

WE ARE MORE THAN PAPER

2018 IN BRIEF

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Key figures

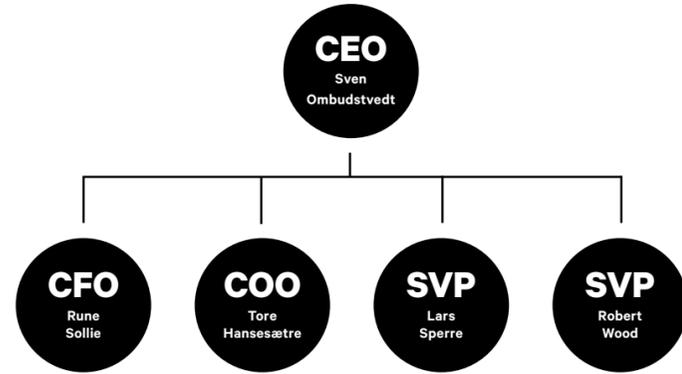
NOK MILLION	2018	2017	2016	2015
INCOME STATEMENT				
Operating revenue	12 641	11 527	11 852	11 130
Gross operating earnings	1 031	702	1 097	818
Operating earnings	926	-1 702	-947	19
Profit/loss	1 525	-3 551	-972	-1 318
CASH FLOW				
Net cash flow from operating activities	881	404	514	146
Net cash flow from investing activities	-188	-279	-105	-174
OPERATING MARGIN AND PROFITABILITY (%)				
Gross operating margin	8.2	6.1	9.3	7.3
Return on capital employed	14.1	6.6	9.1	13.0
Return on assets	11.1	-18.9	-9.7	0.1
PRODUCTION / DELIVERIES / CAPACITY UTILISATION				
Production (1 000 tonnes)	2 492	2 494	2 506	2 366
Deliveries (1 000 tonnes)	2 485	2 491	2 520	2 356
Production / capacity (%)	95	93	93	84

	31.12.2018	31.12.2017	31.12.2016	31.12.2015
BALANCE SHEET				
Non-current assets	4 789	4 939	7 184	9 620
Current assets	3 776	3 170	3 313	3 512
Total assets	8 565	8 109	10 497	13 133
Equity	2 365	-1 427	2 090	4 729
Net interest-bearing debt	2 268	5 717	5 038	4 528

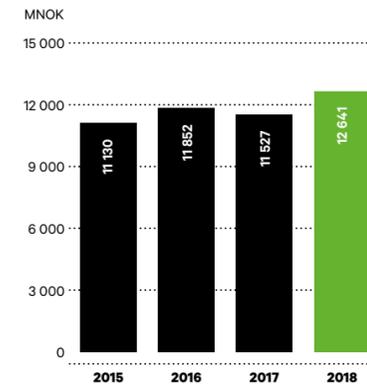
MYTH
PAPER IS BAD FOR THE ENVIRONMENT

FACT
PAPER IS ONE OF THE FEW TRULY SUSTAINABLE PRODUCTS

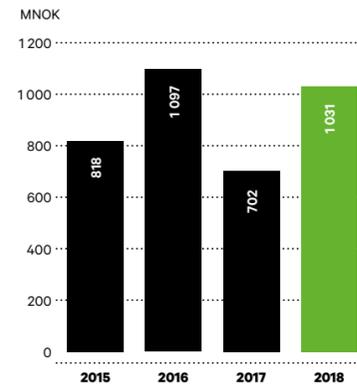
Corporate management



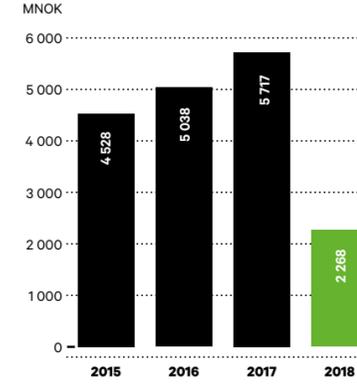
OPERATING REVENUE



GROSS OPERATING EARNINGS



NET INTEREST-BEARING DEBT



7 PAPER MILLS IN 5 COUNTRIES

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

Employees

2 444

11% female employees

2 625 000
production capacity

2 485 000
tonnes sold

2 492 000
tonnes produced

Sales to more than
80 COUNTRIES

CEO – We are more than paper

Norske Skog's bread and butter is our publication paper portfolio. Most of the time and effort of our people is spent on running our world-class paper mills in an extremely competitive global market place. The entrance of digital platforms 25 years ago shifted attention from paper to digital issues in an ever increasing speed. The demand for publication paper has fallen around 50 % since the peak in 2008. However, despite gloomy predictions, even among newspaper editors, both our news- and magazine paper mills are producing profitably at full capacity.

Looking back at our markets in 2018, the overall supply and demand for publication paper continued to decline, but the demand for Norske Skog's products and segments was quite positive. Substantial capacity cuts over the past years have improved the market balance and allowed for increased sales prices.

We are optimistic about our future. We will thrive as a publication paper company because we believe in our products. We will demonstrate our ability to launch new paper products in line with customer expectation. As an example, our Saugbrugs sales team will this spring launch a new, unique paper product called NOR SC Polar with Norwegian marble as one of the ingredients. This demonstrates

creativity, innovation and belief in the future that adds to our extensive publication paper portfolio.

Going forward we will pay strong attention to operational efficiency, capacity utilisation and customer satisfaction to offset some headwind from rising input costs and volatile market conditions. We strongly believe that our flexibility, delivery precision and product quality will largely benefit our customers' competitive profile in the future. We are committed to closely collaborating with our loyal customers to bring their final products and their reputation to an even higher level.

Although our employees are committed to deliver quality publication paper every day, Norske Skog is actively developing new revenue streams in synergy with existing production. Our biogas facilities contribute positively to our gross operating earnings, but more impressively have reduced our carbon footprint substantially. We are proud to be a global forerunner in the circular economy.

Other examples of exciting innovation and product development taking part at our units are:

- Golbey in France just opened a biogas plant utilizing bio waste from paper production. Now

the innovative Golbey team is making promising research in producing organic additives for the cosmetics industry.

- At Boyer in Australia, the successful production of Cyrene™, an environmentally friendly alternative to existing solvents, in partnership with the Circa Group, involves new technology developed in Australia, targeting global markets for sustainable and thus more environmentally, friendly solvents.
- At Saugbrugs in Norway, there are promising test results for producing the world's first high-strength, low-weight construction boards without the use of glue and chemicals; in addition developing nanofibrils used in paper, paints, adhesives, composites and functional chemicals.
- At Nature's Flame in New Zealand, we have decided to double the output of wood pellets to an annual capacity of 80,000 tonnes satisfying both our domestic customers as well as markets in Asia.
- Likewise, there are also numerous encouraging initiatives at our mills in Bruck (Austria), Tasman (New Zealand), Skogn (Norway) and Albury (Australia).

The new bio products, all being suited for a world-wide consumer introduction, may be produced at the site with the highest degree of comparative advantages

being for example wood and energy access cost, end user market position and sustainable political framework conditions. We have a number of exciting investment possibilities for the long-term shift to a bio-based economy.

To satisfy demand for renewable energy, we are looking at major energy investments using waste materials at several of our units. We will also work with partners to convert some of our paper machines to renewable packaging solutions. To finance these projects, we expect to enter the capital markets in 2019.

Finally, I would like to thank Norske Skog's employees for their continuous contributions: firstly, in the ongoing quest for efficiency in a competitive market and secondly, for their ideas and contributions to the future business of Norske Skog. Just let us join forces together - I believe we can make a difference.

SVEN OMBUDSTVEDT
Chief Executive Officer



Board of Directors



SVEN OMBUDSTVEDT (52)

Chair since 2017

Residence: Drøbak, Norway

Education:

Master of International Management, Thunderbird (USA)

Bachelor of Business Administration, Pacific Lutheran University (USA)

Position:

Chair and CEO of Norske Skog AS

Directorships:

Chair of Phosagro, chair of Alfa Forsikring, chair of Cool-Off Capital, chair of Norske Skog AS and member of NS Norway Holding AS



JEN-YUE (JOHN) CHIANG (43)

Board member since 2018

Residence: London, UK

Education:

Master of Business Administration, Harvard Business School (USA)

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

Position:

Senior Partner and Portfolio Advisor of Oceanwood Capital Management

Directorships:

Norske Skog AS and chair of NS Norway Holding AS



ARVID GRUNDEKJØN (63)

Board member since 2018

Residence: Oslo, Norway

Education:

Executive programme, Harvard Business School (USA)

Master of Law, University of Oslo (Norway)

Master of Business and Economics, Norwegian School of Economics

Position:

Investor and professional board member

Directorships:

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



SVEIN ERIK VEIE (46)

Board member since 2019

Residence: Levanger, Norway

Education:

Process operator and industrial mechanic

Position:

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

Directorships:

Chairman Fellesforbundet dept. 461, representative to Fellesforbundet board, member of EWC and GEF, member of Fellesforbundets department management forum Trøndelag and member of Plans- and development committee Levanger municipality



PAUL KRISTIANSSEN (63)

Board member since 2019

Residence: Halden, Norway

Education:

Certificate of apprenticeship as process operator.

Position:

Main employee representative Norske Skog Saugbrugs, Line driver at Norske Skog Saugbrugs

Directorships:

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

Corporate management



SVEN OMBUDSTVEDT (52)

CEO
In Norske Skog since 2010

Background:

Norske Skog:
- President and CEO

SCD SAS
- Senior vice president

Yara International ASA
- CFO and Head of strategy
- SVP upstream operations

Norsk Hydro ASA
- SVP corporate strategy

Various positions in Hydro Agri and Norsk Hydro

Education:

Bachelor of Business Administration from Pacific Lutheran University (USA),

Master International Management from Thunderbird (USA)



TORE HANESÆTRE (34)

Chief Operating Officer
In Norske Skog since 2009

Background:

Norske Skog:
- Chief Group Controller
- Chief Operating Officer
- Vice President Operations
- Manager Operation Support
- Senior Advisor Bus Perf
- Corporate Strategy Analyst

Education:

Master degree Industrial Economics and Technology Management from NTNU, Trondheim (Norway)



RUNE SOLLIE (52)

Chief Financial Officer
In Norske Skog since 2014

Background:

Statoil Retail & Fuel AS
- Senior Director Financial Reporting & Compliance,
Various positions in UNiconsult AS, Yara International ASA and KPMG AS

Education:

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

State Authorized Public Accountant, Norwegian School of Economics (Norway)



LARS P.S. SPERRE (42)

SVP Corporate Strategy
In Norske Skog since 2006

Background:

Norske Skog:
- President and CEO
- SVP Corporate Strategy & Legal
- Vice President Legal
- Legal Counsel

Wikborg Rein
- Associate lawyer

Education:

Practising Certificate (2005)

Master of Law from University of Bergen (Norway)



ROBERT A. WOOD (56)

SVP Commercial
In Norske Skog since 1987

Background:

Norske Skog:
- VP Commercial
- Managing Director Central European Hub
- VP European Sales
- General Manager Norske Skog PanAsia (Shanghai)

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

Education:

Bachelor of Science at University of Strathclyde (Scotland)



Corine Parrassin

Training Manager / Golbey, France

Corine Parrassin, 57, is a training manager at Norske Skog Golbey and has been with Norske Skog since 1990.

Her tasks are varied. "I'm now a training manager. I also manage the relations with the employee representatives and communication tasks, such as visits to the mill, sponsorships and relationships. I try to take care of the well-being of the employees in general," she says.

Looking ahead, she says: "I hope that Norske Skog will stay a strong and attractive company, producing of course newsprint, but I think Norske Skog also will develop other products related to its core business."

"I have a lot of good memories from Norske Skog. Here is one that comes back to me: one of my colleagues drank recycled water to demonstrate that our water was not polluted. Another: When the Golbey factory was built, the press called us "the cathedral builders"! With the construction of the mill, the first paper machine in 1990 and the second one in 1998, it was such an amazing period with lots of colleagues coming from abroad," says Corine.

"I hope that Norske Skog will stay strong and attractive."

Amund Saxrud

Managing Director / Skogn, Norway

Amund Saxrud, 46, Managing Director of Norske Skog Skogn in Norway, is a 23-year veteran of Norske Skog, having joined the company after graduating with an engineering degree in 1996.

Skogn is the northernmost mill in the Norske Skog Group, so among the advantages Amund emphasizes is access to an ice-free port, as well as access to competitively priced raw materials and energy, and employees with high competence and ability to adapt to changes.

Based on these advantages, the Skogn mill has since it was established in 1962 been developed into Norway's leading producer of newsprint, supplying about 70 percent of the Norwegian consumption – obviously including the local daily Trønder-Avisa – in addition to substantial export volumes to Europe.

"Just one of our three machines, PM3, could cover the highway from our nearest large city, Trondheim, to the capital Oslo – a distance of approximately 500 km – with paper in about six hours," Amund says in order to visualize the volumes produced at Skogn.

Looking into his crystal ball, this is what Amund sees: "In five years I believe we still have four mills in Europe which continue to be competitive within publication paper. Norske Skog will have a larger market share than we have today – we are better than most of our competitors. In addition, we will succeed with several of our development projects and create value in addition to publication paper."





Yves Bailly

Managing Director / Golbey, France

A 27-year veteran of Norske Skog, 57-year old Yves Bailly has seen a drastic change in the local perception of Norske Skog Golbey in France, where he is the Managing Director.

“When I was recruited to Norske Skog Golbey, family and friends told me to think carefully before committing myself. The perception of the local stakeholders was very negative. They saw Norske Skog as a foreign company with foreign managers who had no intention of becoming integrated with the local community and would leave once the natural resources were spent. We have been working hard to change this perception. Today, Norske Skog Golbey is highly appreciated by all stakeholders and is a driving force in local development. All employees are very proud of this,” says Yves.

Today, Golbey is Europe’s largest newsprint mill and highly competitive. “Our mill is well located, close to main European printshops and in a forest area,” Yves points out, adding that he is proud of the quality the mill delivers and the service-minded and very competent staff he leads.

While not working at the mill, Yves does his share of newsprint consumption as an avid reader of national financial daily Les Echos (on paper supplied by Norske Skog Golbey, of course) as well as the local daily Vosges Matin.

When not producing newsprint, taking part in a variety of industry and business groups, or reading newspapers, Yves finds time for another passion: He is the president of the local football club SAS Épinal.

Dale Richards

General Manager / Boyer, Australia

Admitting that he is slightly biased, Norske Skog Boyer General Manager Dale Richards, 48, claims that his mill produces the best LWC (light weight coated) magazine paper in the world. Located on the island of Tasmania, Boyer is also Australia’s only domestic producer of LWC paper.

While Dale has only been with Norske Skog for three years, after 24 years with Rio Tinto, he emphasizes the history of the Boyer mill.

“Boyer is in its 78th year of operation and has produced over 20 million tonnes of publication paper, mostly for the Australian market. What makes the mill special is its unique location on the beautiful Derwent River, close to our rich fibre source – we own our own forests – and fresh water. And of course, our proud Tasmanian colleagues who operate the mill 24/7,” says Dale.

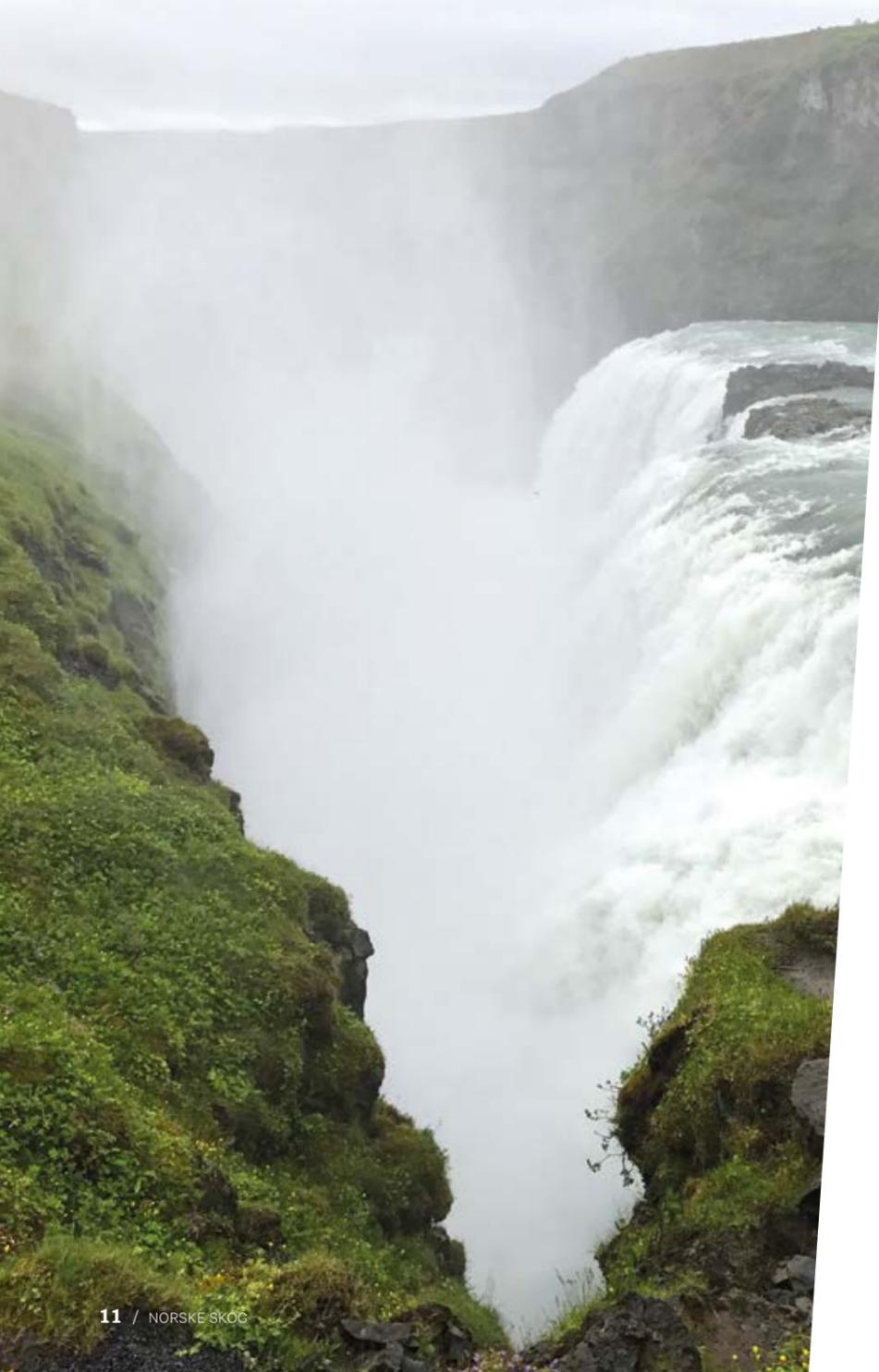
He also emphasizes Boyer’s broad product offering. “We are one of the most diverse mills in the world with over 29 different products on offer,” he says.

While publication paper is still Boyer’s core business, the unit has entered into exciting new ventures. A large-scale prototype biochemical facility has successfully produced a bio solvent called Cyrene, which can replace and, in some cases, outperform traditional toxic petrochemical solvents typically used in the pharmaceutical industry.

“Norske Skog is uniquely positioned with its active diversification strategy to not only be the best publication paper business in the world, but also an innovative biochemical and biofuel global leader. It’s an exciting time to be part of this business,” says Dale Richards.



RESPONSIBLE WOOD, PULP AND PAPER PRODUCTION ENSURES HEALTHY GROWING FORESTS



Doing the right thing – the right way

We are a progressive and viable group with belief in the company, the products and the future.

OUR CORE VALUES

Our core values of openness, honesty and cooperation as well as our policies and guidelines build on the UN Universal Declaration of Human Rights and the 10 principles of UN Global Compact. Our values guide our business activities and sustainability work across regions and are, together with our leadership principles, the fundament to ensure ethical and competitive business conduct within and on behalf of Norske Skog.

OUR BUSINESS GOALS AND RESPONSIBILITY

Our attitude and ability to be entrepreneurial, empower each other and behave consistently, define our results in changing and challenging markets. Through reliable, responsible and sustainable conduct, we will win the trust and confidence of our stakeholders, both within and outside of Norske Skog. We monitor activities in order to achieve sustainable products and processes throughout the entire value

chain. We continuously strive to maintain our status as the most attractive industry partner for suppliers and customers.

Our group has been a pioneer in setting a global standard for social responsibility and worker-management relations. We were the first international paper manufacturer to sign an agreement with the International Federation of Chemical, Energy, Mine and General Workers' Unions (ICEM) and the Norwegian United Federation of Trade Unions concerning employee rights on a global basis. We were also an early adopter of the 10 principles in the UN Global Compact

To meet future sustainability expectations, we conduct our business mandates and activities according to internally developed Steering Documents, Power of Attorney structure and Operating Model. These provide the basic framework for our mandates and activities. The Steering Documents describe in general how Norske Skog employees are expected to carry out activities and

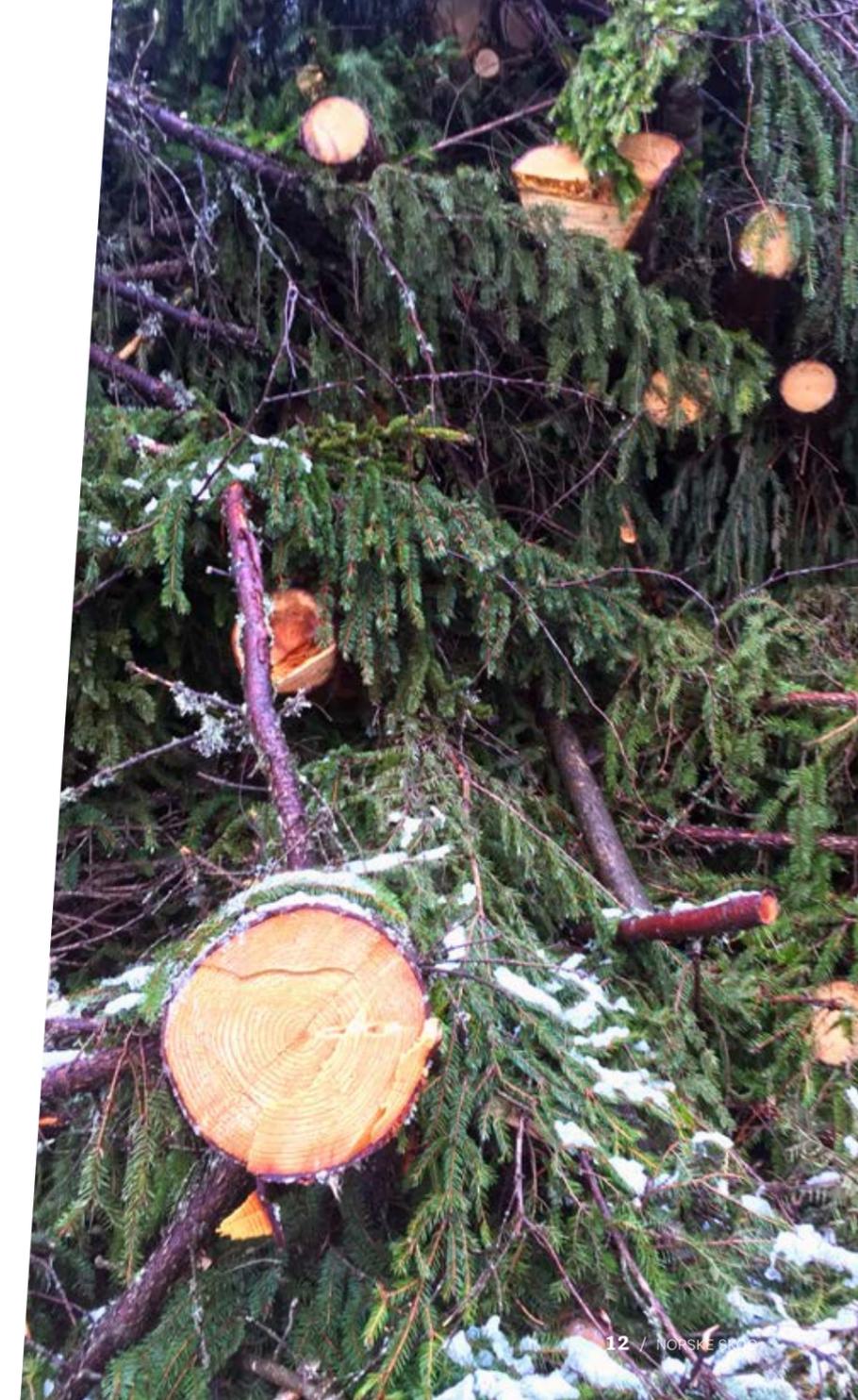
operations. The Power of Attorney structure, as set out by the Board of Directors to the CEO and further delegated through the organisation, describes financial empowerment to individual positions. The Operating Model establishes the functional roles, responsibilities and dependencies for organisational bodies and top management positions in Norske Skog.

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

SUSTAINABLE FUTURE

Norske Skog is committed to contributing to sustainable development. Customers, suppliers and the world at large can rely on us. We have a serious intention to produce and deliver products in a sustainable manner in collaboration with customers, suppliers and local communities.

Our business units are often cornerstones of local communities. These facilities work closely at the local level with communities to assist with other needs. Social responsibility involves remaining sensitive to the needs of local communities and aware of the impact our operations have upon them. It means maintaining an open dialogue and responding with local measures. It also means showing respect for, and building upon, local cultures and traditions.





HEALTH AND SAFETY

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

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

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

systems. Each component includes ten standards, which provide the framework for health, safety and loss prevention efforts.

OUR IDENTIFIED TEN KEY STANDARDS ARE:

- Leadership commitment
- Employee participation and safe behavior
- Training and competence
- Hazard and risk management
- Management systems, reviews, audits, inspections
- Performance measurement and reporting
- Emergency preparations and response
- Health
- Contractors
- Personal Protective Equipment ("PPE")

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

THE OBJECTIVES OF THESE STANDARDS ARE AS FOLLOWS:

- To define the minimum requirements for the Health and Safety Systems at all levels of operation,
- To provide a framework for Health and Safety Systems measurement,
- To encourage a consistent approach to Health and Safety Systems,
- To assist with the identification and sharing of current best practice between mills/units,
- To provide the mills/units with the opportunity to assess themselves against the Standards and continually improve their systems,
- To enable inter-Mill/unit reviews to provide an external perspective and recommendations for improvement.

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

Norske Skog had an absence rate due to sickness of 3.8 per cent in 2018. We achieved an H1 level, lost time injuries per million working hours, of 0,9.

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

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

THE IA AGREEMENT HAS BEEN RENEWED IN 2018 AND CONTINUES THE OPERATIONAL OBJECTIVES FOR THE COOPERATION:

- Reduction of sick leave
- Lower employee dropout rates and increase employment of people with functional impairments
- Increase the retirement age

Our work with the IA Agreement has been extended to apply to all of Norske Skog's local business units and is intended to be an integral part of our targeted HESQ work.

All our business units also have local HESQ forums where the company and trade unions have regular meetings to address local HESQ issues. At these meetings, there should be an equal number of representatives from the company and the employees, with as many different groups as possible

from within the organisation represented. If the organisation has Occupational Health Services, it should also be represented on the committee. Occupational Health Services should be an advisory and independent body, and represent the interests of both the employer and the employees.

Norske Skog has used Synergi Life for many years. Synergi Life is an operational risk management tool from DNV GL. We have a monthly Management Focus Report (MFR), which is distributed to all business units for internal distribution and includes type of injury and rates of injury, occupational disease rate, lost work days accidents, absenteeism, total number of work-related personal injuries and fatalities, by region, gender and business unit.

All business units report this information in Synergi, which is also a source for the transfer of experience

and sharing of best practices. Reports from Synergi are analysed and form the basis for our internal HESQ audits conducted by our HESQ staff at the group level.

On the early afternoon of 24 May 2018, an incident occurred at the Albury Mill in which two operators died tragically.

The incident occurred on the top of the Warm White Water (WWW) Tank which is located in the Wet End basement of the Paper Machine. The operators were overcome by hydrogen sulphide gas.

Safety is of the utmost importance to Norske Skog, and it is taking steps to ensure similar incidents do not occur in the future and to contribute to improved HESQ performance across the Norske Skog Group.

SUBJECT	RESULT 2018	COMMENTS
Health & Safety		
H1 ¹⁾	0.93	Including the fatalities from 24th of May 2018
H2 ²⁾	7.4	
Absence due to illness ³⁾	3.8	
Environment		
Percentage certified fibre (%)	88	Increase of 1% compared to 2017
Environmental index	1.18	Behind target of 1.10
Greenhouse gas reduction (%)	31	Compared to 2006 level

¹⁾ Lost time injuries per million working hours

²⁾ Total number of injuries with and without lost time per million working hours

³⁾ The target is for no business unit to have a higher absence due to sickness than 3.6%



People and organisation

As of 31 December 2018, Norske Skog employed 2 444 people in Europe and Australasia. This is an increase of thirty employees from one year ago. The turnover of people, including retirement, was close to eleven percent. Our employment levels are not subject to seasonal variations, and the share of temporary employments is around three percent of the total.

Female share of total workforce	11 %
Females in management positions	10 %
Females in top management positions	14 %

Norske Skog fully complies with all laws regulating collective bargaining and recognises freedom of association. In 2018, unions represented 84 percent of our employees for collective bargaining purposes. Our commitment to respecting the freedom of association is embodied in the Global Framework Agreement on the Development of Good Working Relations, concluded by Norske Skog and the IndustriALL Global Union.

Further, Norske Skog respects fundamental human rights and subscribes to the United Nations Global Compact principles. There has been no reported incidents of child labour, forced or compulsory labour during the reporting period. Nor has there been any reported incidents of discrimination in respect of employment or occupation. The risk of such incidents in the supply chain is considered low, and a high-level risk assessment of suppliers has not provided information or indications of any violation by our suppliers.

Key figures employees

BUSINESS UNIT	NUMBER OF EMPLOYEES (FTE) END OF DECEMBER 2018			AVERAGE AGE OF ORDINARY EMPLOYEES	AVERAGE SENIORITY OF ORDINARY EMPLOYEES	% FEMALE
	Ordinary	Other employees	Total	End 2018	End 2018	End 2018
Norske Skog Albury	160	12	172	47.3	15.5	4.1
Norske Skog Boyer	244	20	264	51.4	25.6	3.3
Norske Skog Tasman	152	11	163	52.8	19.8	9.0
Nature's Flame	13	-	13	50.3	7.3	15.0
Australasia Shared Services	58	1	59	44.7	12.0	42.9
Australasia total	627	44	671	50.1	20.0	8.8
Norske Skog Saugbrugs	452	57	509	44.0	20.0	7.0
Norske Skog Skogn	349	43	392	48.0	23.0	7.7
Corporate Headquarter	31	-	31	49.9	12.9	26.0
Norway total	832	100	932	45.9	21.0	8.0
Norske Skog Bruck	360	44	404	45.5	22.5	6.6
Norske Skog Paper Recycling	30	-	30	44.5	8.5	13.3
Norske Skog Golbey	327	23	350	48.0	20.0	16.2
Sales offices in Europe	54	3	57	45.7	11.2	61.2
Europe total (without Norway)	771	70	841	46.5	20.1	14.8
Norske Skog Group total	2 230	214	2 444	47.3	20.4	10.6

Production capacity

31 December 2018

BUSINESS UNIT	Capacity, tonnes/year			TOTAL CAPACITY BUSINESS UNIT
	NEWSPRINT (INCLUDING IMPROVED NP)	SC (MAGAZINE PAPER)	LWC (MAGAZINE PAPER)	
Skogn	510 000	0	0	510 000
Saugbrugs	0	460 000	0	460 000
Golbey	565 000	0	0	565 000
Bruck	125 000	0	265 000	390 000
Total Europe	1 200 000	460 000	265 000	1 925 000
Tasman	150 000	0	0	150 000
Albury	265 000	0	0	135 000
Boyer	150 000	0	135 000	285 000
Total Australasia	565 000	0	135 000	700 000
Total Norske Skog Group	1 765 000	460 000	400 000	2 625 000



Key figure operations

Consumption of raw materials		
Roundwood	m ³	2 785 000
Sawmill chips	m ³	1 031 000
Recovered paper	tonnes	871 000
Purchased pulp	tonnes	43 000
Inorganic fillers	tonnes	308 000
Energy		
Electricity	GWh	5 526
Heat	GWh	4 161
Discharges to water		
Discharged process water	mill m ³	48
Organic material (COD)	tonnes	10 623
Suspended Solid (SS)	tonnes	1 529
Phosphorus (Tot-P)	tonnes	31
Emission to air		
CO ₂ -equivalents (direct)	tonnes	500 000
SO ₂	tonnes	175
NOX	tonnes	772
Production waste		
Sludge (dry)	tonnes	249 000
Bark	tonnes	128 000
Other	tonnes	25 500
Products		
Newsprint	tonnes	1 673 000
Magazine paper	tonnes	819 000
Total	tonnes	2 492 000

**PAPER IS BASED
ON WOOD, A NATURAL
AND RENEWABLE
MATERIAL**

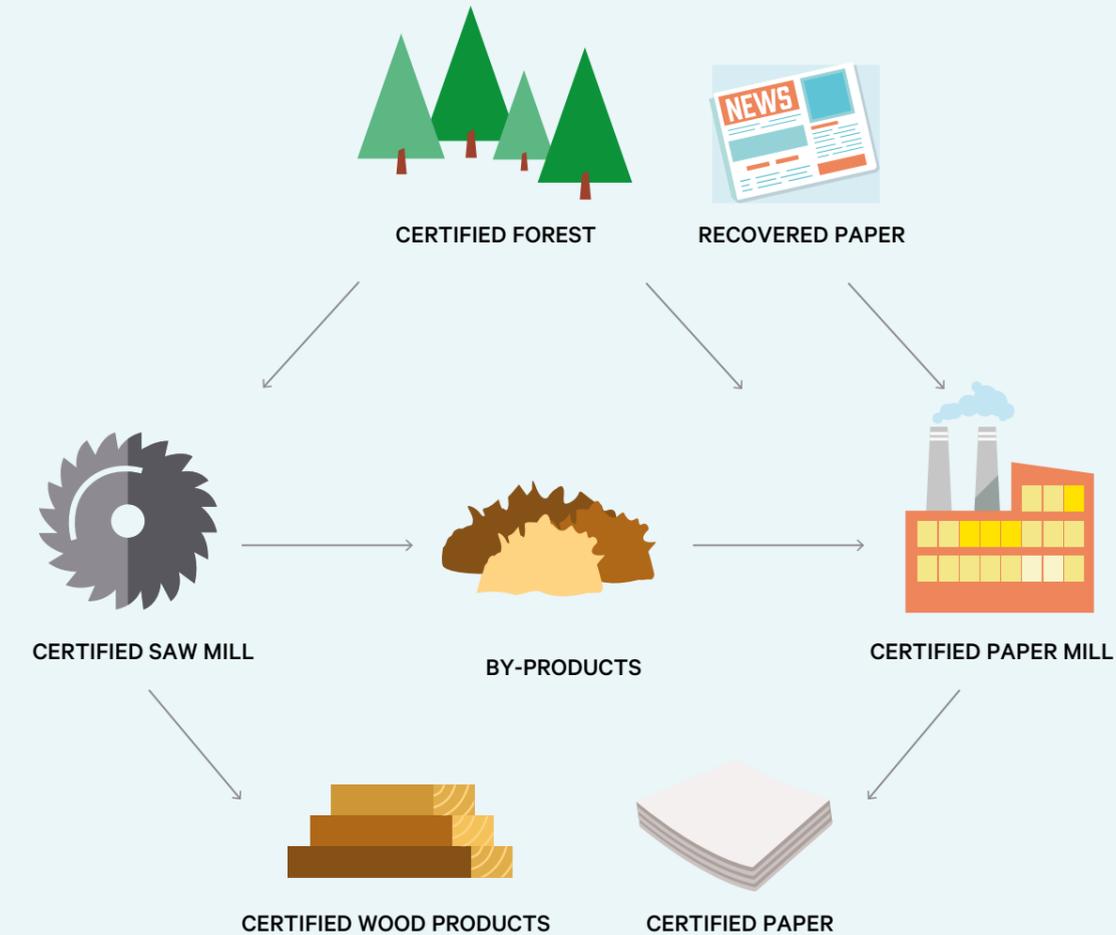
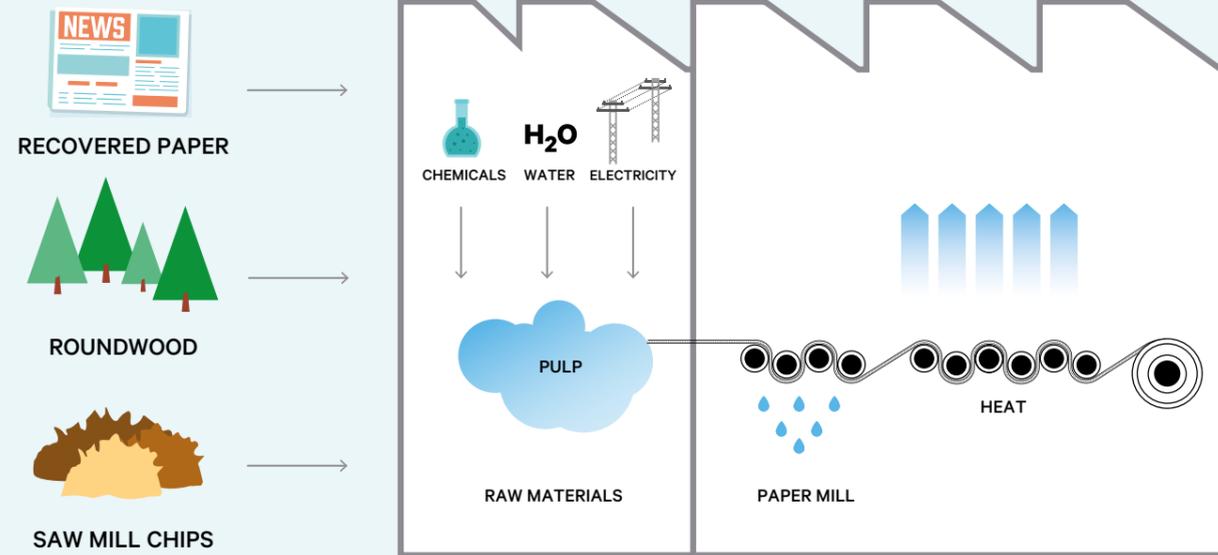


Raw materials

The highly simplified diagram to the right illustrates the paper production process. In reality, the paper machines differ quite significantly. Main input materials are wood and/or recovered paper, as well as electricity and chemicals. Wood and recovered fibres are separated during pulp production in two different processes.

Pulp production based on recovered paper consumes less energy than production from fresh fibre because the fibres in recovered paper are more easily separated than those within wood. In the paper machine, the pulp passes along a web, firstly through a wet section, then a press section and finally through a drying section. The paper is finally rolled up on reels and then cut to the sizes ordered by the customer. During this process, more than 90% of the wood fibres in trees are converted to paper products.

RAW MATERIALS



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

Our goal is to have 100% certified wood in our products.

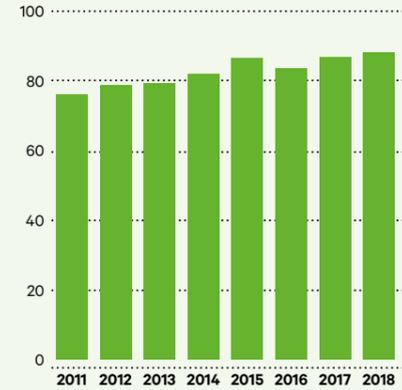
The main global forest challenges are related to deforestation in developing countries and forest biodiversity degradation through the logging of high-conservation areas in many parts of the world. In order to meet these challenges, we need to ensure that more of the world's forest areas are managed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

Norske Skog is not a significant forest owner. A very small proportion of the wood consumed comes from our own forests in Australia. The ability to increase the share of certified wood therefore depends largely on decisions made by forest owners.

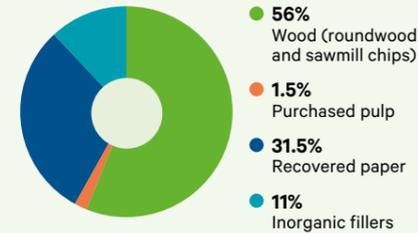
The average share of certified fresh fibre in 2018 was 88%, up 1 percentage point compared to 2017.



CERTIFIED PROPORTION OF FRESH FIBRE (%)
(Roundwood and chips)



CONSUMPTION OF RAW MATERIAL



RECOVERED PAPER IN NEWSPRINT PRODUCTION

Norske Skog Albury, Australia	33 %
Norske Skog Bruck, Austria	79 %
Norske Skog Golbey, France	53 %
Norske Skog Skogn, Norway	26 %

In 2018, Norske Skog consumed 1.55 million tonnes of fresh fibre and 0.87 million tonnes of recovered paper.

Roundwood accounted for 73% of our consumption of fresh fibres in 2018. Sawmill chips, a byproduct from the sawmill industry, accounted for the remaining 27%. The roundwood component of our fresh fibre came from both forests (66%) and plantations (34%). In all countries where Norske Skog sources wood, forest areas are increasing.

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

On a tonnage basis, our largest consumption of recovered paper takes place in continental Europe. The fibre source used at the different Norske Skog mills depends upon availability and economic considerations. The minimization of transport distances and costs is an increasingly important economic and environmental consideration.

Energy - efficiency

Norske Skog has comprehensive programmes in place to continuously reduce energy consumption and to become more environmentally friendly. We are already a large producer of bio-energy.

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

- To separate, process and transport fibre and water (electrical energy)
- To provide process heat and to dry the paper (thermal energy)

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

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

Bio-fuel and internal heat recovery supplies 26.5% of the total energy demand. Electricity covers 53.5% of the demand and only 16% comes from fossil fuel.

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

BIOGAS

Norske Skog is utilising the mill effluent to produce biogas with own biogas plants at Saugbrugs and Golbey. Effluent from Skogn is delivered to a new build external biogas plant.

These biogas plants will deliver biogas equivalent to 57 million litre of diesel fuel.

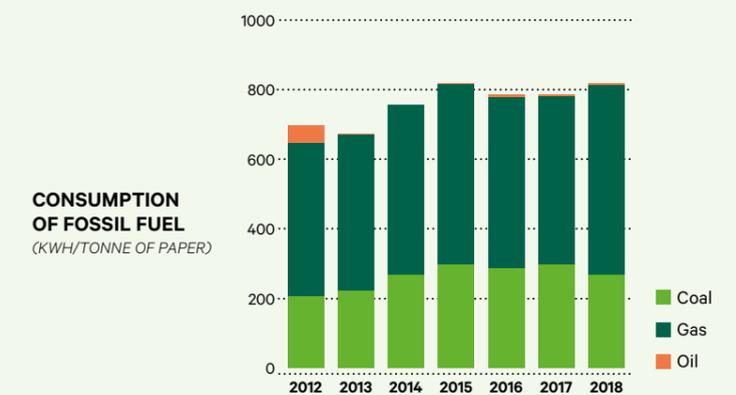
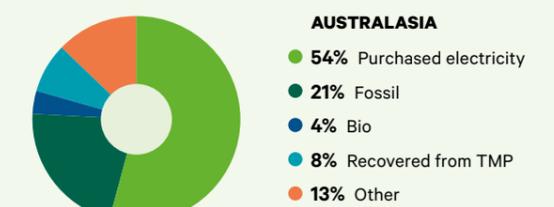
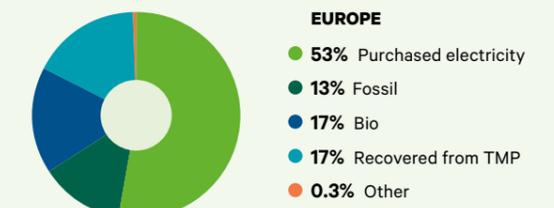
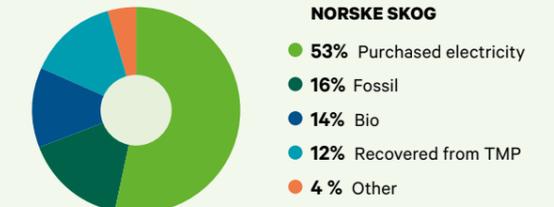
BIO-PELLETS

The bio- pellets plant in New Zealand has an annual capacity of approximately 40 000 tonnes.

DISTRICT HEATING

Bruck delivers enough heat to the local district heating system to supply 1500 households (30 GWh).

NORSKE SKOG ENERGY CONSUMPTION (TOTAL AND BY REGION)
Total 9831 GWh, 3,92 MWh/tonne of paper



Emissions

Norske Skog has integrated reduction of greenhouse gas emissions as a key part of our business strategy. The goal is to reduce energy consumption, change the sources of energy and to optimise the use of process chemicals and transport.

CARBON FOOTPRINT

We are working hard to reduce our carbon footprint and in 2018 we reached a level of 632 kg CO₂/tonne of paper – a reduction of 1.4% from 2017.

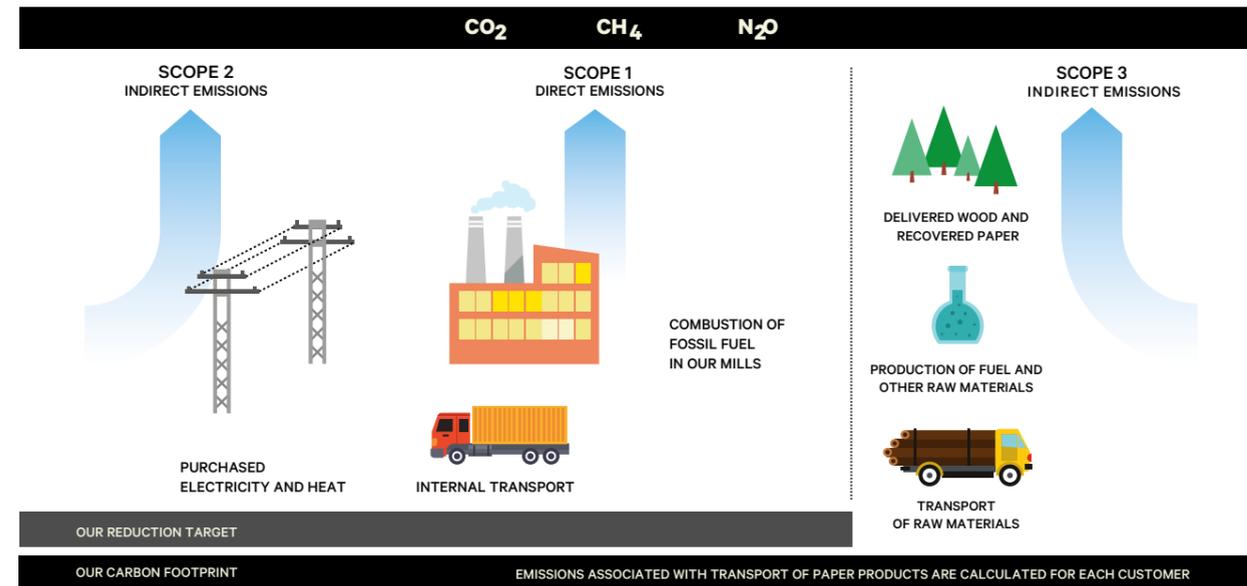
GREENHOUSE GAS CO₂

Our greenhouse gas emissions was reduced with 6.5% from 2017.

Norske Skog set a target reduction of 20% by 2020 compared to the 2006 level. By 2018, we have achieved a reduction of 31%.

NORSKE SKOG GREENHOUSE GAS EMISSIONS	CO ₂ 1 000	CH ₄	N ₂ O	CO ₂ -equiv 1 000
Direct (Scope 1) Emissions	Tonnes	Tonnes	Tonnes	Tonnes
Direct emissions from stationary fuel combustion	493	20	3	495
Direct emissions from transportation and mobile sources	5	0	1	5
Total direct emissions	499	21	3	500
Indirect (Scope 2) Emissions				
Indirect emissions from steam and power imports	730	0	0	730
Total Fossil Fuel Based Emissions (Direct & Indirect)				
Direct & Indirect	1 228	21	3	1 230
CO ₂ emissions from combustion of biomass *	556	0	0	0

* Wood and bark residues only



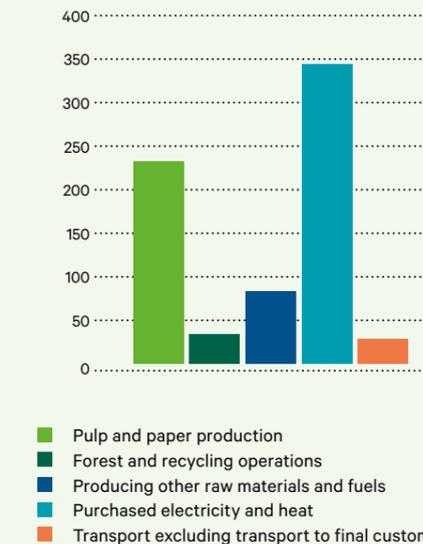
Carbon footprint

Based on the CEPI carbon footprint tool, our carbon footprint covers emissions from the following elements of our value chain:

- Pulp and paper production
- Forest and recycling operations
- Producing other raw materials and fuels
- Purchased electricity and heat
- Transport – excluding transport to final customer which is calculated on a case by case basis
- Carbon stored in forest products (biogenic carbon) is reported separately.

NORSKE SKOG CARBON FOOTPRINT

KG CO₂/TONNE OF PAPER



Solid residues and emissions to air

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

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 as shown in the figure. 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. Many

of our 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 DISCHARGES

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.

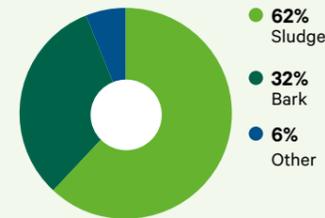
The difference in results from one year to the next is the result of many factors, including process improvements, utilization of equipment, production issues and product changes.

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 our emission reporting.

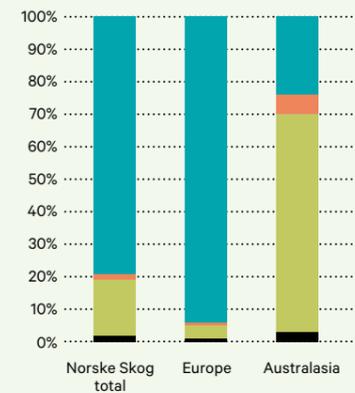


PRODUCTION WASTE

Total 390 844 tonnes



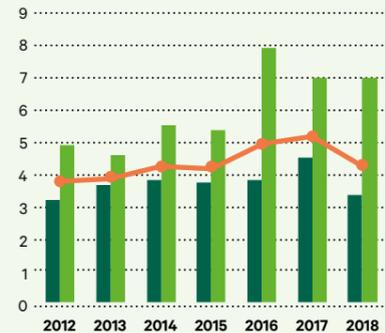
DISPOSAL OF MILL PRODUCTION WASTE



- Energy Recovery
- Landfill
- Agriculture
- Sale/Delivered

TRENDS IN DISCHARGES OF ORGANIC SUBSTANCES (COD)

kg per tonne of paper



TRENDS IN DISCHARGES OF WASTEWATER

m³ per tonne of paper



- Europe
- Australasia
- Total

PAPER IS ONE OF THE MOST RECYCLED PRODUCTS IN THE WORLD



Steve Brine

General Manager / Tasman, New Zealand

Despite a 29-year career at the Norske Skog Tasman mill, General Manager Steve Brine, 53, still feels the need to look around. "I try to get out of the office at least once a day and visit various areas of the operation. Unfortunately, it doesn't happen as often as I would like," he admits.

Norske Skog Tasman – despite its name not in Tasmania, but in New Zealand – is well-situated in Kawerau, on top of a geothermal field which supplies process heat, in the center of the major forestry area of New Zealand. The mill has good access to water and a nearby deepwater port.

"The Tasman mill was located here and the forests planted originally for the use of the mill. Today, however, we use 90 percent residues from sawmilling operations," Steve explains.

Despite the beneficial location, competing in the market place takes effort. "The newsprint industry is in decline and we continue to face an uphill struggle to be cost competitive. We have closed two paper machines and are working really hard to keep the third operating in a tough environment," says Steve, who admits that even he, a paper producer, rarely buys a newspaper or a magazine.

"The key to achieving high customer satisfaction in the future is continuous attention to detail and making sure our product is well represented. In our local market, staying in touch with our customers on a regular basis is key," says Steve.

Bente Krogsethagen

Senior Business Advisor / Norske Skog headquarters

Bente Krogsethagen has worked at Norske Skog headquarters since 2002. The 45-year old MBA has been in corporate accounting, performance management and controlling and is now Senior business advisor in Commercial.

"My role is a support function for the fantastic people working with sales. I work closely with our sales hubs in Europe. Scorecard reviews, budgets, process improvements and system developments in our CRM tool to support customer focus are all part of that. I also do analysis and market statistics," Bente says.

Bente subscribes to the leading Norwegian daily Aftenposten. On the future of paper, she comments:

"The paper industry is not going to disappear, but there will for sure be some interesting changes and developments the next coming years. There will be conversions and consolidations, and Norske Skog will be involved. I believe that Norske Skog mills will continue to provide customers with high quality products also in the future."

Among the many factors making for a successful company, Bente would especially like to underline the internal information flow. "Sharing of information is a key element here. If the mills have problem with their production or logistic, the sales hubs need to be informed as soon as possible so that they can inform our customers and together find solutions. I would like to take this opportunity to praise the "unsung heroes" in Inside Sales in Norske Skog. They do a super job with frequent professional contact with our customers, a very dedicated group of people indeed," she says.



Consolidated income statement and comprehensive income

NOK MILLION	2018	2017
Operating revenue	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	-1 856	-1 718
Other operating expenses	-931	-937
Gross operating earnings	1 031	702
Depreciation	-446	-608
Restructuring expenses	-15	-9
Other gains and losses	356	-88
Impairments	0	-1 699
Operating earnings	926	-1 702
Share of profit in associated companies	-9	-61
Financial income	1 289	5
Financial expenses	-804	-1 247
Net unrealised/realised gains/losses on foreign currency	201	-312
Profit/Loss before income taxes	1 603	-3 317
Income taxes	-78	-234
Profit/Loss after tax	1 525	-3 551
Other comprehensive income	17	34
Total comprehensive income	1 542	-3 517

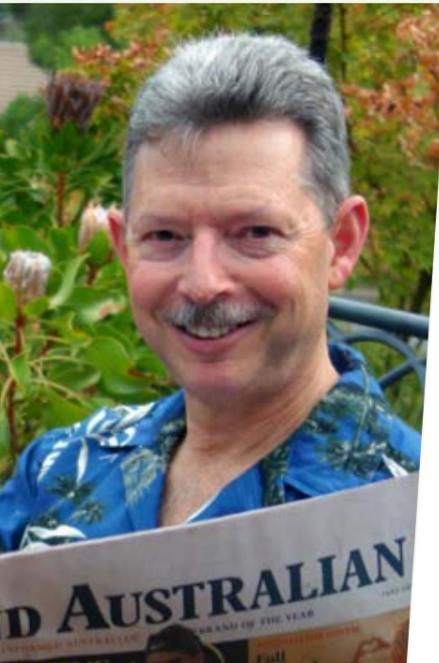
Consolidated balance sheet

NOK MILLION	31.12.2018	31.12.2017
Assets		
Deferred tax asset	64	64
Intangible assets	30	23
Property, plant and equipment	4 483	4 698
Other non-current assets	211	154
Total non-current assets	4 789	4 939
Inventories	1 304	1 148
Trade and other receivables	1 403	1 497
Cash and cash equivalents	912	433
Other current assets	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	271	262
Deferred tax liability	328	348
Interest-bearing non-current liabilities	2 318	1 348
Other non-current liabilities	353	602
Total non-current liabilities	3 270	2 560
Interest-bearing current liabilities	862	4 802
Trade and other payables	1 864	2 052
Tax payable	87	4
Other current liabilities	118	119
Total current liabilities	2 931	6 976
Total liabilities	6 200	9 535
Total equity and liabilities	8 565	8 109

Consolidated statement of cash flow

NOK MILLION	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	8	4
Interest payments made	-35	-167
Taxes paid	-20	-19
Net cash flow from operating activities	881	404
Cash flow from investing activities		
Purchases of property, plant and equipment and intangible assets	-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





Milo Foster

General Manager / Albury, Australia

Milo Foster has a long career in the paper business. However, most of it was in another segment, namely Kimberly-Clark's tissue business. Born in San Diego, 61-year old Milo moved to Australia at the end of 1999 and joined Norske Skog as General Manager of the Albury mill in 2014.

The Albury mill commenced production in 1981. "Albury has the largest newsprint machine in the Southern hemisphere. Through 2017, Albury was the "Low Cost Mill" in the region," Foster explains. But he also points out that a perfect storm of energy and fibre cost increase has since hit the mill, and on top of that production was halted for a part of last year after a tragic accident.

Nevertheless, Milo is optimistic about the future. "I believe Norske Skog will continue to be a leader in the publication paper market, albeit a smaller one. I also hope that investment in meaningful diversification can take place soon enough to maintain or grow the overall size of the business, along with the necessary investment in publication paper to keep that part of Norske Skog's business viable and competitive," Foster says, and points to product quality as the main driver of customer satisfaction going forward.

And while newsprint is not a growth business, Milo, a tissue veteran, points out the following: "It's interesting to note that Norske Skog's Australian newsprint sales, in tonnes, are still larger than the total tonnes of toilet paper sold in Australia.



Enzo Zadra

Managing Director / Bruck, Austria

Enzo Zadra, a 45-year old with south Tyrolian and Austrian roots, took over as the Managing Director of Norske Skog Bruck in Austria in 2018, after holding various global and local positions within research, technology and operations in the Norske Skog Group since 2001.

The Bruck mill produces both light weight coated magazine paper and newsprint, in fact enough each year to construct a two-lane road three times from the earth to the moon.

And Enzo does his share to keep up demand for paper from Bruck. "Actually, I have five subscriptions for newspapers and magazines printed on paper that is produced by our paper machines," he says.

Describing the strengths of the operation, Enzo says: "Bruck has always been a successful pioneer in developing and implementing alternative and innovative process and product concepts over the last years and decades. Our competent staff secures added value to our customers by delivering consistently reliable product quality with highest supply chain reliability."

The main priorities are quality, on-time delivery, cost effectiveness, sustainability and a zero-harm workplace where people can grow and further develop in a culture of operational excellence and innovation, according to Enzo.

Asked to comment on the future of Norske Skog, he says: "Norske Skog will stay a reliable cost competitive supplier for publication paper. At the same time, we will identify and realise projects with future growth and diversification opportunities."





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 -1702 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%).

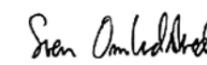
The risk factors described for the group are also relevant for the parent company. Furthermore, Norske Skog AS is also exposed to the risks of funding from

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

Kjell-Arve Kure

Managing Director / Saugbrugs, Norway

Kjell-Arve Kure is the Managing Director of Norske Skog Saugbrugs in Halden, Norway, which is one of the largest and most modern producers of SC (super calandered) magazine paper in the world.

“Saugbrugs is in the forefront when it comes to developing new cost-efficient SC magazine products based on customer demand. Mechanical pulp production, energy efficiency and low CO₂ footprint are significant competitive advantages,” he says.

The 50-year old engineer describes his main tasks as developing strategies to further strengthen Norske Skog’s competitiveness in paper production, while at the same time developing new green and bio-based products.

“This development will to a large extent be based on high yield pulps. We will see a company that has developed energy efficiency and environmental impact into a competitive edge,” Kjell-Arve says.

With a Ph.D. in chemical engineering, a background within research and development, and a total of 20 years in the Norske Skog Group, it comes as no surprise that Kjell-Arve takes a keen interest in the details of paper making.

“Tsai Lun was the inventor of paper. He lived and served as an official at the Chinese imperial court at the Han dynasty about 1800 years ago. That was the start of papermaking, and Norske Skog still continues to develop paper products and the papermaking process,” Kjell-Arve says.





NORSKE SKOG AS
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