

## INTRODUCTION

Norske Skog is a world leading producer of publication paper with strong market positions in Europe and Australasia. Publication paper includes newsprint and magazine paper. Norske Skog's Albury mill, with a production capacity of 265 000 tonnes of newsprint, ceased production on 5 December 2019. After the closure of the Albury mill Norske Skog operates a total of six mills in five countries, with an annual production capacity of 2.3 million tonnes. Newsprint and magazine paper is sold through sales offices and agents to over 80 countries. The group has approximately 2 300 employees.

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

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

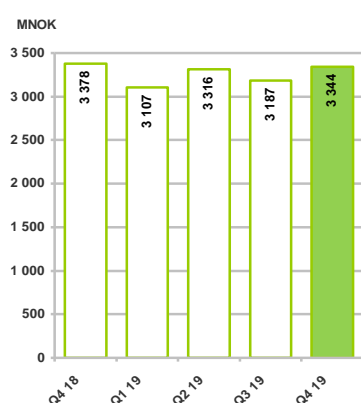
## KEY FIGURES

NOK MILLION (unless otherwise stated)	Q4 2019	Q3 2019	Q4 2018	YTD 2019	YTD 2018
<b>INCOME STATEMENT</b>					
Total operating income	3 344	3 187	3 378	12 954	12 642
EBITDA*	560	505	199	1 938	1 032
Operating earnings	-117	1 113	412	2 398	926
Profit/loss for the period	-158	1 018	309	2 044	1 525
Earnings per share (NOK)**	-1.92	12.33	3.75	24.77	18.48
<b>CASH FLOW</b>					
Net cash flow from operating activities	-78	150	305	602	881
Net cash flow from operating activities per share (NOK)**	-0.95	1.82	3.70	7.30	10.68
Net cash flow from investing activities	0	-1	-109	-180	-188
<b>OPERATING MARGIN AND PROFITABILITY (%)</b>					
EBITDA margin*	16.8	15.8	5.9	15.0	8.2
Return on capital employed (annualised)*	30.0	30.2	7.1	28.5	14.1
<b>PRODUCTION / DELIVERIES / CAPACITY UTILISATION</b>					
Production (1 000 tonnes)	560	577	620	2 310	2 492
Deliveries (1 000 tonnes)	573	573	636	2 285	2 485
Production / capacity (%)	88	88	94	89	95

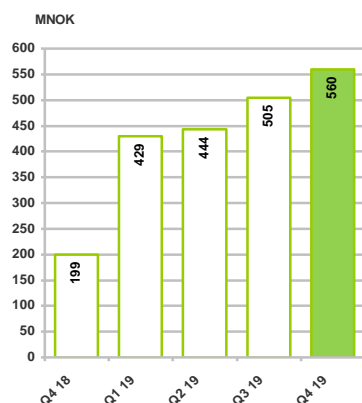
\*As defined in Alternative Performance Measures

\*\*Adjusted for the share split on 18 September 2019 pursuant to which the number of shares was increased from 30 000 to 82 500 000

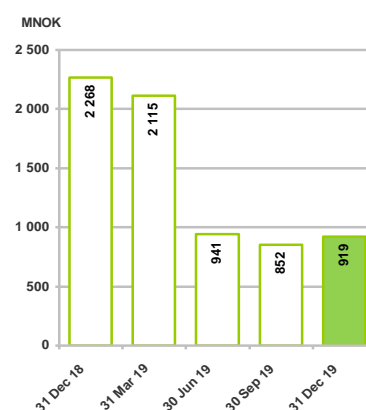
### TOTAL OPERATING INCOME



### EBITDA



### NET INTEREST-BEARING DEBT



NOK MILLION	31 DEC 2019	30 SEP 2019	31 DEC 2018
<b>BALANCE SHEET</b>			
Non-current assets	5 248	5 675	4 789
Assets held for sale	631	446	0
Current assets	4 360	4 219	3 776
Total assets	10 240	10 340	8 565
Equity	5 493	5 649	2 365
Net interest-bearing debt	919	852	2 268

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

- EBITDA for the period NOK 560 million, compared to NOK 505 million in the previous quarter
  - Includes net gain of NOK 236 million primarily from sale of water rights and termination of energy contracts related to Albury transactions
- Cash flow from operations NOK -78 million, a decrease from NOK 150 million in the previous quarter
  - Negatively impacted by settlement of redundancy payment for Albury in fourth quarter and gain from termination of energy contract paid in first quarter 2020
- Continued challenging operating environment in Australasia
  - Impairment of NOK 155 million recognized for Tasman mill
- Optimisation of asset portfolio in Australasia continues
- The Board of Directors proposes dividend of NOK 6.25 per share
  - To be approved by the Annual General Meeting to be held 16 April 2020

## PROFIT/LOSS FOR THE PERIOD

NOK MILLION	Q4 2019	Q3 2019	Q4 2018	YTD 2019	YTD 2018
Operating revenue	3 022	3 025	3 323	12 200	12 428
Other operating income	322	162	55	754	214
<b>Total operating income</b>	<b>3 344</b>	<b>3 187</b>	<b>3 378</b>	<b>12 954</b>	<b>12 642</b>
Distribution costs	-315	-315	-328	-1 242	-1 303
Cost of materials	-1 670	-1 650	-2 105	-6 861	-7 520
Fixed cost	-799	-717	-746	-2 914	-2 787
<b>EBITDA</b>	<b>560</b>	<b>505</b>	<b>199</b>	<b>1 938</b>	<b>1 032</b>

Operating revenue were in line with previous quarter with stable sales volumes and lower prices into the fourth quarter in Europe. Asian prices remained weak in the fourth quarter. Other operating income for the fourth quarter includes gain on sale of additional water rights as well as settlement for the termination of the energy contract at Albury in total NOK 255 million.

Cost of materials increased due to higher sales volumes but remained stable per tonne. Underlying there was a reduction in

variable cost for pulpwood, recovered paper and energy. Fixed costs increased due to higher employee benefit expenses and maintenance costs as well as costs in connection with listing.

EBITDA increased quarter-over-quarter, mainly due sale of water rights and termination of energy contract.

NOK MILLION	Q4 2019	Q3 2019	Q4 2018	YTD 2019	YTD 2018
Restructuring expenses	-198	-8	-6	-223	-15
Depreciation	-112	-118	-113	-456	-446
Impairments	-247	38	0	-209	0
Derivatives and other fair value adjustments	-120	696	332	1 348	355
<b>Operating earnings</b>	<b>-117</b>	<b>1 113</b>	<b>412</b>	<b>2 398</b>	<b>926</b>

Restructuring expenses recognised in the quarter mainly relates to the redundancies and transactions cost following the closure of Albury.

Depreciation of NOK 112 million is below previous quarter reflecting the closure of Albury.

Impairment recognised in the quarter relates to the Albury mill and the Tasman mill. Despite regional improvements following the closure of Albury the operating environment is expected to be challenging.

Derivatives and other fair value adjustments reflects a decrease in mark-to-market valuation of embedded derivatives related to energy contracts in New Zealand.

Embedded derivatives related to energy contracts in Norway that are sensitive to change in paper and pulpwood prices changed little in the quarter.

NOK MILLION	Q4 2019	Q3 2019	Q4 2018	YTD 2019	YTD 2018
Financial items	-58	-89	-76	-206	677
Income taxes	17	-6	-27	-149	-78
<b>Profit/loss for the period</b>	<b>-158</b>	<b>1 018</b>	<b>309</b>	<b>2 044</b>	<b>1 525</b>

Financial items improved by NOK 31 million mainly due to unrealised currency gain on debt denominated in other currencies than NOK. Net interest expenses were in line with previous quarter.

Income taxes year-to-date relates to the operations in Golbey and Bruck offset by changes in deferred tax assets related to the Norwegian entities.

## 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 and wood pellets to fibre-based construction boards, bio chemicals and bio composite. A bio composite demonstration plant is being developed in co-operating with Borregaard with funding from Innovation Norway. The initiatives are at various stages of the development cycle, ranging from early-phase research to final stages of implementation.

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

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

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

## SEGMENT INFORMATION

### PUBLICATION PAPER EUROPE

NOK MILLION (unless otherwise stated)	Q4 2019	Q3 2019	Q4 2018	YTD 2019	YTD 2018
Total operating income	2 368	2 321	2 535	9 583	9 200
<b>EBITDA</b>	<b>318</b>	<b>404</b>	<b>213</b>	<b>1 533</b>	<b>813</b>
EBITDA margin (%)	13.4	17.4	8.4	16.0	8.8
Return on capital employed (%) (annualised)	19.6	30.6	11.8	28.2	13.7
Production (1 000 tonnes)	426	435	468	1 739	1 862
Deliveries (1 000 tonnes)	441	426	485	1 724	1 848
Production / capacity (%)	88	90	97	90	96

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

Operating income increased from the previous quarter with higher sales volumes and a modest decrease in sales prices.

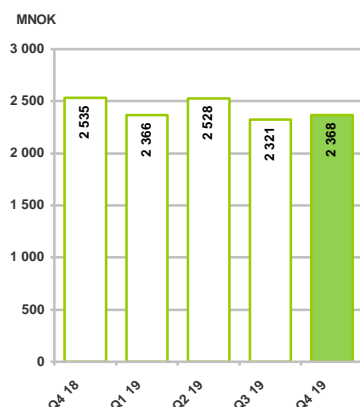
Cost of material increased due to higher sales volumes but remained stable per tonne. Underlying there was a reduction in variable cost for pulpwood, recovered paper and energy in the quarter. Fixed costs were higher compared to the previous quarter mainly due to slightly increased employee benefit expenses and maintenance as well as loss on obsolete assets.

EBITDA decreased from previous period, but the third quarter was positively impacted by the CO2 compensation recognised in the quarter with NOK 62 million for year-to-date for 2019 and NOK 31 million for 2018.

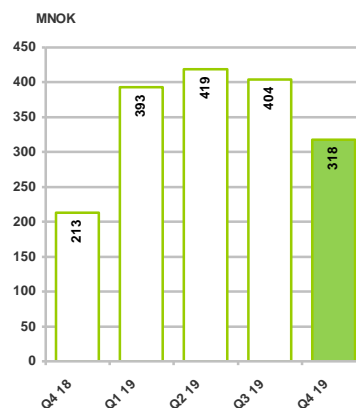
Demand for newsprint in Europe decreased by 7% through November this year compared to the same period last year. Magazine paper demand declined with Super Calendared paper decreasing 8% and Lightweight Coated paper decreasing 11%. (Source: Eurograph).

Capacity utilisation was 88% in the period.

**EUROPE  
TOTAL OPERATING INCOME**



**EUROPE  
EBITDA**



**PUBLICATION PAPER AUSTRALASIA**

NOK MILLION (unless otherwise stated)	Q4 2019	Q3 2019	Q4 2018	YTD 2019	YTD 2018
Total operating income	955	852	830	3 328	3 398
<b>EBITDA</b>	<b>283</b>	<b>113</b>	<b>17</b>	<b>459</b>	<b>257</b>
EBITDA margin (%)	29.6	13.2	2.0	13.8	7.6
Return on capital employed (%) (annualised)	172.7	55.9	-3.7	40.7	13.5
Production (1 000 tonnes)	134	142	152	570	630
Deliveries (1 000 tonnes)	132	147	150	561	637
Production / capacity (%)	86	81	87	84	90

The segment consists of Norske Skog's operations in Australasia with mills in Australia and New Zealand. Norske Skog's Albury mill, with a production capacity of 265 000 tonnes of newsprint, ceased production on 5 December 2019. After the closure of Albury the annual production capacity is 0.4 million tonnes.

Operating income increased from the previous quarter due to gains of NOK 255 million recognised in the quarter, from sale of water rights and termination of the energy contract in relation to the sale of Albury. Sales volumes declined compared to the previous quarter, Asian newsprint prices remained low in the quarter and impacted the EBITDA margin negatively.

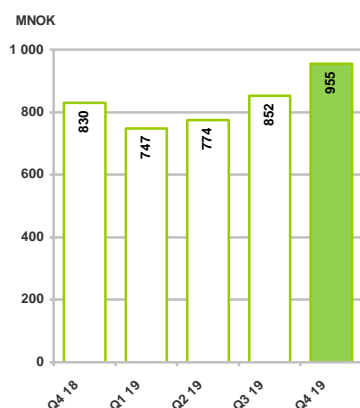
Cost of materials decreased in the quarter following the cessation of production at Albury. Costs per tonne were in line with previous quarter. Fixed cost were slightly down in the quarter but increased per tonne due to lower production volumes.

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

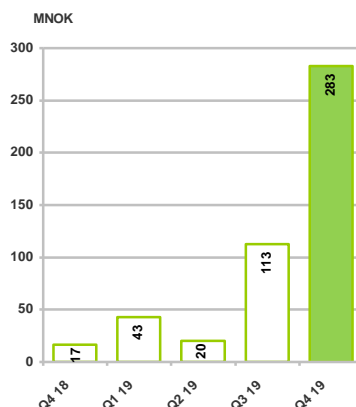
Demand for newsprint in Australasia declined by 9% through December this year compared to the same period last year. Demand for magazine paper decreased by 13%. (Source: official statistics).

Capacity utilisation was 86% in the period improving from the previous quarter which reflected less market related downtime following the stop of production at Albury.

**AUSTRALASIA  
TOTAL OPERATING INCOME**



**AUSTRALASIA  
EBITDA**



## OTHER ACTIVITIES

NOK MILLION	Q4 2019	Q3 2019	Q4 2018	YTD 2019	YTD 2018
Total operating income	48	43	37	170	148
<b>EBITDA</b>	<b>-41</b>	<b>-12</b>	<b>-31</b>	<b>-54</b>	<b>-39</b>

Operating income in other activities mainly consist of non-paper related operations defined as Green Energy which includes pellets and biogas. EBITDA was negatively impacted in the fourth quarter by costs related the listing of the company and accrual of annual bonuses. Other activities also include unallocated headquarter costs. The unallocated headquarter costs are estimated to be

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

## CASH FLOW

NOK MILLION	Q4 2019	Q3 2019	Q4 2018	YTD 2019	YTD 2018
EBITDA	560	505	199	1 938	1 032
Change in working capital	-43	-180	146	-263	-5
Restructuring activities	-140	-10	-11	-167	-26
Gain and losses from divestment of business activities and PPE	-236	-89	0	-414	-1
Net financial items	-48	-34	-23	-151	-70
Taxes paid	-143	-16	-6	-251	-20
Other items	-30	-25	-	-89	-29
<b>Net cash flow from operating activities</b>	<b>-78</b>	<b>150</b>	<b>305</b>	<b>602</b>	<b>881</b>
<b>Purchases of property, plant and equipment and intangible assets</b>	<b>-132</b>	<b>-82</b>	<b>-105</b>	<b>-369</b>	<b>-369</b>
-whereof maintenance capex	-84	-51	-89	-254	-221

Net cash flow from operating activities was NOK -78 million. Change in working capital (increase) includes the impact of the CO2 compensation of NOK 42 million recognised in the fourth quarter, but to be paid in 2020.

Restructuring relates to payments of redundancy and transaction costs at Albury. Taxes paid in fourth quarter mainly relate to Golbury based on 2019 earnings, but prepaid in 2019 due to level of profit in 2019. Proceeds from the sales of water rights received in the quarter was NOK 133 million and is presented under investing activities.

## BALANCE SHEET

NOK MILLION	31 DEC 2019	30 SEP 2019	31 DEC 2018
Non-current assets	5 248	5 675	4 789
Assets held for sale	631	446	0
<b>Cash and cash equivalents</b>	<b>970</b>	<b>909</b>	<b>912</b>
Inventories, trade and other receivables and other current assets	3 390	3 310	2 864
Total assets	10 240	10 340	8 565
<b>Equity</b>	<b>5 493</b>	<b>5 649</b>	<b>2 365</b>
Non-current liabilities	2 393	2 438	3 270
Current liabilities	2 354	2 253	2 931
<b>Net interest-bearing debt</b>	<b>919</b>	<b>852</b>	<b>2 268</b>

Total assets decreased in the fourth quarter mainly due to recognised impairment.

Net interest-bearing debt increased from NOK 852 million to NOK 919 million in the quarter due to increase in debt.

Cash and cash equivalents increased by NOK 61 million to NOK 970 million at quarter end and includes restricted cash of approximately NOK 127 million.

## OUTLOOK

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

Despite the closure of newsprint production at Albury in Australia, hence a significant reduction in export of newsprint, and a regional delivery optimization, we expect a challenging operating environment

in the region in 2020. The Group will therefore continue to optimize operations in the region as well as seek to realize added value at the facilities beyond the current production of publication paper.

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

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

  
Jen-Yue (John) Chiang  
Chair

  
Arvid Grundekjøn  
Board member

  
Anneli Finsrud Nesteng  
Board member

  
Trine-Marie Hagen  
Board member

  
Idunn Gangaune Finnanger  
Board member

  
Svein Erik Veie  
Board member

  
Paul Kristiansen  
Board member

  
Sven Ombudstved  
CEO

## INTERIM FINANCIAL STATEMENTS, FOURTH QUARTER OF 2019

### CONDENSED CONSOLIDATED INCOME STATEMENT

NOK MILLION	NOTE	Q4 2019	Q3 2019	Q4 2018	YTD 2019	YTD 2018
Operating revenue		3 022	3 025	3 323	12 200	12 428
Other operating income		322	162	55	754	214
<b>Total operating income</b>	<b>5</b>	<b>3 344</b>	<b>3 187</b>	<b>3 378</b>	<b>12 954</b>	<b>12 642</b>
Distribution costs		-315	-315	-328	-1 242	-1 303
Cost of materials		-1 670	-1 650	-2 105	-6 861	-7 520
Employee benefit expenses		-524	-482	-480	-1 938	-1 856
Other operating expenses		-275	-235	-266	-977	-931
Restructuring expenses		-198	-8	-6	-223	-15
Depreciation	4	-112	-118	-113	-456	-446
Impairments	4	-247	38	0	-209	0
Derivatives and other fair value adjustments	7	-120	696	332	1 348	355
<b>Operating earnings</b>		<b>-117</b>	<b>1 113</b>	<b>412</b>	<b>2 398</b>	<b>926</b>
Financial items	6	-58	-89	-76	-206	677
<b>Profit/loss before income taxes</b>		<b>-175</b>	<b>1 024</b>	<b>336</b>	<b>2 192</b>	<b>1 603</b>
Income taxes		17	-6	-27	-149	-78
<b>Profit/loss for the period</b>		<b>-158</b>	<b>1 018</b>	<b>309</b>	<b>2 044</b>	<b>1 525</b>
Basic earnings per share (NOK)		-1.92	12.33	3.75	24.77	18.48
Diluted earnings per share (NOK)		-1.92	12.33	3.75	24.77	18.48

### CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

NOK MILLION	Q4 2019	Q3 2019	Q4 2018	YTD 2019	YTD 2018
<b>Profit/loss for the period</b>	<b>-158</b>	<b>1 018</b>	<b>309</b>	<b>2 044</b>	<b>1 525</b>
<b>Items that may be reclassified subsequently to profit or loss</b>					
Currency translation differences	26	70	94	6	24
Tax expense on translation differences	0	0	0	0	0
<b>Total</b>	<b>26</b>	<b>70</b>	<b>94</b>	<b>6</b>	<b>24</b>
<b>Items that will not be reclassified subsequently to profit or loss</b>					
Remeasurements of post employment benefit obligations	-29	0	-8	-29	-8
Tax effect on remeasurements of employment benefit obligations	5	0	1	5	1
<b>Total</b>	<b>-24</b>	<b>0</b>	<b>-7</b>	<b>-24</b>	<b>-7</b>
<b>Other comprehensive income for the period</b>	<b>2</b>	<b>70</b>	<b>87</b>	<b>-18</b>	<b>17</b>
<b>Total comprehensive income for the period</b>	<b>-156</b>	<b>1 088</b>	<b>396</b>	<b>2 026</b>	<b>1 542</b>

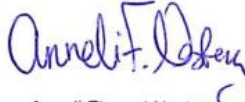
## CONDENSED CONSOLIDATED BALANCE SHEET

NOK MILLION	NOTE	31 DEC 2019	30 SEP 2019	31 DEC 2018
Deferred tax asset		137	64	64
Intangible assets	4	38	23	30
Property, plant and equipment	4	3 685	4 098	4 483
Other non-current assets	7	1 388	1 490	211
<b>Total non-current assets</b>		<b>5 248</b>	<b>5 675</b>	<b>4 789</b>
<b>Assets held for sale</b>	4	<b>631</b>	<b>446</b>	<b>0</b>
Inventories		1 427	1 530	1 304
Trade and other receivables		1 573	1 332	1 403
Cash and cash equivalents		970	909	912
Other current assets	7	390	447	157
<b>Total current assets</b>		<b>4 360</b>	<b>4 219</b>	<b>3 776</b>
<b>Total assets</b>		<b>10 240</b>	<b>10 340</b>	<b>8 565</b>
Paid-in equity	8	8 510	8 510	7 409
Retained earnings		-3 018	-2 862	-5 044
<b>Total equity</b>		<b>5 493</b>	<b>5 649</b>	<b>2 365</b>
Pension obligations		295	265	271
Deferred tax liability		316	327	328
Interest-bearing non-current liabilities	6	1 470	1 502	2 318
Other non-current liabilities	7	312	344	353
<b>Total non-current liabilities</b>		<b>2 393</b>	<b>2 438</b>	<b>3 270</b>
Interest-bearing current liabilities	6	419	259	862
Trade and other payables		1 685	1 691	1 864
Tax payable		62	142	87
Other current liabilities	7	188	161	118
<b>Total current liabilities</b>		<b>2 354</b>	<b>2 253</b>	<b>2 931</b>
<b>Total liabilities</b>		<b>4 747</b>	<b>4 691</b>	<b>6 200</b>
<b>Total equity and liabilities</b>		<b>10 240</b>	<b>10 340</b>	<b>8 565</b>

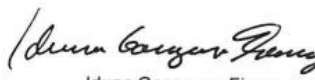
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Svein Erik Veie  
Board member

  
Paul Kristiansen  
Board member

  
Sven Ombudstvedt  
CEO



## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

NOK MILLION	Q4 2019	Q3 2019	Q4 2018	YTD 2019	YTD 2018
Cash generated from operations	2 975	3 011	3 477	12 563	12 735
Cash used in operations	-2 862	-2 811	-3 143	-11 558	-11 765
Cash flow from currency hedges and financial items	-14	-7	-15	-38	-43
Interest payments received	4	4	3	12	8
Interest payments made	-38	-30	-11	-126	-35
Taxes paid	-143	-16	-6	-251	-20
<b>Net cash flow from operating activities <sup>1)</sup></b>	<b>-78</b>	<b>150</b>	<b>305</b>	<b>602</b>	<b>881</b>
Purchases of property, plant and equipment and intangible assets	-132	-82	-105	-369	-279
Sales of property, plant and equipment and intangible assets	131	93	0	223	1
Purchase of shares in companies and other financial payments	-8	-11	-4	-48	-31
Sales of shares in companies and other financial instruments	10	0	1	14	121
<b>Net cash flow from investing activities</b>	<b>0</b>	<b>-1</b>	<b>-109</b>	<b>-180</b>	<b>-188</b>
New loans raised	147	4	153	1 438	332
Repayments of loans	-12	-104	-97	-1 782	-548
<b>Net cash flow from financing activities</b>	<b>135</b>	<b>-100</b>	<b>56</b>	<b>-344</b>	<b>-215</b>
Foreign currency effects on cash and cash equivalents	3	-1	29	-21	3
<b>Total change in cash and cash equivalents</b>	<b>61</b>	<b>48</b>	<b>282</b>	<b>57</b>	<b>480</b>
<b>Cash and cash equivalents at start of period</b>	<b>909</b>	<b>861</b>	<b>630</b>	<b>912</b>	<b>433</b>
<b>Cash and cash equivalents at end of period</b>	<b>970</b>	<b>909</b>	<b>912</b>	<b>970</b>	<b>912</b>
<b><sup>1)</sup> Reconciliation of net cash flow from operating activities</b>					
Profit/loss before income taxes	-175	1 024	336	2 192	1 603
Change in working capital	-43	-180	146	-263	-5
Change in restructuring provisions	58	-2	-5	56	-11
Depreciation and impairments	359	80	113	664	446
Derivatives and other fair value adjustments	94	-713	-332	-1 412	-369
Gain and losses from divestment of business activities and PPE	-236	-89	0	-414	-1
Net financial items without cash effect	10	55	53	55	-747
Taxes paid	-143	-16	-6	-251	-20
Change in pension obligations and other employee benefits	3	-2	1	-7	-8
Adjustment for other items	-7	-5	-1	-19	-7
<b>Net cash flow from operating activities</b>	<b>-78</b>	<b>150</b>	<b>305</b>	<b>602</b>	<b>881</b>

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN GROUP EQUITY

NOK MILLION	Paid-in equity	Other paid-in equity	Retained earnings	Total equity
<b>Equity 1 January 2018</b>	<b>5 160</b>	<b>0</b>	<b>-6 586</b>	<b>-1 427</b>
Profit/loss for the period	0	0	1 216	1 216
Derecognition of debt	0	2 249	0	2 249
Other comprehensive income for the period	0	0	-70	-70
<b>Equity 30 September 2018</b>	<b>5 160</b>	<b>2 249</b>	<b>-5 440</b>	<b>-1 969</b>
Profit/loss for the period	0	0	309	309
Other comprehensive income for the period	0	0	87	87
<b>Equity 31 December 2018</b>	<b>5 160</b>	<b>2 249</b>	<b>-5 044</b>	<b>2 365</b>
Profit/loss for the period	0	0	2 202	2 202
Increase share capital	1 102	0	0	1 102
Other comprehensive income for the period	0	0	-20	-20
<b>Equity 30 September 2019</b>	<b>6 261</b>	<b>2 249</b>	<b>-2 862</b>	<b>5 649</b>
Profit/loss for the period	0	0	-158	-158
Other comprehensive income for the period	0	0	2	2
<b>Equity 31 December 2019</b>	<b>6 261</b>	<b>2 249</b>	<b>-3 018</b>	<b>5 493</b>

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

## 1. GENERAL INFORMATION

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

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

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

	Q4 2019	Q3 2019	31 DEC 2019	30 SEP 2019	31 DEC 2018
AUD	6.22	6.07	6.17	6.14	6.13
EUR	10.09	9.85	9.86	9.90	9.95
GBP	11.74	10.92	11.59	11.17	11.12
NZD	5.87	5.75	5.92	5.70	5.83
USD	9.11	8.86	8.78	9.09	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:

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

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

- Decreased operating expenses: NOK 41 million

- Increased interest expenses: NOK 10 million

- Increased depreciations: NOK 35 million

## 3. ESTIMATES, JUDGEMENTS AND ASSUMPTIONS

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

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

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

### *Commodity contracts*

Norske Skog’s portfolio of commodity contracts consist mainly of contracts that are settled through physical delivery. Embedded derivatives in commodity contracts are measured at fair value and

embedded derivatives that are not traded in an active market, are assessed through valuation techniques.

The fair value of embedded derivatives in physical contracts vary depending on changes in currency, paper prices, pulpwood and price indexes. 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-DEC 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*	404	37	441	72
Depreciation	-410	-35	-445	-11
Impairments	-209	0	-209	0
Value changes	-11	0	-11	0
Disposals	-65	0	-65	-53
Assets held for sale	-621	-10	-631	0
Currency translation differences	-4	-1	-5	0
<b>Carrying value at end of period</b>	<b>3 567</b>	<b>118</b>	<b>3 685</b>	<b>38</b>

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

### ASSETS HELD FOR SALE

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

### IMPAIRMENTS

Impairment test is performed at 31 December 2019 as the performance for the Australasia cash generating units in 2019 have been poorer and the outlook for 2020 has become weaker as reflected in the most recent financial budget. Based on the test performed an impairment charge of NOK 155 million is recognised on the fixed assets related to the Tasman paper mill. In addition, an impairment of NOK 54 million relate to the closure of Albury mill, where the increase in impairment in Q4 2019 is due to change in estimates.

Impairment tests performed shows no need for impairment for the cash generating units European Newsprint, European SC and Australian Magazine as of 31 December 2019.

### PER OPERATING SEGMENTS

31 DEC 2019	ASSET HELD FOR SALE	TOTAL PROPERTY, PLANT AND EQUIPMENT	INTANGIBLE ASSETS
Publication paper Europe	0	3 158	26
Publication paper Australasia	631	447	4
Other activities	0	80	8
<b>Total</b>	<b>631</b>	<b>3 685</b>	<b>38</b>

## 5. OPERATING SEGMENTS

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

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

Operating revenue consist mainly of sale of goods for both Publication Paper Europe and Publication Paper Australasia.

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 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.

Q4 2019	PUBLICATION PAPER EUROPE	PUBLICATION PAPER AUSTRALASIA	OTHER ACTIVITIES	ELIMINATIONS	NORSKE SKOG GROUP
Operating revenue	2 307	695	48	-27	3 022
Other operating income	61	260	0	0	322
<b>Total operating income</b>	<b>2 368</b>	<b>955</b>	<b>48</b>	<b>-27</b>	<b>3 344</b>
Distribution costs	-226	-84	-4	0	-315
Cost of materials	-1 260	-399	-11	0	-1 670
Employee benefit expenses	-353	-127	-44	0	-524
Other operating expenses	-210	-62	-30	27	-275
<b>EBITDA</b>	<b>318</b>	<b>283</b>	<b>-41</b>	<b>0</b>	<b>560</b>
Restructuring expenses	-3	-192	-2	0	-198
Depreciation	-87	-22	-3	0	-112
Impairments	0	-247	0	0	-247
Derivatives and other fair value adjustments	0	-10	-110	0	-120
<b>Operating earnings</b>	<b>227</b>	<b>-189</b>	<b>-156</b>	<b>0</b>	<b>-117</b>
Share of operating revenue from external parties (%)	100	100	47		100

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

Q4 2018	PUBLICATION PAPER EUROPE	PUBLICATION PAPER AUSTRALASIA	OTHER ACTIVITIES	ELIMINATIONS	NORSKE SKOG GROUP
Operating revenue	2 487	824	36	-24	3 323
Other operating income	48	6	1	0	55
<b>Total operating income</b>	<b>2 535</b>	<b>830</b>	<b>37</b>	<b>-24</b>	<b>3 378</b>
Distribution costs	-227	-98	-3	0	-328
Cost of materials	-1 579	-514	-16	3	-2 105
Employee benefit expenses	-315	-133	-32	0	-480
Other operating expenses	-201	-69	-17	21	-266
<b>EBITDA</b>	<b>213</b>	<b>17</b>	<b>-31</b>	<b>0</b>	<b>199</b>
Restructuring expenses	-6	1	0	0	-6
Depreciation	-80	-31	-2	0	-113
Derivatives and other fair value adjustments	0	-4	336	0	332
<b>Operating earnings</b>	<b>127</b>	<b>-17</b>	<b>303</b>	<b>0</b>	<b>412</b>
Share of operating revenue from external parties (%)	100	100	48		100

YTD 2019	PUBLICATION PAPER EUROPE	PUBLICATION PAPER AUSTRALASIA	OTHER ACTIVITIES	ELIMINATIONS	NORSKE SKOG GROUP
Operating revenue	9 213	2 956	158	-127	12 200
Other operating income	370	372	11	0	754
<b>Total operating income</b>	<b>9 583</b>	<b>3 328</b>	<b>170</b>	<b>-127</b>	<b>12 954</b>
Distribution costs	-874	-355	-13	0	-1 242
Cost of materials	-5 113	-1 750	-23	25	-6 861
Employee benefit expenses	-1 329	-509	-100	0	-1 938
Other operating expenses	-735	-256	-88	102	-977
<b>EBITDA</b>	<b>1 533</b>	<b>459</b>	<b>-54</b>	<b>0</b>	<b>1 938</b>
Restructuring expenses	-6	-205	-12	0	-223
Depreciation	-337	-107	-11	0	-456
Impairments	0	-209	0	0	-209
Derivatives and other fair value adjustments	0	-40	1 389	0	1 348
<b>Operating earnings</b>	<b>1 189</b>	<b>-102</b>	<b>1 311</b>	<b>0</b>	<b>2 398</b>
Share of operating revenue from external parties (%)	100	100	43		100

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

## OTHER ACTIVITIES

INCOME STATEMENT	Q4 2019	Q3 2019	Q4 2018	YTD 2019	YTD 2018
<b>OTHER OPERATING REVENUE</b>					
Corporate functions	26	24	20	98	97
Green energy and other	23	19	17	72	51
<b>Total</b>	<b>48</b>	<b>43</b>	<b>37</b>	<b>170</b>	<b>148</b>
<b>EBITDA</b>					
Corporate functions	-43	-16	-32	-70	-40
Green energy and other	2	4	1	16	2
<b>Total</b>	<b>-41</b>	<b>-12</b>	<b>-31</b>	<b>-54</b>	<b>-39</b>

## 6. FINANCIAL ITEMS AND DEBT REPAYMENTS

## FINANCIAL ITEMS

NOK MILLION	Q4 2019	Q3 2019	Q4 2018	YTD 2019	YTD 2018
Net interest expenses	-29	-28	-39	-153	-725
Currency gains/losses*	20	-51	-78	26	201
Other financial items	-49	-10	49	-79	1 210
<b>Total financial items</b>	<b>-58</b>	<b>-89</b>	<b>-67</b>	<b>-206</b>	<b>686</b>

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

## FINANCING

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

In addition, in June 2019, Norske Skog established a revolving credit facility of EUR 31 million. The facility has a tenor of three years. The facility was undrawn per 31.12.2019 and is as such not included as interest-bearing debt. The remaining financing arrangements for the

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

Norske Skog shall in accordance with the bond covenants on a consolidated basis have (i) unrestricted cash and cash equivalents of minimum NOK 100 million, and (ii) net interest-bearing debt to EBITDA\* less than 2.75x.

\*The EBITDA used in the financial covenants calculations may differ from the EBITDA shown in the financial reporting due to adjustment requirements in the financial agreements.

## BONDS

MATURITY	CURRENCY	INTEREST RATE	NOMINAL VALUE	AMOUNT OUTSTANDING 31 DEC 2019
June 2022	EUR	EURIBOR + 6%	125	125

## DEBT REPAYMENT SCHEDULE\*

NOK MILLION	2020	2021	2022	2023	2024-
Bonds	0	0	1 233	0	0
Debt to credit institutions	388	33	35	36	70
<b>Total</b>	<b>388</b>	<b>33</b>	<b>1 267</b>	<b>36</b>	<b>70</b>

\*Not including items relating to IFRS 16.

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

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

Financed amounts from securitization arrangements is classified as interest-bearing current liabilities. This amounts to NOK 343 million in debt repayment in 2020. The financed amount represents a group of individual loans, which are settled individually at maturity of the

accounts receivable. New loans are initiated on a consecutive basis based on new accounts receivable included under the securitization agreement. The liability is in its nature current and Norske Skog does not have an unconditional right to defer settlement beyond twelve months. The liabilities are liabilities that are settled through its normal operating cycle. The corresponding accounts receivable is derecognised when the customer pays it.

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

31 DEC 2019	ASSETS		LIABILITIES	
	CURRENT	NON-CURRENT	CURRENT	NON-CURRENT
Energy contracts and embedded derivatives in energy contracts (level 3)	316	1 258	-17	-8
Energy contracts (level 2)	0	0	-48	-6
Other derivatives and financial instruments carried at fair value (level 2)	24	0	-9	0
<b>Total</b>	<b>340</b>	<b>1 258</b>	<b>-74</b>	<b>-14</b>

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

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

The energy contracts in Norway are nominated in EUR. The energy contracts at Skogn and Saugbrugs expires at the end of 2026, and both contracts have a yearly consumption of approximately 876 000 MWh. The contract prices are sensitive to change in paper and pulpwood prices. These contracts contain embedded derivatives that are recognized at fair value in accordance with IFRS 9 *Financial instruments - recognition and measurement*. The assumed paper and pulpwood prices in the contract period are based on forecasts from external sources independent of the company. The base line for price assumptions used in the initial valuation was the forecasts as of fourth quarter 2018 when the electricity contracts started. The external forecast prices on paper is lower compared to fourth quarter 2018 which have a significant positive effect on the embedded derivatives

year to date. Forecast paper prices is virtually unchanged in fourth quarter compared to third quarter which have a significant positive effect on the embedded derivatives. Pulpwood prices is virtually unchanged from previous quarter.

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

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

Gains and losses on level 3 financial instruments recognised in the income statement, line item Derivatives and other fair value adjustments, amounted to NOK -147 million in the fourth quarter (NOK 1 382 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.

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

## 8. PRINCIPAL SHAREHOLDERS

	NUMBER OF SHARES	OWNERSHIP %
NS NORWAY HOLDING AS	52 161 386	63.23
ARTIC FUNDS PLC	2 450 000	2.97
HANDELSBANKEN NORDISKA SMABOLAG	1 880 000	2.28
BANQUE DEGROOF PETERCAM LUX.SA	1 606 189	1.95
MP PENSJON PK	1 208 976	1.47
VERDPAPIRFONDET HOLBERG NORGE	1 100 000	1.33
VERDIPAPIRFONDET EIKA SPAR	1 010 000	1.22
SEB PRIME SOLUTION SISSENER CANOPUS	1 000 000	1.21
RBC INVESTOR SERVICES BANK S.A	886 111	1.07
FRAM REALINVEST AS	850 000	1.03
VERDIPAPIRFONDET EIKA NORGE	850 000	1.03
TVECO AS	825 000	1.00
CLIENS SVERIGE FOKUS	669 777	0.81
VERDIPAPIRFONDET DELPHI NORGE	650 000	0.79
PACTUM AS	560 000	0.68
WENAASGRUPPEN AS	550 000	0.67
OM HOLDING AS	522 965	0.63
MANDATUM LIFE INSURANCE COM LTD-7	513 889	0.62
HOLMEN SPESIALFOND	500 000	0.61
VERDIPAPIRFONDET FIRST GENERATOR	458 268	0.56
Other shareholders	12 247 439	14.85
<b>Total</b>	<b>82 500 000</b>	<b>100.00</b>

The data is extracted from VPS 5 February 2020. Whilst every reasonable effort is made to verify all data, VPS cannot guarantee the accuracy of the analysis.



## 9. RELATED PARTIES

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

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

On 31 May 2019 the company's general meeting resolved to increase the company's share capital with NOK 30 million. The share

contribution was settled by way of a set-off against outstanding loans in the total amount of NOK 1 102 million which its parent company had towards the company.

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

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

## 10. EVENTS AFTER THE BALANCE SHEET DATE

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

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## 11. HISTORICAL FIGURES

INCOME STATEMENT	Q4 2019	Q3 2019	Q2 2019	Q1 2019	Q4 2018
<b>Total operating income</b>	<b>3 344</b>	<b>3 187</b>	<b>3 316</b>	<b>3 107</b>	<b>3 378</b>
Variable costs	-1 985	-1 965	-2 161	-1 991	-2 433
Fixed costs	-799	-717	-711	-687	-746
<b>EBITDA</b>	<b>560</b>	<b>505</b>	<b>444</b>	<b>429</b>	<b>199</b>
Restructuring expenses	-198	-8	-9	-8	-6
Depreciation	-112	-118	-113	-113	-113
Impairments	-247	38	0	0	0
Derivatives and other fair value adjustment	-120	696	828	-55	332
<b>Operating earnings</b>	<b>-117</b>	<b>1 113</b>	<b>1 150</b>	<b>253</b>	<b>412</b>
Financial items	-58	-89	-68	8	-76
<b>Profit/loss before income taxes</b>	<b>-175</b>	<b>1 024</b>	<b>1 082</b>	<b>261</b>	<b>336</b>
Income taxes	17	-6	-50	-109	-27
<b>Profit/loss for the period</b>	<b>-158</b>	<b>1 018</b>	<b>1 032</b>	<b>153</b>	<b>309</b>

SEGMENT INFORMATION	Q4 2019	Q3 2019	Q2 2019	Q1 2019	Q4 2018
<b>Publication paper Europe</b>					
Total operating income	2 368	2 321	2 528	2 366	2 535
EBITDA	318	404	419	393	213
Deliveries (1 000 tonnes)	441	426	441	416	485
<b>Publication paper Australasia</b>					
Total operating income	955	852	774	747	830
EBITDA	283	113	20	43	17
Deliveries (1 000 tonnes)	132	147	149	133	150
<b>Other activities</b>					
Total operating income	48	43	44	34	37
EBITDA	-41	-12	5	-6	-31

BALANCE SHEET	31 DEC 2019	30 SEP 2019	30 JUN 2019	31 MAR 2019	31 DEC 2018
<b>Total non-current assets</b>	<b>5 248</b>	<b>5 675</b>	<b>5 512</b>	<b>4 878</b>	<b>4 789</b>
<b>Assets held for sale</b>	<b>631</b>	<b>446</b>	<b>0</b>	<b>0</b>	<b>0</b>
Inventories	1 427	1 530	1 547	1 502	1 304
Trade and other receivables	1 573	1 332	1 227	1 223	1 403
Cash and cash equivalents	970	909	861	638	912
Other current assets	390	447	224	312	157
<b>Total current assets</b>	<b>4 360</b>	<b>4 219</b>	<b>3 859</b>	<b>3 675</b>	<b>3 776</b>
<b>Total assets</b>	<b>10 240</b>	<b>10 340</b>	<b>9 372</b>	<b>8 553</b>	<b>8 565</b>
<b>Total equity</b>	<b>5 493</b>	<b>5 649</b>	<b>4 560</b>	<b>2 456</b>	<b>2 365</b>
<b>Total non-current liabilities</b>	<b>2 393</b>	<b>2 438</b>	<b>2 403</b>	<b>3 417</b>	<b>3 270</b>
Trade and other payables	1 685	1 691	1 796	1 822	1 864
Other current liabilities	669	562	613	858	1 067
<b>Total current liabilities</b>	<b>2 354</b>	<b>2 253</b>	<b>2 409</b>	<b>2 680</b>	<b>2 931</b>
<b>Total liabilities</b>	<b>4 747</b>	<b>4 691</b>	<b>4 811</b>	<b>6 097</b>	<b>6 200</b>
<b>Total equity and liabilities</b>	<b>10 240</b>	<b>10 340</b>	<b>9 372</b>	<b>8 553</b>	<b>8 565</b>

CASH FLOW	Q4 2019	Q3 2019	Q2 2019	Q1 2019	Q4 2018
<b>Reconciliation of net cash flow from operating activities</b>					
EBITDA	560	505	444	429	199
Change in working capital	-43	-180	35	-75	146
Payments made relating to restructuring activities	-140	-10	-13	-4	-11
Gain and losses from divestment of business activities and PPE	-236	-89	-89	0	0
Cash flow from net financial items	-48	-34	-50	-20	-23
Taxes paid	-143	-16	-91	-1	-6
Other	-30	-25	-11	-23	0
<b>Net cash flow from operating activities</b>	<b>-78</b>	<b>150</b>	<b>225</b>	<b>305</b>	<b>305</b>
Purchases of property, plant and equipment and intangible assets	-132	-82	-78	-77	-105
Net divestments	133	82	-11	-15	-3
<b>Net cash flow from investing activities</b>	<b>0</b>	<b>-1</b>	<b>-88</b>	<b>-92</b>	<b>-109</b>
<b>Net cash flow from financing activities</b>	<b>135</b>	<b>-100</b>	<b>95</b>	<b>-474</b>	<b>56</b>
Foreign currency effects on cash and cash equivalents	3	-1	-9	-13	29
<b>Total change in cash and cash equivalents</b>	<b>61</b>	<b>48</b>	<b>223</b>	<b>-274</b>	<b>282</b>

## ALTERNATIVE PERFORMANCE MEASURES

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

EBITDA, EBITDA margin, variable costs, fixed costs, return on capital employed and net interest-bearing debt are defined by the company below.

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

NOK MILLION	Q4 2019	Q3 2019	Q4 2018	YTD 2019	YTD 2018
Operating earnings	-117	1 113	412	2 398	926
Restructuring expenses	198	8	6	223	15
Depreciation	112	118	113	456	446
Impairments	247	-38	0	209	0
Derivatives and other fair value adjustments	120	-696	-332	-1 348	-355
<b>EBITDA</b>	<b>560</b>	<b>505</b>	<b>199</b>	<b>1 938</b>	<b>1 032</b>

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

NOK MILLION	Q4 2019	Q3 2019	Q4 2018	YTD 2019	YTD 2018
EBITDA	560	505	199	1 938	1 032
Total operating income	3 344	3 187	3 378	12 954	12 642
<b>EBITDA margin</b>	<b>16.8%</b>	<b>15.8%</b>	<b>5.9%</b>	<b>15.0%</b>	<b>8.2%</b>

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

NOK MILLION	Q4 2019	Q3 2019	Q4 2018	YTD 2019	YTD 2018
Distribution costs	315	315	328	1 242	1 303
Cost of materials	1 670	1 650	2 105	6 861	7 520
<b>Variable costs</b>	<b>1 985</b>	<b>1 965</b>	<b>2 433</b>	<b>8 102</b>	<b>8 823</b>

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

NOK MILLION	Q4 2019	Q3 2019	Q4 2018	YTD 2019	YTD 2018
Employee benefit expenses	524	482	480	1 938	1 856
Other operating expenses	275	235	266	977	931
<b>Fixed costs</b>	<b>799</b>	<b>717</b>	<b>746</b>	<b>2 914</b>	<b>2 787</b>

**Return on capital employed (annualised):** (Annualised EBITDA – Annualised Capital expenditure) / Capital employed (average). Return on capital employed assist in providing a more comprehensive analysis of returns relative to other companies.

NOK MILLION	Q4 2019	Q3 2019	Q4 2018	YTD 2019	YTD 2018
EBITDA	560	505	199	1 938	1 032
Capital expenditure	132	82	105	369	279
Average capital employed	5 704	5 601	5 319	5 464	5 335
<b>Return on capital employed (annualised)</b>	<b>30.0%</b>	<b>30.2%</b>	<b>7.1%</b>	<b>28.5%</b>	<b>14.1%</b>

NOK MILLION	31 DEC 2019	30 SEP 2019	31 DEC 2018
Intangible assets	38	23	30
Tangible assets	3 685	4 098	4 483
Assets held for sale	631	446	0
Inventory	1 427	1 530	1 304
Trade and other receivables	1 573	1 332	1 403
Trade and other payables	-1 685	-1 691	-1 864
<b>Capital employed</b>	<b>5 670</b>	<b>5 738</b>	<b>5 356</b>

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

NOK MILLION	31 DEC 2019	30 SEP 2019	31 DEC 2018
Interest bearing non-current liabilities	1 470	1 502	2 318
Interest bearing current liabilities	419	259	862
Cash and cash equivalents	-970	-909	-912
<b>Net interest bearing debt</b>	<b>919</b>	<b>852</b>	<b>2 268</b>

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

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