Brønnøysundregistrene

ÅRSREGNSKAPET FOR REGNSKAPSÅRET 2018 - GENERELL INFORMASJON

Enheten

Organisasjonsnummer:	920 596 363
Organisasjonsform:	Aksjeselskap
Foretaksnavn:	NS NORWAY HOLDING AS
Forretningsadresse:	Sjølyst plass 2
	0278 OSLO

Regnskapsår

Årsregnskapets periode:	05.03.2018 - 31.12.2018

Konsern

Morselskap i konsern:	Ja
Konsernregnskap lagt ved:	Ja

Regnskapsregler

Regler for små foretak benyttet:	Nei
Benyttet ved utarbeidelsen av årsregnskapet til selskapet:	Forenklet IFRS
Benyttet ved utarbeidelsen av årsregnskapet til konsernet:	IFRS

Årsregnskapet fastsatt av kompetent organ

Bekreftet av representant for selskapet:	Ole Jørgen Egner
Dato for fastsettelse av årsregnskapet:	28.06.2019

Grunnlag for avgivelse

År 2018: Årsregnskapet er elektronisk innlevert
År 2017: Tall er hentet fra elektronisk innlevert årsregnskap fra 2018

Det er ikke krav til at årsregnskapet m.v. som sendes til Regnskapsregisteret er undertegnet. Kontrollen på at dette er utført ligger hos revisor/enhetens øverste organ. Sikkerheten ivaretas ved at innsender har rolle/rettighet for innsending av årsregnskapet via Altinn, og ved at det bekreftes at årsregnskapet er fastsatt av kompetent organ.

Brønnøysundregistrene, 01.09.2020

Resultatregnskap

Beløp i: NOK	Note	2018	2017
RESULTATREGNSKAP			
Driftsresultat			
Finansinntekter og finanskostnader			
Renteinntekt fra foretak i samme konsern	5	19 000 000	
Annen finansinntekt	5	61 000 000	
Sum finansinntekter		**80 000 000**	
Rentekostnad til foretak i samme konsern	5	53 000 000	
Annen finanskostnad		111 000 000	
Sum finanskostnader		**164 000 000**	
Netto finans		**-84 000 000**	
Ordinært resultat før skattekostnad		**-84 000 000**	**0**
Skattekostnad på ordinært resultat	7	2 000 000	
Ordinært resultat etter skattekostnad		**-86 000 000**	**0**
Årsresultat		**-86 000 000**	**0**
Overføringer og disponeringer			
Udekket tap		-86 000 000	
Sum overføringer og disponeringer		**-86 000 000**	

Balanse

Beløp i: NOK	Note	2018	2017
BALANSE - EIENDELER			
Anleggsmidler			
Immaterielle eiendeler			
Finansielle anleggsmidler			
Investering i datterselskap	4	1 094 000 000	
Lån til foretak i samme konsern	8	1 277 000 000	
Sum finansielle anleggsmidler		**2 371 000 000**	
Sum anleggsmidler		**2 371 000 000**	**0**
Omløpsmidler			
Varer			
Fordringer			
Konsernfordringer	8	5 000 000	
Sum fordringer		**5 000 000**	
Bankinnskudd, kontanter og lignende			
Bankinnskudd, kontanter og lignende		42 000 000	
Sum bankinnskudd, kontanter og lignende		**42 000 000**	
Sum omløpsmidler		**47 000 000**	**0**
SUM EIENDELER		**2 418 000 000**	**0**
BALANSE - EGENKAPITAL OG GJELD			
Egenkapital			
Innskutt egenkapital			
Opptjent egenkapital			
Udekket tap		86 000 000	
Sum opptjent egenkapital		**-86 000 000**	

Balanse

Beløp i: NOK	Note	2018	2017
Sum egenkapital	3	**-86 000 000**	**0**
Gjeld			
Langsiktig gjeld			
Annen langsiktig gjeld			
Langsiktig konserngjeld	6	2 424 000 000	
Sum annen langsiktig gjeld		**2 424 000 000**	
Sum langsiktig gjeld		**2 424 000 000**	**0**
Kortsiktig gjeld			
Kortsiktig konserngjeld	6	27 000 000	
Annen kortsiktig gjeld		53 000 000	
Sum kortsiktig gjeld		**80 000 000**	
Sum gjeld		**2 504 000 000**	**0**
SUM EGENKAPITAL OG GJELD		**2 418 000 000**	**0**

Konsernets resultatregnskap

Beløp i: NOK	Note	2018	2017
RESULTATREGNSKAP			
Inntekter			
Salgsinntekt	3	3 378 000 000	
Sum inntekter		**3 378 000 000**	
Kostnader			
Endring i beholdning av varer under tilvirkning og ferdig tilvirkede varer		61 000 000	
Varekostnad		2 373 000 000	
Lønnskostnad	12	480 000 000	
Avskrivning	4	113 000 000	
Annen driftskostnad	14,16, 19	-1 107 000 000	
Sum kostnader		**1 920 000 000**	
Driftsresultat		**1 458 000 000**	
Finansinntekter og finanskostnader			
Annen renteinntekt	5	17 000 000	
Annen finansinntekt	5	3 000 000	
Sum finansinntekter		**20 000 000**	
Annen rentekostnad	5	93 000 000	
Annen finanskostnad	5	209 000 000	
Sum finanskostnader		**302 000 000**	
Netto finans		**-282 000 000**	
Ordinært resultat før skattekostnad		**1 176 000 000**	**0**
Skattekostnad på ordinært resultat	17	28 000 000	
Ordinært resultat etter skattekostnad		**1 148 000 000**	**0**
Årsresultat		**1 148 000 000**	**0**
Overføringer og disponeringer			
Overføring til/fra annen egenkapital		1 148 000 000	

Konsernets resultatregnskap

Beløp i: NOK	Note	2018	2017
Sum overføringer og disponeringer		**1 148 000 000**	

Konsernets balanse

Beløp i: NOK	Note	2018	2017
BALANSE - EIENDELER			
Anleggsmidler			
Immaterielle eiendeler			
Konsesjoner, patenter, lisenser, varemerker o.l.	4	30 000 000	
Utsatt skattefordel	17	64 000 000	
Sum immaterielle eiendeler		**94 000 000**	
Varige driftsmidler			
Tomter, bygninger og annen fast eiendom	3,4	1 164 000 000	
Maskiner og anlegg	3,4	2 865 000 000	
Driftsløsøre, inventar, verktøy, kontormaskiner	3,4	454 000 000	
Sum varige driftsmidler		**4 483 000 000**	
Finansielle anleggsmidler			
Investeringer i tilknyttet selskap	10,20	112 000 000	
Andre fordringer	10	100 000 000	
Sum finansielle anleggsmidler		**212 000 000**	
Sum anleggsmidler		**4 789 000 000**	**0**
Omløpsmidler			
Varer			
Varer	3,18	1 304 000 000	
Sum varer		**1 304 000 000**	
Fordringer			
Kundefordringer	10	1 403 000 000	
Andre fordringer	18	157 000 000	
Sum fordringer		**1 560 000 000**	
Bankinnskudd, kontanter og lignende			
Bankinnskudd, kontanter og lignende	8	955 000 000	
Sum bankinnskudd, kontanter og lignende		**955 000 000**	
Sum omløpsmidler		**3 819 000 000**	**0**

Konsernets balanse

Beløp i: NOK	Note	2018	2017
SUM EIENDELER		**8 608 000 000**	**0**
BALANSE - EGENKAPITAL OG GJELD			
Egenkapital			
Innskutt egenkapital			
Opptjent egenkapital			
Annen egenkapital		1 236 000 000	
Sum opptjent egenkapital		**1 236 000 000**	
Sum egenkapital		**1 236 000 000**	**0**
Gjeld			
Langsiktig gjeld			
Pensjonsforpliktelser	13	271 000 000	
Utsatt skatt	17	328 000 000	
Sum avsetninger for forpliktelser		**599 000 000**	
Annen langsiktig gjeld			
Obligasjonslån	6,11,18	3 418 000 000	
Øvrig langsiktig gjeld	18	353 000 000	
Sum annen langsiktig gjeld		**3 771 000 000**	
Sum langsiktig gjeld		**4 370 000 000**	**0**
Kortsiktig gjeld			
Gjeld til kredittinstitusjoner	6,11,18	881 000 000	
Leverandørgjeld	18	1 864 000 000	
Betalbar skatt	17	87 000 000	
Annen kortsiktig gjeld	18	170 000 000	
Sum kortsiktig gjeld		**3 002 000 000**	
Sum gjeld		**7 372 000 000**	**0**
SUM EGENKAPITAL OG GJELD		**8 608 000 000**	**0**

Konsernets balanse

Beløp i: NOK	Note	2018	2017

REPORT OF THE BOARD OF DIRECTORS

NS Norway Holding AS ("NSNH") was founded 5 March 2018, is incorporated in Norway and has its head office at Skøyen in Oslo. The income statement for 2018 includes the period from 5 March 2018 to 31 December 2018.

NSNH acquired the shares in Norske Skog AS on 28 September 2018, and the group figures for 2018 includes Norske Skog AS and its subsidiaries ("Norske Skog") from the acquisition date 28 September 2018 up to year-end.

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.

INCOME STATEMENT AND CASH FLOW

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.

NSNH's operating revenue was NOK 3.4 billion and EBITDA was NOK 200 million in 2018 (for the three months after the acquisition). Other gains and losses was positive by NOK 1.3 billion due to change in value in commodity contracts and embedded derivatives of NOK 335 million at 31 December 2018, and recognition of bargain purchase of NOK 986 million from the acquisition of Norske Skog AS. Operating earnings ended at NOK 1.4 billion in 2018.

Net financial items in 2018 were NOK -196 million mainly due to negative foreign currency effects. Income taxes recognized in the income statement for 2018 amounted to NOK 44 million whereof withholding tax was NOK 20 million. Profit for the period was NOK 1.2 billion in 2018.

Cash from operations was NOK 334 million reflecting good operating environment after the acquisition in 2018, and net cash flow from operating activities ended at NOK 282 million in 2018.

BALANCE SHEET

Total assets was NOK 8.6 billion and total non-current assets was NOK 4.8 billion at 31 December 2018. Investments in property, plant and equipment was NOK 105 in 2018 for the period after acquisition. Total current assets was NOK 3.8 billion, whereof cash and cash equivalents was NOK 955 million at 31 December 2018. Total non-current liabilities was NOK 4.4 billion at 31 December 2018, and total current liabilities was NOK 3.0 billion. Net interest bearing debt at 31 December 2018 was NOK 3.3 billion. Equity was NOK 1.2 billion at 31 December 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. Norske Skog had an absence rate due to sickness of 4.0% in 2018.

EMPLOYEES, GENDER EQUALITY, GENDER BALANCE AND DIVERSITY

NSNH had 2 444 employees at year end 2018. 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 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 parent company was negative at NOK 86 million. At NS Norway Holding AS Group, the equity is positive at NOK 1.2 billion giving an equity ratio of 14%, which substantiate significant excess values of the shares in Norske Skog AS compared to historical cost of the shares recorded in the parent company. 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. 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.

NS NORWAY HOLDING AS (THE PARENT COMPANY)
The company is incorporated in Norway and has its head office at Skøyen in Oslo. The activities of the company consist of holding the shares in Norske Skog AS. The company has no employees.

Net financial items was NOK -68 million reflecting financial income of NOK 80 million, interest expenses of NOK 53 million, unrealized losses on foreign currency of NOK 109 million and NOK 2 million from other items. Income taxes of NOK 2 million consist of withholding taxes related to interest income. Profit for the period was NOK -86 million in 2018.

Net cash flow from operating activities was NOK -19 million whereof NOK -17 relates to withholding taxes.

Total assets were NOK 2.4 billion at 31 December 2018 whereof total current assets amount to NOK 47 million. Total equity was NOK -86 million at 31 December 2018. The book value of equity is affected negative by currency at 31 December 2018. At group level, the equity is positive at NOK 1.2 billion which substantiate significant excess values of the shares in Norske Skog AS compared to historical cost booked in the accounts.

The risk factors described for the group are also relevant for the parent company. Furthermore, NSNH 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 NS Norway Holding AS (the parent company) in 2018 was NOK -86 million, and has been allocated to retained earnings.

SKØYEN, 26 JUNI 2019
THE BOARD OF DIRECTORS OF NS NORWAY HOLDING AS

Jen-Yue (John) Chiang Chair	Matthew Joseph Turner Board member	Sven Ombudstvedt Board member

NS NORWAY HOLDING AS

CONSOLIDATED INCOME STATEMENT

NOK MILLION	NOTE	05.03.2018 - 31.12.2018
Operating revenue	3	**3 378**
Distribution costs		-328
Cost of materials		-2 045
Change in inventories		-61
Employee benefit expenses	12	-480
Other operating expenses	14	-266
Gross operating earnings	3	**200**
Depreciation	4	-113
Restructuring expenses	19	-6
Other gains and losses	16	1 378
Impairments	4	0
Operating earnings	3	**1 458**
Share of profit in associated companies		-9
Financial income	5	20
Financial expenses	5	-109
Net unrealised/realised gains/losses on foreign currency	5	-182
Profit/Loss before income taxes		**1 176**
Income taxes	17	-28
Profit/Loss after tax		**1 148**

NS NORWAY HOLDING AS

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

NOK MILLION	**05.03.2018 – 31.12.2018**
Profit/Loss after tax	**1 148**
Other comprehensive income	
Items that may be reclassified subsequently to profit or loss	
Currency translation differences	94
Total	**94**
Items that will not be reclassified subsequently to profit or loss	
Remeasurements of post employment benefit obligations	-8
Tax effect on remeasurements of post employment benefit obligations	1
Total	**-7**
Other comprehensive income	**87**
Total comprehensive income	**1 236**

NS NORWAY HOLDING AS

CONSOLIDATED BALANCE SHEET

NOK MILLION	NOTE	31.12.2018
Assets		
Deferred tax asset	17	64
Intangible assets	4	30
Property, plant and equipment	3, 4	4 483
Other non-current assets	10	211
Total non-current assets		**4 789**
Inventories	3, 18	1 304
Trade and other receivables	10	1 403
Cash and cash equivalents	8	955
Other current assets	18	157
Total current assets		**3 819**
Total assets		**8 608**
Shareholders' equity and liabilities		
Paid-in equity		0
Retained earnings and other reserves		1 236
Total equity		**1 236**
Pension obligations	13	271
Deferred tax liability	17	328
Interest-bearing non-current liabilities	6, 11, 18	3 418
Other non-current liabilities	18	353
Total non-current liabilities		**4 369**
Interest-bearing current liabilities	6, 11, 18	881
Trade and other payables	18	1 864
Tax payable	17	87
Other current liabilities	18	171
Total current liabilities		**3 003**
Total liabilities		**7 372**
Total equity and liabilities		**8 608**

SKØYEN, 26 JUNE 2019
THE BOARD OF DIRECTORS OF NORSKE SKOG AS

J. Chiang

Jen-Yue (John) Chiang
Chair

Matthew Joseph Turner
Board member

Sven Ombudstvedt
Board member

NS NORWAY HOLDING AS

CONSOLIDATED STATEMENT OF CASH FLOWS

NOK MILLION	NOTE	05.03 – 31.12.2018
Cash flow from operating activities		
Cash generated from operations		3 477
Cash used in operations		-3 143
Cash flow from currency hedges and financial items		-17
Interest payments received	5	3
Interest payments made	5	-15
Taxes paid		-24
Net cash flow from operating activities [1]	3	**282**
Cash flow from investing activities		
Purchases of property, plant and equipment and intangible assets	3, 4	-105
Sales of property, plant and equipment and intangible assets		0
Purchase of shares in companies and other financial payments	23	-1 665
Sales of shares in companies and other financial payments		1
Net cash flow from investing activities		**-1 770**
Cash flow from financing activities		
New loans raised		2 515
Repayments of loans		-101
New equity		0
Net cash flow from financing activities	11	**2 414**
Foreign currency effects on cash and cash equivalents		29
Total change in cash and cash equivalents		**955**
Cash and cash equivalents 3 March		0
Cash and cash equivalents 31 December		955

[1] Reconciliation of net cash flow from operating activities		
Profit/loss before income taxes		1 177
Depreciation and impairments	4	113
Share of profit in associated companies		9
Gains and losses from divestment of business activities and property, plant and equipment	16	0
Business acquisition bargain purchase		-1 046
Taxes paid		-24
Change in trade and other receivables		99
Change in inventories		30
Change in trade and other payables		17
Change in restructuring provision		-5
Financial items with no cash impact		243
Gains and losses on commodity contracts and embedded derivatives	16	-336
Value change biological assets	16	3
Disposal and repurchasing of renewable energy certificates		0
Change in environmental provisions with no cash impact		-4
Change in pension obligations and other long term employee benefits		1
Other		3
Net cash flow from operating activities		**282**

NS NORWAY HOLDING AS

CONSOLIDATED STATEMENT OF CHANGES IN GROUP EQUITY

NOK MILLION	PAID-IN EQUITY	RETAINED EARNINGS	TOTAL EQUITY
Equity 05 March 2018	**0**	**0**	**0**
Profit after tax	0	1 148	1 148
Other comprehensive income	0	87	87
Equity 31 December 2018	**0**	**1 236**	**1 236**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

NS Norway Holding AS was founded 5 March 2018, is incorporated in Norway and has its head office at Skøyen in Oslo. The income statement for 2018 includes the period from 5 March 2018 to 31 December 2018.

NS Norway Holding AS acquired the shares in Norske Skog AS on 28 September 2018, and the group figures for 2018 includes Norske Skog AS and its subsidiaries from the acquisition date 28 September 2018 up to year-end.

NS Norway Holding AS ("the company") and its subsidiaries (together "the group" or "Norske Skog") manufacture, distribute and sell publication paper. This includes newsprint and magazine paper. The group has seven fully-owned mills in five countries (Norway, France, Austria, Australia and New Zealand).

The consolidated financial statements are presented in accordance with International Financial Reporting Standards (IFRS) and interpretations from the IFRS Interpretations Committee (IFRIC), as adopted by the European Union (EU).

The consolidated financial statements are presented in English only. All amounts are presented in NOK million unless otherwise stated. There may be some small differences in the summation of columns and rows due to rounding. The consolidated financial statements were authorised for issue by the board of directors in NS Norway Holding AS on 26 June 2019.

The table below shows the average un-weighted monthly foreign exchange rates applied in the income statement and the closing exchange rates applied in the balance sheet for the most important currencies for the group.

	Income statement	**Balance sheet**
	2018	**31.12.2018**
AUD	6.06	6.13
EUR	9.63	9.95
GBP	10.86	11.12
NZD	5.67	5.83
USD	8.44	8.69

2. ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of the consolidated financial statements of NS Norway Holding AS are set out below. The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of biological assets, available-for-sale financial assets and financial assets at fair value through profit or loss. The policies have been consistently applied to all periods presented, unless otherwise stated. They have been prepared under the assumption of going concern.

Consolidation

a) Basis of consolidation

The consolidated financial statements comprise the financial statements of the NS Norway Holding AS group and its subsidiaries as at 31 December 2018. Control is achieved when the group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the group controls an investee if, and only if, the group has:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee
- The ability to use its power over the investee to affect its returns

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and when the group has less than a majority of the voting or similar rights of an investee, the group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement(s) with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The group's voting rights and potential voting rights

The group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the group obtains control over the subsidiary and ceases when the group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the group gains control until the date the group ceases to control the subsidiary.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the group are eliminated in full on consolidation.

b) Associates

Associates are all entities over which the group exercises significant influence but not control, generally accompanying a shareholding of 20% to 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting. The investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition.

The group's share of post-acquisition profit or loss is recognised in the income statement as share of profit in associated companies and is assigned to the carrying value of the investment, together with the group's share of other comprehensive income in the associated company. When the group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

Profits and losses resulting from transactions between the group and its associates are recognised in the consolidated financial statements only to the extent of unrelated investors' interests in the associates.

At each reporting date, the group determines whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value, and recognises the amount as share of profit in associated companies.

Dilution gains and losses arising in investments in associates are recognised in the income statement. If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to profit or loss where appropriate.

Segment reporting

Reportable segments

The activities in the group are divided into two operating segments: publication paper Europe and publication paper Australasia. The segment structure is in line with the group's operating model. The operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources, making strategic decisions and assessing performance of the group's mills, has been identified as corporate management. Activities that are not part of the operating segments are included in other activities.

Accounting policies applied in the segment reporting

Recognition, measurement and classification applied in the segment reporting are consistent with the accounting principles applied for the consolidated income statement and balance sheet. The option in IFRS 8 allowing different accounting policies to be applied in the segment reporting and group reporting is, for transparency reasons, not applied in NS Norway Holding AS.

Performance measurement
The group assesses the performance of the operating segments based on a measure of gross operating earnings. These items exclude the effects of expenditure not deemed to be part of the regular operating activities of the segment, such as restructuring expenses, impairments, gains and losses from sales of non-current assets and changes in fair value of certain energy contracts, embedded derivatives in energy contracts and biological assets.

Intercompany transactions
The revenue reported per operating segment includes both sales to external parties and sales to other segments. Intra-segment sales are eliminated in the consolidated financial statements. All sales transactions between operating segments are carried out at arm's length prices as if sold or transferred to independent third parties.

Foreign currency translation

a) Functional and presentational currency
Items included in the financial statements of each of the group's entities are measured using the currency of the primary economic location in which the entity operates (the "functional currency"). The consolidated financial statements are presented in NOK, which is both the functional and presentational currency of the parent company.

b) Transactions and balances
Foreign currency transactions are translated into the entity's functional currency using the exchange rate prevailing on the date of the transaction. Foreign exchange gains or losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year-end exchange rates are recognised in the income statement. Gains and losses subject to hedge accounting and relating to currency positions qualifying as net investment hedges and which are hedge accounted, are booked as part of comprehensive income.

Exchange differences arising from the settlement of accounts receivable/payable and unrealised gains/losses on the same positions are recognised in Operating revenue/Cost of materials respectively. Exchange differences arising from the settlement of other items are recognised within Financial income/Financial expenses.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the income statement within Financial income/Financial expenses.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss.

c) Group companies
The results and financial position of all group entities which have a functional currency different from the presentational currency are translated into the presentational currency as follows:
i. Assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet,
ii. Income and expenses for each income statement are translated at average exchange rates on monthly basis,
iii. All resulting exchange differences are booked to comprehensive income and presented in other equity reserves.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities are booked as part of comprehensive income and presented in other equity reserves. When a foreign operation is derecognized, such exchange differences are booked out of comprehensive income and recognised in the income statement line Other gains and losses as part of the gain or loss of the transaction.

Property, plant and equipment

Land and buildings comprise mainly mills, machinery and office premises. All property, plant and equipment (PPE) is shown at historical cost less subsequent depreciation and impairments. Historical cost includes expenditure directly attributable to the acquisition of the items. The residual value of production equipment is defined as the realisable value after deduction of the estimated cost of dismantling and removal of the asset. If the estimated cost exceeds the estimated value, the net liability is added to the cost of the related asset, and a provision is recognised as a liability in the balance sheet.

Borrowing costs, which are directly related to qualifying assets, are recognised as part of the acquisition cost for the qualifying asset.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repair and maintenance costs are charged to the income statement during the financial period in which they are incurred.

Land is not depreciated. Depreciation on other assets is calculated using the straight-line method to allocate their cost or revalued amounts to their residual values over their estimated useful lives.

The residual value and useful life of property, plant and equipment are reviewed and adjusted. Impairment test of property, plant and equipment are performed annually or more frequently if indicators of impairment are identified. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount, and included in the income statement line Other gains and losses.

Biological assets
Biological assets are measured upon initial recognition and at the end of each reporting period at fair value less estimated point-of-sale costs, unless fair value cannot be reliably measured. A gain or loss arising on initial recognition, and from changes in fair value during a period, is reported in net profit or loss for the period in which it arises. When fair value cannot be reliably estimated, the asset is measured at cost less any accumulated depreciation and any accumulated impairment losses.

Intangible assets
a) Patents and licenses
Patents and licenses have a finite useful life and are recognised at historical cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost of patents and licences over their estimated useful lives.

b) Computer software
Acquired computer software licences are capitalised on the basis of the costs incurred to acquire the specific software and bring it into use, and amortised over their estimated useful lives. Costs associated with maintaining computer software are recognised as an expense as they are incurred. Costs which are directly associated with the development of identifiable and unique software products controlled by the group, and which are likely to generate economic benefits exceeding the costs beyond one year, are recognised as intangible assets. Direct costs include the costs of software development personnel and an appropriate portion of relevant overheads. Computer software development costs recognised as assets are amortised over their estimated useful lives.

Impairment of non-financial assets
Intangible assets, which have an indefinite useful life, for example goodwill, are not subject to amortisation, but are tested annually for impairment. Assets that are subject to amortisation are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. For the purpose of assessing impairment, assets are grouped at the lowest level for which cash flows are separately identifiable (cash-generating units). At each balance sheet date, the possibility of reversing impairment losses in prior periods is evaluated for non-financial assets other than goodwill.

Non-current assets (or disposal groups) held for sale
Non-current assets (or disposal groups) are classified as assets held for sale when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. They are stated at the lower of carrying amount and fair value less costs to sell. Non-current assets are not depreciated or amortised while they are classified as held for sale. Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale continue to be recognised. Non-current assets classified as held for sale and the assets of a disposal group classified as held for sale are presented separately from the other assets in the balance sheet. The liabilities of a disposal group classified as held for sale are presented separately from other liabilities in the balance sheet.

Financial instruments
IFRS 9 replaced the multiple classification and measurement models in IAS 39 Financial Instruments: Recognition and Measurement from the effective date 1 January 2018, with a single model that has initially only two classification categories: amortised cost and fair value. IFRS 9 includes revised guidance on classification, measurement and derecognition of financial assets and financial liabilities, including a new credit loss model for calculating impairment on financial assets, and new rules for hedge accounting. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39 which have not been changed. Implementation of IFRS 9 had no effect on the reported figures except for classification of financial assets and liabilities (presented in Note 7).

The impairment model for financial assets under IFRS 9 require recognition of doubtful receivables allowances based on expected credit losses. The group has an expected credit loss model for trade receivables, whereby expected credit losses are recognized based on ageing categories of trade receivables that includes all receivables. Norske Skog has historically low levels of realised bad debts in trade receivables, and the adoption of IFRS 9 have not result in a significant change in the provision for losses.

The new standard also introduces expanded disclosure requirements and has changed the nature and extent of the group's disclosures about its financial instruments particularly in the year of the adoption of the new standard. Implementation of IFRS 9 has no significant impact on the income statements, balance sheet or cash flow statement for 2018.

The group classifies its financial assets and liabilities in the following three categories: at fair value through profit or loss, at amortised cost, and at fair value through other comprehensive income. This classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition and re-evaluates this designation at every reporting date.

a) Financial assets at fair value through profit or loss
The group continued measuring at fair value the financial assets previously classified at fair value through profit or loss. This category has two sub-categories: financial assets held for trading, and those designated at fair value through profit or loss at inception. A financial asset is classified in this category if it was acquired principally for the purpose of short-term sale or if so designated by management. Derivatives are also categorised as held for trading unless designated as hedges. Assets in this category are classified as current assets if they either are held for trading or are expected to be realised within 12 months of the balance sheet date.

Non-financial commodity contracts where the relevant commodity is readily convertible to cash, and where the contracts are not for own use, fall within the scope of IFRS 9 and such contracts are treated as derivatives. The group has a long-term energy contract in New Zealand that is treated as a derivative and measured at fair value through profit or loss. Embedded derivatives are separated from the host contract and accounted for as a derivative if the economic characteristics are not closely related to the economic characteristics and risk of the host contract. See Notes 7, 8 and 9 for more information. Commodity contracts within the scope of IFRS 9 are classified as current assets, unless they are expected to be realised more than 12 months after the balance sheet date. In that case, they are classified as non-current assets.

b) Amortised cost
Amortised cost includes cash, loans and receivables, and are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Items classified as amortised cost are current items maturing less than 12 months after the balance sheet date, and are presented as Trade and other receivables or Cash and cash equivalents in the balance sheet. Items maturing later than 12 months after the balance sheet date are presented within Other non-current assets.

c) Fair value through other comprehensive income
Investments in other shares not held for trade purpose, earlier classified as available for sale investments under IAS 39, are classified as fair value through other comprehensive income under IFRS 9. For the groups investments in other shares, there are no active market. Fair value for these investments is determined applying valuation technics in according to level three in the valuation hierarchy.

Derivatives and hedge activities

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item represent hedge activities. These derivative instruments do not qualify for hedge accounting. Changes in the fair value of any of these derivative instruments are recognised in the income statement.

The fair value of quoted investments is based on the current market price. If the market for a financial asset is not active, the group applies valuation techniques to establish the fair value. These include the use of recent arm's length transactions, reference to other instruments which are substantially the same, and discounted cash flow analyses defined to reflect the issuer's specific circumstances. Fair value includes the impact of credit risk and the adjustment for credit risk is dependent on whether the derivative is in the money (asset) or out of the money (liability). Credit value adjustment is applied to assets positions based on credit risk associated with the counter-party. Debit value adjustment is applied to liability positions, based on the groups own credit risk.

Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks and other short-term, highly liquid investments with original maturities of three months or less. Drawn bank overdrafts are shown as Interest-bearing current liabilities in the balance sheet.

Trade receivables

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. The impairment model for financial assets under IFRS 9 require recognition of doubtful receivables allowances based on expected credit losses. The group has an expected credit loss model for trade receivables, whereby expected credit losses are recognized based on ageing categories of trade receivables that includes all receivables.

Inventory

Inventories are stated at the lower of cost and net realisable value. Cost is determined using weighted average cost. The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity). It excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

Provisions

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

Restructuring provisions comprise mainly employee termination payments. Restructuring costs are costs which are not related to the ongoing operations. This includes for example severance (redundancy) payments, early retirement or other arrangements for employees leaving the company, external costs relating to coaching, counselling and assistance finding new jobs, or external costs to lawyers and legal advisors in relation to the de-manning process, and lease termination penalties. Provisions are not recognised for future operating losses.

Salary which is earned while the employee contributes to the ongoing operations is not classified as restructuring costs. This includes for example salary in the notice period when the employee is working during the notice period, or bonuses earned whilst the employee contributes to the normal operations. These are booked as normal employee benefit expenses. Costs for projects related to improvements are generally ordinary operating costs.

Where a number of similar obligations exist, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the best estimate of the expenditure required to settle the present obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised within financial items.

Current and deferred income tax

The group's income tax expense includes current tax based on taxable profit for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses. Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

The tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the company's subsidiaries and associates operate and generate taxable income.

Deferred tax is provided in full, using the liability method, on temporary differences arising between the carrying amount of assets and liabilities in the consolidated financial statements and their tax bases.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences and unused tax losses can be utilised. Deferred tax assets are offset against deferred tax liabilities when the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority and there is a legally enforceable right to set-off current tax assets against current deferred tax liabilities.

Pension obligations, bonus arrangements and other employee benefits

a) Pension obligations

Group companies operate various pension schemes. These are generally funded through payments to insurance companies, as determined by periodic actuarial calculations. The group has both defined benefit and defined contribution plans.

A defined benefit plan is one which defines an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high quality corporate bonds which are denominated in the currency in which the benefits will be paid, and which have terms to maturity approximating to the terms of the related pension liability, or alternatively a government bond interest rate if such bonds do not exist.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise. Past-service costs are recognised immediately in income.

A defined contribution plan is a pension plan under which the group pays fixed contributions into a separate entity. These contributions are made to publicly- or privately-administered pension insurance plans on a mandatory, contractual or voluntary basis. The group has no further payment obligations once the contributions have been made. These contributions are recognised as an employee benefit expense in the period the contribution is related to. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

b) Bonus arrangements

The group accrues for bonus arrangements when there exists a contractual obligation, or past practice has created a constructive obligation.

c) Short-term obligations

Liabilities for wages and salaries, including non-monetary benefits and accumulating sick leave that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as current employee benefit obligations in the balance sheet.

Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost. Any difference between fair value of proceeds (net of transaction costs) and redemption value is recognised in the income statement over the period of the borrowing, using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the drawdown occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are classified as current liabilities, unless the group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date. Interest costs are recognised in profit or loss in the period in which they are incurred.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised as part of the gain or loss in the income statement.

Paid-in equity
Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Where any group company purchases the company's equity instruments, for example as the result of a share buy-back or a share-based payment plan, the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the owners as treasury shares until the shares are cancelled or reissued.

Revenue recognition
IFRS 15 Revenue from contracts with customers replaced IAS 11 and IAS 18 as of 01.01.2018, and has established a single and comprehensive framework which sets out how much revenue is to be recognised, and when. The core principle is that a vendor should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the vendor expects to be entitled in exchange for those goods or services. Revenue is recognised by a vendor when control over the goods or services is transferred to the customer.

The application of the core principle in IFRS 15 is carried out in five steps in which the Group's sales contracts have been analysed based on. The first two steps are to identify the contract with the customer. After identifying the contract with the customer, a vendor identifies the contract into performance obligations. A performance obligation is a promise by a vendor to transfer goods or services to a customer. Each performance obligation is distinct being either a good or service from which the customer can benefit on its own. Norske Skog Group generates revenue mainly from sale of newspaper and magazine paper products. Customer contracts can be identified through orders of products with terms and prices according to individual agreements. Performance obligations are clearly identified as the products are delivered based on customer contract. The third and fourth steps, a vendor determines the transaction price of the entire contract and then allocates the transaction price among the different performance obligations that have been identified. The prices received by the Norske Skog Group, are divided into fixed and variable parts. The variable consideration comprises payment discount and volume rebates. The amount expected to be paid as discount or rebates are deducted from sales in line with estimates of the amount of the discount the customer is entitled to. In case the product do not meet the quality as specified in the agreement, an estimation of potential claim is to be taken into account at time of the sales. Further, the prices received do not include financing components and no significant contracts identified where the group act as an agent. In the fifth step, we assess when each performance obligation is satisfied (point in time or over period) and revenue are recognized

Revenues in Norske Skog consists almost exclusively of the sale of goods. In practical terms, the timing of revenue recognition is based on the delivery terms for the different markets and customers, and where revenue is recognised at point in time. It is important to make sure that all performance obligations are fulfilled, and the customer can benefit on its own. If the customer cannot obtain control of the good or service, the revenue cannot be recognised.

Norske Skog's terms of delivery are based on Incoterms 2010, which are the official rules for the interpretation of trade terms issued by the International Chamber of Commerce. The timing of revenue recognition is largely dependent on these delivery terms:

- D-terms, where the group delivers the goods to the purchaser at the agreed destination, usually the purchaser's premises. The point of sale is when the goods are delivered to the purchaser. If the customer is invoiced before delivery of the goods purchased, revenue is only recognized if the customer has taken over a significant part of the gain and loss potential relating to the goods.
- C-terms, where the group arranges and pays for the external transport of the goods, but the group no longer bears any responsibility for the goods once they have been handed over to the transporter in accordance with the terms of the contract. The point of sale is when the goods are handed over to the transporter contracted by the seller.
- F-terms, where the purchaser arranges and pays for the transport. The point of sale is when the goods are handed over to the transporter contracted by the purchaser.

Norske Skog may deliver a product to another party, such as a dealer or retailer, for sale to end customers. In these circumstances, the company is required to assess whether the other party has obtained control of the product. If the other party has not obtained control, the product may be held in a consignment arrangement. In such case, the company does not recognise the revenue until the product is controlled by the end customer.

Variable considerations can arise for a wide range of reasons, including discounts, rebates, refunds, credits, performance bonuses, penalties or other similar items. Variable considerations are only included in the transaction price if it is probably that there will be a significant revenue reversal.

Dividend income
Dividend income is recognised when the right to receive payment is established, which is generally when the shareholders approve the dividend.

Interest income
Interest income is recognised using the effective interest method. This is the interest rate that gives a net present value of the cash flow from the loan that is equal to its carrying value.

Leases
Leases in which the lessor retains substantially all the risks and rewards of ownership are classified as operating leases. Payments made under operating leases are charged to the income statement on a straight-line basis over the period of the lease.

Leases relating to property and equipment where the group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are recognised in the balance sheet to the lower of the fair value of the lease property and the present value of the minimum lease payments. Lease payments are apportioned between finance charge and reduction of the outstanding liability, giving a constant periodic rate of interest on the remaining balance of the liability. The leased property is depreciated according to the same principles applied for other non-current assets. The corresponding rental obligation, net of finance charges, is included in other long-term payables. If the leasing period is shorter than the useful life of the asset and it is unlikely that the group will purchase the asset at the end of the leasing period, the asset is depreciated over the leasing period.

Government grants

Government grants are recognised as income over the period necessary to match the grants on a systematic basis to the costs that they are intended to compensate for. Government grants in the form of compensation for losses which have already been incurred, or in the form of direct financial support which is not directly related to future costs, are recognised as income in the same period as they are awarded.

Government grants related to assets are presented in the balance sheet as deferred income or as a reduction of the cost price of the assets the grant relates to. The grant is then recognised in the income statement either through future periodic income recognition or as a future reduction in the depreciation charge.

New and amended interpretations and standards adopted by the group

IFRS 16 Leases will be implemented by Norske Skog on 1 January 2019, and are expected to have an impact on the consolidated financial statements as described out below:

IFRS 16 Leases replaces existing IFRS leases requirements, IAS 17 Leases. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, i.e. the customer ('lessee') and the supplier ('lessor'). The new leases standard requires lessees to recognise assets (i.e. right-of-use asset) and liabilities for most leases, which is a significant change from current requirements. It will result in almost all leases being recognised on the balance sheet, as the distinction between operating and finance leases is removed. Exceptions for short term leases, low value leases, non-lease components and intangible assets have been adapted. For lessor, IFRS 16 substantially carries forward the accounting requirements in IAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

The new standard will be implemented using the modified retrospective method without restatement of comparatives. The standard will be applied to the leases retrospectively with the cumulative effect of initially applying IFRS 16 as an adjustment to the opening equity at the date of the initial application. The right-of-use assets will be measured at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to the lease recognised in the statement of financial position immediately before the date of initial application.

The new standard will affect primarily the accounting for the group's operating leases for leased assets like machinery and properties, and the implementation effect on the consolidated financial statement are estimated as follows:

- Carrying value of right-of-use assets and lease liability estimated to be approximately NOK 85 million higher as of 1 January 2019
- Operating expenses estimated to be approximately NOK 25 million lower for 2019
- Interest expenses estimated to be approximately NOK 6 million higher for 2019
- Depreciations estimated to be approximately NOK 19 million higher for 2019

Other amendments to IFRS are not expected to have a material impact on the financial statements for 2019.

Important accounting estimates and assumptions

The preparation of consolidated financial statements in conformity with IFRS requires the use of accounting estimates and assumptions for the future. It also requires management to exercise its judgment in the process of applying the group's accounting policies. Estimates and assumptions, which represent a significant risk of a material adjustment in the carrying amount of assets and liabilities during the coming financial year, are discussed below.

a) Critical judgment in applying the group's accounting policies

The preparation of consolidated financial statements in accordance with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosures of contingent liabilities, at the end of the reporting period. Norske Skog has for instance applied judgment when identifying and recognising embedded derivatives, when choosing to present certain items as Other gains and losses as separate line items and presenting profit or loss from associated companies after operating earnings. It is important to note that the use of a different set of assumptions for the presentation of the consolidated financial statements could have resulted in significant changes in the line items presented. New interpretations, pronouncements or practices that changes the way these requirements are applied in Norske Skog may have significant impact on the company's financial statements.

b) Estimated decline in value of intangible assets and property, plant and equipment (PPE)

The group performs impairment tests to assess whether there has been a decline in the value of intangible assets and PPE. These are written down to their recoverable amount when the recoverable amount is lower than the carrying value of the asset. The recoverable amount from assets or cash-generating units is determined by calculating the higher of fair value less costs to sell and value in use. Value in use is the present value of the future cash flows expected to be derived from an asset or cash-generating unit. Calculation of value in use requires use of estimates. See Note 4 for further information.

c) Annual assessment of the remaining economic life of PPE

The group conducts annual reviews of the remaining economic life of PPE. An increase or decrease in the remaining economic life will have an impact on future depreciation, as well as affect the cash flow horizon for calculating value in use. Economic life is estimated by considering the expected usage, physical wear and tear, as well as technical and commercial development. Assessment of future developments in demand in the markets Norske Skog's products are sold is central to the assessment of the economic life of the group's mills. Expected future demand, together with the competitiveness of Norske Skog's mills, is crucial for the determination of economic life. In addition, legal or other restrictions relating to usage could affect the economic life of the mills in the group.

d) Provision for future environmental obligations
The group's provision for future environmental obligations is based on a number of assumptions made using management's best judgment. Changes in any of these assumptions could have an impact on the group's provision and group costs. See Note 20 for further information.

e) Residual value and dismantling provision
The residual value of the group's production equipment is valued as the anticipated realisable value on the balance sheet date, after deducting the estimated costs relating to asset dismantling, removal and restoration. If the estimated costs exceed the estimated residual values, the net liability is added to the fixed asset cost in the balance sheet and a provision is recognised as a liability. The group performs a review of the residual value of its production equipment at the end of each accounting year. Residual value is affected by short-term changes in the underlying assumptions, for example scrap metal prices. A change in the residual value could have an impact on future depreciation costs. The provision for dismantling costs is based on a number of assumptions made using management's best judgment. See Note 20 for further information.

f) Fair value of derivatives and other financial instruments
The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The group uses its judgment to select a variety of methods and make assumptions that are mainly based on market conditions existing at each balance sheet date. See Note 9 for more information.

g) Deferred tax assets
Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences and unused tax losses can be utilised. Deferred tax assets are offset against deferred tax liabilities when the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority and there is a legally enforceable right to set-off current tax assets against current deferred tax liabilities. Significant judgment is required to determine the amount that can be recognised. The recognised amount depends foremost on the expected timing and level of future taxable profits. The judgments are made on company level and on basis of long term financial forecast of taxable income. The judgments relate primarily to tax losses carried forward in Norske Skog's Norwegian and Australian operations. When an entity has a history of recent losses, the deferred tax asset arising from unused tax losses is recognised only to the extent that there is convincing evidence that sufficient future taxable profit will be generated. Estimated future taxable profit is not considered as convincing evidence unless the entity demonstrates the ability of generating significant taxable profit in the near future accounting periods or there are certain other events providing sufficient evidence of future taxable profit. The recognition of deferred tax assets is based on a number of assumptions based on management's best judgments. See Note 17 for further information.

h) Pensions
The present value of the pension obligation depends on several input factors that are determined by means of a number of actuarial assumptions. The assumptions used in calculating the net pension expense (income) include the discount rate and salary adjustment. Changes in these assumptions will affect the carrying value of the pension obligation. See Note 13 for further information.

3. OPERATING SEGMENTS

Reportable segments

Norske Skog group is a producer of publication paper. Publication paper includes newsprint and magazine paper. Newsprint encompasses standard newsprint and other paper qualities used in newspapers, inserts, catalogues, etc. These paper qualities, measured in grammes per square meter, will normally be in the range 40-52 g/m^2. Magazine paper encompasses the paper qualities super calendered (SC) and light weight coated (LWC). These paper qualities are used in magazines, periodicals, catalogues and brochures.

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

Publication paper Europe

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

Publication paper Australasia

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

Other activities

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

Revenue from contracts with customers

Total revenues, cash flows and contract balances from contracts with customers has been disaggregated and presented in the segment tables below. Contract with customers are recognized upon satisfaction of a performance obligation by transferring the promised goods to a customer and measured at point in time for the sale of products to the customer. Sale of publication papers and other products are non-interest bearing receivables, generally on terms of 20-60 days.

Revenues and expenses not allocated to operating segments

Norske Skog manages non-current debt, taxes and cash positions on a group basis. Consequently, financial items and tax expenses are presented only for the group as a whole.

Major customers

Norske Skog had a total sales volume of newsprint and magazine paper of 636 000 tonnes in 2018, of which sales to the group's largest customer constituted approximately 68 000 tonnes. Total sales volume in 2018 of newsprint and magazine paper to the five largest customers in Europe and Australasia amounted to approximately 94 000 and 117 000 tonnes respectively.

OPERATING REVENUE AND EXPENSES PER OPERATING SEGMENT

2018	PUBLICATION PAPER EUROPE	PUBLICATION PAPER AUSTRALASIA	OTHER ACTIVITIES	ELIMINATIONS	NORSKE SKOG GROUP
Operating revenue	**2 535**	**830**	**37**	**-24**	**3 378**
Distribution costs	-227	-98	-3	0	-328
Cost of materials	-1 510	-521	-17	3	- 2 045
Change in inventories	-69	7	1	0	-61
Employee benefit expenses	-315	-133	-32	0	-480
Other operating expenses	-201	-69	-17	21	-266
Gross operating earnings	**214**	**17**	**-31**	**0**	**200**
Depreciation	-80	-31	-2	0	-113
Restructuring expenses	-6	1	-	0	-6
Other gains and losses	0	-4	1 321	0	1 317
Operating earnings	**127**	**-17**	**1 288**	**0**	**1 397**
Share of operating revenue from external parties (%)	100	100	48		100

OPERATING REVENUE PER MARKET

The allocation of operating revenue by market is based on customer location.

	2018
Norway	82
Rest of Europe	2 194
North America	130
Australasia	559
Asia	375
Africa	38
Total	**3 378**

CASH FLOW FROM CONTRACTS WITH CUSTOMERS

	2018
Publication paper Europe	2 695
Publication paper Australasia	775
Other activities	7
Total	**3 477**

NET CASH FLOW FROM OPERATING ACTIVITIES

	2018
Publication paper Europe	373
Publication paper Australasia	-60
Other activities	22
Total cash flow allocated to segments	**334**
Cash from net financial items	-29
Taxes paid	-22
Net cash flow from operating activities	**282**

PURCHASES OF PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

	2018
Publication paper Europe	76
Publication paper Australasia	29
Other activities	1
Total	**105**

PROPERTY, PLANT AND EQUIPMENT PER GEOGRAPHICAL REGION

The table below shows property, plant and equipment allocated to Norske Skog's country of domicile and other regions in which the group holds assets. The allocation is based on the location of the production facilities.

	31.12.2018
Publication paper Europe	3 235
Publication paper Australasia	1 248
Other activities	0
Total	**4 483**

INVENTORIES

Inventories include raw materials, work in progress, finished goods and other production materials.

	31.12.2018
Publication paper Europe	924
Publication paper Australasia	371
Other activities	9
Total	**1 304**

TRADE RECEIVABLES

	31.12.2018
Publication paper Europe	715
Publication paper Australasia	239
Other activities	46
Total	**1 001**

4. INTANGIBLE ASSETS AND PROPERTY, PLANT AND EQUIPMENT

The performance of the group's cash generating units has recently showed positive development with an increase in gross operating earnings and cash flows compared to previous period. The outlook for 2019 is positive, and the gross operating earnings are expected to be in line with 2018. No impairment indicators are identified as at 31 December 2018, and thus the cash generating units were not tested for fixed assets impairment in 2018.

Assumptions applied when calculating the recoverable amount

Intangible non-current assets and property, plant and equipment (PPE) are written down to their recoverable amount when this is lower than the carrying value of the asset. The recoverable amount of an asset or cash-generating unit (CGU) is the higher of its fair value less costs to sell and its value in use. Value in use is the present value of future cash flows expected to arise from an asset or cash-generating unit. Norske Skog applies the value in use approach when calculating recoverable amount for its cash-generating units. Magazine paper (Boyer) and super calendared paper (Saugbrugs) are assessed to generate independent cash inflows and to be separate CGUs. Europe Newsprint, Australasia Newsprint, Magazine and SC represent the four cash generating units that the group is focusing on in its follow-up operationally and commercially as communication with customers, suppliers, employees. The different mills within a CGU works together to generate cash inflows.

The production machines have a long technical life, while useful lives are linked to industry cost curves and the size of the market. The estimated remaining useful life of the individual paper machines forms the basis for determining the length of the cash flow period. Estimated useful life for the individual paper machines in the group varies from one to 16 years. Sales volumes develop in accordance with the useful lives of the different paper machines in the group. Norske Skog has modelled the cash flows throughout the useful life of the paper machines. The model assumes that Norske Skog closes capacity in line with the secular decline in market demand. The timing of capacity closures follow from RISI cost curve positioning and RISI market demand projections. RISI is the leading global source for forest products information and data (www.risi.com).

Sensitivity to estimates of recoverable amount

The estimation of recoverable amount is based on assumptions regarding the future development of several factors. These include price development for finished goods, sales volumes, currency rates and interest rates. In relation to the assumptions made in a calculation of the present value of future cash flows, recoverable amount is most sensitive to changes in prices of finished goods, sales volumes and the discount rate used. A partial sensitivity analysis would result in the following impairment indications.

Property, plant and equipment allocated to cash-generating units

The table below shows machinery and equipment and land and buildings allocated to Norske Skog's cash-generating units as of 31 December 2018.

	MACHINERY AND EQUIPMENT	LAND AND BUILDINGS
Europe Newsprint	1 933	645
Australasia Newsprint	417	97
Magazine	258	198
Super calendared	252	214
Other	5	9
Carrying value 31 December 2018	**2 865**	**1 164**

Expected useful life

Norske Skog has conducted sensitivity analyses with respect to changes in expected useful life of the group's paper machines. If the expected useful life of all the group's paper machines is reduced by one year, the annual depreciation charge will increase by approximately NOK 50 million.

In connection with the year-end closing process for 2018, Norske Skog performed a review of the expected remaining useful lives of PPE. The useful life of most of the machines were reduced by one year in accordance with last year assumption. The reduction in useful life has a negative impact on the estimated recoverable amount of the mills. As the level of depreciation in 2018 exceeded purchases of PPE the future annual depreciation amount is expected to decrease.

INTANGIBLE ASSETS	OTHER INTANGIBLE ASSETS	LICENSES AND PATENTS	TOTAL
Asset acquired in the purchase of Norske Skog (note 23)	11	19	30
Additions	0	1	1
Disposals	0	-1	-1
Currency translation differences	3	1	4
Acquisition cost 31 December 2018	**14**	**20**	**34**
Depreciation	2	3	5
Disposals	0	-1	-1
Currency translation differences	0	0	0
Accumulated depreciation and impairments 31 December 2018	**2**	**2**	**4**
Carrying value 31 December 2018	**12**	**18**	**30**

Licenses, patents and other intangible assets are depreciated over a period from five to 20 years. Other intangible assets consist mainly of capitalised development costs related to customising of software.

PROPERTY, PLANT AND EQUIPMENT	BIOLOGICAL ASSETS	MACHINERY AND EQUIPMENT	LAND AND BUILDINGS	FIXTURES AND FITTINGS	PLANT UNDER CONSTR-UCTION	TOTAL
Asset acquired in the purchase of Norske Skog (note 23)	149	2 633	1 149	44	363	4 338
Additions	0	16	0	0	88	104
Disposals	0	0	0	0	0	-40
Reclassified from plant under construction	1	205	3	4	-213	0
Currency translation differences	4	93	39	2	17	155
Acquisition cost 31 December 2018	**154**	**2 947**	**1 191**	**50**	**255**	**4 557**
Depreciation	0	80	27	2	0	109
Impairment	0	0	0	0	0	0
Value changes	3	0	0	0	0	3
Disposals	0	0	0	0	0	-40
Currency translation differences	0	82	0	0	0	2
Accumulated depreciation and impairments 31 December 2018	**3**	**55**	**27**	**2**	**0**	**74**
Carrying value 31 December 2018	**151**	**2 865**	**1 164**	**48**	**255**	**4 483**

Norske Skog owns forests in Australia reported as Biological assets. These assets are valued at fair value less estimated point-of-sale costs. Changes in value are reported in the income statement line other gains and losses.

Machinery and equipment is depreciated over a period from ten to 25 years. Buildings and other property are depreciated over a period from ten to 40 years. Fixtures and fittings are depreciated over a period from three to ten years. Land and plant under construction are not depreciated.

The difference between total additions in the table above and purchases of property, plant, equipment and intangible assets in the consolidated statement of cash flows is due to capitalised allocated emission allowances, finance leases, capitalised borrowing costs and accruals for payments. Norske Skog has not capitalised borrowing costs in 2018.

Disposals in 2018 were primarily related to scrapping of fully depreciated assets that no longer have any technical values.

Non-current assets held for sale

Norske Skog did not have any non-current assets held for sale at 31 December 2018.

5. FINANCIAL ITEMS

FINANCIAL ITEMS	2018
Financial income	
Interest income	17
Other financial income	3
Total	**20**
Financial expenses	
Interest expense	-93
Other financial expenses	-16
Total	**-109**
Realised/unrealised gains / (losses) on foreign currency	**-182**
Financial items	**-272**

6. MORTGAGES

	31.12.2018
Loans secured by mortgages on property	
Other secured debt	95

The other secured debt includes facilities secured by property at Saugbrugs Bioenergi AS.

7. FINANCIAL INSTRUMENTS

CATEGORIES OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

31.12.2018 FINANCIAL ASSETS	NOTE	AMORTISED COST	FAIR VALUE THROUGH PROFIT OR LOSS	FAIR VALUE THROGH OTHER COMPRENESIVE INCOME	NON-FINANCIAL ASSETS	TOTAL
Other non-current assets	10	11	87	112	1	211
Trade and other receivables	10	1 340	0	0	62	1 403
Cash and cash equivalents		955	0	0	0	955
Other current assets	18	53	104	0	0	157
Total		**2 359**	**191**	**112**	**63**	

FINANCIAL LIABILITIES	NOTE	FAIR VALUE THROUGH PROFIT OR LOSS	AMORTISED COST	NON-FINANCIAL LIABILITIES	TOTAL
Interest-bearing non-current liabilities	11, 18	0	3 418	0	3 418
Interest-bearing current liabilities	11, 18	0	881	0	881
Other non-current liabilities	18	24	0	330	353
Trade and other payables	18	0	1 864	0	1 864
Other current liabilities	18	119	6	47	171
Total		**143**	**6 168**	**377**	

FAIR VALUE MEASUREMENT HIERARCHY FOR FINANCIAL ASSETS AND LIABILITIES

The table below classifies financial assets and liabilities instruments measured in the balance sheet at fair value, by valuation method. The different valuation methods are described as levels and are defined as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.
Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
Level 3: Inputs for the asset or liability are not based on observable market data (i.e. unobservable inputs).

31.12.2018	CARRYING AMOUNT	FAIR VALUE	LEVEL 1	LEVEL 2	LEVEL 3
Derivatives	86	86	0	0	86
Commodity contracts	1	1	0	0	1
Miscellaneous other non-current assets	124	124	0	0	124
Other non-current assets	**211**	**211**	**0**	**0**	**211**
Accounts receivable	1 001	1 001	0	0	1 001
Other receivables	339	339	0	0	339
Prepaid VAT	62	62	0	0	62
Trade and other receivables	**1 403**	**1 403**	**0**	**0**	**1 403**
Cash and cash equivalents	**955**	**955**	**0**	**0**	**955**
Derivatives	6	6	0	0	6
Commodity contracts	98	98	0	0	98
Current investments	53	53	0	0	53
Other current assets	**157**	**157**	**0**	**0**	**157**
Interest-bearing non-current liabilities	3 418	3 418	0	0	3 418
Interest-bearing current liabilities	881	881	0	0	881
Total interest-bearing liabilities	**4 298**	**4 298**	**0**	**0**	**4 298**
Derivatives	0	0	0	0	0
Commodity contracts	24	24	0	14	10
Non-financial non-current liabilities	329	329	0	0	329
Other non-current liabilities	**353**	**353**	**0**	**14**	**339**
Accounts payable	1 026	1 026	0	0	1 026
Other payables	838	838	0	0	838
Trade and other payables	**1 864**	**1 864**	**0**	**0**	**1 864**
Derivatives	9	9	0	0	9
Commodity contracts	57	57	0	48	9
Non-financial current liabilities	106	106	0	0	106
Other current liabilities	**172**	**172**	**0**	**48**	**124**

[1)]*The fair value of foreign bonds (Interest-bearing liabilities) (Level 2) is assessed by using price indications from banks at the reporting data. There is some uncertainty associated with the calculated fair value of Level 3 interest-bearing liabilities. The fair value calculation on other interest-bearing liabilities (Level 3) is based on acknowledged valuation principles according to IFRS, but is not necessarily an estimate of the amount the group would have to cover if it were to repay all its debt to all lenders.*

The fair values of cash and cash equivalents, trade receivables and other receivables, other assets, trade payables and other payables and other current liabilities remain largely consistent with the book value due to the short maturities of such positions. The fair value of derivatives and commodity contracts is described in Note 9.

8. FINANCIAL RISK

FINANCIAL RISK MANAGEMENT

Norske Skog's objective when managing capital is to ensure that the company is adequately capitalised, that the funding requirements are met and to maximise return on equity within the limits set by the group's external debt financing. In order to improve the capital structure, the group pay no dividends to the shareholder at present time.

The main risk exposures for the group are linked to uncertainty to price and volume developments for publication paper and the costs of key input factors such as energy and fibre. Weaker demand than expected for the group's products can affect profitability and associated cash flows in a negative way. The group operates in a multicurrency environment, where the main currencies of importance for the business are EUR, GBP, USD, AUD and NZD. Currency movements between these currencies, as well as against NOK, may influence demand as well as prices and costs of key input factors. Liquidity is ensured by maintaining sufficient cash balances and open credit lines linked to accounts receivables facilities. Norske Skog continuously assess the most competitive funding sources for the group.

There is uncertainty about the changes in the broader economic climate development and more adverse developments than expected may influence all of the above. The aforementioned risks may all affect future results. The factors are an inherent uncertainty when the board makes its assessments.

Norske Skog's operations are predominantly production of publication paper in Europe and Australasia. Exposure to both newsprint and magazine paper grades give some product diversification. Business segments located on opposite sides of the world provide geographical diversification. The group' green diversification strategy will gradually shift the focus beyond publication paper. Norske Skog has implemented and will continue to implement further operational enhancements, increased revenue initiatives, cost improvement measures as well as working capital management measures, to improve our cash flow. The group has one cash pool for the European entities and the cash pool is legally placed in Norske Skog AS. Identified growth projects include biogas, wood pellets and tissue paper in addition to green energy savings and production of fibre based alternatives to other materials. A diversified Norske Skog with a stronger balance sheet could be an attractive consolidation partner for publication paper in Europe.

NS Norway Holding AS and its subsidiaries is an international group that, through its ongoing business operations, will be exposed to financial risks related to litigation and claims from public authorities and contracting parties as well as assessments from public authorities in each country it operates.

FINANCIAL RISK FACTORS

NS Norway Holding AS group is exposed to various financial risk factors through the group's operating activities, including market risk (interest rate risk, currency risk and commodity risk), liquidity risk and credit risk. NS Norway Holding group seeks to minimise losses and volatility on the group's earnings caused by adverse market movements. Moreover, NS Norway Holding AS group monitors and manages financial risk based on internal policies and standards set forth by corporate management and approved by the board of directors. These written policies provide principles for the overall risk management as well as standards for managing currency risk, interest rate risk, credit risk, liquidity risk and the use of financial derivatives and non-derivative financial instruments.

Market Risk

a) Interest rate risk

The goal of interest rate risk management is to secure the lowest possible interest rate payments over time within acceptable risk limits. NS Norway Holding AS has secured most of the interest rate payments by primarily paying fixed interest rates on its loan obligations.

INTEREST-BEARING ASSETS AND LIABILITIES	31.12.2018 FLOATING	FIXED	TOTAL
Interest-bearing liabilities	576	3 723	4 299
Interest-bearing assets	-768	0	-768
Net exposure	**-192**	**3 723**	**3 531**

All amounts presented in the table are notional amounts. Total interest-bearing liabilities will therefore differ from booked amounts due to bond discounts/premiums. Floating rate exposure is calculated without accounting for potential future refinancing.

Interest rate sensitivity analysis

In accordance with IFRS 7 *Financial instruments - disclosures*, an interest rate sensitivity analysis is presented showing the effects of changes in market interest rates on interest costs and interest income, as well as equity where applicable. The analysis is based on the following assumptions:

- Floating rate debt is exposed to changes in market interest rates, i.e. the interest costs or interest income associated with such instruments will fluctuate based on changes in market rates. These changes are accounted for in the sensitivity analysis. The result is based on the assumption that all other factors are kept constant.
- Changes in market rates on fixed rate debt will only affect the income statement if they are measured at fair value. Thus, fixed rate instruments recognised at amortised cost will not represent an interest rate risk as defined by IFRS 7. Such instruments will therefore not have any influence on the sensitivity analysis.
- Results are presented net of tax, using the Norwegian statutory tax rate of 22%.

The interest rate sensitivity analysis is based on a parallel shift in the yield curve for each relevant currency to which Norske Skog is exposed. Following a 50 basis point downward/upward parallel shift in the yield curve in all interest rate markets to which Norske Skog is exposed, net earnings would have been NOK 1 million higher/lower at 31 December 2018. Change in net interest payments accounts for NOK 4 million, and the total change in market values of derivatives carried at fair value through profit or loss accounts for NOK 0 million.

b) Currency risk

Transaction risk - cash flow hedge

The group has revenues and expenses in various currencies. The major currencies are NOK, EUR, USD, GBP, AUD and NZD. Transaction risk arises because the group has a different currency split on income and expenses. NS Norway Holding AS group has not done any cash flow hedging during 2018.

Translation risk - net investment hedge

NS Norway Holding AS group does not have any net investment hedges.

Foreign exchange - sensitivity analysis on financial instruments

The following foreign exchange sensitivity analysis calculates the sensitivity of derivatives and non-derivative financial instruments on net profit and equity, based on a defined appreciation/depreciation of NOK against relevant currencies, keeping all other variables constant. The analysis is based on several assumptions, including:

- NS Norway Holding AS as a group comprises entities with different functional currencies. Derivative and non-derivative financial instruments of a monetary nature, denominated in currencies different from the functional currency of the entity, create foreign exchange rate exposure on the consolidated income statement. Moreover, foreign currency risk will also affect equity.

- Financial instruments denominated in the functional currency of the entity have no currency risk and will therefore not be applicable to this analysis. Furthermore, the foreign currency exposure of translating financial accounts of subsidiaries into the group's presentational currency is not part of this analysis.

- Sensitivity on commodity contracts and embedded derivatives is presented separately under "commodity risk".

- Other currency derivatives that are recognised at fair value through profit and loss will affect the income statement. These effects come mainly from currency derivatives and financial liabilities managed as economic net investment hedges which do not qualify for hedge accounting according to IFRS 9.

- Other non-derivative financial instruments accounted for in the analysis comprise cash and cash equivalents, accounts payable, accounts receivable and borrowings denominated in currencies different from the functional currency of the entity.

- Correlation effects between currencies are not taken into account. Figures are presented net of tax.

At 31 December 2018, if NOK had appreciated/depreciated 10% against all currencies to which the group has significant exposure, net profit after tax from financial instruments would have been NOK 259 million higher/lower. The effect of the sensitivity analysis on the income statement is mainly caused by foreign exchange gains/losses on the translation of EUR denominated debt for which there is no hedge accounting.

c) Commodity risk

A major part of NS Norway Holding AS group global commodity demand is secured through long-term contracts. NS Norway Holding AS group only uses financial instruments to a limited extent to hedge these contracts. The hedging ratio represents a trade-off between risk exposure and the opportunity to take advantage of short-term price drops in the spot market. Hedging levels are regulated through mandates approved by the board of directors.

Some of NS Norway Holding AS group purchase and sales contracts are defined as financial instruments, or contain embedded derivatives, which fall within the scope of IAS 39. These financial instruments and embedded derivatives are measured in the balance sheet at fair value with value changes recognised through profit or loss. Commodity contracts are financial contracts for the purpose of either trading or hedging. The embedded derivatives are common in physical commodity contracts and comprise a wide variety of derivative characteristics.

Changes in fair value of commodity contracts reflect unrealised gains or losses and are calculated as the difference between market price and contract price, discounted to present value. Some commodity contracts are bilateral contracts or embedded derivatives in bilateral contracts, for which there exists no active market. Therefore, valuation techniques are used as much as possible, with the use of available market information. Techniques that reflect how the market could be expected to price instruments are used in non-observable markets.

NS Norway Holding AS group portfolio of commodity contracts mainly of physical energy contracts. Fair value of commodity contracts is especially sensitive to future changes in energy prices. The fair value of embedded derivatives in physical contracts depends on currency, paper price and price index fluctuations. The energy contracts in Norway are nominated in EUR. These contracts contain embedded derivatives that are sensitive to changes in exchange rates. NOK weakened against EUR during 2018, which had a negative effect on the fair value of the embedded derivatives.

Sensitivity analysis for commodity contracts

Trading and hedging mandates have been established for energy activity. Financial trading and hedging activities are carried out bilaterally with banks and trading companies.

When calculating fair value of future and forward contracts, cash flows are by principle assumed to occur in the middle of the period. Currency effects arise when contract values nominated in foreign currencies are translated into the reporting currency. Net profit after tax is affected in a non-linear manner due to changes in the fair value of options.

COMMODITY CONTRACTS WITHIN THE SCOPE OF IAS 39		FAIR VALUE 31.12.2018	NET PROFIT AFTER TAX - INCREASE	NET PROFIT AFTER TAX - DECREASE
Energy price	change 10%	18	+103	-100
Currency	change 10%	18	0	0

Sensitivity analysis for embedded derivatives

Embedded derivatives are common features in physical commodity contracts. The most common embedded derivatives are price indices, hereunder national consumer price and producer price indices. Some embedded derivatives have option features. The analysis below combines all indices into one price index. Currency effects will arise when contract values nominated in foreign currencies are translated to NOK.

EMBEDDED DERIVATIVES	FAIR VALUE	NET PROFIT AFTER TAX	NET PROFIT AFTER TAX

		31.12.2018	- INCREASE	- DECREASE
Currency	change 10%	83	398	-403
Price index	change 2.5%	83	2	-2
Spruce pulpwood	change 5,0%	83	55	-55
Paper prices	change 5,0%	83	-527	527

Liquidity risk

NS Norway Holding AS group is exposed to liquidity risk in a scenario when the group's cash flow from operating activities is not sufficient to cover payments of financial liabilities. In order to effectively mitigate liquidity risk, Norske Skog's liquidity risk management strategy focuses on maintaining sufficient cash, as well as securing available financing through committed credit facilities. Managing liquidity risk is centralised on a group level.

In order to uncover future liquidity risk, Norske Skog forecasts both short- and long-term cash flows. Cash flow forecasts include cash flows from operations, investments, financing activities and financial instruments. Norske Skog AS group had cash and cash equivalents of NOK 955 million at 31 December 2018. Restricted bank deposits amounted to NOK 187 million at 31 December 2018.

The table "Financial liability payments" in Note 11 shows the contractual maturities of non-derivative financial liabilities. All amounts disclosed in the table are undiscounted cash flows. Furthermore, amounts denominated in foreign currency are translated to NOK using closing rates at 31 December 2018. These amounts consist of trade payables and interest payments. Variable rate interest cash flows are calculated using the forward yield curve. Projected interest payments are based on the maturity schedule at 31 December 2018 without accounting for forecasted refinancing and/or other changes in the liability portfolio. All other cash flows are based on the group's positions held at 31 December 2018.

Credit risk

NS Norway Holding AS group makes a credit evaluation of all financial trading counterparties. Based on the evaluation, a limit on credit exposure is established for each counterparty. These limits are monitored continuously in relation to unrealised profit on financial instruments and placements. The maximum credit risk arising from financial instruments is represented by the carrying amount of financial assets in the balance sheet. This includes derivatives with positive market value except for embedded derivatives. Embedded derivatives are not subjected to credit risk, as there are no future cash flows associated with such derivatives.

NS Norway Holding AS group procedures for credit management of European trade receivables, and the authority to approve credit lines to customers of European business units, are regulated by a policy drafted and maintained by a centralised credit management function at the head office. The operational responsibility to act within the guidelines as set out by this policy lies with each business unit. For operations outside of Europe, customer credit management is handled locally.

9. DERIVATIVES

Fair value of derivatives

The table below classifies financial instruments within the scope of IAS 39 measured in the balance sheet at fair value, by valuation method. The different valuation methods are described as levels and are defined as follows:
Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.
Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
Level 3: Inputs for the asset or liability are not based on observable market data (i.e. unobservable inputs).

31.12.2018	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
Financial assets at fair value through profit or loss				
Trading derivatives	0	0	0	0
Commodity contracts and embedded derivatives	0	0	191	191
Total	**0**	**0**	**191**	**191**
Financial liabilities at fair value through profit or loss				
Trading derivatives	0	-62	0	-62
Commodity contracts and embedded derivatives	0	0	-28	-28
Total	**0**	**-62**	**-28**	**-90**

The following table shows the changes in level 3 instruments at 31 December 2018.

	ASSETS	LIABILITIES
Historical acquisition cost from new companies	59	-267
Gains and losses recognised in profit or loss	131	244
Currency translation differences	1	-4
Closing balance	**191**	**-28**

Norske Skog's portfolio of commodity contracts consist mainly of physical energy contracts. The commodity contracts and embedded derivatives classified as financial within the scope of IAS 39 contracts are mainly related to energy contracts in Australia and New Zealand. Fair value of commodity contracts is sensitive to estimates of future energy prices. Fair value of embedded derivatives is sensitive to estimates of exchange rates, price indices and paper prices.

The fair value of derivatives that are not traded in an active market (over-the-counter derivatives) is determined using various valuation techniques. Interest rate swaps, cross-currency swaps, forward rate agreements and foreign currency forward contracts are all valued by estimating the present value of future cash flows. Quoted cash and swap rates are used as input for calculating zero coupon curves used for discounting.

The fair value of commodity contracts recognised in the balance sheet is calculated by using quotes from actively traded markets when available. Otherwise, price forecasts from acknowledged external sources are used. Commodity contracts that fail to meet the own-use exemption criteria in IAS 39 are recognised in the balance sheet and valued on the same principle as financial contracts. Some of these are long-term energy contracts. In calculating the fair value of embedded derivatives, valuation techniques are used in the absence of observable market inputs.

The following table is presented in accordance with IFRS 13.94, showing the fair value of all commodity contracts in level 3 within the scope of IAS 39 given a change in assumptions to a reasonably possible alternative.

FAIR VALUE OF DERIVATIVES IN LEVEL 3 GIVEN A REASONABLY POSSIBLE ALTERNATIVE		31.12.2018
Assets		
Commodity contracts	Energy price -2%	191
Liabilities		
Commodity contracts	Energy price -2%	-31

The electricity prices for long-term electricity contracts in New Zealand are not directly observable in the market for the whole contract length. A change in the forecast to a reasonably possible alternative would change the fair value. For the energy contracts in New Zealand, a reasonably possible alternative at 31 December 2018 would be a downwards parallel shift of the long end of the forward curve of 2%.

	31.12.2018	
DERIVATIVES	**ASSETS**	**LIABILITIES**
Commodity contracts	92	-9
Embedded derivatives	99	-81
Total	**191**	**-90**

The table above includes only derivatives, and the total amount may differ compared to other tables showing financial assets and liabilities.

10. RECEIVABLES AND OTHER NON-CURRENT ASSETS

	NOTE	31.12.2018
Trade and other receivables		
Accounts receivable		1 001
Provision for bad debt		-57
VAT receivables		62
Prepaid expenses		128
Other receivables		268
Total		**1 403**
Other non-current assets		
Long-term shareholdings	20	112
Derivatives	7	86
Commodity contracts	7	1
Pension plan assets	13	1
Loans to employees		1
Other non-current receivables		10
Total		**211**

Norske Skog Bruck, Norske Skog Skogn and Norske Skog Saugbrugs have factoring facility agreements where the future cash flow on certain accounts receivables are sold. The facility has a limit of EUR 25 million for Norske Skog Bruck and a combined limit of NOK 400 million for Norske Skog Skogn and Norske Saugbrugs. There are no financial covenants in these factoring facility agreements. Accounts receivable that have been sold are deducted from accounts receivable in the balance sheet. The utilisation at 31 December 2018 was NOK 404.

As of 31 December 2018 advances received from contracts with customers amounted to NOK 16 million and other revenue accruals for invoice not sent amounted to NOK 2 million.

The credit risk on trade and other receivables is continuously monitored, independent of due date. The group's sales are mainly to large customers with a low degree of default. Collateral as security is not normally requested. Further information regarding the group's credit policy for sales is provided in Note 8.

AGEING OF THE GROUP'S CURRENT RECEIVABLES	31.12.2018
Not due	1 328
0 to 3 months	91
3 to 6 months	0
Over 6 months	40
Total [1]	**1 459**

[1] Does not include provision for bad debt.

The maximum credit risk exposure at the year-end is the fair value of each class of receivable mentioned above.

11. INTEREST-BEARING LIABILITIES

INTEREST-BEARING DEBT, OUTSTANDING AMOUNTS (MNOK)	31.12.2018
Bonds	0
Debt to financial institutions	276
Debt to Oceanwood controlled entities	3 630
Factoring Facilities	395
Total	**4 299**

INTEREST-BEARING DEBT BY CURRENCY	LOCAL CURRENCY 31.12.2018	NOK 31.12.2018
EUR	376	3 746
AUD	63	385
Total interest-bearing debt in foreign currencies		**4 131**
Interest-bearing debt in NOK	170	170
Total interest-bearing debt		**4 299**

Loans from various Oceanwood controlled entities constitute the majority of the group's debt financing as of 31 December 2018. This includes a securitization facility (NSF) of EUR 100 million secured by inventory of the mill in France.

The average interest rate at 31 December 2018 was 7.8%.

DEBT REPAYMENTS

SCHEDULED REPAYMENT OF THE GROUP'S FINANCIAL DEBT AT 31.12.2018	OTHER LOANS	BONDS	TOTAL
2019	889	0	889
2020	282	0	282
2021	95	0	95
2022	501	0	501
2023	37	0	37
2024	33	0	33
2025	13	0	13
2026-	2 451	0	2 451
Total	**4 299**	**0**	**4 299**

Total debt listed in the repayment schedule may differ from booked debt. This is due to premiums or discounts on loans.

At 31 December 2018, the financial statements included no discounts. The facilities do not contain any material financial covenants.

Trade payables amounted to NOK 1 026 million at 31 December 2018.

Drawn amounts under factoring arrangements in France and Australia are classified as interest-bearing current liabilities.

As per 31 December 2018, NS Norway Holding AS and its subsidiaries had issued bank guarantees in an amount of 203 million.

RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

				NON-CASH CHANGES			
	NOTE	05.03.2018	Acquisition	CASH FLOWS	RECLASSI-FICATION[1]	FOREIGN EXCHANGE MOVEMENT	31.12.2018
Interest-bearing non-current liabilities	18	0	221	2 335	779	82	3 418
Interest-bearing current liabilities	18	0	1 448	79	-779	133	881
Total liabilities from financing activities		**0**	**1 669**	**2 414**	**0**	**215**	**4 299**

[1] Reclassification between non-current and current term liabilities

12. EMPLOYEE BENEFIT EXPENSES

EMPLOYEE BENEFIT EXPENSES	NOTE	2018
Salaries including holiday pay		345
Social security contributions		93
Pension costs	13	45
Other employee benefit expenses		-3
Total		**480**

NUMBER OF EMPLOYEES BY REGION	31.12.2018
Europe	1 743
Australasia	671
Parent company	30
Total	**2 444**

REMUNERATION
The company has not paid any remuneration or other benefits, as there are no employees. There are no incentive programs. Norske Skog AS manages the company. The company has not paid any remuneration to the Board of Directors in 2018.

AUDITORS FEES [1]
(in NOK 1 000, excluding VAT)

	PARENT COMPANY	NORWEGIAN SUBSIDIARIES AUDITED BY THE PARENT COMPANY AUDITOR	SUBSIDIARIES AUDITED BY GROUP AUDITORS	SUBSIDIARIES AUDITED BY OTHER AUDITORS	TOTAL
Audit fee	2	3 152	2 377	417	5 948
Audit-related assistance [2]	0	37	0	0	37
Tax assistance	0	18	0	390	408
Other fees	25	65	169	282	541
Total	**27**	**3 271**	**2 546**	**1 088**	**6 933**

1) *The above figures relates to the whole 2018, not just the period, from 1 October to 31 December 2018, of which the Group has existed.*
2) *Audit-related assistance includes services, which only auditors can provide, such as the review of interim financial statements, agreed upon control procedures etc.*

13. PENSION COSTS AND PENSION OBLIGATIONS

Norske Skog has various pension schemes in accordance with local conditions and practices in the countries in which the group operates. A total of 1 725 current and former employees are covered by such schemes. Of these, 210 people are covered by defined benefit plans and 1 515 people by defined contribution plans.

DESCRIPTION OF THE DEFINED BENEFIT PLANS
The key terms in Norske Skog's major defined benefit plans are shown in the table below.

	BENEFIT IN % OF PENSIONABLE EARNINGS	YEARS OF SERVICE	PENSIONABLE AGE	EARLY RETIREMENT AGE	NUMBER OF MEMBERS
Norske Skog Saugbrugs AS	65	30	70	62	68
Norske Skog Skogn AS	65	30	70	62	89
Norske Skog Deutschland GmbH		35	65	65	10

The defined benefit plan in Norske Skog Deutschland GmbH is closed.

The defined benefit schemes in Norway cover people between 60 and 67 years of age, who were employed before 1 January 2011. The defined benefit obligations in Norway only encompass active members, since they leave the defined benefit scheme (having a paid-up policy) when they retire.

Plan assets of the pension schemes in Norske Skog Saugbrugs AS and Norske Skog Skogn AS are managed by a life insurance company and invested in accordance with the general guidelines governing investments by life insurance companies in Norway. With effect from the beginning of 2011, a new defined contribution scheme was introduced in Norway, with a contribution of 4% for earnings up to 7.1 G and 10% between 7.1 and 12 G. The defined benefit plan was closed and now only covers employees born before 1 January 1959 who were employed before the closure.

When evaluating plan assets, it is based on the assumptions as at 31 December. This estimated value is corrected every year in accordance with the figures for the market value of the assets provided by the insurance company.

When measuring the incurred obligations, it is based on the assumptions as at 31 December. This estimated obligation is corrected every year in accordance with the figures for incurred pension obligations provided by the actuary.

In addition to the benefit obligation funded through insurance plans, the group has unfunded benefit obligations. The unfunded obligations include estimated future obligations relating to the former Norwegian early retirement scheme, pensions to former owners of subsidiaries as well as pensions for senior management and directors. Obligations relating to senior management pensions are partly funded through a supplementary retirement plan with a life insurance company.

In addition to defined benefit plans, there are also various defined contribution plans.

ASSUMPTIONS MADE WHEN CALCULATING FUTURE BENEFIT OBLIGATIONS IN NORWAY	2018
Discount rate/expected return on plan assets	2.6%
Salary adjustment	2.0%
Social security increase/inflation rate	2.0%
Pension growth rate	0.8%

The discount rate applied for the pension schemes in Norway for 2018 is based on the interest rate for covered bonds. Subsidiaries can deviate from these assumptions if local conditions require this. The discount rates applied vary from 1.9% to 2.6% and salary adjustments vary from 2.0% to 3.3%. Norske Skog has used the mortality table in Norway (K2013BE) and Richttafeln 2005G in Germany.

NET PERIODIC PENSION COST	2018
Current service cost	1
Pension cost defined contribution schemes	44
Accrued national insurance contributions	0
Recognised curtailment and settlement	0
Net periodic pension cost	**45**
Net periodic interest cost	**2**

Estimated payments to the group's defined benefit pension schemes in 2019 amounts to NOK 11 million.

PENSION PLANS IN THE BALANCE SHEET

PARTLY OR FULLY FUNDED PENSION PLANS	31.12.2018
Projected benefit obligations including national insurance contributions	-161
Plan assets at fair value	157
Net plan assets/pension obligations (-) in the balance sheet	**-4**

UNFUNDED PENSION PLANS	31.12.2018
Projected benefit obligations including national insurance contributions	-265

The defined benefit pension plans relates to Europe. A minor defined benefit pension plan in Australia was closed during 2015.

SPECIFICATION OF PENSION PLANS IN THE BALANCE SHEET	31.12.2018
Pension assets in the balance sheet	1
Pension liabilities in the balance sheet	-271
Net pension obligations in the balance sheet	**-270**
Net unfunded pension plans	-265
Net partly or fully funded pension plans	-4

CHANGES IN PENSION OBLIGATIONS FOR PARTLY OR FULLY FUNDED PENSION PLANS	2018
Opening balance	0
Acquisition	165
Deconsolidated company	-5
Current years' service cost	0
Current years' interest cost	1
Pension paid	-2
Curtailments/settlements	0
Other changes	19
Re-measurements	-16
Balance 31 December	**161**

CHANGES IN PLAN ASSETS FOR PARTLY OR FULLY FUNDED PENSION PLANS	2018
Opening balance	0
Acquisition	154
Divested companies	-5
Return on plan assets	1
Pension paid	-1
Curtailments/settlements	0
Other changes	24
Employer contribution	7
Re-measurements	-24
Balance 31 December	**157**

CHANGES IN PENSION OBLIGATIONS FOR UNFUNDED PENSION PLANS	2018
Opening balance	0
Acquisition	264
Current years' service cost	2
Current year's interest cost	1
Pension paid	-1
Contributions to the plan assets	0
Curtailments/settlements	0
Other changes	0
Currency translation differences	-5
Re-measurements	4
Balance 31 December	**-265**

Re-measurements is mainly related to changes in financial assumptions.

SPESIFICATION OF RE-MEASUREMENT GAINS/LOSSES IN OTHER COMPREHENSIVE INCOME (OCI)	2018
Return on plan assets	0
Actuarial changes arising from changes in demographic assumptions	0
Actuarial changes arising from changes in financial assumptions	-3
Experience adjustments + investment management costs	-7
Asset ceiling	2
Total	**-8**

	2018	
INVESTMENT PROFILE FOR PENSION FUNDS	FUNDS	DISTRIBUTION
Shares	24	15%
Bonds	96	61%
Properties and real estate	21	14%
Money market	13	8%
Other	1	1%
Total	**157**	**100%**

SENSITIVITY ANALYSIS

Norske Skog has performed sensitivity analyses of material group companies for the most important assumptions related to defined benefit schemes to predict how fluctuations will impact pension liabilities in the consolidated balance sheet. In relation to the assumptions made in the calculation of pension obligations the amount is most sensitive to changes in discount rate, salary adjustment and pension growth rate. The sensitivity of the pension obligation is shown in the table below:

SENSITIVITY	INCREASE	DECREASE
Discount rate - 0.5%	-11	13
Salary adjustment - 0.5%	2	-2
Future national security - 1.0%	-4	4
Future pension – 1.0%	2	-1

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. No data is available for decrease of future national security. The sensitivity analysis is based on actuarial calculations for the Norwegian schemes.

14. OTHER OPERATING EXPENSES

	NOTE	2018
Maintenance materials and services		146
Marketing expenses		2
Administration, insurance, travel expenses etc.		58
Operating leases	15	12
Internal services to group companies		0
Other expenses		48
Total		**266**
Specification of losses on accounts receivable included in other expenses		
Receivables written off during the period		3
Payments received on items previously written off		0
Change in provision for bad debt		5
Total		**8**

15. LEASES

OPERATING LEASES

The group recognised expenses of NOK 12 million in relation to operating leases in 2018.

MINIMUM LEASE PAYMENTS RELATING TO OPERATING LEASES	31.12.2018	31.12.2017
Not later than one year	31	19
Later than one year and not later than five years	102	38
Later than five years	23	6
Total	**156**	**63**

FINANCE LEASES

Leases of property, plant and equipment where control and substantially all the risks have been transferred to the group are classified as finance leases. Finance leases are capitalised at the inception of the lease, at the lower of the fair value of the asset and net present value of the minimum lease payments. The capitalised value is depreciated on a linear basis over the estimated economic life.

MINIMUM LEASE PAYMENTS RELATING TO FINANCE LEASES	31.12.2018	31.12.2017
Not later than one year	23	30
Later than one year and not later than five years	90	103
Later than five years	16	41
Total	**129**	**174**
Future finance charges on finance leases	-35	-49
Present value of minimum lease payments	**94**	**125**

PRESENT VALUE OF MINIMUM LEASE PAYMENTS	31.12.2018	31.12.2017
Not later than one year	22	28
Later than one year and not later than five years	64	77
Later than five years	8	20
Total	**94**	**125**
Capitalised value of leased machinery and equipment	**27**	**57**

16. OTHER GAINS AND LOSSES

	NOTE	2018
Gains and losses from divestments and deconsolidating of business activities, property, plant and equipment		0
Business acquisition bargain purchase	23	1 047
Changes in value – commodity contracts [1]		132
Changes in value – embedded derivatives		203
Changes in value – biological assets		-3
Other realised gains and losses		-1
Total		**1 378**

[1] Long-term financial contracts and commodity contracts that no longer meet the requirement in IFRS 9 related to own use are measured at fair value.

The gain on commodity contracts is due to higher forecasted future energy prices in New Zealand over the contract period.

Norske Skog's portfolio of commodity contracts consists mainly of physical energy contracts. The fair value of commodity contracts is especially sensitive to future changes in energy prices. The fair value of embedded derivatives in physical contracts is influenced by currency, sales prices, pulpwood prices and price index fluctuations. A sensitivity analysis of the impact on profit after tax of fluctuations in energy prices, currency and price indices is given in Note 8. The valuation techniques used are described in Note 9.

In December 2018 two Norwegian energy contracts containing currency embedded derivatives were terminated, and replaced with new contracts which also includes embedded derivatives. The liability on embedded derivatives in the old contracts was derecognized.

Other realised gains and losses of NOK -1 million in 2018 primarily related to financial hedging of energy.

17. INCOME TAXES

TAX EXPENSE	2018
Current tax expense	-47
Change in deferred tax	18
Total	**-29**

RECONCILIATION OF THE GROUP TAX EXPENSE	2018
Profit/loss before income taxes	1 176
Computed tax at nominal tax rate of 23%	-270
Differences due to different tax rates	-3
Exempted income/non-deductible expenses	-2
Reversal tax provision	0
Adjustment previous years	0
Change in tax rate	7
Deferred tax asset not recognised	229
Other items	10
Total tax expense (-) income (+)	**-29**
Effective tax rate	**2.5%**

CURRENT TAX LIABILITY	31.12.2018
Norway	0
Rest of Europe	71
Outside Europe	16
Total	**87**

DEFERRED TAX - MOVEMENTS	2018
Net deferred tax asset opening balance	0
Acquisition	-266
Change in deferred tax in the income statement	18
Deconsolidation of subsidiaries	0
Tax on other comprehensive income	-1
Tax effect FX net investment hedge	0
Group tax allocation balance sheet	0
Currency translation differences	-15
Net deferred tax asset/liability (-) 31 December	**-264**

DEFERRED TAX ASSET AND DEFERRED TAX LIABILITY	31.12.2018
Norway	64
Rest of Europe	0
Outside Europe	0
Deferred tax asset	**64**
Norway	0
Rest of Europe	328
Outside Europe	0
Deferred tax liability	**-328**
Net deferred tax asset/liability (-)	**-264**

DEFERRED TAX DETAILS	31.12.2018
Fixed assets, excess values and depreciation	139
Pensions	3
Provisions and other liabilities	128
Currency translation differences and financial instruments	-1
Deferred tax current items	9
Tax losses and tax credit to carry forward	541
Deferred tax asset not recognised [1)]	-1 082
Net deferred tax asset/liability (-)	**-264**

LOSSES TO CARRY FORWARD BY REGION AND EXPIRY DATE 31.12.2018	NORWAY	REST OF EUROPE	OUTSIDE EUROPE	TOTAL
2019	0	0	0	0
2020	0	0	0	0
2021	0	0	0	0
2022	0	0	0	0
2023 and later	0	0	0	0
Indefinite expiry	1 554	62	597	2 214
Tax losses to carry forward	**1 554**	**62**	**597**	**2 214**
Temporary differences	-1 456	0	-1 047	-2 503
Tax losses and temporary differences not recognised [1)]	-2 717	-2	-1 644	-4 363
Total tax losses and tax credits to carry forward (recognised)	**293**	**60**	**0**	**353**
Deferred tax asset	**64**	**0**	**0**	**64**
Tax rate	**22%**	**19-33%**	**28-30%**	

Deferred tax asset arising from the carry forward of unused tax losses is tested against expected future taxable profit on entity level. NOK 64 million is recognised as deferred tax assets in the consolidated financial statements as of 31 December 2018. NOK 26 million relates to Norske Skog Saugbrugs AS and NOK 38 million to Norske Skog Skogn AS. The judgement are made on basis of conservative estimates of taxable income for the next near term period. No further productivity enhancements or cost reduction programs are taken into account when estimating future taxable income.

Tax payable relates to Europe and consist mainly of income taxes, withholding taxes and a part of CVAE tax in France.

Individual companies may have permanent differences, such as received dividends, which are generally non-taxable.

Current and deferred taxes are recognised as expense or income in the consolidated income statement. Taxes on translation differences, net investment hedge, other reclassifications or remeasurements of post-employment benefit obligations are recognised in other comprehensive income.

18. SPECIFICATION OF BALANCE SHEET ITEMS

	NOTE	31.12.2018
Inventories		
Raw materials and other production input		784
Semi-manufactured materials		8
Finished goods		512
Total	3	**1 304**
Other current assets		
Derivatives	7	6
Commodity contracts	7	98
Current investments	7	53
Total	7	**157**
Trade and other payables		
Accounts payable	7	1 026
Accrued labour costs and taxes		516
Accrued expenses		316
Other interest-free liabilities		6
Total		**1 864**
Other current liabilities		
Derivatives	7	9
Commodity contracts	7	57
Accrued emission rights		47
Accrued financial costs		53
Restructuring provision	19	6
Total		**171**
Other non-current liabilities		
Derivatives	7	0
Commodity contracts	7	24
Dismantling provision	19	81
Environmental provision	19	195
Deferred recognition of government grants		23
Other non interest-bearing debt		30
Total		**353**
Interest-bearing non-current liabilities		
Debt to financial institutions		994
Interest-bearing non-current liabilities		2 424
Total	7	**3 418**
Interest-bearing current liabilities		
Debt to financial institutions and bond		485
Securitisation / factoring facilities		395
Interest-bearing current liabilities		0
Total	7	**881**

19. PROVISIONS

	RESTRUCTURING PROVISION	DISMANTLING PROVISION	ENVIRONMENTAL PROVISION
Opening balance	**0**	**0**	**0**
Acquisition	10	71	190
Changes and new provisions	6	10	5
Utilised during the year	-10	0	0
Periodic unwinding of discount	0	0	1
Currency translation differences	0	0	-1
Balance 31 December 2018	**6**	**81**	**195**

Restructuring provision
Restructuring provision is included in the balance sheet line Other current liabilities. The restructuring provision of NOK 6 million at 31 December 2018 includes various restructuring activities included provision for severance payments and other costs (Publication paper Europe). The amount expensed in 2018 in relation to restructuring activities amounted to NOK 6 million.

Dismantling provision
Provisions related to future dismantling costs arising from a future closing down of production facilities amounted to NOK 81 million at 31 December 2018.

The total amount is classified as non-current and will only be realised at the time of a future shut down of any of the Norske Skog production units. The provision is the net present value of the future estimated costs, calculated using a long-term risk-free interest rate. The periodic unwinding of the discount is recognised in the income statement line Financial expenses. The opposite entry for dismantling provision and change in provision estimates is Property, plant and equipment.

Discount rates and assumptions included as part of the best estimate will impact the future carrying value of the dismantling provision. To illustrate the sensitivity, a reduction in the future discount rate of one percentage point would increase the provision by approximately NOK 9 million, with a corresponding increase in future depreciation on property, plant and equipment.

Environmental provision
The group’s provision for environmental obligations is presented in the balance sheet as Other non-current liabilities. The provision is related to estimated future costs for cleaning up any environmental pollution caused by Norske Skog production units. The provision will mainly be realised in a future period upon a potential shut down of the production activities of any of the Norske Skog production units. Increased environmental requirements from local governments may also lead to realisation of this provision at an earlier point in time.

Provisions for future environmental obligations amounted to NOK 195 million at 31 December 2018. Resources spent on environmental activities during 2018 amounted to NOK 0.

The carrying value of the provision is the best estimate made by measuring the expected value of the specific obligations, discounted to present value using a long-term risk-free interest rate when the time value of money is material. Changes in factors included in the expected value will impact the carrying value of the obligation. To illustrate the sensitivity, a reduction in the future discount rate by one percentage point would increase the provision by approximately NOK 24 million. Changes in accounting estimates not related to assets are classified as operating items in the income statement, and the periodic unwinding of the discount is recognised within the income statement line Financial expenses.

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

20. SHARES

SHARES IN SUBSIDIARIES	CURRENCY	SHARE CAPITAL (IN 1 000)	OWNERSHIP %
Shares in subsidiaries owned by the parent company			
Norske Skog AS	NOK	300 000	100
Shares in subsidiaries owned by consolidated companies			
Nornews AS, Oslo, Norway	NOK	100	100
Norske Skog Bruck GmbH, Bruck, Austria	EUR	10 000	100
Norske Skog Golbey SAS, Golbey, France	EUR	62 365	100
Norske Skog Industries Australia Ltd., Sydney, Australia	AUD	340 000	100
Norske Skog Papers (Malaysia) Sdn. Bhd., Kuala Lumpur, Malaysia	MYR	5 011	100
Norske Skog Saugbrugs AS Halden, Norway	NOK	115 230	100
Norske Skog Skogn AS, Levanger, Norway	NOK	115 230	100
Advanced Hygiene Solution GmbH, Bruck, Austria	EUR	40	100
Bruck Fibre GmbH, Bruck, Austria	EUR	35	100
Green Valley Energie, France	EUR	50	100
Norske Skog Adria d.o.o, Trzin,Slovenia	EUR	21	100
Norske Skog (Australasia) Pty Ltd., Sydney, Australia	AUD	21 000	100
Norske Skog (Australia) No. 2 Pty Ltd., Sydney, Australia	AUD	0	100
Norske Skog Capital (Australia) Pty Ltd., Sydney, Australia	AUD	223 000	100
Norske Skog Capital (New Zealand) Ltd., Auckland, New Zealand	NZD	1	100
Norske Skog Deutschland GmbH, Augsburg, Germany	EUR	520	100
Norske Skog France SARL, Paris, France	EUR	235	100
Norske Skog Holdings (No.1) Ltd., Auckland, New Zealand	NZD	0	100
Nature's Flame Ltd., Auckland, New Zealand	NZD	7 750	100
Norske Skog Italia SrL, Milan, Italy	EUR	10	100
Norske Skog Nordic & Export Sales AS, Oslo, Norway	NOK	1 100	100
Norske Skog Paper Mills (Australia) Ltd., Tasmania, Australia	AUD	7 539	100
Norske Skog Papier Recycling GmbH, Bruck, Austria	EUR	291	100
Norske Skog Tasman Ltd., Auckland, New Zealand	NZD	725 000	100
Norske Skog Österreich GmbH, Graz, Austria	EUR	35	100
Norske Skog (Schweiz) AG, Zürich, Switzerland	CHF	50	100
Norske Skog (UK) Ltd., London, United Kingdom	GBP	100	100
Norske Skog Paper Mills (Albury) Pty Limited, Sydney, Australia	AUD	5 230	100
Saugbrugs Bioenergi AS, Halden, Norway	NOK	3 000	100
Topp1 Energy Limited, Auckland, New Zealand	NZD	16 391	100

SHARES INCLUDED AS FINANCIAL ASSETS	CURRENCY	SHARE CAPITAL (IN 1 000)	OWNERSHIP %	CARRYING VALUE [1]
Shares owned by other group companies				
Shelterwood AS, Oslo, Norway	NOK	2 400	3	1
Circa Group Pty Ltd, Melbourne, Australia	AUD	3 087	10	7
Exeltium SAS, Paris, France	EUR	12 384	5	83
Exeltium 2 SAS, Paris, France	EUR	3 440	5	2
Ignite Energy Resources Ltd., Sydney, Australia	AUD	255 433	1	12
SEM, Golbey, France	EUR	3 440	10	4
Other shares, each with book value below NOK 1 million				4
Total				**112**

[1] Carrying value for the shares is original cost less impairment.

21. RELATED PARTIES

Balances and transactions between the group and subsidiaries, as listed in Note 20, have been eliminated on consolidation and are not disclosed in this note.

Remuneration for corporate management and Board of Director's is presented in Note 12.

Oceanwood Special Situations Malta Limited, acquired the shares in Norske Skog AS on 28 September 2018. As of 31 December 2018 the group had debt to entities controlled by Oceanwood as described in Note 11.

On 21 December 2018 the Company sold receivables towards the following wholly owned, either directly or indirectly, subsidiaries of the Company, Norske Skog Industries Australia Ltd, Norske Skog Bruck GmbH, Norske Skog Tasman Ltd and Nornews A/S, to Norske Skog AS. The total consideration for the receivables was EUR 102 million.

22. EVENTS AFTER THE BALANCE SHEET DATE

On 28 March 2019 Niels Petter Wright decided, in full agreement with the board and with immediate effect, to step down as the CEO of Norske Skog AS. The Chair of the Board, Sven Ombudstvedt, will fill the interim CEO role until a permanent replacement is in place.

On 13 May 2019, the Company entered into an agreement with Norske Skog AS for the receivable which the 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 loan to Norske Skog AS. The loan has been repaid in full in June 2019.

On 31 May 2019, the Company resolved a share contribution in Norske Skog AS of NOK 1 102 million. The share contribution was settled by a set-off against outstanding receivables of NOK 1 102 million which the Company had towards Norske Skog AS.

On 19 June 2019 Norske Skog AS has successfully completed a EUR 125 million senior secured bond issue with maturity in June 2022.

On 19 June 2019 Norske Skog AS published that the company considers an initial public offering (IPO) and listing of its shares on Oslo Stock Exchange.

There have been no other events after the balance sheet date with significant impact on the financial statements for 2018.

23. BUSINESS ACQUISITION

On 28 September 2018, NS Norway Holding AS acquired 100% of the shares in Norske Skog AS. The acquisition of the shares following a lengthy public action process and process of regulatory approvals. Before the acquisition of Norske Skog AS, NS Norway Holding AS had no operating activities.

Norske Skog AS and its subsidiaries manufacture, distribute and sell publication paper. This includes newsprint and magazine paper. The group has seven fully-owned mills in five countries (Norway, France, Austria, Australia and New Zealand) and has approximately 2 400 employees. The key figures for the acquired company (incl. subsidiaries) for 2018 are as follows:

Acquired company	Date of control	Interest acquired	Operating revenues	Gross operating earnings
Norske Skog AS	28 September 2018	100%	12 641	1 031

The net purchase price after adjustments was NOK 2 230 million (EUR 236 million) in cash. The purchase price were split into NOK 1 094 million (EUR 111 million) for the shares, and NOK 1 178 million (EUR 124 million) for the receivables. The receivables acquired was recognised at fair value at the acquisition date. In company acquisition, the assets taken over are valued at the acquisition date with goodwill or bargain purchase as the residual. The purchase price is calculated as follows:

Purchase price allocation	**NOK million**
Total purchase price*	2 230
Pledge receivables	-1 178
Stamp duty	-41
Purchase price for the shares	**1 094**
Book value of equity Norske Skog AS Group at acquisition date	-2 140
Bargain purchase	**1 046**

* Cash paid in the transaction amounts to NOK 1 665 million = Total purchase price NOK 2 230 million + stamp duty NOK 41 million + unpledged receivables NOK 20 million + other purchases NOK 4 million - cash acquired NOK 630 million.

The amounts recognised as of the acquisition date for each major class of assets acquired and liabilities assumed as follows:

Acquired assets and liabilities	**28 September 2018**
Deferred tax asset	64
Intangible assets	30
Property, plant and equipment	4 338
Other non-current assets	153
Total non-current assets	**4 586**
Inventories	1 300
Trade and other receivables	1 455
Other current assets	79
Cash and cash equivalents	630
Total current assets	**3 465**
Total assets	**8 051**
Pension obligations	245
Deferred tax liability	330
Interest-bearing non-current liabilities	1 183
Other non-current liabilities	540
Total non-current liabilities	**2 299**
Interest bearing current liabilities	1 475
Trade and other payables	1 841
Tax payable	45
Other current liabilities	226
Total current liabilities	**3 611**
Total liabilities	**5 910**
Net assets	**2 140**
Bargain purchase	1 046
Acquisition cost (purchase price for the shares)	**1 094**

The net amount recognized as of acquisition date for acquired assets acquired and liabilities assumed was higher than the purchase price for the shares, resulting in recognition of a bargain purchase of NOK 1 046 million. On the acquisition date, the bargain purchase was recognised as a gain in the income statement in the line item other gain and losses. The performance of the group's cash generating units has showed positive development with an increase in gross operating earnings and cash flows compared to previous period, and no impairment indicators were identified for underlying assets at the acquisition date or at 31 December 2018. All available information have been assessed and the necessary revision are made to ensure that the bargain purchase could be recognised. The shares in Norske Skog AS was acquired as part of the process of unwinding the former parent company. The transaction was not an ordinary transaction, but a consequence of the bankruptcy of the former parent company. The bargain purchase is due to the circumstances of the transaction.

FINANCIAL STATEMENTS NS NORWAY HOLDING AS

INCOME STATEMENT

NOK MILLION	NOTE	05.03.2018 - 31.12.2018
Other operating expenses		0
Gross operating earnings		**0**
Operating earnings		**0**
Financial income	5	80
Financial expenses	5	-55
Net unrealised/realised gains/losses on foreign currency	5	-109
Financial items		**-84**
Profit/Loss before income taxes		**-84**
Income taxes	7	-2
Profit/Loss after tax		**-86**

FINANCIAL STATEMENTS NS NORWAY HOLDING AS

STATEMENT OF COMPREHENSIVE INCOME

NOK MILLION	05.03.3018 - 31.12.2018
Loss after tax	-86
Other comprehensive income	0
Comprehensive income	-86

FINANCIAL STATEMENTS NS NORWAY HOLDING AS

BALANCE SHEET

NOK MILLION	NOTE	31.12.2018
Assets		
Investments in subsidiaries	4	1 094
Other non-current assets	8	1 277
Total non-current assets		**2 371**
Cash and cash equivalents		42
Other current assets	8	5
Total current assets		**47**
Total assets		**2 418**
Shareholders' equity and liabilities		
Paid-in equity		0
Retained earnings and other reserves		-86
Total equity	3	**-86**
Interest-bearing non-current liabilities	6	2 424
Total non-current liabilities		**2 424**
Interest-bearing current liabilities	6	27
Tax payable		0
Other current liabilities		53
Total current liabilities		**80**
Total liabilities		**2 504**
Total equity and liabilities		**2 418**

SKØYEN, 26 JUNE 2019
THE BOARD OF DIRECTORS OF NS NORWAY HOLDING AS

Jen-Yue (John) Chiang
Chair

Matthew Joseph Turner
Board member

Sven Ombudstvedt
Board member

FINANCIAL STATEMENTS NS NORWAY HOLDING AS

STATEMENT OF CASH FLOWS

NOK MILLION	05.03.2018 – 31.12.2018
Cash flow from operating activities	
Cash generated from operations	0
Cash used in operations	0
Cash flow from financial items	-2
Interest payments received	0
Interest payments made	0
Taxes paid	-17
Net cash flow from operating activities	**-19**
Purchases of shares in companies and other financial payments	-2 292
Net cash flow from investing activities	**-2 292**
Cash flow from financing activities	
New loans raised	2 362
Repayments of loans	-26
Change in intercompany balance with group	17
New equity	0
Net cash flow from financing activities	**2 353**
Foreign currency effects on cash and cash equivalents	-1
Total change in cash and cash equivalents	**42**
Cash and cash equivalents 5 March 2018	0
Cash and cash equivalents 31 December 2018	42

FINANCIAL STATEMENTS NS NORWAY HOLDING AS

STATEMENT OF CHANGES IN EQUITY

NOK MILLION	NOTE	SHARE CAPITAL	RETAINED EARNINGS	TOTAL EQUITY
Equity 5 March 2018	3	**0**	**0**	**0**
Comprehensive income		0	-86	-86
Equity 31 December 2018	3	**0**	**-86**	**-86**

NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

NS Norway Holding AS was founded 5 March 2018, is incorporated in Norway and has its head office at Skøyen in Oslo. The income statement for 2018 includes the period from 5 March 2018 to 31 December 2018.

All amounts are presented in NOK million unless otherwise stated. There may be some small differences in the summation of columns due to rounding.

The financial statements were authorised for issue by the board of directors on 26 June 2019.

2. ACCOUNTING POLICIES

The financial statements for NS Norway Holding AS have been prepared and presented in accordance with simplified IFRS pursuant to section 3-9 of the Norwegian Accounting Act.

Requirements related to recognition and measurement applied to the company financial statements of the company are identical to the ones described in Note 2 Accounting policies in the consolidated financial statements, with the exception of shares in subsidiaries which are recognised at lower of cost and net-realizable value in the company financial statements.

3. EQUITY

The share capital of NS Norway Holding AS at 31 December 2018 was NOK 30 000 and consisted of 30 shares, each with a nominal value of NOK 1 000.

Oceanwood Special Situations Malta Ltd acquired 100% of the shares in NS Norway Holding AS on 25 May 2018. For further information on the change of ownership, see description in Statement of changes in equity in the consolidated financial statement.

PRINCIPAL SHAREHOLDERS	OWNERSHIP %
Oceanwood Special Situations Malta Ltd	100.00

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 parent company was negative at NOK 86 million. At NS Norway Holding AS Group, the equity is positive at NOK 1 236 million, which substantiate significant excess values of the shares in Norske Skog AS compared to historical cost booked in the accounts. The board of directors confirms that the assumption applies and that the financial statements have been prepared on a going concern basis.

4. SHARES IN SUBSIDIARIES

SHARES IN SUBSIDIARIES	CURRENCY	SHARE CAPITAL (IN MILLION)	OWNERSHIP %	CARRYING VALUE (IN NOK MILLION)
Norske Skog AS, Oslo, Norway	NOK	300	100	1 094
Total				**1 094**

Investments in subsidiaries are tested for impairment in accordance with IAS 36 *Impairment of assets*. Shares in subsidiaries are written down to their recoverable amount when the recoverable amount is lower than the carrying value of the investment. For impairment testing purposes, investments in subsidiaries are grouped in the same manner as the cash-generating units for the group. The carrying amount of investments in subsidiaries within each cash-generating unit is measured against the recoverable amount of investments in subsidiaries within this cash-generating unit.

5. FINANCIAL ITEMS

NOK MILLION	2018
FINANCIAL ITEMS	
Financial income	
Interest income from group companies	19
Gain on receivables	61
Total	**80**
Financial expenses	
Interest expenses	-53
Other financial expenses	-2
Total	**-55**
Gains / (losses) on foreign currency	**-109**
Financial items	**-84**

6. MATURITY OF INTEREST-BEARING LIABILITIES

The company has entered into an EUR 1 500 million credit facility of which EUR 246 million (NOK 2 451 million) was drawn per 31.12.18. Incurred interest costs of NOK 53 million is classified as current liabilities at 31 December 2018. There are no scheduled instalments under the facility and the remaining part of the liability of NOK 2 424 million is classified as non-current liabilities as it matures in 2033.

7. INCOME TAXES

NOK MILLION

TAX EXPENSE	**2018**
Current tax expense	-2
Change in deferred tax	0
Total	**-2**

INCOME TAX RECONCILIATION	**2018**
Profit/loss before income taxes	-84
Computed tax at nominal tax rate of 23%	19
Change tax loss not recognised	-18
Effect on change in tax rate	-1
Withholding tax	-2
Total tax expense(-)/income	**-2**
Effective tax rate	**-2.4%**

TEMPORARY DIFFERENCES AND TAX LOSSES - DETAILS	**31.12.2018**
Tax losses to carry forward	-11
Other tax credits to carry forward	-7
Tax losses and other tax credits not recognised [1]	18
Basis for deferred tax	**0**

DEFERRED TAX	**31.12.2018**
Net deferred tax asset (+) / liability (-)	**0**

[1] *The value of other tax credits are written down, subsequently the tax credits are lower than total tax benefits not recognised.*

8. INTERCOMPANY RECEIVABLES/LIABILITIES

NOK MILLION

NON-CURRENT INTERCOMPANY RECEIVABLES	**31.12.2018**
Norske Skog AS	1 029
Norske Skog Industries Australia Ltd.	248
Total	**1 277**

CURRENT INTERCOMPANY RECEIVABLES	**31.12.2018**
Norske Skog AS	5
Total	**5**

9. RELATED PARTIES

A description of transactions with related parties is given in Note 21 Related parties in the consolidated financial statements.

10. EVENTS AFTER THE BALANCE SHEET DATE

A description of events after the balance sheet date is given in Note 22 Events after the balance sheet date in the consolidated financial statements.

BDO AS
Munkedamsveien 45
Postbox 1704 Vika
0121 Oslo
Norway

Independent Auditor's Report

To the General Meeting in NS Norway Holding AS

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of NS Norway Holding AS.

The financial statements comprise:

- The financial statements of the parent company, which comprise the balance sheet as at 31 December 2018, income statement, statement of comprehensive income, statement of changes in equity and cash flows for the period from 5.3.2018 to 31.12.2018, and notes to the financial statements, including a summary of significant accounting policies, and
- The financial statements of the group, which comprise the balance sheet as at 31 December 2018, and income statement, statement of comprehensive income, statement of changes in equity and cash flows for the period from 28.9.2018 to 31.12.2018, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion:

- The financial statements are prepared in accordance with the law and regulations.
- The accompanying financial statements give a true and fair view of the financial position of NS Norway Holding AS as at 31 December 2018, and its financial performance and its cash flows for the year then ended in accordance with simplified application of international accounting standards according to section 3-9 of the Norwegian Accounting Act.
- The accompanying financial statements give a true and fair view of the financial position of the group NS Norway Holding AS as at 31 December 2018, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

Basis for Opinion

We conducted our audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company and the Group as required by laws and regulations, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other information

Management is responsible for the other information. The other information comprises the Board of Directors' report.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors and the Managing Director for the Financial Statements

The Board of Directors and the Managing Director (management) are responsible for the preparation and fair presentation of the financial statements for the parent company in accordance with simplified application of international accounting standards according to section 3-9 of the Norwegian Accounting Act, and for the preparation of the group in accordance with International Financial Reporting Standards as adopted by the EU, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's and the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or Group or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

For further description of Auditor's Responsibilities for the Audit of the Financial Statements reference is made to:
https://revisorforeningen.no/revisjonsberetninger

Report on Other Legal and Regulatory Requirements

Opinion on the Board of Directors' report

Based on our audit of the financial statements as described above, it is our opinion that the information presented in the Board of Directors' report and in the statements on Corporate Governance and Corporate Social Responsibility concerning the financial statements, the going concern assumption, and the proposal for the allocation of the profit is consistent with the financial statements and complies with the law and regulations.

The Register of Business Enterprises: NO 993 606 650 VAT.

BDO

Opinion on Registration and Documentation

Based on our audit of the financial statements as described above, and control procedures we have considered necessary in accordance with the International Standard on Assurance Engagements (ISAE) 3000, «Assurance Engagements Other than Audits or Reviews of Historical Financial Information», it is our opinion that management has fulfilled its duty to produce a proper and clearly set out registration and documentation of the Company's and the Group's accounting information in accordance with the law and bookkeeping standards and practices generally accepted in Norway.

Oslo, 28th of June 2019
BDO AS

Terje Tvedt
State Authorised Public Accountant

Skatteetaten

Vår dato	Din/Deres dato	Saksbehandler
25.02.2019	18.02.2019	Torstein Kinden Helleland
800 80 000	Din/Deres referanse	Telefon
Skatteetaten.no	Rune Sollie	22078139
Org.nr	Vår referanse	Postadresse
974761076	2019/5437955	Postboks 9200 Grønland 0134 OSLO

NS NORWAY HOLDING AS
Postboks 294 Skøyen
0213 OSLO

Att. Rune Sollie

Tillatelse til å utarbeide årsregnskap og årsberetning på engelsk språk for NS Norway Holding AS, org.nr. 920 596 363

Vi viser til deres brev av 18. februar 2019 der det søkes om dispensasjon fra kravet til å utarbeide årsregnskap og årsberetning på norsk språk for NS Norway Holding AS.

Skattedirektoratet gir på bakgrunn av en konkret helhetsvurdering NS Norway Holding AS dispensasjon fra kravet til å utarbeide årsregnskap og årsberetning på norsk språk, jf. regnskapsloven § 3-4 tredje ledd. Dispensasjonen gjelder så lenge opplysningene som vedtaket baserer seg på ikke endres vesentlig.

Kopi av dette brevet må sendes Regnskapsregisteret i Brønnøysund sammen med årsregnskapet. Det påligger den regnskapspliktige å dokumentere ved dette brev at tillatelsen er gitt.

Bakgrunn
NS Norway Holding AS er datterselskap av Oceanwood Special Situations Malta Limited som er et investeringselskap registrert på Malta. Skattedirektoratet ga i 2016 datterselskapet Norske Skog AS dispensasjon fra kravet til at årsregnskap og årsberetning skal være på norsk. NS Norway Holding AS ble dannet for å erverve aksjene i Norske Skog AS og NS Norway Holding AS er holdingsselskap for Oceanwood sitt eierskap i Norske Skog konsernet. Hoveddelen av den norske virksomheten i Norske Skog er i dag samlet i de operative selskapene Norske Skog Saugbrugs AS og Norske Skog Skogn AS. Disse to selskapene utarbeider på ordinær måte årsregnskap og årsberetning på norsk. Norske Skog er en av verdens største produsenter av avis- og magasinpapir. Konsernet har syv heleide fabrikker i fem land. Arbeidsspråket er engelsk.

Skattedirektoratets vurdering
Etter regnskapsloven § 3-4 tredje ledd skal **"***årsregnskapet og årsberetningen ... være på norsk. Departementet kan ved ... enkeltvedtak bestemme at årsregnskapet og/eller årsberetningen kan være på et annet språk."*

I Ot. prp. nr. 42 (1997-1998) Om lov om årsregnskap m.v., er det uttalt følgende om regnskapslovens formål, jf. pkt. 1.1:

"Regjeringen har som siktemål at regnskapsloven skal bidra til informative regnskaper for ulike grupper av

regnskapsbrukere. Regnskapsbrukerne er dels investorer og kreditorer som tilfører kapital til foretakene, og dels andre grupper som har interesse av å vite hvordan foretaket drives, f.eks. de ansatte og lokalsamfunnet. Informasjonen til kapitalmarkedet skal gi grunnlag for riktig prising av finansielle objekter. Riktig prisdannelse på aksjer er en forutsetning for at ressursbruken i samfunnsøkonomien skal bli best mulig. Gode regnskaper vil også gjøre det vanskeligere for markedsdeltakere å ta ut spekulasjonsgevinster med basis i skjevt fordelt informasjon."

Det fremgår således at et av hovedformålene med regnskapsloven er å bidra til "informative regnskaper for ulike grupper av regnskapsbrukere". Regnskapsbrukere vil omfatte, jf. uttalelsen i proposisjonen, blant andre investorer, kreditorer, ansatte og lokalsamfunnet.

Det er etter Skattedirektoratets vurdering derfor avgjørende ved vurdering av om dispensasjon fra kravet til å utarbeide årsregnskap og/eller årsberetning på norsk kan gis, at det ikke foreligger mulige brukere av regnskapsinformasjon som blir vesentlig berørt negativt ved en eventuell dispensasjon.

Det er særlig hensynet til brukerne av regnskapsinformasjon som skal vurderes ved en dispensasjonssøknad. I denne vurderingen har Skattedirektoratet lagt vekt på at selskapet er heleid av et utenlandsk selskap. Eierkretsen er begrenset. Selskapet opererer i en internasjonal bransje. Arbeidsspråket er engelsk. Videre er det vektlagt at alle sentrale aktører og samarbeidspartnere innen denne bransjen behersker og benytter engelsk, og det anses at ingen øvrige brukere av regnskapsinformasjon blir negativt berørt av at årsregnskapet og årsberetningen utarbeides på engelsk språk.

Vennligst oppgi vår referanse ved henvendelse i saken.

Med hilsen

Henning Stokke
seniorrådgiver
Juridisk avdeling
Skattedirektoratet

Torstein Kinden Helleland

Dokumentet er elektronisk godkjent og har derfor ikke håndskrevne signaturer.