restrictions" i Prospektet. Verken Selskapet eller den Selgende Aksjonæren påtar seg noe ansvar dersom noen bryter disse restriksjonene. Tilbudsaksjene har ikke vært, og vil ikke bli, registrert i henhold til United States Securities Act av 1933 som endret ("**U.S. Securities Act**") eller i henhold til noen verdipapirlovgivning i noen stat eller annen jurisdiksjon i USA og kan ikke tas opp, tilbys, selges, videreselges, overføres, leveres eller distribueres, verken direkte eller indirekte, innenfor, til eller fra USA bortsett fra i henhold til et gjeldende unntak fra, eller i en transaksjon som ikke er underlagt, registreringsbestemmelsene i U.S. Securities Act og i overensstemmelse med verdipapirlovgivningen i enhver stat eller annen jurisdiksjon i USA. Det vil ikke forekomme noen offentlig tilbud i USA. Tilbudsaksjene vil, og kan ikke, tilbys, selges, videreselges, overføres, leveres eller distribueres, verken direkte eller indirekte, innenfor, til eller fra noen jurisdiksjon der tilbud eller salg av Tilbudsaksjer ikke er tillatt, eller til, eller på vegne av eller til fordel for, enhver person med registrert adresse i, eller som bor eller vanligvis bor i, eller er innbygger i, noen jurisdiksjon der tilbud eller salg ikke er tillatt, bortsatt fra i henhold til et gjeldende unntak. I Ansattetilbudet tilbys og selges Tilbudsaksjene til enkelte personer utenfor USA i "offshore transactions" innenfor betydningen av og i overensstemmelse med Rule 903 i Regulation S i U.S. Securities Act.

Selskapet har ikke gitt tillatelse til noe offentlig tilbud av dets verdipapirer i noe medlemsland av EØS bortsett fra Norge. Når det gjelder andre medlemsland i EØS enn Norge som har implementert Prospektforordningen ("**Aktuelle Medlemsland**"), har det ikke og vil det ikke bli gjort noe for å fremsette et offentlig tilbud av Tilbudsaksjene som krever publisering av et prospekt i noen Aktuelle Medlemsland. Alle tilbud utenfor Norge vil derfor skje i henhold til unntak fra krav om prospekt.

Stabilisering: I forbindelse med Tilbudet kan ABG Sundal Collier ASA ("**ABGSC**", som "**Stabiliserende Tilrettelegger**"), eller dets agenter, på vegne av Tilretteleggerne, utføre transaksjoner med tanke på å stabilisere, støtte eller på annen måte påvirke kursen på aksjene i inntil 30 dager fra første noteringsdag. Stabiliserende Tilrettelegger kan særlig utføre transaksjoner med formål å stabilisere markedskursen til Aksjene på et høyere nivå enn det som ellers kan tenkes å ville gjelde, gjennom å erverve Aksjer i det åpne markedet til priser som er lik eller lavere enn Tilbudsprisen. Stabiliserende Tilrettelegger eller dets agenter har ingen forpliktelse til å foreta stabiliserende handlinger og det er ikke sikkert at stabiliseringshandlinger vil gjennomføres. Slike stabiliseringshandlinger kan, hvis påbegynt, avsluttes når som helst, og vil avsluttes ikke mer enn 30 kalenderdager fra første noteringsdag.

Personopplysninger: Bestilleren bekrefter å ha mottatt informasjon om Tilretteleggernes behandling av personopplysninger, og å være innforstått med at Tilretteleggerne behandler bestillerens personopplysninger for å administrere og gjennomføre Tilbudet og bestillingen, samt for å oppfylle lovpålagte plikter.

Behandlingsansvarlig for behandlingen av personopplysninger er Tilretteleggerne. Behandlingen av personopplysninger er nødvendig for å oppfylle bestillingen og for å oppfylle lovpålagte plikter. Verdipapirhandelloven og hvitvaskingsloven krever at Tilretteleggerne behandler og oppbevarer informasjon om kunder og handler, samt kontrollerer og dokumenterer sin virksomhet. Bestillerens personopplysninger vil bli behandlet konfidensielt, men i den grad det er nødvendig av hensyn til forannevnte formål og forpliktelser, vil personopplysningene kunne bli delt mellom Tilretteleggerne, med selskap(ene) som deltar i Tilbudet, med Tilretteleggernes konsernselskaper , VPS, regulerte markedsplasser og/eller offentlige myndigheter. Personopplysningene vil bli behandlet så lenge det er nødvendig av hensyn til formålene, og vil deretter slettes med mindre det foreligger en lovpålagt oppbevaringsplikt.

Dersom Tilretteleggerne overfører personopplysninger til land utenfor EØS som ikke er godkjent av EU-kommisjonen, vil Tilretteleggerne sørge for at overføringen skjer i henhold til lovlige mekanismer som ivaretar personopplysningene, for eksempel EU Standard Contractual Clauses.

Bestillere har flere rettigheter i henhold til lovverket. Dette omfatter blant annet retten til innsyn i bestillers egne personopplysninger, og en rett til å be om at uriktige opplysninger blir rettet. I visse tilfeller har bestillere rett til å kreve at behandlingen begrenses eller at opplysningene slettes. Bestillere har også rett til å klage til en tilsynsmyndighet dersom de mener at Tilretteleggernes behandling er i strid med lov. Ytterliggere informasjon om behandling av personopplysninger og bestilleres rettigheter fremgår av Tilretteleggernes hjemmesider.

Investeringsbeslutninger må baseres på Prospektet: Investorer må verken akseptere noe tilbud om, eller erverve Tilbudsaksjer, på annet grunnlag enn det fullstendige Prospektet.

Vilkår for betaling med engangsfullmakt — verdipapirhandel: Betaling med engangsfullmakt er en banktjeneste tilbudt av samarbeidende banker i Norge. I forholdet mellom betaler og betalers bank gjelder følgende standard vilkår:

1. Tjenesten "Betaling med engangsfullmakt — verdipapirhandel" suppleres av kontoavtalen mellom betaler og betalers bank, se særlig kontoavtalen del C, Generelle vilkår for innskudd og betalingsoppdrag.
2. Kostnader ved å bruke "Betaling med engangsfullmakt — verdipapirhandel" fremgår av Selskapets gjeldende prisliste, kontoinformasjon og/eller opplyses på annen egnet måte. Selskapet vil belaste oppgitt konto for påløpte kostnader.
3. Engangsfullmakten signeres av betaler og leveres til betalingsmottaker. Betalingsmottaker vil levere belastningsoppdraget til sin bank som igjen kan belaste betalers bank.
4. Ved et eventuelt tilbakekall av engangsfullmakten skal betaler først ta forholdet opp med betalingsmottaker. Etter finansavtaleloven skal betalers bank medvirke hvis betaler tilbakekaller et betalingsoppdrag som ikke er gjennomført. Slikt tilbakekall kan imidlertid anses som brudd på avtalen mellom betaler og betalingsmottaker.
5. Betaler kan ikke angi et større beløp på engangsfullmakten enn det som på belastningstidspunktet er disponibelt på konto. Betalers bank vil normalt gjennomføre dekningskontroll før belastning. Belastning ut over disponibelt beløp skal betaler dekke inn umiddelbart.
6. Betalers konto vil bli belastet på angitt belastningsdag. Dersom belastningsdag ikke er angitt i engangsfullmakten vil kontobelastning skje snarest mulig etter at betalingsmottaker har levert oppdraget til sin bank. Belastningen vil likevel ikke skje etter engangsfullmaktens gyldighetsperiode som er angitt foran. Betaling vil normalt være godskrevet betalingsmottaker én til tre virkedager etter angitt belastningsdag/innleveringsdag.
7. Dersom betalers konto blir urettmessig belastet på grunnlag av en engangsfullmakt, vil betalers rett til tilbakeføring av belastet beløp bli regulert av kontoavtalen og finansavtaleloven.

Forsinket og manglende betaling: Forsinket betaling belastes med gjeldende forsinkelsesrente i henhold til forsinkelsesrenteloven av 17. desember 1976 nr. 100, som per datoen for Prospektet er 9,25 % p.a. Dersom betaling ikke skjer ved forfall, vil Tilbudsaksjene ikke bli levert til bestilleren, og Tilretteleggerne forbeholder seg retten til å, for tegnerens regning og risiko, når som helst kansellere og reallokere eller på annen måte disponere over de allokerte Tilbudsaksjene, på de vilkår og på den måten Tilretteleggerne bestemmer (og bestilleren ikke vil være berettiget til noe overskudd derfra). Den opprinnelige bestilleren vil fortsette å være ansvarlig for betaling av Tilbudsprisen for Tilbudsaksjene tildelt bestilleren, sammen med enhver rente, kostnader, gebyrer og utgifter påløpt, og Selskapet, den Selgende Aksjonæren og/eller Tilretteleggerne kan inndrive betaling for alle utestående beløp.

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