Brønnøysundregistrene

ÅRSREGNSKAPET FOR REGNSKAPSÅRET 2020 - GENERELL INFORMASJON

Enheten

Organisasjonsnummer:	914 483 549
Organisasjonsform:	Allmennaksjeselskap
Foretaksnavn:	NORSKE SKOG ASA
Forretningsadresse:	Sjølyst plass 2 0278 OSLO

Regnskapsår

Årsregnskapets periode:	01.01.2020 - 31.12.2020

Konsern

Morselskap i konsern:	Ja
Konsernregnskap lagt ved:	Ja

Regnskapsregler

Regler for små foretak benyttet:	Nei
Benyttet ved utarbeidelsen av årsregnskapet til selskapet:	Regnskapslovens alminnelige regler
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:	15.04.2021

Grunnlag for avgivelse

År 2020: Årsregnskapet er elektronisk innlevert
År 2019: Tall er hentet fra elektronisk innlevert årsregnskap fra 2020

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, 12.07.2022

Resultatregnskap

Beløp i: NOK	Note	2020	2019
RESULTATREGNSKAP			
Inntekter			
Salgsinntekt	3	91 000 000	97 000 000
Annen driftsinntekt			1 000 000
Sum inntekter		**91 000 000**	**98 000 000**
Kostnader			
Lønnskostnad	9	87 000 000	93 000 000
Avskrivning	4	8 000 000	6 000 000
Annen driftskostnad		59 000 000	87 000 000
Sum kostnader		**154 000 000**	**186 000 000**
Driftsresultat		**-63 000 000**	**-88 000 000**
Finansinntekter og finanskostnader			
Inntekt på investering i datterselskap og tilknyttet selskap	7	200 000 000	1 165 000 000
Renteinntekt fra foretak i samme konsern	7	81 000 000	84 000 000
Annen renteinntekt	7	5 000 000	6 000 000
Annen finansinntekt	7		149 000 000
Sum finansinntekter		**286 000 000**	**1 404 000 000**
Nedskrivning av finansielle eiendeler	7	632 000 000	179 000 000
Rentekostnad til foretak i samme konsern	7	23 000 000	4 000 000
Annen rentekostnad	7	86 000 000	117 000 000
Annen finanskostnad	7	175 000 000	9 000 000
Sum finanskostnader		**916 000 000**	**309 000 000**
Netto finans		**-630 000 000**	**1 095 000 000**
Ordinært resultat før skattekostnad		**-693 000 000**	**1 007 000 000**
Skattekostnad på ordinært resultat	11	4 000 000	3 000 000
Ordinært resultat etter skattekostnad		**-697 000 000**	**1 004 000 000**
Årsresultat		**-697 000 000**	**1 004 000 000**
Overføringer og disponeringer			

Resultatregnskap

Beløp i: NOK	Note	2020	2019
Udekket tap		-550 000 000	342 000 000
Overføring til/fra annen egenkapital		-147 000 000	662 000 000
Sum overføringer og disponeringer		**-697 000 000**	**1 004 000 000**

Balanse

Beløp i: NOK	Note	2020	2019
BALANSE - EIENDELER			
Anleggsmidler			
Immaterielle eiendeler			
Konsesjoner, patenter, lisenser, varemerker o.l.	4	14 000 000	8 000 000
Sum immaterielle eiendeler		**14 000 000**	**8 000 000**
Varige driftsmidler			
Driftsløsøre, inventar, verktøy, kontormaskiner	4	13 000 000	21 000 000
Sum varige driftsmidler		**13 000 000**	**21 000 000**
Finansielle anleggsmidler			
Investering i datterselskap	6	3 149 000 000	3 770 000 000
Lån til foretak i samme konsern	13	1 265 000 000	1 251 000 000
Sum finansielle anleggsmidler		**4 414 000 000**	**5 021 000 000**
Sum anleggsmidler		**4 441 000 000**	**5 050 000 000**
Omløpsmidler			
Varer			
Fordringer			
Kundefordringer	13	214 000 000	934 000 000
Andre fordringer		11 000 000	28 000 000
Sum fordringer		**225 000 000**	**962 000 000**
Bankinnskudd, kontanter og lignende			
Bankinnskudd, kontanter og lignende		783 000 000	697 000 000
Sum bankinnskudd, kontanter og lignende		**783 000 000**	**697 000 000**
Sum omløpsmidler		**1 008 000 000**	**1 659 000 000**
SUM EIENDELER		**5 449 000 000**	**6 709 000 000**

BALANSE - EGENKAPITAL OG GJELD

Balanse

Beløp i: NOK	Note	2020	2019
Egenkapital			
Innskutt egenkapital			
Aksjekapital		330 000 000	330 000 000
Overkurs		3 321 000 000	3 321 000 000
Sum innskutt egenkapital		**3 651 000 000**	**3 651 000 000**
Opptjent egenkapital			
Annen egenkapital			662 000 000
Udekket tap		550 000 000	
Sum opptjent egenkapital		**-550 000 000**	**662 000 000**
Sum egenkapital	5	**3 101 000 000**	**4 313 000 000**
Gjeld			
Langsiktig gjeld			
Annen langsiktig gjeld			
Obligasjonslån	8,13	1 306 000 000	1 512 000 000
Sum annen langsiktig gjeld		**1 306 000 000**	**1 512 000 000**
Sum langsiktig gjeld		**1 306 000 000**	**1 512 000 000**
Kortsiktig gjeld			
Gjeld til kredittinstitusjoner	8,13	997 000 000	831 000 000
Betalbar skatt	11		
Annen kortsiktig gjeld		45 000 000	53 000 000
Sum kortsiktig gjeld		**1 042 000 000**	**884 000 000**
Sum gjeld		**2 348 000 000**	**2 396 000 000**
SUM EGENKAPITAL OG GJELD		**5 449 000 000**	**6 709 000 000**

Konsernets resultatregnskap

Beløp i: NOK	Note	2020	2019
RESULTATREGNSKAP			
Inntekter			
Salgsinntekt		9 173 000 000	12 200 000 000
Annen driftsinntekt	6	439 000 000	754 000 000
Sum inntekter	3	**9 612 000 000**	**12 954 000 000**
Kostnader			
Varekostnad		6 252 000 000	8 103 000 000
Lønnskostnad	14	1 760 000 000	1 938 000 000
Avskrivning	4	438 000 000	456 000 000
Nedskrivning av varige driftsmidler og immaterielle eiendeler	4	451 000 000	209 000 000
Annen driftskostnad	14,16, 19	2 050 000 000	-150 000 000
Sum kostnader		**10 951 000 000**	**10 556 000 000**
Driftsresultat	3	**-1 339 000 000**	**2 398 000 000**
Finansinntekter og finanskostnader			
Annen renteinntekt	5	5 000 000	12 000 000
Annen finansinntekt	5	1 000 000	29 000 000
Sum finansinntekter		**6 000 000**	**41 000 000**
Nedskrivning av finansielle eiendeler		10 000 000	36 000 000
Annen rentekostnad	5	118 000 000	165 000 000
Annen finanskostnad	5	237 000 000	46 000 000
Sum finanskostnader		**365 000 000**	**247 000 000**
Netto finans		**-359 000 000**	**-206 000 000**
Ordinært resultat før skattekostnad		**-1 698 000 000**	**2 192 000 000**
Skattekostnad på ordinært resultat	17	186 000 000	148 000 000
Ordinært resultat etter skattekostnad		**-1 884 000 000**	**2 044 000 000**
Årsresultat		**-1 884 000 000**	**2 044 000 000**
Overføringer og disponeringer			

Konsernets resultatregnskap

Beløp i: NOK	Note	2020	2019
Overføring til/fra annen egenkapital		1 884 000 000	2 044 000 000
Sum overføringer og disponeringer		**1 884 000 000**	**2 044 000 000**

Konsernets balanse

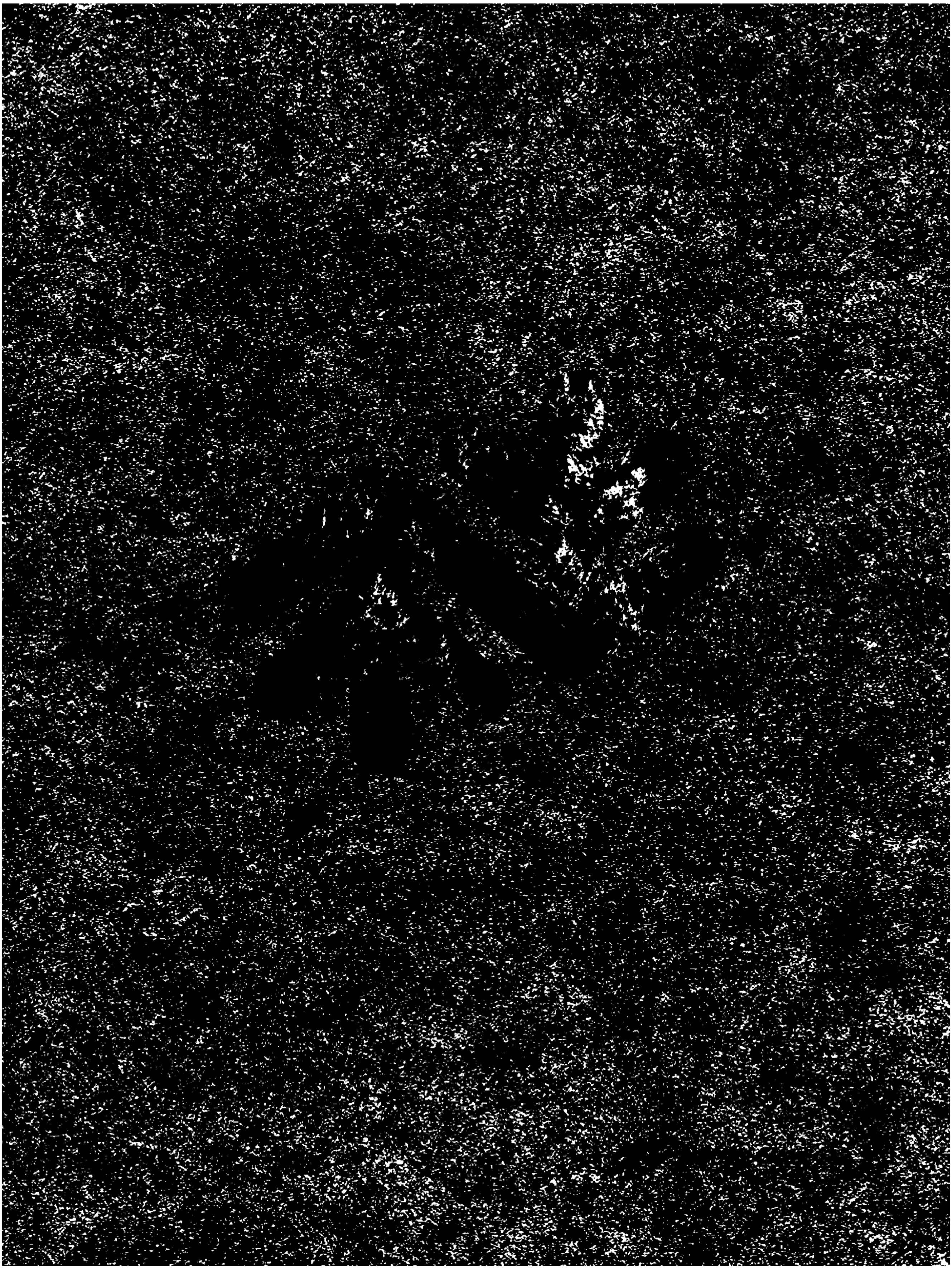
Beløp i: NOK	Note	2020	2019
BALANSE - EIENDELER			
Anleggsmidler			
Immaterielle eiendeler			
Konsesjoner, patenter, lisenser, varemerker o.l.	4	55 000 000	38 000 000
Utsatt skattefordel	17		137 000 000
Sum immaterielle eiendeler		**55 000 000**	**175 000 000**
Varige driftsmidler			
Tomter, bygninger og annen fast eiendom	3, 4	751 000 000	903 000 000
Maskiner og anlegg	3, 4	1 996 000 000	2 362 000 000
Driftsløsøre, inventar, verktøy, kontormaskiner	3, 4	839 000 000	1 051 000 000
Sum varige driftsmidler		**3 586 000 000**	**4 316 000 000**
Finansielle anleggsmidler			
Investeringer i tilknyttet selskap	19	140 000 000	113 000 000
Andre fordringer	10	303 000 000	1 275 000 000
Sum finansielle anleggsmidler		**443 000 000**	**1 388 000 000**
Sum anleggsmidler		**4 084 000 000**	**5 879 000 000**
Omløpsmidler			
Varer			
Varer	3,18	1 194 000 000	1 427 000 000
Sum varer		**1 194 000 000**	**1 427 000 000**
Fordringer			
Kundefordringer	10	1 288 000 000	1 573 000 000
Andre fordringer	18	241 000 000	391 000 000
Sum fordringer		**1 529 000 000**	**1 964 000 000**
Bankinnskudd, kontanter og lignende			
Bankinnskudd, kontanter og lignende	8	980 000 000	970 000 000
Sum bankinnskudd, kontanter og lignende		**980 000 000**	**970 000 000**
Sum omløpsmidler		**3 703 000 000**	**4 361 000 000**

Konsernets balanse

Beløp i: NOK	Note	2020	2019
SUM EIENDELER		**7 787 000 000**	**10 240 000 000**
BALANSE - EGENKAPITAL OG GJELD			
Egenkapital			
Innskutt egenkapital			
Aksjekapital		330 000 000	330 000 000
Overkurs		8 180 000 000	8 180 000 000
Sum innskutt egenkapital		**8 510 000 000**	**8 510 000 000**
Opptjent egenkapital			
Udekket tap		5 292 000 000	3 017 000 000
Sum opptjent egenkapital		**-5 292 000 000**	**-3 017 000 000**
Sum egenkapital		**3 218 000 000**	**5 493 000 000**
Gjeld			
Langsiktig gjeld			
Pensjonsforpliktelser	13	297 000 000	295 000 000
Utsatt skatt	17	308 000 000	316 000 000
Sum avsetninger for forpliktelser		**605 000 000**	**611 000 000**
Annen langsiktig gjeld			
Obligasjonslån	11,18	1 081 000 000	1 470 000 000
Gjeld til kredittinstitusjoner	11,18	533 000 000	
Øvrig langsiktig gjeld	18	277 000 000	312 000 000
Sum annen langsiktig gjeld		**1 891 000 000**	**1 782 000 000**
Sum langsiktig gjeld		**2 496 000 000**	**2 393 000 000**
Kortsiktig gjeld			
Gjeld til kredittinstitusjoner	11,18	92 000 000	419 000 000
Leverandørgjeld	18	1 728 000 000	1 685 000 000
Betalbar skatt	17	54 000 000	62 000 000
Annen kortsiktig gjeld	18	199 000 000	188 000 000
Sum kortsiktig gjeld		**2 073 000 000**	**2 354 000 000**
Sum gjeld		**4 569 000 000**	**4 747 000 000**

Konsernets balanse

Beløp i: NOK	Note	2020	2019
SUM EGENKAPITAL OG GJELD		**7 787 000 000**	**10 240 000 000**



REPORT OF the board of directors

Norske Skog is one of the leading producers of publication paper in the world, with an annual production capacity of 2.1 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. The European segment is the largest with 1.8 million tonnes of capacity, of which 1.2 million tonnes is newsprint and 0.6 million tonnes is magazine paper. In Australasia, the group has one production site in Australia and one in New Zealand. The production capacity in the Australasian segment is 0.2 million tonnes newsprint and 0.1 million tonnes magazine paper located in Tasmania at Norske Skog Boyer. Norske Skog Tasman in New Zealand has transitioned away from newsprint and now produces mainly converting grade paper for export to Asia. Norske Skog Boyer is the only domestic producer of publication paper in Australia. In New Zealand, Natures Flame produces 90 000 tonnes of wood pellets for domestic use and export to Asia.

NORSKE SKOG IN 2020

The year 2020 was an eventful year. As for individuals and companies all around the world, Norske Skog has been hit by the COVID-19 pandemic. The numerous restrictions imposed in all markets Norske Skog operates have impacted the demand negatively for the group's products. This has in turn led to an unprecedented decrease in volumes. As the publication paper markets in all regions were imbalanced in 2020, prices have also decreased.

The European segments experienced a negative and very challenging operating environment during 2020 with weaker results at all European entities. The reduced demand leading to oversupply, and declining publication paper prices impacted the efficiency and profitability at all mills in Europe significantly.

In Australia and New Zealand, the restrictions imposed also impacted the demand for publication paper and particularly magazine grades which saw a decrease well beyond what was experienced in Europe. Combined with unprofitable exports to Asia, the profitability in the region was negative and not satisfactory in the period. Therefore, Norske Skog in 2020 initiated a strategic review of the region and the Tasman site. This has so far led to Norske Skog Tasman transitioning out of newsprint and into converting grade paper leaving Norske Skog Boyer as the sole producer of publication paper in the region. The operations in the region will continue to be optimised to the demand development in the region and to realise values.

INCOME STATEMENT AND CASH FLOW

Norske Skog's operating income was NOK 9.6 billion in 2020 (NOK 13 billion). The decrease reflected lower volumes and prices within all publication paper segments and regions. In Australia, the sale of the forest assets in Tasmania resulted in a gain of NOK 86 million.

In Europe, however, costs of materials also decreased with lower wood fibre and energy prices, but mostly impacted by the lower production volumes. Employee benefit expenses decreased year-on-year mainly due to furloughs of employees in periods during the year as well as governmental support for employee costs. EBITDA decreased to NOK 736 million in 2020 (NOK 1 938 million), mostly driven by the negative operating environment in Europe and Australasia as well as less gains from sale of assets. Restructuring expenses in 2020 amounted to NOK 75 million (NOK 223 million) and is mainly related to the closure of PM5 at Norske Skog Saugbrugs and Australasia and redundancy payments and other restructuring expenses. Depreciation was NOK 438 million in 2020 (NOK 456 million) and we recognized an impairment of NOK 451 million (NOK 209 million) following the significant demand drop for the group's products. Derivatives and other fair value adjustments in 2020 ended at NOK -1 112 million (NOK 1 348 million), largely reflecting the impact of the change in accounting treatment of energy contracts in Norway. These are now valued at fair value compared to previously where only the embedded derivatives in the contracts were valued at fair value.

Operating earnings ended at NOK -1 339 million in 2020 (NOK 2 398 million). The change reflects the worsened market conditions in all regions, impairment of assets and the impact of the change in accounting treatment of energy contracts in Norway.

Net financial items in 2020 were NOK -349 million (NOK -170 million). Reduction of net interest expenses to NOK 113 million in 2020 (NOK 153 million) was due to lower interest cost following the refinancing in 2019. Currency loss of NOK 185 million (NOK 26 million) is due to the weaker NOK during 2020 as most debt is denominated in other currencies, primarily Euro. Income taxes for 2020 amounted to NOK 186 million (NOK 149 million) reflecting the lower tax payable due to weaker results and a decrease in deferred tax assets. Loss for the period was NOK 1.9 billion in 2020 (NOK 2 billion).

Net cash flow from operating activities ended at NOK 549 million in 2020 (NOK 602 million). Cash from operations was NOK 831 million (NOK 1 005 million) reflecting the weaker operating environment in 2020 but was also impacted by deferral of payments for CO_2 compensation of NOK 270 million that will be received in 2021. Net interest payments was NOK 104 million (NOK 114 million), in line with the previous years. Taxes paid was NOK 102 million in 2020 (NOK 251 million). Taxes paid in 2020 are related to Norske Skog Golbey.

BALANCE SHEET

Total assets were NOK 7.8 billion at 31 December 2020 (NOK 10.2 billion). Total non-current assets were NOK 4.1 billion at 31 December 2020 (NOK 5.2 billion). The decrease is mainly related to change in the accounting treatment of energy contracts, depreciation and impairment. Maintenance investments in property, plant and equipment amounted to NOK 264 million in 2020 (NOK 254 million). Investments in addition to the capex related maintenance investment for 2020 included the investments in the new waste to energy boiler currently constructed at Norske Skog Bruck. In addition, there has been investments in energy efficiency projects at Norske Skog Saugbrugs.

Asset held for sale were 0 at 31 December 2020 (NOK 631 million) as the sale of assets of Norske Skog Albury as well as the Tasmanian forest was completed in 2020.

Total current assets were NOK 3.7 billion at 31 December 2020 (NOK 4.4 billion), with cash and cash equivalents of NOK 980 million at 31 December 2020 (NOK 970 million). The decrease in current assets is mainly related to decrease in inventory and receivables due to lower production and sales. Total non-current liabilities were NOK 2.5 billion at 31 December 2020 (NOK 2.4 billion). Total current liabilities were NOK 2.1 billion (NOK 2.4 billion). Net interest bearing debt at 31 December 2020 was NOK 725 million (NOK 919 million). Equity was NOK 3.2 billion at 31 December 2020 (NOK 5.5 billion). The decrease reflects payment of dividend for 2019 and loss for 2020.

RISK MANAGEMENT

The main risk exposures for the group follow a continued negative demand development in key sectors within publication papers. Accordingly, prices are under pressure and are highly volatile. The group is also exposed to movements in the prices of key input factors such as energy, recovered paper, woodfibre and chemicals. Thus, efforts to continue to improve efficiencies and develop purchasing strategies are key to mitigate these risk factors. The group's revenues and costs are partly hedged operationally from a currency point of view; providing some risk reduction but significant movements, particularly in 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 convert machines or 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 must source wood fibre from third parties. The supply of this wood fibre is to a certain extent covered by medium to long-term contracts which reduce cost exposure. For the remaining part the price development of fibre is linked to the activity in the pulp and paper sector with lower activity and pricing giving lower cost and opposite when activity is high.

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. Liquidity is ensured by maintaining sufficient cash balances and open credit lines linked to accounts receivables facilities and a revolving credit facility. Norske Skog continuously assesses the most competitive funding sources for the group. Norske Skog performs credit evaluations of counterparties. The group's insurance program is managed centrally through a well-established insurance program. Risk factors are further discussed in Note 8 Financial Risk in the consolidated financial statements.

CORPORATE GOVERNANCE

Norske Skog considers good corporate governance to be a prerequisite for value creation, trustworthiness and access to capital. Norske Skog believes that good corporate governance involves openness, honesty and cooperation between all parties involved in and with the group: the shareholders, the board of directors and executive management, employees, customers, suppliers, public authorities and the society in general.

In order to secure strong and sustainable corporate governance, it is important that Norske Skog ensures good and healthy business practices, reliable financial reporting and an environment of compliance with legislation and regulations across the group.

Norske Skog has governance documents setting out principles for how business shall be conducted. These apply to all group entities. The Norske Skog governance regime is approved by the board of directors of Norske Skog. Further details are described in the corporate governance section in the annual report and on www.norskeskog.com.

SUSTAINABILITY

Norske Skog is committed to contribute to sustainable development and supports the ten principles in the UN Global Compact and support the work to develop a global standard for reporting of sustainable development. We therefore use the Global Reporting Initiative's (GRI) Standards for reporting relating to sustainability as a tool in our work to report environmental and corporate responsibility. Our reporting practice is, in our view, for all practical purposes in line with the GRI Standards reporting principles.

The UN sustainable development goals (SDG) are an integral part of our business strategy. Norske Skog supports all 17 SDGs but realize that some are more relevant to our business than others. In 2020, the group reviewed the business climate risks and opportunities. The findings were used to define ambitions, target settings for the prioritized SDGs and relate these to the already determined strategic choices of the group. The purpose of the assignment was to align the corporate strategy with a selection of the most relevant of the 17 UN Sustainable Development Goals. In the process, the entire organisation was involved in prioritizing and setting new ambitions and specific targets for each of the 17 UN SDGs. Our assessment included input from workshops with representatives from all our mills focusing on which of the SDGs that are the most relevant ones for our operations. We have summarized what the prioritized SDGs mean to us in one sentence: Norske Skog shall create value for people and society in a responsible way, while maintaining a sustainable environment and use of natural resources.

Our attitude and ability to be entrepreneurial, empower each other and behave consistently, define our results in changing and challenging markets. Through reliable, responsible and sustainable conduct, we will win the trust and confidence of our stakeholders, both within and outside of Norske Skog. We monitor activities in order to achieve sustainable products and processes throughout the entire value chain. We continuously strive to maintain our status as the most attractive industry partner for suppliers and customers. The corporate strategy consists of three elements and gives us a well-defined foundation for our work related to the prioritized SDGs:

- Improve and optimise publication paper cash flows
- Become a leading producer of renewable packaging
- Diversify and innovate within fibre and energy

These strategic goals are communicated extensively throughout the organisation, and are well known to external stakeholders, especially the press and investors. To make the new SDG targets relevant for the board, management and the rest of the group, the intention was to align and integrate the 5 prioritized sustainable development goals to the resolved strategic goals already effectuated by the board of directors. The following five sustainable development goals that were selected to be most relevant to the existing strategy:

- SDG 3: Good health and well-being
- SDG 4: Quality education
- SDG 9: Industry Innovation and Infrastructure
- SDG 12: Responsible consumption and production
- SDG 13: Climate action

Details of environmental impact of the operations, environmental responsibility and corporate social responsibility are described in the Sustainability report section in the annual report and 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 within the entire organisation. Lost-time injuries per million working hours, was 0.8 in 2020 (0.5). Norske Skog had an absence rate due to sickness of 4.3 % in 2020 (3.7%).

EMPLOYEES, GENDER EQUALITY, GENDER BALANCE AND DIVERSITY

The Norske Skog group had 2 332 employees at year end 2020 (2 359). The paper industry has traditionally had few female employees. At Norske Skog, the share of female employees has been around 10% for many years. Given the low share of female employees, particularly at the mills, there is high focus when recruiting to increase the number of female operators. The board of directors consists of seven members, four men and three women. Norske Skog is working to encourage the Norwegian Discrimination Act's objective within our business. This includes activities to promote gender equality, ensure equal opportunities and rights, and to prevent discrimination due to ethnicity, national origin, descent, skin color, language, religion and faith.

RESEARCH AND DEVELOPMENT

Norske Skog's research and development work are performed at the individual business units and in cooperation with external research institutions. There is a continued focus on evolution of paper products and new innovative green alternatives to replace existing materials and substances that in many cases are based on petrochemical products. Investments into projects for alternative use of fibre and development of bio-chemicals are being made in the form of pilot or demonstration plants that, if successful, can contribute to growth when commercialised.

Norske Skog has developed bio-based products at the Norske Skog Saugbrugs in Halden since 2005, with particular focus on both nanocellulose (CEBINA) and bio composites (CEBICO). Significant progress has been made for both products over the past years, and in fourth quarter 2020 Norske Skog realised the commercial sales break-through and proof-of-concept for its CEBINA product. This formed the commercial foundation for continued work in 2021 to secure an international distribution agreement. Also, in fourth quarter 2020, Norske Skog Saugbrugs received a grant of approximately NOK 15 million from innovation Norway to build a demonstration pilot plant expected to be finalised during third quarter 2021. The pilot plant will have an annual capacity of 300 tonnes of CEBICO pellets, and thus enable further qualification testing and commercial development of both CEBINA and CEBICO.

In March 2021, Norske Skog as the main shareholder, contributed to list Circa Group on Euronext Growth. Norske Skog has worked closely with Circa since 2015 at its Boyer mill in Tasmania, providing significant industrial and process competence to enable the scalability of Circa's unique and patented Furacell ("FC") technology. The construction of the FC5 large scale pilot plant in 2016 and successful commissioning through 2017 is a result of this valuable partnership, and has enabled the important development work on both Circa's ReSolute project for a 1 000 tonne per annum industrial scale plant and Norske Skog's FC6 investment ready main study for a future 5 000 tonne per annum commercial scale plant. Norske Skog will continue to explore projects within alternative use of fibre and bioenergy that support and develop the business.

GOING CONCERN

In accordance with the provisions in the Norwegian Accounting Act, the board of directors has assessed the going concern assumption as basis for preparing and presenting the financial statements. As at 31 December 2020, the equity of the company is NOK 3.2 billion giving an equity ratio of approximately 41%. Based on the results for the company and group for 2020, the solidity and available liquidity, the board of directors confirms that the assumption applies and that the financial statements have been prepared on a going concern basis.

OUTLOOK FOR 2021

Although the publication market has recaptured some of the lost sales volumes during the initial COVID-19 restrictions in April and May of 2020, the publication paper market is still uncertain and imbalanced. The current COVID-19 restrictions in Europe provides uncertainty for the short-term market development. On the other hand, the significant capacity closures announced in 2020, which were mostly effectuated by the year-end, are expected to positively impact the market balance from the second half of 2021. In Continental Europe, the pricing environment will remain challenging in the first half of 2021. In North America and Asia, sales price increases for the first half of 2021 have been announced. Traditionally this is a leading indicator for the price development in Europe.

In the fourth quarter of 2020, Norske Skog announced a strategic review of the New Zealand operations. Norske Skog has received significant attention from potential investors for both the Norske Skog Tasman mill and Nature's Flame pellets facility. The ambition is to conclude these processes during the first half of 2021. The repositioning of the Norske Skog Tasman into production of converting grade paper is expected to provide further balance to the Australasian publication paper market, as Boyer will be the only publication paper producer in the region. Norske Skog Boyer will mainly supply Australia and New Zealand, and thus, reduce exposure to lower margin export markets.

Norske Skog will continue its work to improve the core business and has initiated margin protection programs throughout the group with cost saving initiatives of approximately NOK 200-250 million, which consist of announced capacity closures, efficiency investments and cost reduction programs. Norske Skog aims to make a final investment decision regarding our recycled containerboard projects in the first half of 2021.

In February 2021 the company issued 11 764 705 new shares raising approximately NOK 400 million in new equity. In March, the company issued a EUR 150 million senior secured bond with maturity in 2026 to refinance the outstanding EUR 125 million senior secured bond. The net proceeds from these transactions and the maturity profile provide the group with a strong foundation to develop its business and to execute its strategic investments into the recycled containerboard market.

NORSKE SKOG ASA (THE PARENT COMPANY)

The parent company, Norske Skog ASA, is incorporated in Norway and has its head office at Skøyen in Oslo. The activities of Norske Skog ASA consist of holding shares in the operating companies and conducting the head office functions of the Norske Skog group. At 31 December 2020 the company had 35 employees.

Operating revenue NOK 91 million (NOK 98 million) is primarily from the services provided within the group. Employee benefit expenses NOK 87 million (NOK 93 million) and other operating expenses NOK 58 million (NOK 74 million) are related to the head office functions. Net financial items amounted to NOK -630 million (NOK 1 095 million) mainly reflecting impairment of shares in subsidiaries and unrealised currency loss. The loss for the year for Norske Skog ASA was NOK 697 million in 2020 (NOK 1 004 million).

Net cash flow from operating activities was NOK -152 million (NOK -47 million). Total assets were NOK 5.4 billion at 31 December 2020 (NOK 6.7 billion).

Total non-current assets were NOK 4.4 billion at 31 December 2020 (NOK 5.1 billion). Total non-current liabilities were NOK 1.3 billion at 31 December 2020 (NOK 1.5 billion) while current liabilities increased to NOK 1 billion from NOK 0.9 billion. Equity was NOK 3.1 billion at 31 December 2020 (NOK 4.3 billion). The decrease reflected payment of dividend for 2019 and loss for 2020.

Lost-time injuries per million working hours, was 0 in 2020 (0) in Norske Skog ASA. The company had an absence rate due to sickness of 2.0% in 2020 (1.2%).

The risk factors described for the group are also relevant for the parent company. Furthermore, Norske Skog ASA is also exposed to the risks of funding from the cash generating operations not being available for the company when required, whether by way of intragroup loans or other capital transactions such as dividend payments.

The total number of shareholders was 5 322 as at 31 December 2020.

PROFIT/LOSS ALLOCATION

The loss for the year for Norske Skog ASA (the parent company) in 2020 was NOK 697 million (profit of NOK 1 004 million). The loss for the year was allocated to retained earnings.

DIVIDEND PROPOSAL

The board of directors does not recommend a payment of dividend for the financial year 2020.

SKØYEN, 23 MARCH 2021
THE BOARD OF DIRECTORS OF NORSKE SKOG ASA

John Chiang Chair	Arvid Grundekjøn Board member	Anneli Finsrud Nesteng Board member	Trine-Marie Hagen Board member
Idunn Gangaune Finnanger Board member	Svein Erik Veie Board member	Paul Kristiansen Board member	Sven Ombudstvedt CEO

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CONSOLIDATED INCOME STATEMENT

NOK MILLION	NOTE	2020	2019
Operating revenue	3	9 173	12 200
Other operating income	6	439	754
Total operating income		**9 612**	**12 954**
Distribution costs		-1 159	-1 242
Cost of materials		-5 093	-6 861
Employee benefit expenses	12	-1 760	-1 938
Other operating expenses	14	-865	-977
Restructuring expenses	20	-75	-223
Depreciation	4	-438	-456
Impairments	4	-451	-209
Derivatives and other fair value adjustments	16	-1 112	1 348
Total operating expenses		**10 952**	**10 556**
Operating earnings	3	**-1 339**	**2 398**
Share of profit in associated companies	19	-10	-36
Financial income	5	6	15
Financial expenses	5	-170	-211
Net unrealised/realised gains/losses on foreign currency	5	-185	26
Profit/Loss before income taxes		**-1 698**	**2 192**
Income taxes	17	-186	-149
Profit/Loss after tax		**-1 884**	**2 044**

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

NOK MILLION	2020	2019
Profit/Loss after tax	**-1 884**	**2 044**
Other comprehensive income		
Items that may be reclassified subsequently to profit or loss		
Currency translation differences	183	6
Reclassified translation differences upon divestment of foreign operations	-62	0
Tax expense on translation differences	-4	0
Total	**117**	**6**
Items that will not be reclassified subsequently to profit or loss		
Remeasurements of post employment benefit obligations	11	-29
Tax effect on remeasurements of post employment benefit obligations	-2	5
Total	**9**	**-24**
Other comprehensive income	**126**	**-18**
Total comprehensive income	**-1 758**	**2 026**

NOK MILLION	NOTE	2020	2019
Basic earnings per share (NOK)	21	-22.84	24.77
Diluted earnings per share (NOK)	21	-22.84	24.77

CONSOLIDATED BALANCE SHEET

NOK MILLION	NOTE	31.12.2020	31.12.2019
Assets			
Deferred tax asset	17	0	137
Intangible assets	4	55	38
Property, plant and equipment	3, 4	3 586	3 885
Investment in associated companies	19	43	1
Other non-current assets	10	401	1 387
Total non-current assets		**4 084**	**5 248**
Assets held for sale	4	**0**	**631**
Inventories	3, 18	1 194	1 427
Trade and other receivables	10	1 288	1 573
Cash and cash equivalents	8	980	970
Other current assets	18	241	390
Total current assets		**3 703**	**4 360**
Total assets		**7 787**	**10 240**
Equity and liabilities			
Paid-in equity		8 510	8 510
Retained earnings and other reserves		-5 292	-3 018
Total equity		**3 219**	**5 493**
Pension obligations	13	297	295
Deferred tax liability	17	308	316
Interest-bearing non-current liabilities	11, 18	1 613	1 470
Other non-current liabilities	18	277	312
Total non-current liabilities		**2 496**	**2 393**
Interest-bearing current liabilities	11, 18	92	419
Trade and other payables	12, 18	1 728	1 885
Tax payable	17	54	62
Other current liabilities	18	199	188
Total current liabilities		**2 073**	**2 354**
Total liabilities		**4 568**	**4 747**
Total equity and liabilities		**7 787**	**10 240**

SKØYEN, 23 MARCH 2021
THE BOARD OF DIRECTORS OF NORSKE SKOG ASA

John Chiang Chair	Arvid Grundekjøn Board member	Anneli Finsrud Nesteng Board member	Trine-Marie Hagen Board member
Idunn Gangaune Finnanger Board member	Svein Erik Veie Board member	Paul Kristiansen Board member	Sven Ombudstvedt CEO

CONSOLIDATED STATEMENT OF CASH FLOWS

NOK MILLION	NOTE	2020	2019
Cash flow from operating activities			
Cash generated from operations	3	9 617	12 563
Cash used in operations		-8 786	-11 558
Cash flow from currency hedges and financial items		-77	-38
Interest payments received	5	5	12
Interest payments made	5	-109	-126
Taxes paid		-102	-251
Net cash flow from operating activities [1]	3	**549**	**602**
Cash flow from investing activities			
Purchases of property, plant and equipment and intangible assets [2]	3, 4	-632	-369
Sales of property, plant and equipment and intangible assets		933	223
Purchase of shares in companies and other investments		-79	-48
Sales of shares in companies and other investments		80	14
Net cash flow from investing activities		**302**	**-180**
Cash flow from financing activities			
New loans raised	11	472	1 438
Repayments of loans	11	-811	-1 782
Dividends paid		-516	0
Net cash flow from financing activities		**-855**	**-344**
Foreign currency effects on cash and cash equivalents		16	-21
Total change in cash and cash equivalents		**11**	**57**
Cash and cash equivalents 1 January		970	912
Cash and cash equivalents 31 December		980	970
[1] Reconciliation of net cash flow from operating activities			
Profit/loss before income taxes		-1 698	2 192
Depreciation and impairments	4	888	664
Gains and losses from divestment of business activities and property, plant and equipment		-153	-414
Taxes paid		-102	-251
Change in trade and other receivables		158	44
Change in inventories		243	-152
Change in trade and other payables		-8	-155
Change in restructuring provision		6	56
Financial items with no cash impact		179	55
Derivatives and other fair value adjustments	16	1 089	-1 378
Disposal and repurchasing of renewable energy certificates		-33	-34
Change in environmental provisions with no cash impact		-7	-1
Change in pension obligations and other long term employee benefits		-7	-7
Other		-6	-18
Net cash flow from operating activities		**549**	**602**
[2] Whereof maintenance capex		-264	-254

CONSOLIDATED STATEMENT OF CHANGES IN GROUP EQUITY

NOK MILLION	NOTE	PAID-IN EQUITY [1]	OTHER PAID-IN EQUITY [2]	RETAINED EARNINGS	TOTAL EQUITY
Equity 1 January 2019		**5 160**	**2 249**	**-5 044**	**2 365**
Increase of paid-in capital [3]		1 102	0	0	1 102
Profit after tax		0	0	2 044	2 044
Other comprehensive income		0	0	-18	-18
Equity 31 December 2019		**6 261**	**2 249**	**-3 018**	**5 493**
Profit after tax		0	0	-1 884	-1 884
Other comprehensive income		0	0	126	126
Dividends paid		0	0	-516	-516
Equity 31 December 2020		**6 261**	**2 249**	**-5 292**	**3 219**

[1] Paid in equity consist of share capital NOK 330 million (82 500 000 shares with a nominal value of NOK 4.00) and share premium of NOK 5 931 million. See Note 24.
[2] Other paid-in equity arise from a de-recognition of debt in 2018.
[3] Increase of paid-in capital in 2019 through conversion of debt to equity.

Notes to the consolidated financial statements

1. General information

Norske Skog ASA ("the company") and its subsidiaries ("the group") is a world leading producer of publication paper with strong market positions in Europe and Australasia. Publication paper includes newsprint and magazine paper. Norske Skog operates six mills in five countries. Norske Skog has an annual publication paper production capacity of 2.1 million tonnes and 200 000 tonnes of converting grade paper. Four of the mills are in Europe, one in Australia and one in New Zealand. The group also operates a wood pellet facility in New Zealand producing 90 000 tonnes. Newsprint and magazine paper are sold through sales offices and agents to over 80 countries. The group has approximately 2 300 employees. Of the four mills in Europe two will produce recycled containerboard following planned conversion projects. In addition to the traditional publication paper business, Norske Skog aims to further diversify its operations and continue its transformation into a growing and high margin business through a range of exciting fibre projects.

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

The consolidated financial statements are presented in accordance with International Financial Reporting Standards (IFRS) and interpretations from the IFRS Interpretations Committee (IFRIC), as adopted by the European Union (EU). The consolidated financial statements are presented in English only. All amounts are presented in NOK million unless otherwise stated. There may be some small differences in the summation of columns and rows due to rounding. The corresponding amounts for prior year in parenthesis. The consolidated financial statements were authorised for issue by the board of directors in Norske Skog ASA on 23 March 2021.

The table below shows the average 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	
	2020	2019	31.12.2020	31.12.2019
AUD	6.48	6.12	6.59	6.17
EUR	10.73	9.85	10.47	9.86
GBP	12.06	11.24	11.65	11.59
NZD	6.11	5.80	6.16	5.92
USD	9.41	8.80	8.53	8.78

2. Accounting policies

The principal accounting policies applied in the preparation of the consolidated financial statements of Norske Skog ASA 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 Norske Skog ASA and its subsidiaries as at 31 December 2020. 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.

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 and the internal management reporting.

Performance measurement

The group assesses the performance of the operating segments based on a measure of EBITDA. These items exclude the effects of expenditure not deemed to be part of the regular operating activities of the segment, such as restructuring expenses, impairments, changes in fair value of certain energy contracts, embedded derivatives in energy contracts and value change of biological assets. See APM for further information related to performance measurement other than financial measure defined or specific in the applicable financial reporting framework (IFRS).

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.

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.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities are booked as part of comprehensive income. When a foreign operation is derecognized, such exchange differences are booked out of comprehensive income and recognised in the income statement line Other operating income/Other operating expenses 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 operating income/Other operating expenses.

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

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

FINANCIAL ASSETS
The group classifies its financial assets in the following 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. 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.

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

Non-financial commodity contracts where the relevant commodity is readily convertible to cash, and where the contracts are not for own use, fall within the scope of IFRS 9 and such contracts are treated as derivatives. Embedded derivatives are separated from the host contract and accounted for as a derivative if the economic characteristics are not closely related to the economic characteristics and risk of the host contract. 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 trading purpose are classified as fair value through other comprehensive income. For the group's investments in other shares, there are no active market. Fair value for these investments is determined applying valuation technics in according to level three in the valuation hierarchy.

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. Changes in the fair value of any of these derivative instruments are recognised in the income statement. The group has selected to not designate any financial instruments for hedge accounting in 2020 and 2019.

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 counterparty. 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 invoiced amount 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 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 to lawyers and legal advisors in relation to the restructuring process, lease termination costs and onerous contracts.

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.

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) Share-based remuneration
A long-term incentive (LTI) programme was launched in October 2019. The LTI programme falls within the scope of IFRS 2 Share-based payments. A share-based payment transaction is a transaction in which the company receives services from the employee of those services in a share-based payment arrangement. A cash-settled share-based payment transaction is a share-based payment transaction in which the entity acquires services by incurring a liability to transfer cash to the employee of those services for amounts that are based on the price of the shares in the company. IFRS 2 applies not only to awards of shares but also to awards of cash of a value equivalent to the value, or a movement in the value, of a particular number of shares, which is the case for the long-term incentive plan. The ultimate cost of a cash-settled share-based transaction is the actual cash paid to the counterparty, which will be the fair value at settlement date.

The periodic determination of this liability is at each reporting date between grant and settlement the fair value of the award. The fair value of the award is determined in accordance with the specific requirements in IFRS 2. During the vesting period, the liability recognised at each reporting date is the fair value of the award at that date multiplied by the expired portion of the vesting period. All changes in the liability are recognised in profit or loss for the period. The fair value of the liability is determined by applying an option pricing model, considering the terms and conditions on which the cash-settled transaction was granted, and the extent to which the employees have rendered services to date.

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

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

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

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

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

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

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

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

REVENUE RECOGNITION
Revenue from contracts with customers is recognised when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the group expects to be entitled in exchange for those goods or services.

Revenues in the group 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 normally, include volume discounts, rebates , refunds, and similar items. Variable considerations are only included in the transaction price if it is highly probable that a significant reversal in the amount of revenue recognised will not occur.

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 flows from the loan that is equal to carrying value.

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.

LEASES
Norske Skog recognises a liability to make lease payments and an asset representing the right to use the underlying asset during the lease term ("right-of-use asset"). Exceptions for short term leases, low value leases, non-lease components and intangible assets have been adapted by the group. The right-of-use assets is 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. Norske Skog separately recognises the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

Lease liabilities are measured at the present value of the contractual payments due to the lessor over the lease term, with the discount rate determined by reference to the rate inherent in the lease or the group's incremental borrowing rate. Variable lease payments are only included in the measurement of the lease liability if they depend on an index or rate. Other variable lease payments are expensed in the period to which they relate.

NEW AND AMENDED INTERPRETATIONS AND STANDARDS ADOPTED BY THE GROUP
a) New standards effective from 1 January 2020
New standards that have been adopted in the annual financial statements for the year ended 31 December 2020, but have not had a significant effect on the group are:

- Definition of a Business (Amendments to IFRS 3)
- Interest Rate Benchmark Reform – IBOR 'phase 2' (Amendments to IFRS 9, IAS 39 and IFRS 7) and
- COVID-19-Related Rent Concessions (Amendments to IFRS 16)
- IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors (Amendment – Disclosure Initiative - Definition of MateriaD and
- Revisions to the Conceptual Framework for Financial Reporting

b) New standards, interpretations and amendments not yet effective
There are a number of standards, amendments to standards, and interpretations which have been issued by the IASB that are effective in future accounting periods that the group has decided not to adopt early. The following amendments are effective for the period beginning 1 January 2022:

- Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37)
- Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16)
- Annual Improvements to IFRS Standards 2018-2020 (Amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41) and
- References to Conceptual Framework (Amendments to IFRS 3)

The group does not expect the standards issued by the IASB, but not yet effective, to have a material impact on the group.

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) Fair value of derivatives and other financial instruments
Norske Skog's portfolio of energy contracts consists mainly of physical energy contracts of which some contain embedded derivatives. The fair value of embedded derivatives in physical contracts is influenced by price index fluctuations.

Norske Skog has energy contracts in Norway that does not fulfil the criteria for use of the "own use exemption" .Therefore, the contracts in whole are be treated as financial derivatives in the scope of IFRS 9 and measured at fair value through profit or loss The fair value of the contracts will vary in accordance with market price for energy in Norway.

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 and Note 16 for more information.

b) Recoverable amount 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.

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/m2. Magazine paper encompasses the paper qualities super calendered (SC) and lightweight coated (LWC). These paper qualities are used in magazines, periodicals, catalogues and brochures.

The activities of the 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 organisation 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 mills in Australasia and the regional sales organisation 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, including the pellets operations in New Zealand, 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
In 2020 News Corp was our largest customer and represented approximately 10% of the operating revenue.

Norske Skog had a total sales volume of newsprint and magazine paper of 1 825 000 tonnes in 2020, of which sales to the group's largest customer constituted approximately 183 000 tonnes. Total sales volume in 2020 of newsprint and magazine paper to the five largest customers in Europe and Australasia amounted to approximately 358 000 and 256 000 tonnes respectively.

OPERATING REVENUE AND EXPENSES PER OPERATING SEGMENT

2020	PUBLICATION PAPER EUROPE	PUBLICATION PAPER AUSTRALASIA	OTHER ACTIVITIES	ELIMINATIONS	NORSKE SKOG GROUP
Operating revenue	7 153	1 932	199	-110	9 173
Other operating income	259	175	5	0	439
Total operating income	**7 412**	**2 106**	**204**	**-110**	**9 612**
Distribution costs	-875	-280	-23	0	-1 159
Cost of materials	-3 870	-1 191	-45	13	-5 093
Employee benefit expenses	-1 327	-342	-94	3	-1 760
Other operating expenses	-681	-208	-70	94	-865
EBITDA	**659**	**106**	**-29**	**0**	**736**
Restructuring expenses	-47	-27	-1	0	-75
Depreciation	-371	-55	-11	0	-438
Impairments	-283	-167	0	0	-451
Derivatives and other fair value adjustments	0	-29	-1 082	0	-1 112
Operating earnings	**-43**	**-173**	**-1 124**	**0**	**-1 339**
Share of operating revenue from external parties (%)	100	100	57		100

2019	PUBLICATION PAPER EUROPE	PUBLICATION PAPER AUSTRALASIA	OTHER ACTIVITIES	ELIMINATIONS	NORSKE SKOG GROUP
Operating revenue	9 213	2 956	158	-127	12 200
Other operating income	370	372	11	0	754
Total operating income	**9 583**	**3 328**	**170**	**-127**	**12 954**
Distribution costs	-874	-355	-13	0	-1 242
Cost of materials	-5 113	-1 750	-23	25	- 6 861
Employee benefit expenses	-1 329	-509	-100	0	-1 938
Other operating expenses	-735	-256	-88	102	-977
EBITDA	**1 533**	**459**	**-54**	**0**	**1 938**
Restructuring expenses	-6	-205	-12	0	-233
Depreciation	-337	-107	-11	0	-456
Impairments	0	-209	0	0	-209
Derivatives and other fair value adjustments	0	-40	1 389	0	1 348
Operating earnings	**1 189**	**-102**	**1 311**	**0**	**2 398**
Share of operating revenue from external parties (%)	100	100	43		100

OPERATING REVENUE PER GEOGRAPHICAL MARKET

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

	2020	2019
Norway	204	315
Rest of Europe	6 081	8 266
North America	234	490
Australasia	1 902	2 083
Asia	698	993
Africa	54	53
Total	**9 173**	**12 200**

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

	31.12.2020	31.12.2019
Europe	3 258	3 179
Australasia	328	506
Total	**3 586**	**3 685**

CASH FLOW FROM CONTRACTS WITH CUSTOMERS

	2020	2019
Publication paper Europe	7 583	9 431
Publication paper Australasia	1 924	3 043
Other activities	110	89
Total	**9 617**	**12 563**

NET CASH FLOW FROM OPERATING ACTIVITIES

	2020	2019
Publication paper Europe	956	1 158
Publication paper Australasia	-69	-119
Other activities	-55	-34
Total cash flow allocated to segments	**831**	**1 005**
Cash from net financial items	-180	-151
Taxes paid	-102	-251
Net cash flow from operating activities	**549**	**602**

PURCHASES OF PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

	2020	2019
Publication paper Europe	569	229
Publication paper Australasia	53	88
Other activities	10	53
Total	**632**	**369**

INVENTORIES

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

	31.12.2020	31.12.2019
Publication paper Europe	911	1 022
Publication paper Australasia	257	390
Other activities	26	15
Total	**1 194**	**1 427**

TRADE RECEIVABLES

	31.12.2020	31.12.2019
Publication paper Europe	301	588
Publication paper Australasia	262	422
Other activities	49	22
Total	**612**	**1 033**

4. Intangible assets and property, plant and equipment

IMPAIRMENT

Considering the immediate impact of COVID-19 pandemic in second quarter a impairment test was carried out at 30 June 2020 and an impairment of NOK 193 million was recognised. At 31 December 2020 an impairment test was performed following the significant drop in demand beyond the historical demand for publication paper both in Europe and Australasia caused by the COVID-19 pandemic in 2020.

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 super calendered (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 1 to 10 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 timing of capacity closures follows from RISI cost curve positioning and RISI market demand projections. RISI is the leading global source for forest products information and data (www.risi.com).

Nominal cash flow is estimated in the currency in which it will be generated. The value is calculated by discounting based on a required rate of return on capital that is relevant for the cash-generating unit. The required rate of return, or weighted average cost of capital (WACC), is based on the interest rate on ten-year government bonds in the currency of the cash flow estimate, an industry debt yield premium, industry beta and an equity risk premium. A country-specific risk premium relevant to the cash-generating unit is also included in the required rate of return on capital.

The key drivers of profitability in the industry and thus asset values for the group are product prices relative production costs. The starting point for the impairment test is the financial budget 2021 approved by the board of

directors. Beyond 2021 sales prices are increased by a price increase in 2022 and thereafter by inflation adjusted by a factor assuming that not all cost increases are passed on to customers. Costs beyond 2021 is extrapolated from historical figures by inflation. The inflation rates applied in the period are estimated by country and is in the range of 1.2% to 2.2%. Contracted prices/costs are reflected when applicable.

At the end of 2020 the market balance and prices for publication paper in Europe has weakened due to higher decline in demand than the long-term trend following the COVID-19 pandemic. The impact of lower sales prices will to some degree be offset by decreased input cost from energy, pulpwood and recovered paper. This has led to a closure of approximately 2.1 million tonnes of capacity in 2020 and first quarter 2021. For the ongoing years, we have assumed in the impairment model that the announced and completed closures will impact positively on the market balance and the industry will be rational and close further capacity beyond 2021 leading to a stable utilization rate in line with the decline in demand. Consequently, prices are expected to increase slightly from 2022.

An impairment charge of non-current assets of NOK 451 million was recognised in 2020 whereof of NOK 125 million is recognised on the assets related to CGU Europe newsprint, NOK 155 million related to CGU super calendered, NOK 114 million related to the CGU Australasia magazine and NOK 57 million related to CGU Australasia newsprint.

When calculating value in use at 31 December 2020, the discount rate after tax (WACC) was 6.4% for Norway, 5.2% for France, 5.1% for Austria, 6.4% for Australia and 6.4% for New Zealand. The reason for differences in discount rates is different interest rate levels, different tax rates and country specific risks.

SENSITIVITY TO ESTIMATES OF RECOVERABLE AMOUNT

The estimation of recoverable amount is based on assumptions regarding the future development of several factors. These include price development for finished goods, sales volumes, currency rates and interest rates. In relation to the assumptions made in a calculation of the present value of future cash flows, recoverable amount is most sensitive to changes in prices of finished goods, sales volumes and the discount rate used. The sensitivities are applied in all scenarios throughout the forecasting period. A partial sensitivity analysis would result in the following impairments as at 31 December 2020 if the calculated impairment/headroom are a negative amount.

SENSITIVITY	IMPAIRMENT
5% decrease in the sales price	-747
5% decrease in volume	-661
1% increase in the discount rate (WACC)	-438

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 2020.

	MACHINERY AND EQUIPMENT	LAND AND BUILDINGS
Europe Newsprint	1 719	532
Australasia Newsprint	0	0
Magazine	105	75
Super Calendared	171	134
Other	1	10
Carrying value 31 December 2020	**1 996**	**751**

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 with approximately NOK 30-50 million.

In connection with the year-end closing process for 2020, Norske Skog performed a review of the expected remaining useful lives of property, plant and equipment. The useful life of most of the machines were reduced by one to three years compared with last year assumptions following the demand drop in 2020. The reduction in useful life has a negative impact on the estimated recoverable amount of the mills and is reflected in the impairment. As the level of depreciation in 2020 exceeded purchases of property, plant and equipment the future annual depreciation related to the property, plant and equipment is expected to decrease by approximately 40 million per year for the traditional publication paper business.

INTANGIBLE ASSETS	OTHER INTANGIBLE ASSETS	LICENSES AND PATENTS	TOTAL
Acquisition cost 1 January 2019	103	101	204
Additions	68	3	71
Reclassified from plant under construction	0	1	1
Disposals	-90	-24	-114
Currency translation differences	1	0	1
Acquisition cost 31 December 2019	**82**	**81**	**163**
Accumulated depreciation and impairments 1 January 2019	91	83	174
Depreciation	4	7	11
Disposals	-43	-18	-61
Currency translation differences	2	-1	1
Accumulated depreciation and impairments 31 December 2019	**54**	**71**	**125**
Carrying value 31 December 2019	**28**	**10**	**38**
Acquisition cost 1 January 2020	82	81	163
Additions	63	11	74
Reclassified from plant under construction	0	0	0
Disposals	-53	0	-53
Currency translation differences	6	1	7
Acquisition cost 31 December 2020	**98**	**93**	**191**
Accumulated depreciation and impairments 1 January 2020	54	71	125
Depreciation	3	5	8
Disposals	-1	0	-1
Currency translation differences	3	1	4
Accumulated depreciation and impairments 31 December 2020	**59**	**77**	**136**
Carrying value 31 December 2020	**39**	**16**	**55**

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	RIGHT-OF-USE ASSETS	PLANT UNDER CONSTRUCTION	TOTAL
Acquisition cost 1 January 2019	366	31 461	6 801	522	0	300	39 450
Addition due to implementation of IFRS 16	0	0	0	0	127	0	127
Additions	0	131	13	10	37	250	441
Disposals	0	-110	-56	-1	0	0	-167
Reclassified to assets held for sale	-382	-4 501	-268	-44	-13	-101	-5 309
Reclassified from plant under construction	14	102	25	6	0	-148	-1
Currency translation differences	2	56	-10	-2	-2	0	44
Acquisition cost 31 December 2019	**0**	**27 139**	**6 505**	**491**	**149**	**301**	**34 585**
Accumulated depreciation and impairments 1 January 2019	215	28 596	5 637	474	0	45	34 967
Depreciation	0	302	97	11	-35	0	445
Impairment	0	203	0	0	0	6	209
Value changes	11	0	0	0	0	0	11
Disposals	0	-87	-13	-1	0	0	-101
Reclassified to assets held for sale	-228	-4 295	-109	-43	-3	0	-4 678
Currency translation differences	2	58	-10	-2	-1	0	47
Accumulated depreciation and impairments 31 December 2019	**0**	**24 777**	**5 602**	**439**	**31**	**51**	**30 900**
Carrying value 31 December 2019	**0**	**2 362**	**903**	**52**	**118**	**250**	**3 685**
Acquisition cost 1 January 2020	0	27 139	6 505	491	149	301	34 585
Additions	0	55	13	12	34	578	692
Disposals	-6	-15	-5	0	-1	-11	-38
Change in dismantling provision	0	0	-35	0	0	0	-35
Reclassified from plant under construction	8	107	5	9	0	-129	0
Currency translation differences	0	1 026	212	26	6	5	1 275
Acquisition cost 31 December 2020	**2**	**28 312**	**6 695**	**538**	**188**	**744**	**36 479**
Accumulated depreciation and impairments 1 January 2020	0	24 777	5 602	439	31	51	30 900
Depreciation	0	284	93	14	38	0	429
Impairment	0	337	78	1	2	33	451
Value changes	6	0	0	0	0	0	6
Disposals	-6	-8	-4	0	-1	0	-19
Currency translation differences	0	926	175	24	1	0	1 126
Accumulated depreciation and impairments 31 December 2020	**0**	**26 316**	**5 944**	**478**	**71**	**84**	**32 893**
Carrying value 31 December 2020	**2**	**1 996**	**751**	**60**	**117**	**660**	**3 586**

Machinery and equipment is depreciated over a period from five 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.

Right-of-use assets is further described in Note 15.

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 2020 or 2019.

Disposals in 2020 and 2019 were primarily related to scrapping of fully depreciated assets that no longer have any technical values.

NON-CURRENT ASSETS HELD FOR SALE

The operating assets of Norske Skog Paper Mills (Albury) Pty Limited of NOK 334 million and the Tasmanian forest assets at Norske Skog Boyer with a carrying value of NOK 297 million were classified as assets held for sale at 31 December 2019. Both sales were completed in 2020.

Norske Skog did not have any non-current assets held for sale at 31 December 2020.

5. Financial items

FINANCIAL ITEMS	2020	2019
Financial income		
Dividends received	1	0
Interest income	5	12
Other financial income	1	4
Total	**6**	**15**
Financial expenses		
Interest expense	-118	-165
Other financial expenses	-52	-46
Total	**-170**	**-211**
Gains/losses on foreign currency	-185	26
Financial items	**-349**	**-170**

Other financial cost mainly consists of commitments fee and other borrowing cost. In 2020 other financial cost also includes write-downs on other shares NOK 12 million.

6. Other operating income

OTHER OPERATING INCOME	2020	2019
Gain on sale of non-current assets	153	436
Other	285	318
Total	**439**	**754**

Gain on sale of non-current assets in 2020 consists of an extraordinary non-cash gain of NOK 62 million related to the Norske Skog Albury sale from recycling of translation differences through the income statement, and a gain on sale of Tasmanian forest assets at Norske Skog Boyer of NOK 86 million.

Gain on sale of non-current assets in 2019 consists of termination of energy contracts and sale of water rights at Norske Skog Albury of NOK 346 million and gain on sale of power plant at Norske Skog Bruck of NOK 89 million.

Other for both 2020 and 2019 consist mainly of gain on sale of emission rights, sale of energy steam and receipt of interruptibility compensation.

7. Financial instruments

CATEGORIES OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

31.12.2020

FINANCIAL ASSETS	NOTE	FAIR VALUE THROUGH OTHER COMPRENESIVE INCOME	FAIR VALUE THROUGH PROFIT OR LOSS	AMORTISED COST	TOTAL
Other non-current assets		97	286	12	395
Investment in associated companies		0	43	0	43
Trade and other receivables		0	0	1 130	1 130
Cash and cash equivalents		0	0	980	980
Other current assets	18	0	220	21	241
Total		**97**	**550**	**2 142**	

FINANCIAL LIABILITIES	NOTE	FAIR VALUE THROUGH PROFIT OR LOSS	AMORTISED COST	TOTAL
Interest-bearing non-current liabilities	11, 18	0	1 613	1 613
Interest-bearing current liabilities	11, 18	0	92	92
Other non-current liabilities		15	0	15
Trade and other payables		0	1 404	1 404
Other current liabilities		75		75
Total		**90**	**3 109**	

31.12.2019

FINANCIAL ASSETS	NOTE	FAIR VALUE THROUGH OTHER COMPRENESIVE INCOME	FAIR VALUE THROUGH PROFIT OR LOSS	AMORTISED COST	TOTAL
Other non-current assets		113	1 258	13	1 383
Investment in associated companies		0	1	0	1
Trade and other receivables		0	0	1 432	1 432
Cash and cash equivalents		0	0	970	970
Other current assets		0	340	50	390
Total		**113**	**1 599**	**2 464**	

FINANCIAL LIABILITIES	NOTE	FAIR VALUE THROUGH PROFIT OR LOSS	AMORTISED COST	TOTAL
Interest-bearing non-current liabilities	11, 18	0	1 470	1 470
Interest-bearing current liabilities	11, 18	0	419	419
Other non-current liabilities		14	0	14
Trade and other payables		0	1 351	1 351
Other current liabilities		78	0	78
Total		**92**	**3 240**	

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).

31.12.2020	CARRYING AMOUNT	FAIR VALUE	LEVEL 1	LEVEL 2	LEVEL 3
Derivatives	14	14	0	0	14
Commodity contracts	272	272	0	0	272
Miscellaneous other non-current assets	109	109	0	0	109
Other non-current assets	**395**	**395**	**0**	**0**	**395**
Investment in associated companies	**43**	**43**	**0**	**0**	**43**
Accounts receivable	612	612	0	0	612
Other receivables	475	475	0	0	475
Prepaid VAT	43	43	0	0	43
Trade and other receivables	**1130**	**1130**	**0**	**0**	**1130**
Cash and cash equivalents	**980**	**980**	**0**	**0**	**980**
Derivatives	5	5	0	1	4
Commodity contracts	215	215	0	0	215
Current investments	20	20	0	0	20
Other current assets	**241**	**241**	**0**	**1**	**240**
Interest-bearing non-current liabilities	1 613	1 659	0	1 126	533
Interest-bearing current liabilities	92	92	0	0	92
Total interest-bearing liabilities	**1705**	**1751**	**0**	**1126**	**625**
Derivatives	0	0	0	0	0
Commodity contracts	15	15	0	0	15
Other non-current liabilities	**15**	**15**	**0**	**0**	**15**
Accounts payable	877	877	0	0	877
Other payables	528	528	0	0	528
Trade and other payables	**1404**	**1404**	**0**	**0**	**1404**
Derivatives	0	0	0	0	0
Commodity contracts	72	72	0	0	72
Financial current liabilities	3	3	0	0	3
Other current liabilities	**75**	**75**	**0**	**0**	**75**

31.12.2019	CARRYING AMOUNT	FAIR VALUE	LEVEL 1	LEVEL 2	LEVEL 3
Derivatives	1 168	1 168	0	0	1 168
Commodity contracts	89	89	0	0	89
Miscellaneous other non-current assets	125	125	0	0	125
Other non-current assets	**1 383**	**1383**	**0**	**0**	**1 383**
Investment in associated companies	**1**	**1**	**0**	**0**	**1**
Accounts receivable	1 033	1 033	0	0	1 033
Other receivables	347	347	0	0	347
Prepaid VAT	52	52	0	0	52
Trade and other receivables	**1 432**	**1432**	**0**	**0**	**1 432**
Cash and cash equivalents	**970**	**970**	**0**	**0**	**970**
Derivatives	163	163	0	0	163
Commodity contracts	177	177	0	24	153
Current investments	50	50	0	0	50
Other current assets	**390**	**390**	**0**	**24**	**366**
Interest-bearing non-current liabilities	1 470	1 539	0	1 276	263
Interest-bearing current liabilities	419	419	0	0	419
Total interest-bearing liabilities	**1 889**	**1 958**	**0**	**1 276**	**682**
Derivatives	0	0	0	0	0
Commodity contracts	14	14	0	14	0
Other non-current liabilities	**14**	**14**	**0**	**14**	**0**
Accounts payable	868	868	0	0	868
Other payables	483	483	0	0	483
Trade and other payables	**1 351**	**1 351**	**0**	**0**	**1 351**
Derivatives	1	1	0	0	1
Commodity contracts	73	73	0	17	56
Financial current liabilities	4	4	0	0	4
Other current liabilities	**78**	**78**	**0**	**17**	**61**

The fair value of bonds (interest-bearing liabilities) (Level 2) is assessed by using price indications from banks at the reporting date. 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

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's 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 ASA. Identified growth projects include green energy, wood pellets, recycled containerboard and other environmentally friendly fibre based alternatives to other materials.

Norske Skog ASA 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

The 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. The group seeks to minimise losses and volatility on the group's earnings caused by adverse market movements. Moreover, the 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.

	31.12.2020			31.12.2019		
INTEREST-BEARING ASSETS AND LIABILITIES	**FLOATING**	**FIXED**	**TOTAL**	**FLOATING**	**FIXED**	**TOTAL**
Interest-bearing liabilities	1 268	437	1 705	1 680	209	1 889
Interest-bearing assets	-897	0	-897	-839	0	-839
Net exposure	**371**	**437**	**808**	**841**	**209**	**1 050**

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.

	NET PROFIT AFTER TAX	
INTEREST RATE	**2020**	**2019**
50 basis point downward parallel shift in the yield curve	-1	0
50 basis point upward parallel shift in the yield curve	0	1

With a 50 basis point upward change in interest the net interest payments will increase with NOK 3 million. The upward change will have no effect on the values of derivatives carried at fair value through profit or loss.

b) Currency risk

Transaction risk - cash flow hedge

The group has revenues and expenses in various currencies. The major currencies are NOK, EUR, GBP, USD, AUD and NZD. Transaction risk arises because the group has a different currency split on income and expenses. In 2020 Norske Skog has hedged some of its cash flows in foreign currencies. The hedged currencies include EUR, GBP, USD and AUD. The result of the hedging is included in Net unrealised/realised gains/losses on foreign currency in the income statement. The cash flow hedges resulted in a realised loss of NOK 76 million in 2020 (2019 NOK -5 million). The remaining unrealised hedging contracts is recognised at fair value of NOK 1 million.

Translation risk - net investment hedge

The group does not have any net investment hedges.

Foreign exchange - sensitivity analysis on financial instruments

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

- Norske Skog as 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.
- 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.

	GAIN/LOSS FROM 10% APPRECIATED ON FOREIGN CURRENCY EXCHANGE RATES	
CURRENCIES AGAINST TO WHICH THE GROUP HAS SIGNIFICANT EXPOSURE	**31.12.2020**	**31.12.2019**
EUR	-85	-78
GBP	7	10
USD	15	4
Other	0	-1
TOTAL	**-63**	**-65**

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 the group global commodity demand is secured through long-term contracts. The 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 the group purchase and sales contracts are defined as financial instruments, or contain embedded derivatives, which fall within the scope of IFRS 9. 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.

The group portfolio of commodity contracts mainly consists of physical energy contracts. The fair value of embedded derivatives in physical contracts depends on price index fluctuations.

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 IFRS 9		**FAIR VALUE 31.12.2020**	**NET PROFIT AFTER TAX - INCREASE**	**NET PROFIT AFTER TAX - DECREASE**
Energy price	change 10%	401	305	-305
Currency	change 10%	401	0	0
Price index	change 2.5%	401	0	0

Sensitivity analysis for embedded derivatives
Embedded derivatives are common features in physical commodity contracts. The most common embedded derivatives are price indices, including national consumer price and producer price indices. The analysis below combines all indices into one price index.

EMBEDDED DERIVATIVES		FAIR VALUE 31.12.2020	NET PROFIT AFTER TAX - INCREASE	NET PROFIT AFTER TAX - DECREASE
Price index	change 2.5%	+18	0	0

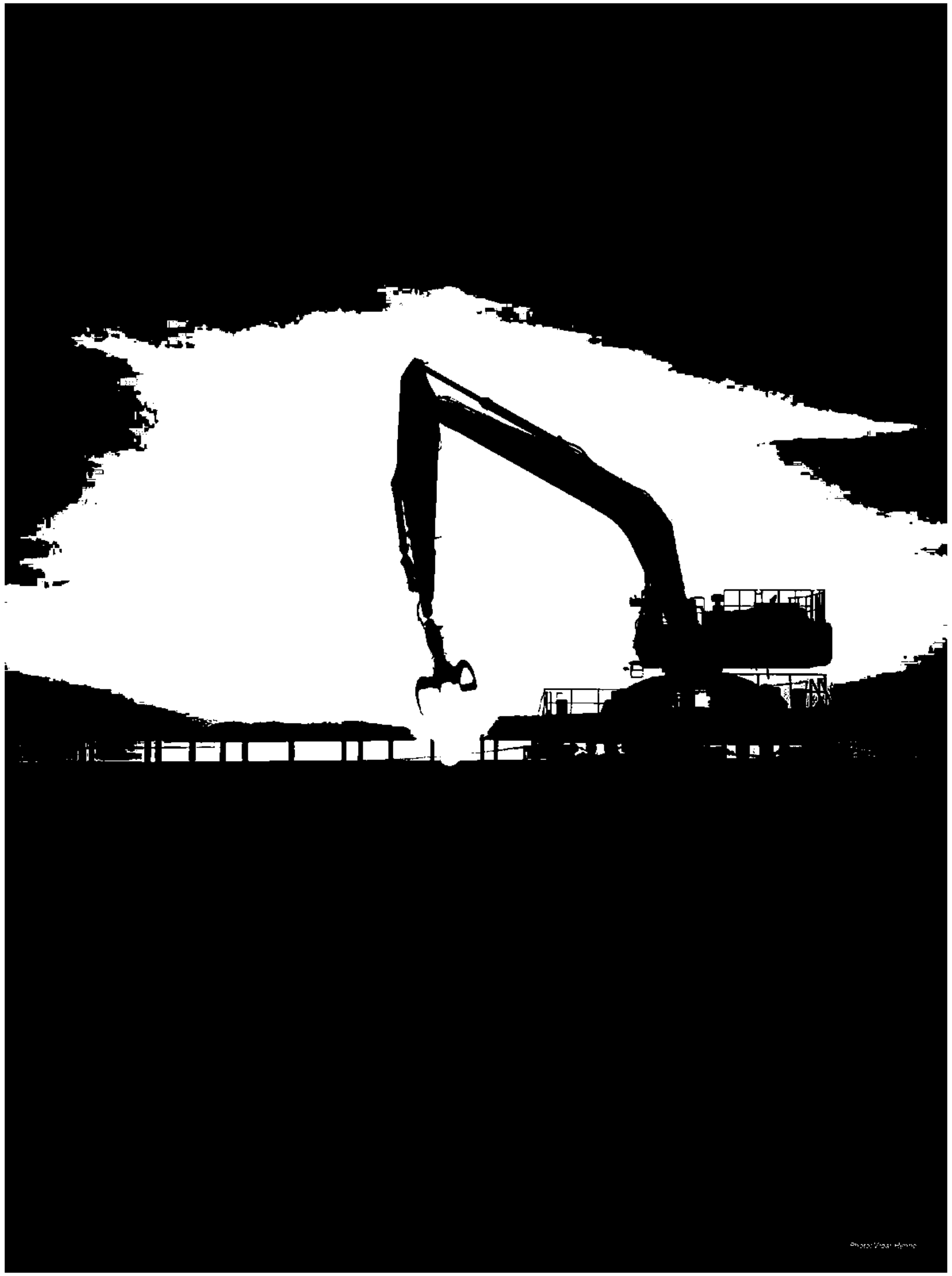
LIQUIDITY RISK
The group is exposed to liquidity risk in a scenario when the group's cash flow from operating activities is not sufficient to cover payments of financial liabilities. In order to effectively mitigate liquidity risk, Norske Skog's liquidity risk management strategy focuses on maintaining 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, the group forecasts both short- and long-term cash flows. Cash flow forecasts include cash flows from operations, investments, financing activities and financial instruments. The group had cash and cash equivalents of NOK 980 million at 31 December 2020 (NOK 970 million at 31 December 2019). Restricted bank deposits amounted to NOK 83 million at 31 December 2020 (NOK 127 million at 31 December 2019).

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 2020. 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 2020 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 2020.

CREDIT RISK
The 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.

The 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 IFRS 9 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).

31.12.2020	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
Financial assets at fair value through profit or loss				
Trading derivatives	0	0	0	0
Derivatives used for hedging	0	1	0	1
Commodity contracts and embedded derivatives	0	0	505	505
Total	**0**	**1**	**505**	**506**
Financial liabilities at fair value through profit or loss				
Trading derivatives	0	-56	0	0
Derivatives used for hedging	0	0	0	0
Commodity contracts and embedded derivatives	0	0	-30	-30
Total	**0**	**-56**	**-30**	**-30**

31.12.2019	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
Financial assets at fair value through profit or loss				
Trading derivatives	0	0	0	0
Derivatives used for hedging	0	24	0	24
Commodity contracts and embedded derivatives	0	0	1 574	1 574
Total	**0**	**24**	**1 574**	**1 598**
Financial liabilities at fair value through profit or loss				
Trading derivatives	0	-56	0	-56
Derivatives used for hedging	0	-9	0	-9
Commodity contracts and embedded derivatives	0	0	-23	-23
Total	**0**	**-65**	**-23**	**-88**

The following table shows the changes in level 3 instruments at 31 December 2020.

	ASSETS	LIABILITIES
Opening balance	1 574	-23
Gains and losses recognised in profit or loss	-1 080	-6
Currency translation differences	11	-1
Closing balance	**505**	**30**

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 IFRS 9 contracts are mainly related to energy contracts in Norway and New Zealand. Fair value of commodity contracts is sensitive to estimates of future energy prices. Fair value of embedded derivatives is sensitive to price indices. For further details about gains and losses relating to level 3 instruments see Note 16.

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 IFRS 9 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 IFRS 9 given a change in assumptions to a reasonably possible alternative.

FAIR VALUE OF DERIVATIVES IN LEVEL 3 GIVEN A REASONABLY POSSIBLE ALTERNATIVE		31.12.2020	31.12.2019
Assets			
Commodity contracts	Energy price -2%	483	238
Embedded derivatives	Energy price -2%	18	1 331
Total		**501**	**1 569**
Liabilities			
Commodity contracts	Energy price -2%	-86	-22
Embedded derivatives	Energy price -2%	0	-1
Total		**-86**	**-23**

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 2020 would be a downwards parallel shift of the long end of the forward curve of 2% (downwards shift of 2% in 2019).

	31.12.2020		31.12.2019	
DERIVATIVES	ASSETS	LIABILITIES	ASSETS	LIABILITIES
Commodity contracts	488	-86	267	-87
Embedded derivatives	18	0	1 331	-1
Total	**506**	**-86**	**1 598**	**-88**

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	31.12.2020	31.12.2019
Trade and other receivables			
Accounts receivable		614	1 035
Provision for bad debt		-61	-49
VAT receivables		43	52
Prepaid expenses		159	141
Other receivables		534	394
Total		**1 288**	**1 573**
Other non-current assets			
Long-term shareholdings	22	97	113
Derivatives		14	1 168
Commodity contracts		272	89
Pension plan assets	13	5	4
Loans to employees		1	1
Other non-current receivables		11	12
Total		**401**	**1 388**

Norske Skog Bruck, Norske Skog Golbey, 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, limit of EUR 40 million for Norske Skog Golbey and a combined limit of NOK 300 million for Norske Skog Skogn and Norske Skog 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 2020 was NOK 426 million (31 December 2019 was NOK 375 million).

As of 31 December 2020 advances received from contracts with customers amounted to NOK 4 million and other revenue accruals for invoice not sent amounted to NOK 1 million (31 December 2019 was respectively NOK 5 million and NOK 1 million). In addition, received advanced from customers not invoiced NOK 13 million per 31 December 2020 (31 December 2019 was NOK 0 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	31.12.2020	31.12.2019
Not due	1 185	1 489
0 to 3 months	122	90
3 to 6 months	0	0
Over 6 months	44	44
Total [1]	**1 350**	**1 623**

[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	31.12.2020	31.12.2019
Bonds	1 094	1 233
Debt to financial institutions	483	219
Factoring Facilities	17	343
Total	**1 595**	**1 794**

INTEREST-BEARING DEBT BY CURRENCY	CURRENCY AMOUNT 31.12.2020	NOK 31.12.2020	NOK 31.12.2019
EUR	140	1 464	1 621
AUD	6	38	77
Total interest-bearing debt in foreign currencies		**1 502**	**1 698**
NOK		92	96
Total interest-bearing debt		**1 595**	**1 794**

In 2019 Norske Skog ASA issued a EUR 125 million senior secured bond. The bond matures in June 2022 and has an interest rate of EURIBOR (zero floor) + 6% with quarterly interest payments. The net proceeds from the issuance were used to refinance EUR 105 million in existing debt, and for general corporate purposes. The bond is secured by share pledges over the material subsidiaries and asset pledges in the mill owning entities in Norway, Australia and New Zealand. In addition, the bond is secured by on-demand guarantees from by material subsidiaries. The outstanding amount, excluding repurchased bonds, was EUR 104.5 million per 31 December 2020.

In addition, in 2019, Norske Skog ASA established a revolving credit facility of EUR 31 million. The facility has a tenor of three years and shares security with the bond, but with priority ahead of the bond. As of 31 December 2020 the facility was drawn by EUR 20 million.

In March 2021 Norske Skog issued a EUR 150 million senior secured bond and the proceeds from the issuance were used to refinance the outstanding EUR 125 million bond. See Note 24.

The financial covenants applicable to Norske Skog ASA on a consolidated basis are (i) unrestricted cash and cash equivalents of minimum NOK 100 million, and (ii) EBITDA to net interest cost of more than 2.0x and iii) book equity ratio of more than 25%. EBITDA used in the financial covenants calculations may differ from the EBITDA shown in the financial reporting due to adjustment requirements in the facility agreements.

During 2020 Norske Skog entered into a EUR 54 million credit facility to finance the construction of an incineration boiler on the Norske Skog Bruck site. The facility will be drawn incrementally as expenditures incur during the construction phase, after which it will be repaid by quarterly installments up until the final maturity date in 2028. The borrower under the facility is Norske Skog Bruck GmbH, and Norske Skog ASA has provided a guarantee of EUR 20 million. As of 31 December 2020 the loan had been drawn by EUR 9.8 million.

The remaining financing arrangements for the group includes leasing, factoring, and other credit facilities in the mill owning entities.

Norske Skog Skogn AS and Norske Skog Saugbrugs AS have pledged its account receivables in favour of its factoring providers. Saugbrugs Bioenergi AS, a wholly owned subsidiary of Norske Skog Saugbrugs AS, has pledged certain parts of its property and assets in favour of the lenders under a credit facility financing its biogas facility. Norske Skog Golbey SAS has pledged certain parts of its property, in an amount of up to EUR 13 million, in favour of a bank guarantor under a guarantee to one of its energy suppliers. Norske Skog Bruck GmbH has pledged certain parts of its property and assets in favour of the lenders under the EUR 54 million credit facility.

The average interest rate at 31 December 2020 was 5.2% (6.1% at 31 December 2019).

SCHEDULED DEBT REPAYMENTS

SCHEDULED REPAYMENT OF THE GROUP'S FINANCIAL DEBT AT 31.12.2020	INTEREST	OTHER LOANS*	BONDS	TOTAL
2021	82	56	0	138
2022	43	246	1 094	1 383
2023	7	37	0	44
2024	4	37	0	41
2025	3	32	0	35
2026	3	29	0	32
2027	2	28	0	30
2028-	1	35	0	36
Total	**145**	**500**	**1 094**	**1 739**

*including full instalments for the EUR 54 million credit facility

SCHEDULED REPAYMENT OF THE GROUP'S FINANCIAL DEBT AT 31.12.2019	INTEREST	OTHER LOANS	BONDS	TOTAL
2020	128	388	0	516
2021	113	33	0	146
2022	64	35	1 233	1332
2023	17	36	0	53
2024	10	32	0	42
2025	5	11	0	16
2026	3	11	0	14
2027-	2	16	0	18
Total	**342**	**561**	**1 233**	**2 136**

The debt amounts set out above may differ from the carrying value in the balance sheet due to the amortized cost principle and exclusion of debt items related to IFRS 16. At 31 December 2020, the financial statements included discounts in an amount of NOK 14 million (NOK 26 million at 31 December 2019), and the amount of interest bearing debt related to IFRS 16 was NOK 125 million.

Trade payables amounted to NOK 877 million at 31 December 2020 (NOK 868 million at 31 December 2019).

Drawn amounts from securitization arrangements is classified as interest-bearing current liabilities. This amounts to NOK 17 million in scheduled repayments in 2021. The financed amount represents a group of individual loans, which are settled individually at maturity of the accounts receivable. New loans are initiated on a consecutive basis based on new accounts receivable included under the securitization agreement. The liability is in its nature current and Norske Skog does not have an unconditional right to defer settlement beyond twelve months. The liabilities are liabilities that are settled through its normal operating cycle. The corresponding accounts receivable is derecognised when the customer pays it.

As per 31 December 2020, Norske Skog ASA and its subsidiaries had issued bank guarantees in an amount of NOK 143 million.

Norske Skog Skogn AS and Norske Skog Saugbrugs AS have pledged certain parts of its assets and machinery, in an amount of up to NOK 200 million, to its energy suppliers under long term energy supply agreements. The security has priority behind the EUR 125 million senior secured bond.

RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

				NON-CASH CHANGES			
	NOTE	1.1.2020	CASH FLOWS	RECLASSIFICATION[2]	OTHER	FOREIGN EXCHANGE MOVEMENT	31.12.2020
Interest-bearing non-current liabilities [1]	18	1 470	112	-86	34[3]	79	1 613
Interest-bearing current liabilities [1]	18	419	-452	86	0	38	92
Total liabilities from financing activities		**1 889**					**1 705**

[1] Except for liabilities to group companies
[2] Reclassification between non-current and current term liabilities
[3] New Leasing debt

				NON-CASH CHANGES			
	NOTE	1.1.2019	CASH FLOWS	RECLASSIFICATION[2]	OTHER	FOREIGN EXCHANGE MOVEMENT	31.12.2019
Interest-bearing non-current liabilities [1]	18	994	1 187	-776	92[4]	-27	1 470
Interest-bearing current liabilities [1]	18	854	-1 277	776	72[4]	-6	419
Net liabilities group companies	18	1 332	-254	0	-1 062[3]	-16	0
Total liabilities from financing activities		**3 180**					**1 889**

[1] Except for liabilities to group companies
[2] Reclassification between non-current and current term liabilities
[3] Conversion of debt to equity adjusted for accrued interest
[4] New Leasing debt and Implementation of IFRS 16

12. Employee benefit expenses

EMPLOYEE BENEFIT EXPENSES	NOTE	2020	2019
Salaries including holiday pay		1 316	1 478
Social security contributions		339	330
Pension costs	13	64	70
Other employee benefit expenses		40	60
Total		**1 760**	**1 938**

NUMBER OF EMPLOYEES BY REGION	31.12.2020	31.12.2019
Europe	1 809	1 786
Australasia	487	540
Corporate functions (head office)	36	33
Total	**2 332**	**2 359**

The base salary for the chief executive officer (CEO) Sven Ombudstvedt at 31 December 2020 was NOK 4 750 000. Total salary and other benefits received by Ombudstvedt in 2020 amounted to NOK 6 466 000 (NOK 10 419 000).

The CEO's retirement age is 70. See Note 10 Guidelines on salary and other remuneration to leading personnel in the parent company financial statements.

REMUNERATION FOR MEMBERS OF CORPORATE MANAGEMENT
(in NOK 1 000)

In accordance with the code of conduct for corporate governance recommended by the Oslo Stock Exchange, salary, benefits in kind and bonus for members of corporate management are specified below.

2020	SALARY	BENEFITS IN KIND ETC. [1]	BONUS [2]	CONTRIBUTION TO DEFINED CONTRIBUTION SCHEMES	AWARDED SYNTHETIC OPTIONS (NUMBER OF)
Sven Ombudstvedt (CEO)	4 798	112	770	786	546 000
Lars P. S. Sperre (SVP)	3 733	206	613	536	292 000
Rune Sollie (CFO)	2 269	189	326	270	292 000
Amund Saxrud (COO)	2 180	260	430	266	292 000
Tore Hansesætre (SVP)	2 207	191	420	256	292 000
Robert Wood (SVP)	1 979	36	238	237	292 000

2019	SALARY	BENEFITS IN KIND ETC. [1]	BONUS [3]	CONTRIBUTION TO DEFINED CONTRIBUTION SCHEMES	AWARDED SYNTHETIC OPTIONS (NUMBER OF)
Sven Ombudstvedt (CEO) [4]	2 375	96	7 560	388	546 000
Lars P. S. Sperre (SVP)	3 652	227	4 485	537	292 000
Rune Sollie (CFO)	2 161	195	3 237	263	292 000
Amund Saxrud (COO) [5]	374	56	190	36	292 000
Tore Hansesætre (SVP) [6]	2 095	205	2 174	256	292 000
Robert Wood (SVP) [7]	1 884	41	750	225	292 000

[1] Includes car allowance, insurance, free telephone, etc.
[2] Based on results achieved in the financial year, paid in 2021.
[3] Based on results achieved in the financial year, paid in 2019 and in 2020.
[4] Sven Ombudstvedt appointed and CEO from 1 July 2019 and served as acting CEO from 28 March 2019 to 1 July 2019.
[5] Amund Saxrud appointed COO 15 October 2019.
[6] Tore Hansesætre served as COO up to 15 October 2019 and SVP Strategic Projects from 15 October 2019.
[7] Robert Wood is employed by Norske Skog (UK) Ltd. but works fully for Norske Skog ASA as SVP Commercial.

LONG-TERM INCENTIVE PROGRAMME

In 2019, 4 125 000 synthetic options were issued under the programme, and were awarded on 31 October 2019. Each option carries the right to be paid an amount in cash equal to (a) the fair market value less (b) the exercise price.

The option do not entitle the holder to acquire or subscribe for shares. The initial exercise price (strike price) for the synthetic options awarded in 2019 were NOK 38.00.

The strike price was adjusted with dividend paid in 2020 and the current strike price is NOK 31.75. There have not been any changes in the number of synthetic options issued in 2019 during 2020. The remaining contractual life at year end is approximately two years.

Norske Skog has made a fair value measurement of the liability using a Black & Scholes model for European call options with no dividends. The long-term incentive programme expensed in 2020 were NOK 17.4 million in total, including NOK 8.5 million for the members of corporate management. Total liability as of 31 December 2020 related to the long-term incentive program is NOK 20.4 million. Share price of NOK 37.58 and volatility of 38.0% is used in the Black & Scholes calculation at 31 December 2020.

See Note 10 Guidelines on salary and other remuneration to leading personnel in the parent company financial statements.

REMUNERATION TO THE MEMBERS OF THE BOARD OF DIRECTORS AND COMMITTEE MEMBERS
(in NOK 1 000)

	SALARY	DIRECTOR'S FEE	REMUNERATION FOR COMMITTEE WORK
John Chiang [1) 2)]	0	0	0
Idunn Gangaune Finnanger	0	300	0
Arvid Grundekjøn [1) 2)]	0	300	80
Trine-Marie Hagen [1)]	0	300	30
Paul Kristiansen	638	300	0
Anneli Finsrud Nesteng	0	300	0
Svein Erik Veie	571	300	0

[1)] Arvid Grundekjøn (chair), John Chiang and Trine-Marie Hagen are members of the audit committee.
[2)] John Chiang (chair) and Arvid Grundekjøn are members of the remuneration committee.

AUDITORS FEES
(in NOK 1 000, excluding VAT)

	PARENT COMPANY	NORWEGIAN SUBSIDIARIES AUDITED BY THE PARENT COMPANY AUDITOR	SUBSIDIARIES AUDITED BY GROUP AUDITORS	SUBSIDIARIES AUDITED BY OTHER AUDITORS	TOTAL
Audit fee	1 579	747	2 835	504	5 665
Audit-related assistance [1)]	135	200	627	0	962
Tax assistance	0	0	11	74	85
Other fees	0	0	98	0	98
Total	**1 714**	**947**	**3 570**	**578**	**6 809**

[1)] Audit-related assistance includes services, which only auditors can provide, such as the review of interim financial statements, agreed upon control procedures etc.

13. Pension costs and pension obligations

Norske Skog has various pension schemes in accordance with local conditions and practices in the countries in which the group operates. A total of 1 737 active and former employees are covered by such schemes. Of these, 193 people are covered by defined benefit plans and 1 544 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	ACTIVE MEMBERS
Norske Skog Saugbrugs AS	65	30	70	62	57
Norske Skog Skogn AS	65	30	70	62	72
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 62 and 67 years of age, born before 1 January 1959 and who were employed before 1 January 2011 when the plan was closed. 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.

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	2020	2019
Discount rate/expected return on plan assets	1.5%	2.3%
Salary adjustment	1.75%	2.0%
Social security increase/inflation rate	1.75%	2.0%
Pension growth rate	0.0%	0.7%

The discount rate applied for the pension schemes in Norway for 2020 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 0.92% to 2.3% and salary adjustments vary from 1.75% to 2.6 %. Norske Skog has used the mortality table in Norway (K2013BE) and Richttafeln 2018G in Germany.

NET PERIODIC PENSION COST	2020	2019
Current service cost	3	3
Pension cost defined contribution schemes	61	68
Net periodic pension cost	**64**	**70**
Net periodic interest cost	**3**	**5**

Estimated payments to the group's defined benefit pension schemes in 2021 amounts to NOK 9 million.

PENSION PLANS IN THE BALANCE SHEET

PARTLY OR FULLY FUNDED PENSION PLANS	31.12.2020	31.12.2019
Projected benefit obligations including national insurance contributions	-150	-163
Plan assets at fair value	156	158
Net plan assets/pension obligations (-) in the balance sheet	**6**	**-5**

UNFUNDED PENSION PLANS	31.12.2020	31.12.2019
Projected benefit obligations including national insurance contributions	-298	-287

The defined benefit pension plans relates to Europe.

SPECIFICATION OF PENSION PLANS IN THE BALANCE SHEET	31.12.2020	31.12.2019
Pension assets in the balance sheet	5	4
Pension liabilities in the balance sheet	-297	-295
Net pension obligations in the balance sheet	**-292**	**-291**
Net unfunded pension plans	-298	-287
Net partly or fully funded pension plans	6	-5

CHANGES IN PENSION OBLIGATIONS FOR PARTLY OR FULLY FUNDED PENSION PLANS	2020	2019
Balance 1 January	163	161
Current year's service cost	3	3
Current year's interest cost	4	4
Pension paid	-4	-4
Remeasurements	-15	-3
Balance 31 December	**-150**	**163**

CHANGES IN PLAN ASSETS FOR PARTLY OR FULLY FUNDED PENSION PLANS	2020	2019
Balance 1 January	158	157
Return on plan assets	3	4
Pension paid	-3	-2
Employer contribution	4	7
Remeasurements	-6	-8
Balance 31 December	**156**	**158**

CHANGES IN PENSION OBLIGATIONS FOR UNFUNDED PENSION PLANS	2020	2019
Balance 1 January	-287	-265
Current year's service cost	-12	-10
Current year's interest cost	-3	-4
Pension paid	1	1
Currency translation differences and other changes	-2	11
Remeasurements	3	-19
Balance 31 December	**-298**	**-287**

SPESIFICATION OF RE-MEASUREMENT GAINS/LOSSES IN OTHER COMPREHENSIVE INCOME (OCI)	2020	2019
Return on plan assets	0	0
Actuarial changes arising from changes in financial assumptions	-4	-25
Experience adjustments + investment management costs	15	-4
Total	**11**	**-29**

	2020		2019	
INVESTMENT PROFILE FOR PENSION FUNDS	FUNDS	DISTRIBUTION	FUNDS	DISTRIBUTION
Shares	13	9%	23	15%
Bonds	105	67%	100	62%
Properties and real estate	24	15%	21	13%
Money market	10	7%	12	8%
Other	5	3%	1	1%
Total	**156**	**100%**	**158**	**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%	-9	10
Salary adjustment - 0.5%	1	-1
Future national security - 1.0%	-4	4
Future pension - 0.5%	8	NA

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	2020	2019
Maintenance materials and services		492	549
Marketing expenses		8	8
Administration, insurance, travel expenses etc.		186	213
Variable lease, short term and low value lease expenses	15	13	14
Losses from divestments of property, plant and equipment		0	21
Other expenses		166	172
Total		**865**	**977**

Specification of losses on accounts receivable included in other expenses		
Receivables written off during the period	4	10
Payments received on items previously written off	0	0
Change in provision for bad debt	8	-8
Total	**12**	**2**

15. Right-of-use assets and finance leases

RIGHT-OF-USE ASSETS

The group contracts includes several assets such as machinery and equipment, land and buildings and fixture and fittings. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified assets for a period of time in exchange for consideration. Right-of-use assets are initially measured at cost. Non-lease components will be separated if these are identifiable. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The right-of-use assets is depreciated on a linear basis over the contract period, currently mainly less than five years. The group's right-of-use assets are categorized and presented in the table below:

RIGHT-OF-USE ASSETS	MACHINERY AND EQUIPMENT	LAND AND BUILDINGS	FIXTURES AND FITTINGS	TOTAL
Additions and implementation of right-of-use assets	101	61	3	164
Depreciation	-24	-11	-1	-35
Reclassified to assets held for sale	-10	0	0	-10
Currency translation differences	0	-1	0	-1
Carrying value 31 December 2019	**67**	**50**	**1**	**118**
Additions	28	1	5	34
Disposals	0	0	0	0
Depreciations	-24	-13	-1	-38
Impairment	-2	0	0	-2
Currency translation differences	5	3	1	5
Carrying value 31 December 2020	**72**	**39**	**6**	**117**

LEASE PAYMENTS RELATED TO RIGHT-OF-USE ASSETS	NOTE	31.12.2020	31.12.2019
Not later than one year		44	38
Later than one year and not later than five years		89	94
Later than five years		12	12
Total		145	**144**
Future finance charges on right-of-use assets		20	23
Present value of liabilities on right-of-use assets	18	125	**121**

The group has elected not to recognise a lease liability for short term leases or for leases of low value assets. Payments made under such leases are expensed are include in operating expenses. Certain variable lease payments are not permitted to be recognised as leases liabilities and are expensed as incurred.

VARIABLE LEASE, SHORT TERM AND LOW VALUE LEASE EXPENSES	NOTE	2020	2019
Expense relating to variable lease payments not included in the measurement of lease liabilities		5	4
Short term lease expense		3	7
Low-value lease expense		5	3
Total	14	**13**	**14**

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	31.12.2020	31.12.2019
Not later than one year	22	36
Later than one year and not later than five years	41	78
Later than five years	2	1
Total	**65**	**115**
Future finance charges on finance leases	15	26
Present value of minimum lease payments	**50**	**89**

PRESENT VALUE OF MINIMUM LEASE PAYMENTS	31.12.2020	31.12.2019
Not later than one year	16	24
Later than one year and not later than five years	33	64
Later than five years	1	1
Total	**50**	**89**
Capitalised value of leased machinery and equipment	**13**	**9**

The group recognised interest expense of NOK 10 million in 2020 (NOK 10 million in 2019) of financial lease and right-of-use assets. Repayment on lease liabilities is included in the line repayment of loans in the consolidated statement of cash flows with NOK 83 millions in 2020 (NOK 47 million in 2019).

16. Derivatives and other fair value adjustment

	2020	2019
Changes in value – commodity contracts [1]	228	141
Changes in value – embedded derivatives	-1 311	1 248
Changes in value – biological assets	-8	-11
Other realised gains and losses	-23	-30
Total	**-1 112**	**1 348**

[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.

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 price index fluctuations. A sensitivity analysis of the impact on profit after tax of fluctuations in energy prices, currency and price indices is given in Note 8. The valuation techniques used are described in Note 9.

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

Total loss recognized on the embedded derivatives in 2020 amounts to NOK 1 311 million (gain of NOK 1 248 in 2019). This loss is mainly due to change in accounting treatment of the two Norwegian energy contracts. Norske Skog has until now held its energy contracts in Norway for own consumption and used the "own use exemption" in IFRS 9 as the Norwegian paper mills have been expected to use the full volume. However, following COVID-19 and the significant decrease in demand, Norske Skog has reassessed the expected power consumption over the period of the contracts and determined that the criteria for the "own use exemption" no longer is satisfied. Therefore, the contracts in whole will be treated as financial derivatives in the scope of IFRS 9 and measured at fair value true profit or loss.

Other realised gains and losses primarily relates to financial hedging of energy.

17. Income taxes

TAX EXPENSE	2020	2019
Current tax expense	-84	-225
Change in deferred tax	-102	77
Total	**-186**	**-149**

RECONCILIATION OF THE GROUP TAX EXPENSE	2020	2019
Profit/loss before income taxes	-1 698	2 192
Computed tax at nominal tax rate of 22%	374	-482
Differences due to different tax rates	6	-14
Exempted income/non-deductible expenses	97	30
Adjustment previous years	1	-2
Change in tax rate	-7	-51
Deferred tax asset not recognised	-714	393
Other items	57	-22
Total tax expense (-) income (+)	**-186**	**-149**
Effective tax rate	**-11%**	**7%**

CURRENT TAX LIABILITY	31.12.2020	31.12.2019
Norway	0	0
Rest of Europe	54	62
Outside Europe	0	0
Total	**54**	**62**

DEFERRED TAX - MOVEMENTS	2020	2019
Net deferred tax asset 1 January	-179	-264
Change in deferred tax in the income statement	-102	77
Tax on other comprehensive income	6	-5
Currency translation differences	33	13
Net deferred tax asset/liability (-) 31 December	**-308**	**-179**

DEFERRED TAX ASSET AND DEFERRED TAX LIABILITY	31.12.2020	31.12.2019
Norway	0	137
Rest of Europe	0	0
Outside Europe	0	0
Deferred tax asset	**0**	**137**
Norway	0	0
Rest of Europe	-308	316
Outside Europe	0	0
Deferred tax liability	**-308**	**-316**
Net deferred tax asset/liability (-)	**-308**	**-179**

DEFERRED TAX DETAILS	31.12.2020	31.12.2019
Fixed assets, excess values and depreciation	214	140
Pensions	0	3
Provisions and other liabilities	140	163
Currency translation differences and financial instruments	4	-137
Deferred tax current items	-3	10
Tax losses and tax credit to carry forward	874	616
Deferred tax asset not recognised	-1 536	-976
Net deferred tax asset/liability (-)	**-308**	**-179**

LOSSES TO CARRY FORWARD 31.12.2020 BY REGION	NORWAY	REST OF EUROPE	OUTSIDE EUROPE	TOTAL
Indefinite expiry	2 352	0	1 186	3 538
Tax losses to carry forward	**2 352**	**0**	**1 186**	**3 538**
Temporary differences	1 211	0	1 305	2 515
Tax losses and temporary differences not recognised	-3 562	0	-2 491	-6 053
Total tax losses and tax credits to carry forward (recognised)	**0**	**0**	**0**	**0**
Deferred tax asset	**0**	**0**	**0**	**0**
Tax rate	**22%**	**19-32%**	**28-30%**	

LOSSES TO CARRY FORWARD 31.12.2019 BY REGION	NORWAY	REST OF EUROPE	OUTSIDE EUROPE	TOTAL
Indefinite expiry	2 203	0	439	2 643
Tax losses to carry forward	**2 203**	**0**	**439**	**2 643**
Temporary differences	-146	0	1 261	1 115
Tax losses and temporary differences not recognised	-1 435	0	-1 701	-3 135
Total tax losses and tax credits to carry forward (recognised)	**623**	**0**	**0**	**623**
Deferred tax asset	**137**	**0**	**0**	**137**
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. Following the adverse market conditions in 2020 and negative impact on profitability deferred tax assets of NOK 75 million related to Norske Skog Saugbrugs AS and NOK 62 million to Norske Skog Skogn AS was impaired.

Tax payable relates mainly to Norske Skog Bruck and consist mainly of income taxes.

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.

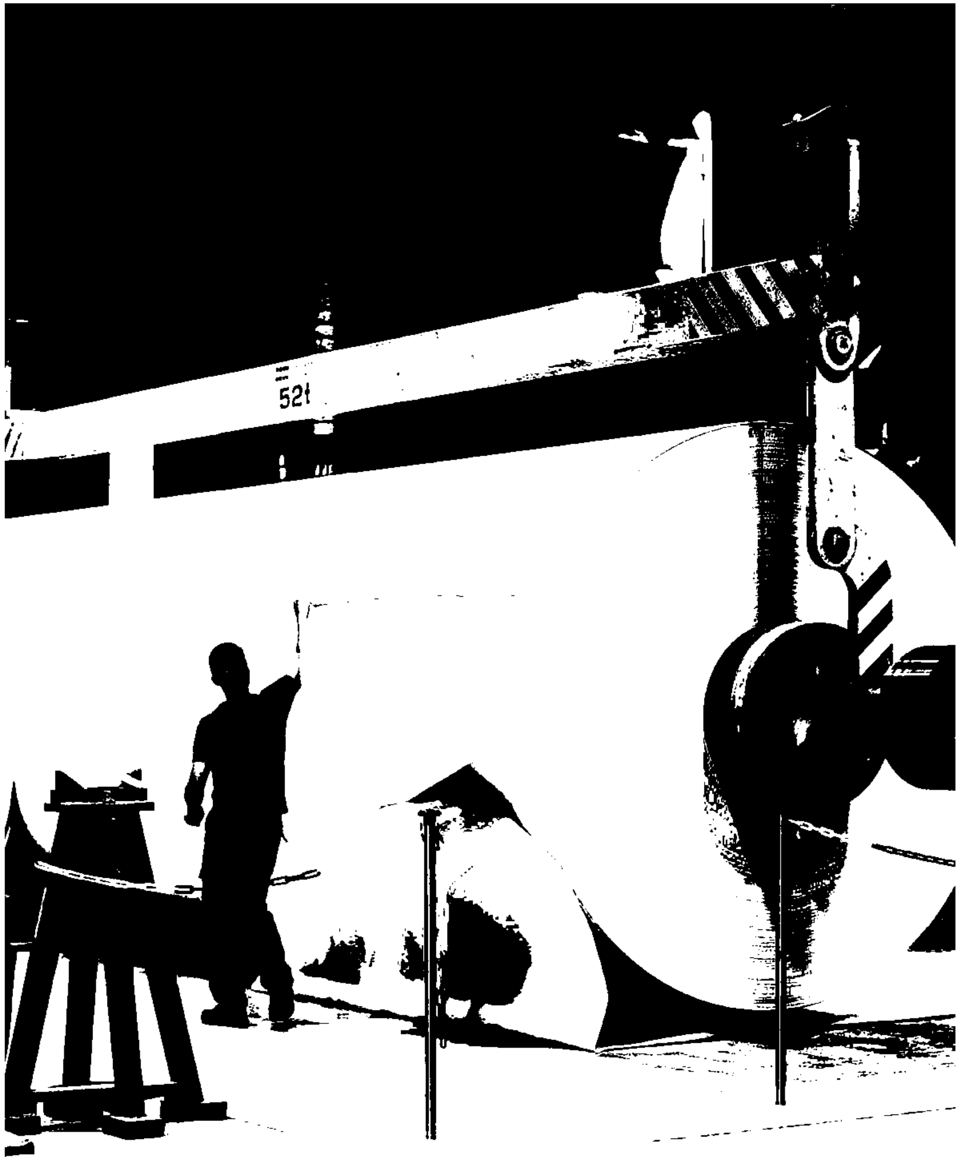


Photo: Cyrielle Nussbaum

18. Specification of balance sheet items

	NOTE	31.12.2020	31.12.2019
Other non-current assets			
Long-term shareholdings	22	97	113
Derivatives		14	1 168
Commodity contracts		272	89
Pension plan assets	13	5	4
Loans to employees		1	1
Other non-current receivables		11	12
Total		**401**	**1 388**
Inventories			
Raw materials and other production goods		717	824
Semi-manufactured materials		10	11
Finished goods		466	593
Total	3	**1 194**	**1 427**
Other current assets			
Derivatives		5	163
Commodity contracts		215	177
Current investments		20	50
Total	7	**241**	**390**
Trade and other payables			
Trade payables		877	868
Accrued labour costs and taxes		508	540
Accrued expenses		340	274
Other interest-free liabilities		3	3
Total	7	**1 728**	**1 685**
Other current liabilities			
Derivatives		0	1
Commodity contracts		72	73
Accrued emission rights		54	50
Accrued financial costs		3	4
Restructuring provision	20	70	61
Total	7	**199**	**188**
Other non-current liabilities			
Commodity contracts		15	14
Dismantling provision	20	19	55
Environmental provision	20	208	201
Deferred recognition of government grants		25	25
Other non-interest-bearing debt		11	15
Total	7	**277**	**312**
Interest-bearing non-current liabilities			
Bond (amortised cost)		1 080	1 206
Debt to financial institutions		445	174
Leasing obligations related to right of use assets	15	88	90
Total	7	**1 613**	**1 470**
Interest-bearing current liabilities			
Debt to financial institutions and bond (amortised cost)		38	45
Securitisation/factoring facilities		17	343
Leasing obligations related to right-of-use assets	15	37	31
Total	7	**92**	**419**

19. Investments in associated companies

Investments in associated companies are accounted for in accordance with the equity method. The carrying value of associated companies are NOK 43 million at 31 December 2020 (NOK 1 million at 31 December 2019).

Porsnes Utvikling AS is incorporated in Halden, Norway, and is a real estate company. Norske Skog has a 50% share of the company with a carrying value of NOK 8 million at 31 December 2020.

Circa Group Pty Ltd is incorporated in Melbourne, Australia, and is a biotechnology company with a vision to produce and sell unique and highly valueable biochemical at scale. At 31 December 2020 Norske Skog had a 19.9% share of the company with a carrying value of NOK 29 million. Following a restructuring of the ownership in 2021, the shares were transferred to Circa Group AS and as part of this Norske Skog ASA increased its ownership to 32.01%. In February 2021 Circa Group AS carried out a private placement issuing 29 850 000 shares at NOK 16.75 per share. Norske Skog ASAs ownership after the share issuance is 26.51%. Circa Group AS was listed on Euronext Growth on 2 March 2021.

SEM is incporporated in Golbey, France, and is a company serving other companies and projects for their establishment and development in the territority of Golbey. Norske Skog has a 22% share of the company with a carrying value of NOK 4 million at 31 December 2020.

20. Provisions

	RESTRUCTURING PROVISION	DISMANTLING PROVISION	ENVIRONMENTAL PROVISION
Balance 1 January 2019	**6**	**81**	**195**
Changes and new provisions	223	-29	0
Utilised during the year	-167	0	0
Periodic unwinding of discount	0	2	5
Currency translation differences	-1	1	1
Balance 31 December 2019	**61**	**55**	**201**
Changes and new provisions	75	-40	-6
Utilised during the year	-69	0	0
Periodic unwinding of discount	0	1	3
Currency translation differences	3	2	10
Balance 31 December 2020	**70**	**19**	**208**

RESTRUCTURING PROVISION

Restructuring provision is included in the balance sheet line Other current liabilities. The restructuring provision of NOK 70 million at 31 December 2020 includes various restructuring activities included provision for severance payments and other costs (Publication paper Europe NOK 47 million and Publication Paper Australasia NOK 23 million). The amount expensed in 2020 in relation to restructuring activities amounted to NOK 75 million (Publication paper Europe NOK 47 million and Publication Paper Australasia NOK 27 million).

The restructuring provision of NOK 61 million at 31 December 2019 includes various restructuring activities included provision for severance payments and other costs (Publication paper Europe NOK 5 million and Publication Paper Australasia NOK 56 million). The amount expensed in 2019 in relation to restructuring activities amounted to NOK 223 million.

DISMANTLING PROVISION

Provisions related to future dismantling costs arising from a future closing down of production facilities amounted to NOK 19 million at 31 December 2020, compared to NOK 55 million at 31 December 2019.

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 2 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 208 million at 31 December 2020 compared to NOK 201 million at 31 December 2019. Resources spent on environmental activities during 2020 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.

21. Earnings and dividend per share

	2020	2019
Profit/loss for the year in NOK million attributable to owners of the parent	-1 884	2 044
Weighted average number of shares in million	82.5	82.5
Basic earnings/loss per share in NOK	-22.84	24.77
Diluted earnings/loss per share in NOK	-22.84	24.77

A dividend of NOK 6.25 per share was paid in 2020 for the financial year 2019. The board of directors recommends that no dividend should be disbursed for the financial year 2020. The dividend decision will be made by the annual general meeting on 15 April 2021.

On 5 February 2021 an extraordinary general meeting in Norske Skog ASA resolved to issue 11 764 705 new shares increasing share number of shares to 94 264 705.

Based on the new number of shares Basic earnings/loss per share and Diluted earnings/loss per share is NOK -19.99 for 2020 and NOK 21.68 for 2019. See Note 24.

22. Shares

SHARES IN SUBSIDIARIES	CURRENCY	SHARE CAPITAL (IN 1 000)	OWNERSHIP%
Shares in subsidiaries owned by the parent company			
Nornews AS, Oslo, Norway	NOK	300	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	16	100
Norske Skog Saugbrugs AS, Halden, Norway	NOK	115 230	100
Norske Skog Skogn AS, Levanger, Norway	NOK	115 230	100
Shares in subsidiaries owned by consolidated companies			
Green Valley Energie, France	EUR	50	100
Green Valley Energy SASU, France	EUR	2 300	63
Nature's Flame Ltd., Auckland, New Zealand	NZD	15 250	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	0	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	35	100
Norske Skog Holdings (No.1) Ltd., Auckland, New Zealand	NZD	0	100
Norske Skog Italia SrL, Milan, Italy	EUR	20	100
Norske Skog Paper Mills (Albury) Pty Limited, Sydney, Australia	AUD	5 230	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
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 (NOK)
Shares owned by parent				
Circa Group AS, Oslo, Norway	NOK	2 060	66	3
Shelterwood AS, Oslo, Norway	NOK	2 400	3	2
Shares owned by other group companies				
Exeltium SAS, Paris, France	EUR	12 384	5	87
Licella Holding Ltd., Sydney, Australia	AUD	2 375	1	3
Other shares, each with book value below NOK 1 million				2
Total				**97**

23. Related parties

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

There have been no transactions with Oceanwood Special Situations Malta Limited in 2020. On 14 January 2021 NS Norway Holding sold 11 764 705 shares in Norske Skog ASA. Following the sale NS Norway Holding AS hold 42.85% of the shares in Norske Skog ASA. See note 24.

Balances and transactions between the group and subsidiaries, as listed in Note 22, 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.

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

24. Events after the balance sheet date

There have been no other events after the balance sheet date with significant impact on the financial statements for 2020.

On 14 January 2021, Norske Skog ASA announced that a private placement had been successfully completed with a total transaction size of NOK 800 million through the allocation of 23 529 410 shares in the company at a price of NOK 34 per share. The private placement consisted of a primary offering of 11 764 705 new shares offered by the company. The net proceeds from the sale of such new shares will be used to finance the company's green growth projects. The private placement also consisted of a secondary offering of 11 764 705 existing shares offered by the company's largest shareholder, NS Norway Holding AS.

On 5 February 2021 an extraordinary general meeting was held in Norske Skog ASA and resolved to issue 11 764 705 new shares. After the issuance the shareholding of NS Norway Holding is 42.85% of the shares in Norske Skog ASA.

On 16 February 2021 Norske Skog issued a EUR 150 million senior secured bond. The bond matures in March 2026 and has an interest rate of 3 months EURIBOR (zero floor) + 5.5% with quarterly interest payments. The proceeds from the issuance were used to refinance the outstanding EUR 125 million bond, and for general corporate purposes. The new bond is secured by share and asset pledges over the Norwegian mill owning entities and with share pledge over the Australian parent company. In parallel, the maturity of the EUR 31 million revolving credit facility has been extended until 2026. The refinancing is part of a group-wide capitalisation process to finance strategic investments into the growing and high-margin recycled containerboard market.

Concurrently with the new bond issue, Norske Skog will buy back around EUR 72 million of the outstanding NSKOG01 bonds and to call the remaining outstanding bonds. A call notice for NSKOG01 was issued on 2 March 2021.

On 2 March 2021 Circa Group AS, a company in which Norske Skog owned 32.01% of the share capital pre the share issuance, issued 29 850 000 shares through a private placement. Norske Skog ASA contributed NOK 50 million in the placement and has an ownership of 26.51% after the share issuance.

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INCOME STATEMENT

NOK MILLION	NOTE	2020	2019
Total operating revenue	3	**91**	**98**
Employee benefit expenses	9	-87	-93
Other operating expenses		-58	-74
Restructuring expenses		-1	-12
Depreciation	4	-8	-6
Total operating expenses		**154**	**186**
Operating earnings		**-63**	**-88**
Financial income	7	286	1 350
Financial expenses	7	-745	-309
Net unrealised/realised gains/losses on foreign currency	7	-171	53
Profit/Loss before income taxes		**-694**	**1 007**
Income taxes	11	-4	-3
Profit/Loss after tax		**-697**	**1 004**

STATEMENT OF COMPREHENSIVE INCOME

NOK MILLION	2020	2019
Profit/Loss after tax	**-697**	**1 004**
Remeasurements of post-employment benefit obligations	1	0
Tax effect on remeasurements of post-employment benefit obligations	1	0
Other comprehensive income	**2**	**0**
Comprehensive income	**-695**	**1 004**

BALANCE SHEET

NOK MILLION	NOTE	31.12.2020	31.12.2019
Assets			
Intangible assets	4	14	8
Property, plant and equipment	4	13	21
Investments in subsidiaries	6	3 149	3 770
Other non-current assets	13	1 265	1 251
Total non-current assets		**4 441**	**5 050**
Trade and other receivables	13	214	934
Cash and cash equivalents		783	697
Other current assets		12	28
Total current assets		**1 008**	**1 659**
Total assets		**5 449**	**6 709**
Shareholders' equity and liabilities			
Paid-in equity		3 651	3 651
Retained earnings and other reserves		-550	662
Total equity	5	**3 101**	**4 313**
Interest-bearing non-current liabilities	8,13	1 306	1 512
Total non-current liabilities		**1 306**	**1 512**
Interest-bearing current liabilities	8,13	997	831
Tax payable	11	0	0
Other current liabilities		45	53
Total current liabilities		**1 042**	**884**
Total liabilities		**2 348**	**2 397**
Total equity and liabilities		**5 449**	**6 709**

SKØYEN, 23 MARCH 2021
THE BOARD OF DIRECTORS OF NORSKE SKOG ASA

John Chiang Chair	Arvid Grundekjøn Board member	Anneli Finsrud Nesteng Board member	Trine-Marie Hagen Board member
Idunn Gangaune Finnanger Board member	Svein Erik Veie Board member	Paul Kristiansen Board member	Sven Ombudstvedt CEO

STATEMENT OF CASH FLOWS

NOK MILLION	NOTE	2020	2019
Cash flow from operating activities			
Cash generated from operations		90	121
Cash used in operations		-146	-163
Cash flow from financial items		-97	-12
Interest payments received		84	90
Interest payments made		-81	-80
Taxes paid	11	-3	-3
Net cash flow from operating activities		**-152**	**-47**
Cash flow from investing activities			
Purchases of equipment and intangible assets	4	-6	-10
Other financial payments		-25	-6
Sales of shares in companies		4	97
Net cash flow from investing activities		**-27**	**81**
Cash flow from financing activities			
New loans raised		230	1 189
Repayments of loans		-228	-1 402
Dividends paid		-516	0
Change in intercompany balance with group		764	312
Net cash flow from financing activities		**250**	**100**
Foreign currency effects on cash and cash equivalents		15	-4
Total change in cash and cash equivalents		**86**	**129**
Cash and cash equivalents 1 January		697	568
Cash and cash equivalents 31 December [1)]		783	697
[1)] Whereof restricted cash		8	10

STATEMENT OF CHANGES IN GROUP EQUITY

NOK MILLION	NOTE	SHARE CAPITAL	SHARE PREMIUM	OTHER PAID-IN CAPITAL	RETAINED EARNINGS	TOTAL EQUITY
Equity 1 December 2019		**300**	**0**	**2 249**	**-342**	**2 207**
Issue of share capital		30	1 072	0	0	1 102
Comprehensive income		0	0	0	1 004	1 004
Equity 31 December 2019		**330**	**1 072**	**2 249**	**662**	**4 313**
Dividends paid		0	0	0	-516	-516
Comprehensive income		0	0	0	-695	-695
Equity 31 December 2020	5	**330**	**1 072**	**2 249**	**-550**	**3 101**


Photo: Kjell Andresen

Notes to the financial statements

1. General information

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

The financial statements were authorised for issue by the board of directors on 23 March 2021.

2. Accounting policies

The financial statements for Norske Skog ASA have been prepared and presented in accordance with simplified IFRS pursuant to section 3-9 of the Norwegian Accounting Act.

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

3. Operating revenue by geographical market

The company's operating revenue consists mainly of the sale of services to other entities in the group. Operating revenue arising from sales of internal services to other entities in the group amounted to NOK 88 million in 2020. The corresponding figure for 2019 were NOK 96 million.

OPERATING REVENUE BY GEOGRAPHICAL MARKET	2020	2019
Norway	39	34
Europe excluding Norway	41	47
Australasia	12	17
Total	**91**	**98**

4. Intangible assets and property, plant and equipment

INTANGIBLE ASSETS	LICENSES AND PATENTS
Acquisition cost 1 January 2019	16
Additions	2
Reclassified from plant under construction	0
Acquisition cost 31 December 2019	**18**
Accumulated depreciation and impairments 1 January 2019	5
Depreciation	5
Accumulated depreciation and impairments 31 December 2019	**10**
Carrying value 31 December 2019	**8**
Acquisition cost 1 January 2020	18
Additions	4
Reclassified from plant under construction	7
Acquisition cost 31 December 2020	**29**
Accumulated depreciation and impairments 1 January 2020	10
Depreciation	5
Accumulated depreciation and impairments 31 December 2020	**15**
Carrying value 31 December 2020	**14**

Licenses, patents and other intangible assets are depreciated on a straight-line basis over a period from three to five years. Other intangible assets consist mainly of capitalised development costs relating to customising of software.

PROPERTY, PLANT AND EQUIPMENT	FIXTURES AND FITTINGS	RIGHT-OF-USE ASSETS	PLANT UNDER CONSTRUCTION	TOTAL
Acquisition cost 1 January 2019	0	0	1	1
Additions	0	14	7	21
Reclassified from plant under construction	1	0	-1	0
Acquisition cost 31 December 2019	**1**	**14**	**7**	**22**
Accumulated depreciation and impairments 1 January 2019	0	0	0	0
Depreciation	0	1	0	1
Accumulated depreciation and impairments 31 December 2019	**0**	**1**	**0**	**1**
Carrying value 31 December 2019	**1**	**13**	**7**	**21**
Acquisition cost 1 January 2020	1	14	7	22
Additions	0	0	2	2
Reclassified from plant under construction	0	0	-7	-7
Acquisition cost 31 December 2020	**1**	**14**	**2**	**18**
Accumulated depreciation and impairments 1 January 2020	0	1	0	1
Depreciation	0	3	0	3
Accumulated depreciation and impairments 31 December 2020	**0**	**4**	**0**	**4**
Carrying value 31 December 2020	**1**	**10**	**2**	**13**

Fixtures and fittings and right of use assets are depreciated on a linear basis over a period from three to five years.

5. Equity

The share capital of Norske Skog ASA at 31 December 2020 was NOK 330 million and consisted of 82 500 000 shares each with a nominal value of NOK 4.00. All shares have been created under the Norwegian Public Limited Companies Act and are validly issued and fully paid.

NS Norway Holding AS acquired 100% of the shares in the company on 28 September 2018. Following the listing of the company on Oslo Stock Exchange 18 October 2019 NS Norway Holding AS' ownership share was reduced to 63.23%1) 2). The 20 largest shareholders at 31 December 2020 are as follows:

20 LARGEST SHAREHOLDERS AT 31.12.2020	NUMBER OF SHARES	OWNERSHIP%
NS Norway Holding AS	52 161 386	63.23
J.P. Morgan Bank Luxembourg S.A.	2 179 465	2.64
The Bank Of New York Mellon SA/NV	1 964 389	2.38
Verdipapirfondet Eika Spar	1 609 373	1.95
Verdipapirfondet Holberg Norge	1 500 000	1.82
Verdipapirfondet First Generator	1 490 663	1.81
RBC Investor Services Bank S.A.	1 361 111	1.65
Verdipapirfondet Eika Norge	1 255 073	1.52
MP Pensjon Pk	1 194 015	1.45
Fram Realinvest As	850 000	1.03
Tveco As	825 000	1.00
Verdipapirfondet First Globalt	748 301	0.91
Carucel Finance As	550 000	0.67
Tvenge	500 000	0.61
M25 Industrier As	450 000	0.55
Banque Degroof Petercam Lux. Sa	427 202	0.52
Dnb Nor Bank ASA	390 392	0.47
Pensjonsordningen	315 400	0.38
Verdipapirfondet Eika Balansert	283 091	0.34
Ulsmo Finans AS	280 810	0.34
Other shareholders	12 164 329	0.34
Total	**82 500 000**	**100.00**

The shareholder list is extracted from VPS. Whilst every reasonable effort is made to verify all data VPS cannot guarantee the accuracy of the analysis.

SHARES OWNED BY MEMBERS OF THE BOARD OF DIRECTORS AT 31 DECEMBER 2020	NUMBER OF SHARES
John Chiang[3]	26 315
Arvid Grundekjøn	7 894
Anneli Finsrud Nesteng	0
Trine-Marie Hagen	0
Idunn Gangaune Finnanger	0
Paul Kristiansen	0
Svein Erik Veie	0

SHARES OWNED BY MEMBERS OF THE CORPORATE MANAGEMENT AT 31 DECEMBER 2020	NUMBER OF SHARES
Sven Ombudstvedt	52 631
Lars P. S. Sperre	37 947
Rune Sollie	26 315
Robert Wood	5 263
Tore Hansesætre	5 263
Amund Saxrud	0

1) See Note 23 Related parties in the consolidated financial statement.
2) See Note 24 Post balance sheet events in the consolidated financial statement.
3) John Chiang own his shares through nominee account in UBS AG. Mr Chiang was nominated to the board of directors due to his role as the Senior Partner at Oceanwood Capital Management LLP. Mr. Chiang also serves as the chairman of the group's parent company NS Norway Holding AS.

6. Shares in subsidiaries

SHARES IN SUBSIDIARIES	CURRENCY	SHARE CAPITAL (IN MILLION)	OWNERSHIP%	CARRYING VALUE (IN NOK MILLION)
Norske Skog Skogn AS, Levanger, Norway	NOK	115	100	291
Norske Skog Saugbrugs AS, Halden, Norway	NOK	115	100	334
Nornews AS, Oslo, Norway	NOK	0	100	3
Norske Skog Bruck GmbH, Bruck, Austria	EUR	10	100	576
Norske Skog Golbey SAS, Golbey, France	EUR	62	100	1 715
Norske Skog Industries Australia Ltd., Sydney, Australia	AUD	340	100	230
Norske Skog Papers (Malaysia) Sdn. Bhd., Kuala Lumpur, Malaysia	MYR	0	100	0
Total				**3 149**

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

The investment in subsidiaries have decreased from NOK 3 770 million to NOK 3 149 million during 2020 due to:

- Impairment of NOK 527 million on the share in Norske Skog Industries Australia Ltd and NOK 269 million on the share in Norske Skog Skogn AS.
- Increase of new share capital of NOK 10 million and a following impairment of NOK 10 million on the share in Nornews AS.
- Reversal of impairment of NOK 54 million on the share in Norske Skog Bruck GmbH and NOK 120 million on the share in Norske Skog Golbey SAS.

See Note 7. For further information with respect to impairment testing see Note 4 Intangible assets and property, plant and equipment in the consolidated financial statements

7. Financial items

FINANCIAL ITEMS	NOTE	2020	2019
Financial income			
Dividends		200	1 165
Interest income		4	6
Interest income from group companies		81	84
Other financial income		0	96
Total		**286**	**1 350**
Financial expenses			
External interest expense		-86	-116
Interest expense from group companies		-23	-4
Impairment of investments in subsidiaries	6	-632	-179
Other financial expenses		-4	-8
Total		**-745**	**-309**
Gains/losses on foreign currency		-171	53
Financial items		**-630**	**1 095**

Dividends in 2020 is from the subsidiary Norske Skog Golbey S.A.S. Dividends in 2019 includes dividend received from the subsidiaries Norske Skog Skogn AS, Norske Skog Saugbrugs AS, Norske Skog Golbey S.A.S and Norske Skog Bruck GmbH.

Other financial income for 2019 includes gain on sale of the shares in Norske Skog Hydro GmbH of NOK 96 million.

8. Maturity of interest-bearing liabilities

MATURITY OF THE COMPANY'S DEBT AT 31.12.2020	BONDS	OTHER LOANS	TOTAL
2021	0	0	0
2022	1 094	209	1 303
Total	**1 094**	**209**	**1 303**

MATURITY OF THE COMPANY'S DEBT AT 31.12.2019	BONDS	OTHER LOANS	TOTAL
2020	0	0	0
2021	0	0	0
2022	1 233	0	1 233
Total	**1 233**	**0**	**1 233**

The table above shows contractual scheduled repayments. Foreign currency debt is presented using exchange rate at 31 December.

For more information, see Note 11 Interest-bearing liabilities in the consolidated financial statements.

9. Payroll costs, pension costs and obligations

EMPLOYEE BENEFIT EXPENSES	2020	2019
Salaries including holiday pay	69	77
Social security contributions	10	11
Pension costs	2	2
Other employee benefit expenses	6	3
Total	**87**	**93**

The company is required by law to have a pension scheme for all employees. The company's pension plan is compliant with the requirements in the Norwegian Act relating to mandatory occupational pension. See also Note 12 Employee benefit expenses in the consolidated financial statements for further information.

	31.12.2020	31.12.2019
Employees	35	33

NET PERIODIC PENSION/INTEREST COST	2020	2019
Current service cost	0	0
Pension cost defined contribution schemes	2	2
Net periodic pension cost	**2**	**2**
Net periodic interest cost	**0**	**0**

PENSION ASSET IN THE BALANCE SHEET	31.12.2020	31.12.2019
Net pension asset in the balance sheet	**2**	**1**

PENSION OBLIGATION IN THE BALANCE SHEET	31.12.2020	31.12.2019
Projected benefit obligations	-23	-24
Plan assets at fair value	26	24
Net pension obligation in the balance sheet	**2**	**1**

SENSITIVITY ANALYSIS	Increase	Decrease
Discount rate – 0.5%	-1	1
Salary adjustment – 0.5%	0	0

See Note 13 Pension costs and pension obligations in the consolidated financial statements for assumptions and further information.

10. Guidelines on salary and other remuneration to leading personnel

INTRODUCTION

These guidelines (the "guidelines") govern the determination of remuneration to leading personnel in Norske Skog ASA ("Norske Skog" or the "company"). The guidelines were determined by the board of directors at the board meeting 23 March 2021.

Remuneration to the company's leading personnel is vital for harmonizing the interests of the leading personnel with the interests of the company. The main purpose of these guidelines is to allow shareholders to influence the parameters of the salary and other kinds of remuneration, creating a culture for remuneration that promotes the company's long-term interests and business strategy, while ensuring shareholders' influence and the company's financial sustainability.

The guidelines have been prepared in accordance with the provisions of Section 6-16 a of the Norwegian Public Limited Liability Companies Act, supplemented by the Regulation on guidelines and reports on remuneration for leading personnel. The guidelines are of a guiding nature for the board of directors. The board of directors may, however, only deviate from the guidelines in the circumstances and in accordance with the procedure set out in the guidelines.

Business strategy, long-term interests and financial sustainability

The guidelines support the strategic direction and the financial sustainability of Norske Skog and reflect the long-term interests of the company and its shareholders. The company will continue to optimise its current core business. At the same time, it will enter new business areas that will change the strategic positioning of the company and significantly diversify its revenues. The execution of this strategy is firmly embedded in the total remuneration of leading personnel in Norske Skog. Financial performance, cost of capital optimisation, continuous improvement programs and project execution are the cornerstones for management compensation and incentives.

The company's leading personnel

The company defines leading personnel to comprise of its corporate management team. An overview of the members of the corporate management is included in Note 12 Employee benefit expenses in the consolidated financial statements.

FIXED REMUNERATION

The company's fixed remuneration

The board has not established upper or lower limits to the fixed salary that can be paid to leading personnel in the company. The fixed salaries for the CEO and other members of the corporate management are subject to annual evaluation and are determined by, among other parameters, general salary levels in the labour market and on remuneration levels for comparable positions.

The company may grant other customary fixed payments and near-cash allowances to the corporate management. These currently comprise fixed car allowance, life insurance, newspaper subscription, mobile phone and coverage of costs for broadband communication at home. Fixed payments and near-cash allowances components shall be granted according to the company's internal standards.

The CEO's fixed remuneration is assessed by the remuneration Committee and approved by the board of directors on an annual basis. Corresponding assessments are made by the CEO for other members of the corporate management.

Pension plans

The corporate management is included in the company's defined contribution plan with a contribution of 4% for earnings up to 12 G (base amount in the Norwegian national insurance scheme) and an additional contribution of 6% between 7.1 G and 12 G. The company has a supplementary pension scheme for the part of salary exceeding 12 G. The corporate management is also covered by a special group life insurance policy with payments limited to three times the annual salary and a maximum of 80 G.

Salary and terms of employment

The level of salary and certain terms of employment for the corporate management deviate from the salary and terms of employment of other employees of the company as a consequence of the significant responsibility and complexity of such roles, and are furthermore subject to evaluation on the basis general salary levels in the labour market and remuneration levels for comparable positions. These factors have been taken into account in the determination of the guidelines, to ensure that the guidelines adequately address the salary and terms of employment of the corporate management.

VARIABLE REMUNERATION

The company's variable remuneration

The company has operated short-term incentive plans for executives and other employees for more than two decades, to ensure that financial, commercial and operational targets receive adequate priority.

The company may offer leading personnel short-term incentive plans according to the at any time prevailing Norske Skog standard for incentive plans and programs. The current short-term incentive plans of the company consist of annual performance contracts. For the corporate management, the annual performance contracts provide for a maximum bonus opportunity corresponding to 50% of annual base salary.

The performance targets pursuant to which bonus achievement is measured are based on a combination of financial, operational and individual criteria. The financial targets shall amount to minimum 50% of the maximum bonus opportunity and are set based on the operating plan for the relevant financial year.

The operational and individual targets are set to reflect the company's priorities for the relevant financial year and typically include strategic projects and improvement programs, as well as safety and environmental performance.

For certain key projects, major financial transactions and other strategically important goals for the group, the company may award project specific bonuses reflecting the criticality of the projects, the level of success achieved, the increased workload in the project period and the exposure of project team members. The board of directors must approve any project bonus payments to the corporate management, and such payments may not exceed the annual base salary.

The CEO's performance and achievements related to the annual performance contract are assessed by the remuneration committee and approved by the board of directors. Corresponding assessments are made by the CEO for the other members of the corporate management.

Long-term incentive program

The purpose of the company's long-term incentive programme is to secure a continued strong focus on the development of shareholder value. The current long-term incentive programme was implemented in October 2019 and is based on a scheme with awards of synthetic options targeting a positive share price development over a three to five-year period from the date of award of the relevant synthetic options. Within the frames of the programme, the board of directors may grant synthetic options to the corporate management and other leading personnel. The frame of the long-term incentive program is 5% of the total number of shares outstanding, which currently equals 4 713 235 synthetic options. A total of 4 125 000 synthetic options are currently issued. The exercise date of the synthetic options are the date on which the first quarterly financial reporting is made following three years after the award date, and each date on which a subsequent quarterly financial report is made in the period up to five years after the award date.

DURATION AND PROCESS

Duration of agreements that provide leading personnel remuneration from the company

The mutual period of notice for the CEO and other members of corporate management is six months. If circumstances arise in which the company and the CEO, by mutual agreement, terminate the contract of employment in the best interests of the company, the CEO is entitled to severance pay equivalent to payment of base salary for nine months after the end of the notice period. The amount receivable by other members of the corporate management under the same circumstances is severance pay equivalent to payment of base salary for six to nine months.

An annual performance contract under the short-term incentive plan will be cancelled if the employee gives notice or resigns before year-end.

Changes to and deviation from the guidelines

Any proposed changes to the guidelines shall be assessed by the remuneration committee, following which the remuneration committee's shall provide its recommendation to the board of directors for determination. Changes to the guidelines determined by the board of directors shall be presented to the following Annual General Meeting in accordance with Section 6-16 a of the Norwegian Public Limited Liability Companies Act.

The board of directors may deviate from the guidelines in the determination of salary and other remuneration to leading personnel if special or unforeseen circumstances occur. Any deviation from the guidelines shall in such event be addressed by the board of directors in a board meeting, and a justification for the deviation shall be included in the minutes of the board meeting. Furthermore, the deviation shall be reported to the Annual General Meeting in accordance with Section 6-16 b of the Norwegian Public Limited Liability Companies Act.

11. Income taxes

TAX EXPENSE	2020	2019
Current tax expense	-4	-3
Change in deferred tax	0	0
Total	**-4**	**-3**

INCOME TAX RECONCILIATION	2020	2019
Profit/loss before income taxes	-894	1 007
Computed tax at nominal tax rate of 22%	153	-222
Exempted income/non-deductible expenses	-4	-8
Dividend	44	256
Gain on sale of share	0	21
Impairment of investments in subsidiaries	-139	-39
Adjustments previous years	1	-2
Change tax loss not recognised	-55	-7
Tax effect on remeasurements of post-employment benefit obligations	-1	0
Withholding tax	-3	-3
Total tax expense(-)/income	**-4**	**-3**

TEMPORARY DIFFERENCES AND TAX LOSSES - DETAILS	31.12.2020	31.12.2019
Financial debt and currency translation	-58	43
Provisions and other liabilities	0	-2
Pensions	2	1
Tax losses to carry forward	-971	-818
Tax losses and other tax credits not recognised [1]	1 027	776
Basis for deferred tax	**0**	**0**

DEFERRED TAX	31.12.2020	31.12.2019
Net deferred tax asset/liability (-)	**0**	**0**

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

12. Guarantees

The company has issued bank guarantees in an amount of NOK 2 million at 31 December 2020 (NOK 18 million at 31 December 2019). In addition, the company has issued guarantees in an amount of NOK 343 million at 31 December 2020 (NOK 112 million at 31 December 2019) on behalf of Norske Skog Saugbrugs AS, Norske Skog Skogn AS, Norske Skog Bruck GmbH and Norske Skog Paper Mills (Australia) Ltd.

13. Intercompany receivables/liabilities

	31.12.2020	31.12.2019
Non-current intercompany receivables		
Norske Skog Skogn AS	577	549
Norske Skog Saugbrugs AS	383	365
Norske Skog Golbey SAS	4	0
Norske Skog Industries Australia Ltd.	269	263
Norske Skog (Australasia) Pty Ltd	0	48
Norske Skog Tasman Ltd.	25	24
Total	**1 258**	**1 249**
Current intercompany receivables		
Norske Skog Saugbrugs AS	0	71
Norske Skog (Australasia) Pty Ltd	1	300
Norske Skog (Australia) No. 2 Pty Ltd.	56	0
Norske Skog Industries Australia Ltd.	0	486
Norske Skog Italia SrL	1	1
Norske Skog (UK) Ltd.	5	0
Norske Skog Tasman Ltd.	58	3
Nature's Flame Ltd.	19	0
Nornews AS	13	13
NS Norway Holding AS	2	3
Saugbrugs Bioenergi AS	19	17
Total	**174**	**894**
Non-current intercompany liabilities		
Norske Skog Bruck GmbH	8	87
Norske Skog Golbey SAS	0	208
Total	**8**	**295**
Current intercompany liabilities		
Norske Skog Skogn AS	197	52
Norske Skog Saugbrugs AS	42	9
Norske Skog Bruck GmbH	198	248
Norske Skog Golbey SAS	510	477
Norske Skog Deutschland GmbH	37	33
Norske Skog (UK) Ltd.	0	1
Norske Skog France SARL	9	5
Norske Skog Österreich GmbH	1	4
Total	**994**	**829**

All non-current intercompany debt falls due for repayment at least 12 months after the balance sheet date. The majority of this debt has a considerably longer term to maturity.

14. Related parties

A description of transactions with related parties is given in Note 23 Related parties in the consolidated financial statements.

15. Events after the balance sheet date

There have been no events after the balance sheet date with significant impact on the financial statements for 2020.

See Note 24 Events after the balance sheet date in the consolidated financial statements for other post balance sheet events.

STATEMENT FROM
the board of directors and the CEO

in compliance with section 5-5 in the securities trading act

We declare that to the best of our knowledge, the financial statements for the period 1 January to 31 December 2020 have been prepared in accordance with applicable accounting standard, and that the information in the financial statements give a true and fair view of the company's and the group's assets, liability, financial position and result as a whole.

We confirm that the board of directors' report provides a true and fair view of the development and performance of the business and the position of the company and the group, as well as a description of the key risk, uncertainty factors which the company, and the group is facing.

SKØYEN, 23 MARCH 2021
THE BOARD OF DIRECTORS OF NORSKE SKOG ASA

John Chiang Chair	Arvid Grundekjøn Board member	Anneli Finsrud Nesteng Board member	Trine-Marie Hagen Board member
Idunn Gangaune Finnanger Board member	Svein Erik Veie Board member	Paul Kristiansen Board member	Sven Ombudstvedt CEO

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BDO AS
Munkedamsveien 45
Postboks 1704 Vika
0121 Oslo

Independent Auditor's Report

To the General Meeting in Norske Skog ASA

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Norske Skog ASA.

The financial statements comprise:

- The financial statements of the parent company, which comprise the balance sheet as at 31 December 2020, income statement, statement of comprehensive income, statement of changes in equity and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and
- The financial statements of the group, which comprise the balance sheet as at 31 December 2020, and income statement, statement of comprehensive income, statement of changes in equity and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion:

- The financial statements are prepared in accordance with the law and regulations.
- The accompanying financial statements give a true and fair view of the financial position of Norske Skog ASA as at 31 December 2020, and its financial performance and its cash flows for the year then ended in accordance with simplified application of international accounting standards according to section 3-9 of the Norwegian Accounting Act.
- The accompanying financial statements give a true and fair view of the financial position of the group Norske Skog ASA as at 31 December 2020, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of 2020. These matters were addressed in the context of our

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audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Description of the key audit matter	How the key audit matter was addressed in the audit
VALUATION OF PROPERTY, PLANT AND EQUIPMENT (PPE)	
The global market for the group's publication paper business has been declining, and this development has accelerated further during the corona crisis. Because of this, there is a risk that the groups PPE booked value exceeds the net present value of future cash flows, i.e. recoverable amount of PPE, indicating that impairment may be required. Accordingly, valuation of PPE has been identified as an important area in connection with the audit of the consolidated financial statements. Management has identified impairment indicators and has performed impairment tests accordingly. Based on this test, an impairment of MNOK 451 has been recognized. We refer to the description in note 4 to the consolidated financial statements.	Our audit procedures included, amongst others, a thorough and detailed review of the model used by management to calculate the recoverable amount of PPE, including assessment of assumptions such as WACC. We also challenged the assumptions for future cash flows provided by management. We evaluated management's views on the general market developments as well as the interpretations and use of these views in light of the requirements to use reasonable and supportable data as set forth in IAS 36. As the corona pandemic has significantly increased the inherent uncertainty related to future development, we have assessed relevant, available external sources of information and compared these sources to the assumptions applied by management.
ACCOUNTING TREATMENT OF LONG-TERM PURCHASING CONTRACTS FOR ENERGY	
The Norwegian subsidiaries of Norske Skog ASA have entered into long term purchasing contracts for energy in Euro. These contracts include price adjustments related to price of paper and the price of spruce pulpwood. From the inception, these contracts have not been treated as derivatives in the scope of IFRS 9, based of the "own use exemption". From the fourth quarter of 2020, however, management concluded that these contracts no longer qualify for the "own use exemption" and has consequently started accounting for the entire contracts as derivatives to be measured at fair value through profit and loss. This measurement involves a certain level of judgement. This, and the complexity of derivatives in general, made this an important audit area. We refer to the descriptions in notes 7, 8 and 9 in the consolidated financial statements.	We have reviewed management's assessment of the accounting treatment under IFRS. In addition, our audit procedures included, amongst others, a thorough and detailed review of the model used by management to calculate the fair value of the contracts, including assessment of inputs, such as paper prices.
REVENUE RECOGNITION	
The group's revenues have been significantly reduced during the corona crisis. In connection with the audit of the operating subsidiaries, factors implying that there is an inherent risk that the operating paper mills may overstate revenues were identified. Based on this, revenue recognition in these entities were considered a risk in our audit of the consolidated financial statements.	The audit of revenues was based on a detailed understanding of the revenue recognition accounting policies and the process of recording revenues according to the defined polices, including relevant control activities over this process. We performed tests regarding the operating effectiveness of these controls. In addition, we performed detailed tests of the entities' cut-off procedures to verify correct cut-off based on the entities' terms of delivery.

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Other information

Management is responsible for the other information. The other information comprises the Board of Directors' report and other information in the Annual Report, but does not include the financial statements and our auditor's report thereon.

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

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

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. 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.

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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.

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, 23rd March 2021
BDO AS

Terje Tvedt
State Authorized Public Accountant

Independent Auditor's Report Norske Skog ASA - 2020 Page 4 of 4

ALTERNATIVE
performance measures

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

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

	2020	2019
Operating earnings	-1 339	2 398
Restructuring expenses	75	223
Depreciation	438	456
Impairments	451	209
Derivatives and other fair value adjustments	1 112	-1 348
EBITDA	**736**	**1 938**

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

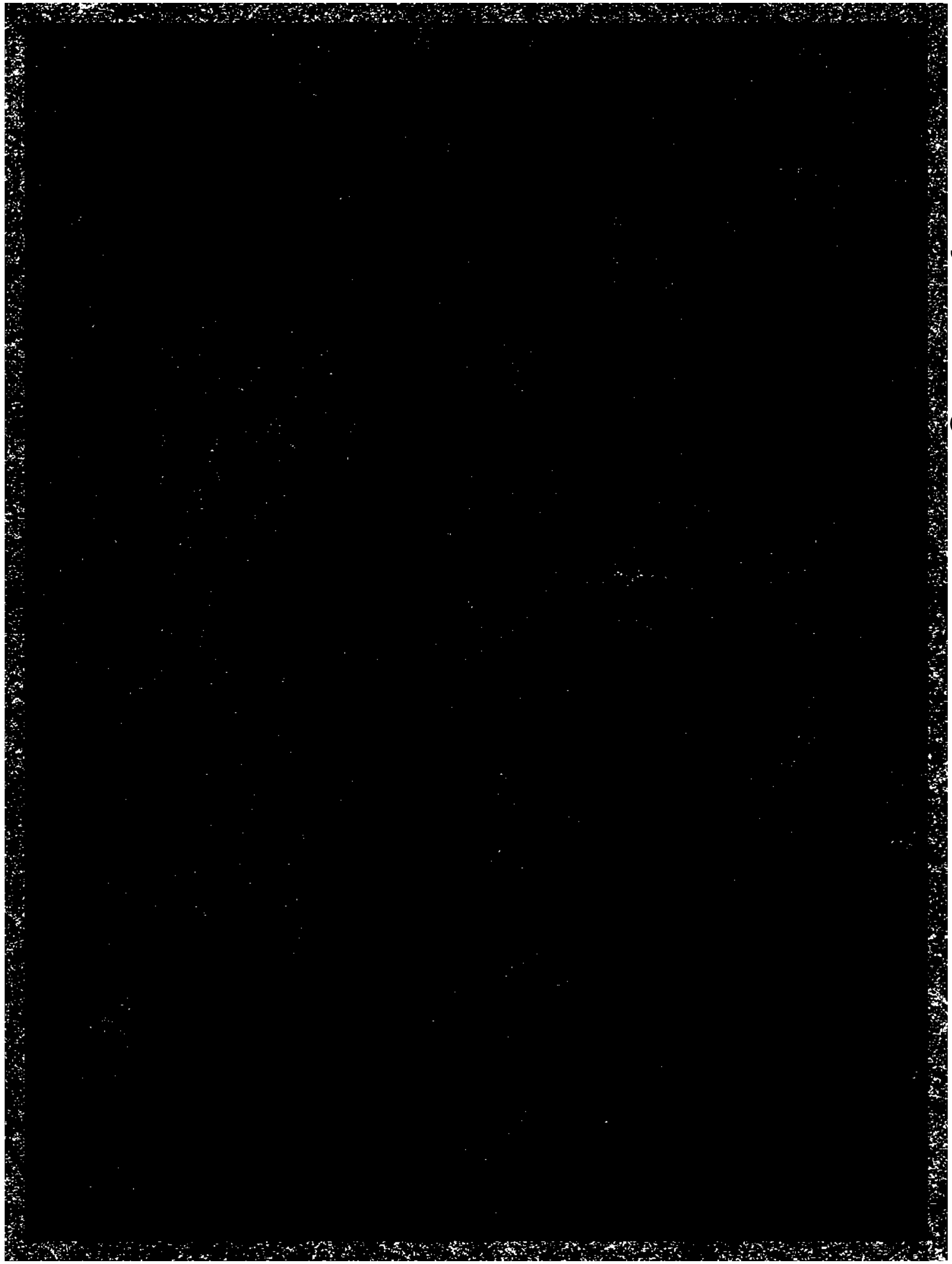
	2020	2019
EBITDA	736	1 938
Total operating income	9 612	12 954
EBITDA margin	**7.7%**	**15.0%**

Variable costs: Distribution costs + cost of materials.

	2020	2019
Distribution costs	1 159	1 242
Cost of materials	5 093	6 861
Variable costs	**6 252**	**8 102**

Fixed costs: Employee benefit expenses + other operating expenses.

	2020	2019
Employee benefit expenses	1 760	1 938
Other operating expenses	865	977
Fixed costs	**2 625**	**2 914**



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

	2020	2019
EBITDA	736	1 938
Capital expenditure	632	369
Average capital employed	5 032	5 464
Return on capital employed (annualised)	**2.1%**	**28.5%**

	31.12.2020	31.12.2019
Intangible assets	55	38
Tangible assets	3 586	3 685
Assets held for sale	0	631
Inventory	1 194	1 427
Trade and other receivables	1 288	1 573
Trade and other payables	-1 728	-1 685
Capital employed	**4 395**	**5 670**

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

	31.12.2020	31.12.2019
Interest-bearing non-current liabilities	1 613	1 470
Interest-bearing current liabilities	92	419
- Cash and cash equivalents	-980	-970
Net interest-bearing debt	**725**	**919**

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

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

Skattedirektoratet

Saksbehandler	Deres dato	Vår dato
Torstein Kinden Helleland	03.05.2016	23.05.2016
Telefon	Deres referanse	Vår referanse
22078139	Knut Kåre Erichsen	2016/422698

NORSKE SKOGINDUSTRIER ASA
Postboks 294 Skøyen
0213 OSLO

Tillatelse til å utarbeide årsregnskap og årsberetning på engelsk språk

Vi viser til deres brev mottatt 3. mai 2016 der det søkes om dispensasjon fra kravet til å utarbeide årsregnskap og årsberetning på norsk språk for følgende selskaper;

Norske Skog Holding AS org. nr. 914 483 557
Norske Skog AS org. nr. 914 483 549

Skattedirektoratet gir på bakgrunn av en konkret helhetsvurdering de overnevnte selskaper dispensasjon fra kravet til å utarbeide årsregnskap og årsberetning på norsk språk, jf. regnskapsloven § 3-4 tredje ledd. Dispensasjonen forutsetter at 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
Norske Skog Holding AS og Norske Skog AS er underkonsern i Norske Skogindustrier ASA konsernet som er det ultimate morselskapet i Norske Skog konsernet. Skattedirektoratet ga i 2013 Norske Skogindustrier ASA dispensasjon til å utarbeide årsregnskap og årsberetning på engelsk. Begge selskaper har børsnoterte obligasjoner som er registrert på Luxembourg Stock Exchange og må i den forbindelse rapportere på engelsk. Norske Skog har åtte hel- og deleide papirfabrikker, hvorav seks er lokalisert utenfor Norge. Per 31. mars 2016 hadde Norske Skog konsernet omlag 2 500 ansatte, hvorav ca. 1 600 utenfor Norge. Konsernets offisielle arbeidsspråk er engelsk. Hoveddelen av den norske virksomheten i Norske Skog er i dag samlet i de to fabrikkeiende selskapene Norske Skog Saugbrugs AS og Norske Skog Skogn AS. Disse to selskapene utarbeider på ordinær måte årsregnskap og årsberetning på norsk. Siden disse selskapene er hjørnesteins bedrifter i sine lokale miljøer er det viktig at regnskapsinformasjonen er lett tilgjengelig på norsk. Alle sentrale aktører og samarbeidspartnere innen denne bransjen behersker og benytter engelsk. En norsk oversettelse vil kun ha til formål å oppfylle regnskapslovens språkkrav.

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."*

Postadresse	Besøksadresse:	Sentralbord
Postboks 9200 Grønland	Se www.skatteetaten.no	800 80 000
0134 Oslo	Org.nr: 996250318	Telefaks
	E-post: skatteetaten.no/sendepost	22 17 08 60

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 særlig vekt på at selskapene er eid av et selskap som har fått dispensasjon fra språkkravet. Eierkretsen er begrenset. Selskapene har et børsnotert obligasjonslån og må rapportere på engelsk. Virksomheten er internasjonal. Videre er det vektlagt at alle sentrale aktører og samarbeidspartnere innen bransjen selskapet opererer i behersker og benytter engelsk.

Vennligst oppgi vår referanse ved henvendelser i saken.

Med hilsen

Rune Tystad
seniorrådgiver
Rettsavdelingen, foretaksskatt
Skattedirektoratet

Torstein Kinden Helleland

Dokumentet er elektronisk godkjent og har derfor ikke håndskrevne signaturer