ANNUAL REPORT 2020

Norske Skog


We create
green value

Photo: Carsten Dybevig

Contents

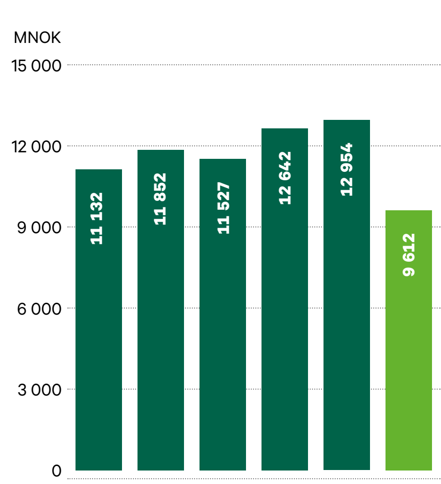
Design: BK.no / **Print:** BK.no
Paper: Artic Volum white
Editor: Carsten Dybevig
Cover photo: Adobe Stock. All images are Norske Skog's property and should not be used for other purposes without the consent of the communication department of Norske Skog

Key figures

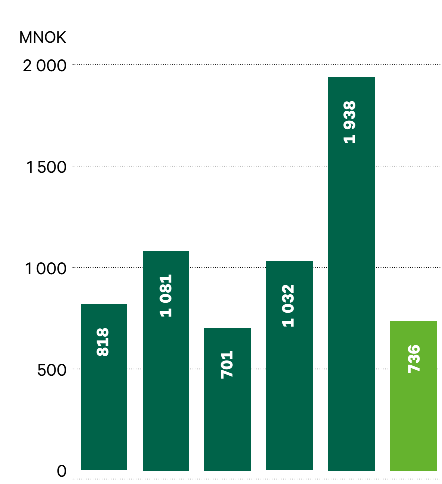
NOK MILLION (UNLESS OTHERWISE STATED)	2015	2016	2017	2018	2019	2020
INCOME STATEMENT						
Total operating income	11 132	11 852	11 527	12 642	12 954	9 612
EBITDA*	818	1 081	701	1 032	1 938	736
Operating earnings	19	-947	-1 702	926	2 398	-1 339
Profit/loss for the period	-1 318	-972	-3 551	1 525	2 044	-1 884
Earnings per share (NOK)**	-15.98	-11.78	-43.04	18.48	24.77	-22.84
CASH FLOW						
Net cash flow from operating activities	146	514	404	881	602	549
Net cash flow from operating activities per share (NOK)**	1.77	6.23	4.89	10.68	7.30	6.65
Net cash flow from investing activities	-174	-105	-278	-188	-180	302
OPERATING MARGIN AND PROFITABILITY (%)						
EBITDA margin*	7.3	9.1	6.1	8.2	15.0	7.7
Return on capital employed (annualised)*	5.2	8.9	6.6	14.1	28.5	2.1
PRODUCTION/DELIVERIES/CAPACITY UTILISATION						
Production (1 000 tonnes)	2 366	2 506	2 494	2 492	2 310	1 800
Deliveries (1 000 tonnes)	2 356	2 520	2 491	2 485	2 285	1 825
Production / capacity (%)	85	93	93	95	89	77
BALANCE SHEET						
Non-current assets	9 620	7 184	4 939	4 789	5 248	4 084
Assets held for sale	0	0	0	0	631	0
Current assets	3 512	3 313	3 170	3 776	4 360	3 703
Total assets	13 133	10 497	8 109	8 565	10 240	7 787
Equity	4 729	2 090	-1 427	2 365	5 493	3 219
Net interest-bearing debt	4 528	5 038	5 717	2 268	919	725

**As defined in Alternative Performance Measures*
***Adjusted for the share split on 18 September 2019 pursuant to which the number of shares was increased from 30 000 to 82 500 000*

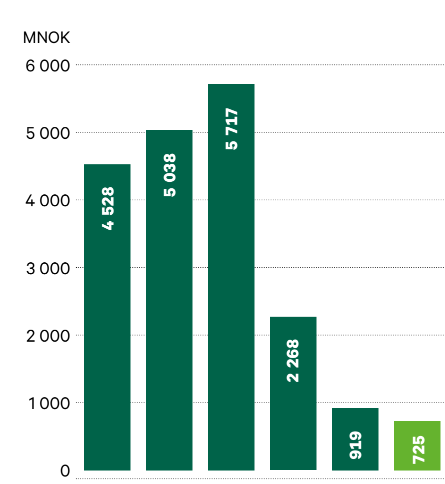
TOTAL OPERATING INCOME



EBITDA



NET INTEREST-BEARING DEBT



7 mills in 5 countries

Skogn, Norway / **Saugbrugs**, Norway / **Golbey**, France / **Bruck**, Austria / **Boyer**, Australia / **Tasman**, New Zealand / **Nature's Flame**, New Zealand

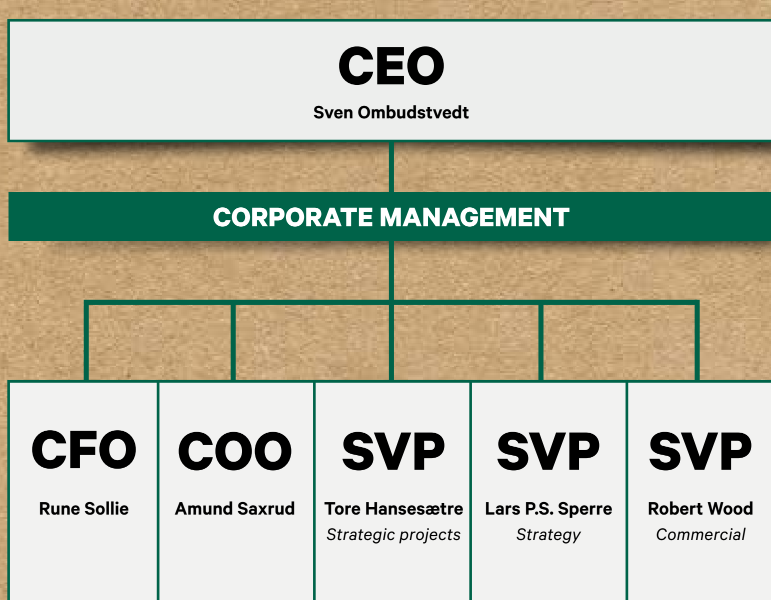
2 332
Employees

12.1%
Female employees

89%
Certified fibres

85%
Electricity and renewable energy

0.8
Lost time injuries per million working hours



DESPITE COVID-19 IMPACTS, good progress on the green growth projects

The coronavirus impacted our business negatively from March 2020 when the first worldwide lockdown and local governmental restrictions were imposed. The wide-ranging lockdowns of entire societies in our most important and largest markets in Europe were devastating to our profitability during the three last quarters of last year. 2019 and the beginning of 2020 had showed good results for our publication paper business. The suddenly imposed restrictions decreased the demand for publication paper by over 30%, although the year in total saw about 20% decline. However, I am greatly impressed by our corporate and mill employees who quickly responded to the unexpected situation with calm, professionalism and ingenuity. Fortunately, we were able to keep the mills running despite challenges with in and outbound logistics.

Despite the severe corona impact on our core business during 2020 and predictably the first half of 2021, our green growth projects are progressing according to the original plans. Norske Skog's long-term strategy remains to improve the core business, to convert certain of the group's paper machines and to diversify the business within the bioenergy, fibre and biochemical markets. Although our employees are committed to delivering quality publication paper every day, Norske Skog is actively developing new revenue streams in synergy with existing paper production. During 2020, we launched several milestones in our transformation from a once pure publication paper business to a bio-based company with an assembly of new green products. All these growth initiatives will be profitable and sustainable:

- At the Golbey mill in France, approximately EUR 250 million will be invested to convert PM1 from its current 235 000 tonnes of newsprint capacity to 555 000 tonnes of leading recycled containerboard capacity. Following the conversion in 2023, Golbey will have 555 000 tonnes of recycled containerboard capacity and 330 000 tonnes of newsprint capacity.
- At the Bruck mill in Austria, approximately EUR 100 million will be invested to convert PM3 from its current 125 000 tonnes of newsprint capacity to 210 000 tonnes of recycled containerboard capacity. Following the conversion in 2023, Bruck will have 210 000 tonnes of recycled containerboard capacity and 265 000 tonnes of lightweight coated magazine capacity.
- At the Bruck mill, we are also investing in a new 50MW wide range energy boiler, utilising refuse-derived fuels and paper production residuals. This will improve the carbon footprint, further strengthen the mill's profitability and create new business beyond publication paper.
- At the Saugbrugs mill In Norway, we have successfully commercialised CEBINA in 2020, which is a natural fibre product that adds rheology control in fluids and armouring in solid materials. We will also work to develop a new type of bio-composite, called CEBICO, that may be used in furniture, packaging materials and car interiors. These efforts will contribute to decreased plastic consumption by creating new, green products with significantly reduced carbon footprints.
- Our biogas facilities at Golbey and Saugbrugs already contribute positively to our earnings, but more impressively, they have reduced our carbon footprint substantially. We will invest further to improve our biogas activities, and we are proud to be a global forerunner in the circular economy.
- At Nature's Flame in New Zealand, we have more than doubled the output of wood pellets to an annual capacity of around 90 000 tonnes delivering products to our domestic customers as well as markets in Asia.
- Melbourne based Circa Group, a Norske Skog Boyer industrial partner, successfully completed a NOK 575 million private placement in February 2021 to fund the construction of a 1 000 tonne per annum industrial scale plant in France. The Circa shares started trading on the Euronext Growth in Oslo on 2 March 2021. Following the capital markets transaction, Norske Skog owns approximately 27% of Circa.

There have also been some tough choices along the way in 2020. We have performed a strategic review of the Tasman mill, which will end an era of 65 years of newsprint production. The mill started to produce converting grade paper for Asian markets in the second half of 2020. PM5 at Saugbrugs was closed on 22 December 2020, after 52 years of continuous production.

We are acutely aware that we are in charge of our own destiny. We are committed to be competitive in the global marketplace, leaving us with no other options than being innovative, creating new products and exploring new business opportunities. The COVID-19 pandemic has accelerated the need for speed in these processes.

I want to send my thanks and warm thoughts to all my colleagues running the mills and marketing our products 24/7 every day of the year. Our employees represent the heartbeat of our company, and I am very impressed with their efforts and commitments, especially during the COVID-19 period. Let us continue to join forces together – we have a promising future ahead of us.

SVEN OMBUDSTVEDT
CEO

Our employees represent the heartbeat of our company, and I am very impressed with their efforts and commitments, especially during the COVID-19 period. Let us continue to join forces together – we have a promising future ahead of us.

Convert

360 000

tonnes of newsprint capacity to

765 000

tonnes of leading recycled containerboard capacity

Share information

Norske Skog aims to provide long-term value growth and an attractive return for its shareholders which exceeds that of relevant investment alternatives, this ambition will be supported by a responsible capital allocation strategy and a conservative capital structure. Norske Skog is listed on the Oslo Børs where it trades under the ticker code NSKOG. All shares have equal rights and are freely transferable.

Norske Skog is committed to serving all shareholders and potential new investors with consistent, accessible and immediate disclosure of relevant information through Oslo Børs, media and financial newswires. Norske Skog has a policy of equal treatment of all stakeholders to the group.

DIVIDEND POLICY AND PROPOSAL

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

Dividend payments are restricted under the group's EUR 150 million bond issue of maximum up to 50% of net profit for the previous financial year, subject to the incurrence test being met.

The board of directors has proposed to not pay a dividend for the financial year 2020, to be approved by the Annual General Meeting on 15 April 2021.

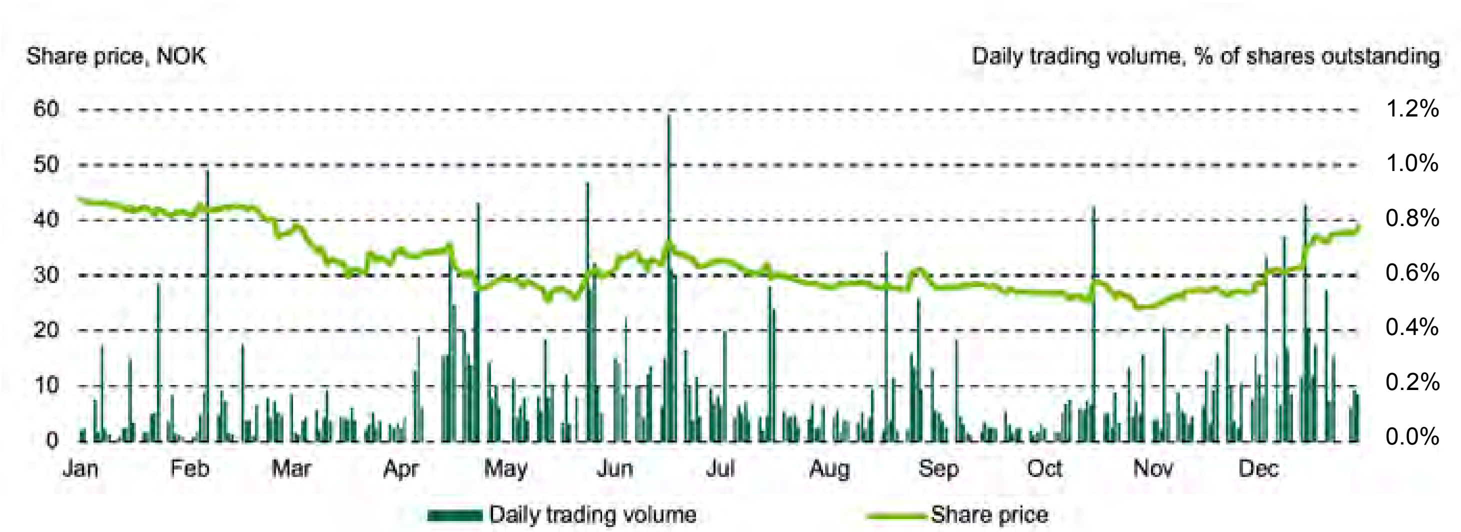
LONG-TERM INCENTIVE PROGRAMME

The board of directors has approved a synthetic option program for senior executive employees in Norske Skog. By year-end 2020, 4.125 million synthetic options had been awarded. The programme is described in Note 12 Employee benefit expenses in the consolidated financial statements and Note 10 Guidelines on salary and other remuneration to leading personnel in the financial statements for Norske Skog ASA.

SHARES AND SHARE CAPITAL

During 2020, a total of 37 994 989 Norske Skog shares were traded in the market. The average daily trading volume in 2020 was 150 774 shares.

The Norske Skog share price was NOK 38.70 on 30 December 2020, representing a market value of approximately NOK 3.2 billion. The highest price in 2020, based on close-of-trading prices, was NOK 44.00 on 2 January, and the lowest price was NOK 24.10 on 29 October. During the year, Norske Skog paid dividends of NOK 6.25 per share, of which NOK 3.25 was paid on 17 April and NOK 3.00 was paid on 31 August.



On 31 December 2020, the share capital of Norske Skog was NOK 330 000 000, consisting of 82 500 000 shares each with a par value of NOK 4.00. In January 2021, 11 764 705 new shares were issued, see Note 24 Events after the balance sheet date in the consolidated financial statements.

On 31 December 2020, the largest shareholder was NS Norway Holding AS with 52 161 386 shares corresponding to a 63.2% ownership share. In January 2021, NS Norway Holding AS sold 11 764 705 shares, see Note 24 Events after the balance sheet date in the consolidated financial statements. On 31 December 2020, the foreign ownership was 9.7%. Based on the information in the Norwegian Registry of Securities, Norske Skog had a total of 5 322 shareholders on 31 December 2020 of which 208 resided outside of Norway.

SHAREHOLDING INTERVAL	NO. OF SHAREHOLDERS	NO. OF SHARES	% OF SHARE CAPITAL
1 - 100	1 298	54 807	0.07
101 - 1 000	2 623	1 160 038	1.41
1 001 - 10 000	1 189	3 721 528	4.51
10 001 - 100 000	181	5 188 435	6.29
100 001 - 1 000 000	22	7 659 717	9.28
above 1 000 000	9	64 715 475	78.44
Total	**5 322**	**82 500 000**	**100.00**

SHAREHOLDER CITIZENSHIP	NO. OF SHAREHOLDERS	NO. OF SHARES	% OF SHARE CAPITAl
Norway	5 114	74 496 863	90.30
Sweden	54	3 348 729	4.06
Ireland	6	1 992 587	2.42
Luxembourg	3	1 469 623	1.78
Belgium	4	447 433	0.54
Denmark	22	241 862	0.29
United Kingdom	13	198 872	0.24
United States	8	139 298	0.17
Switzerland	6	58 250	0.07
United Arab Emirates	1	40 000	0.05
Germany	10	14 728	0.02
Finland	3	8 057	0.01
India	8	6 558	0.01
The Netherlands	4	5 435	0.01
Iceland	2	4 735	0.01
France	6	4 076	0.00
Italy	6	3 950	0.00
Lithuania	6	2 048	0.00
Ukraine	1	1 867	0.00
Estonia	1	1 720	0.00
Other	44	13 309	0.02
Total	**5 322**	**82 500 000**	**100.00**

ANALYST COVERAGE

As of year-end 2020, six Nordic financial analysts provided market updates and estimates for financial results directed towards holders of the Norske Skog share. In addition, two Nordic financial analysts provided similar updates directed towards holders of the Norske Skog bonds.

2021 ANNUAL GENERAL MEETING

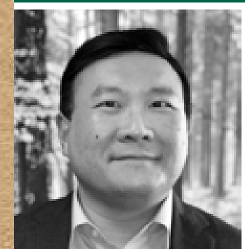
The Norske Skog Annual General Meeting will take place at Thursday 15 April 2021.

FINANCIAL CALENDAR FOR 2021

- 15 April: Annual General Meeting
- 23 April: Interim financial statements, first quarter 2021
- 16 July: Interim financial statements, second quarter 2021
- 22 October: Interim financial statements, third quarter 2021

BOARD OF directors

John Chiang



Chair since 2019
Board member since 2018

Residence: London, United Kingdom

Education: Master of Business Administration, Harvard Business School (USA)

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

Position: Senior Partner and Portfolio Manager of Oceanwood Capital Management (London, UK)

Directorships: Chair of Norske Skog ASA and Chair of NS Norway Holding AS

Arvid Grundekjøn

Board member since 2018

Residence: Oslo, Norway

Education: Executive programme, Harvard Business School (USA)

Master of Law, University of Oslo (Norway)

Master of Business and Economics, Norwegian School of Economics (Norway)

Position: Investor and professional board member

Directorships: Currently on 18 different boards of directors, ao. Chair of Infima AS, Chair of Creati Estate AS, Chair of Cardid AS, Chair of Stiftelsen Fullriggeren Sørlandet, Board Member KLP Eiendom, Chair of AKO Art Foundation and Chair of Strømme Foundation

Anneli Finsrud Nesteng

Board member since 2019

Residence: Lier, Norway

Education: M.Sc. in Industrial Economics and Technology Management
Universität Karlsruhe (TH), (Germany)

Position: Senior Vice President Production South Norway, Statkraft AS

Directorships: Norske Skog ASA

Svein Erik Veie

Board member since 2019

Residence: Levanger, Norway

Education: Process operator and industrial mechanic

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

Directorships: Chair Fellesforbundet dept. 461, representative to Fellesforbundet board, member of European Works Council and Global Employee Forum and member of Fellesforbundets department management forum Trøndelag

Idunn Gangaune Finnanger

Board member since 2019

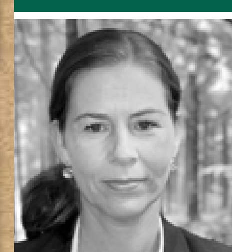
Residence: Trondheim, Norway

Education: Master of Technology Electric Power Engineering, Norwegian University of Science and Technology (NTNU), (Norway)

Position: Head of Asset Management and Asset Manager, TrønderEnergi, General Manager Driva Kraftverk DA, General Manager Usma Kraft AS

Directorships: Norske Skog ASA

Trine-Marie Hagen



Board member since 2019

Residence: Oslo, Norway

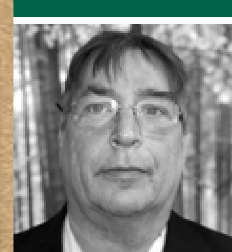
Education: Four-year programme in economics and business administration consisting of three years at bachelor/undergraduate level and one year at master/graduate level, Norwegian School of Economics (NHH), (Norway)

First section of law studies, University of Bergen (Norway)

Position: Group CFO Felleskjøpet Agri SA

Directorships: Subsidiaries of Felleskjøpet Agri SA

Paul Kristiansen



Board member since 2019

Residence: Ski, Norway

Education: Certificate of apprenticeship as process operator

Position: Main employee representative Norske Skog Saugbrugs. Line driver at Norske Skog Saugbrugs

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

CORPORATE management

Amund Saxrud

Chief Operating Officer
In Norske Skog since 1996

Background in Norske Skog:
Managing Director Norske Skog Skogn
Different positions at Norske Skog Follum:
Production Manager
Performance Manager
Production Manager in Pulp and Energy
Department manager Energy/Effluent
Process engineer

Education:
Master of Science degree from Faculty of Chemistry and Chemical Technology at the Norwegian Institute of Technology (NTH/NTNU), (Norway)

Robert A. Wood

Senior Vice President Commercial
In Norske Skog since 1987

Background in Norske Skog:
Vice President Commercial
Managing Director Central European Hub
Vice President European Sales
General Manager Norske Skog PanAsia (Shanghai)

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

Education:
Bachelor of Science (1st Class Hons), University of Strathclyde (Scotland)

Tore Hansesætre

Senior Vice President Strategic Projects
In Norske Skog since 2009

Background in Norske Skog:
Chief Operating Officer
Vice President Operations
Manager Operation Support
Senior Advisor Business Performance
Corporate Strategy Analyst

Education:
Master degree in Industrial Economics and Technology Management, Norwegian University of Science and Technology (NTNU), (Norway)

Sven Ombudstvedt

Chief Executive Officer
In Norske Skog since 2010

Background:
Senior Vice President SCD SAS
Yara International ASA:
Chief Financial Officer and Head of Strategy
Senior Vice President Upstream Operations
Norsk Hydro ASA:
Senior Vice President Corporate Strategy
Various positions in Hydro Agri and Norsk Hydro

Education:
Master in International Management at University of Thunderbird (USA)
Bachelor in Business Administration at Pacific Lutheran University (USA)

Rune Sollie

Chief Financial Officer
In Norske Skog since 2014

Background:
Senior Director Financial Reporting & Compliance Statoil Fuel & Retail AS
Various positions:
UNIconsult AS
Yara International ASA
KPMG AS

Education:
State Authorised Public Accountant at Norwegian School of Economics (Norway)
Bachelor of Science in Accounting and Auditing at Oslo University College (Norway)

Lars P. S. Sperre

Senior Vice President Corporate Strategy
In Norske Skog since 2006

Background in Norske Skog:
President and Chief Executive Officer
Senior Vice President Corporate Strategy & Legal
Vice President Legal
Legal Counsel
Associate lawyer, Wikborg Rein

Education:
Practising Certificate
Master of Law (Cand. Jur.)
at University of Bergen (Norway)

Nature's Flame expansion provides **increased renewable energy** for New Zealand businesses

Nature's Flame is a state-of-the art Andritz facility producing 90 000 tonnes of premium certified wood pellets from FSC-certified and long-term contracted fibre using renewable geo-thermal energy.

The facility is located in Taupo, New Zealand. Nature's Flame has recently undergone a significant expansion with an investment from parent company Norske Skog of around NZD 8 million.

Nature's Flame has a well-established track record of working with schools, rest homes, local and national government agencies and small to large businesses throughout the country with fuel for new boiler installations and conversions from coal, to deliver renewable and sustainable energy solutions. Nature's Flame pellets are also used to heat thousands of New Zealand homes.

John Goodwin, Nature's Flame Operations Manager, said: "We are proud to be able to partner with large-scale energy users like Fonterra's Te Awamutu milk processing site. The switch to wood pellets will reduce their annual carbon emissions by the equivalent of 32 000 cars on our roads each year."

Photo: Adobe Stock

Circa successfully completed a **NOK 575 million private placement**

Circa successfully completed a NOK 575 million private placement at a price of NOK 16.75 per share, which will be used to fund the construction of a 1 000 tonne biochemical plant in France, further market development, development of new products, corporate costs and current operations.

Norske Skog Australasia 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 technology.

Circa is a biotech company producing unique and highly valuable biochemicals. Using abundant and renewable biowaste such as sawdust, Circa produces Levoglucsenone (LGO) in its scalable and patended Furacell™ production process. LGO is a biomolecule platform used to produce multiple sustainable biochemicals that can replace toxic fossil-based chemicals widely used today in a wide range of applications; pharmaceuticals, agrochemicals, flavours, fragrances, electronics, batteries, paints, graphene, polymers and much more.

"Norske Skog has a clear strategy of developing shareholder value from fibre and energy projects, and it is very pleasing to see that this effort is being recognised in the capital markets in light of the successful capital raise in Circa. The Norske Skog team in Australasia has been instrumental in our efforts to support Circa in scaling their technology and developing markets," says Sven Ombudstvedt, CEO of Norske Skog.


Photo: Carsten Dybevig

Norske Skog **sold forest assets in Tasmania**

Norske Skog entered into an agreement to sell its Tasmanian forest assets to a fund controlled by the Australian-based investment manager New Forests Pty Ltd. The sales price for the assets was AUD 62.5 million (NOK 388 million). The sale was accompanied by a long-term wood supply agreement to provide pulpwood to the Boyer Mill.

"The sale is part of the group's long-term strategy where released funds will enable the necessary conversions, investments in new green projects and investor policy to be fulfilled. I am satisfied that we also have assured a long-term softwood supply agreement for the Boyer mill," says Sven Ombudstvedt, CEO of Norske Skog.

Norske Skog Saugbrugs receives support to build demo plant for **production of CEBICO biocomposite**

Innovation Norway has allocated NOK 15 million to support the construction of a demonstration plant for the development of fibre composite production at Norske Skog Saugbrugs in Halden, Norway. This will accelerate the ongoing development work to industrialise the production of a new type of biocomposite, which can be included in furniture, packaging and car interiors.

The innovation provides a biocomposite which replaces plastic, reduces fossil CO_2 emissions, reduces oil consumption, provides better resource utilisation through increased use of recycled and renewable raw materials.

"We want to contribute to reduced plastic consumption by creating new, green products with significantly reduced carbon footprints, and find good solutions to recycle significantly more plastic than today. The plant is crucial for accelerating the industrialisation of new sustainable, bio-based products," says Managing Director Kjell-Arve Kure at Norske Skog Saugbrugs.


Photo: Erik Sandersen

Norske Skog Saugbrugs with **pioneering energy efficiency**

ENOVA and the NOX-Fund have allocated a total of NOK 66 million for energy-efficiency measures at Norske Skog Saugbrugs in Halden, Norway. Norske Skog Saugbrugs is investing a total of NOK 165 million in energy-efficiency measures at the plant. After extensive development work and successful investments over several years, Norske Skog Saugbrugs has already created one of the world's most energy-efficient processes to produce thermomechanical pulp (TMP) for magazine paper.


Photo: Enova

"Norske Skog Saugbrugs is an example of one of several Norwegian industrial companies that do world-class energy-efficiency work. In Halden, this project will contribute to a significant decline in electricity consumption," says Enova's Strategy Director Tonje Foss.

Norske Skog to enter the European packaging markets with **Strato**

Norske Skog will take a major step towards a growing and high-margin business by converting two newsprint paper machines into renewable containerboard production. The conversions at Norske Skog Golbey og Norske Skog Bruck will introduce 765 000 tonnes of competitive containerboard capacity to meet the growing demand for renewable packaging. Following the conversions, both mills will have access to green energy and have reduced their carbon footprints to become among the best performers in the industry.

"This is a milestone in Norske Skog's strategy to become a leading European packaging producer through conversion of publication paper capacity. This marks an important step in Norske Skog's evolution as we look to enhance long-term value for all stakeholders," says Norske Skog's Chair of the Board John Chiang, who also represents the largest shareholder Oceanwood.

Norske Skog plans to invest approximately EUR 350 million in the conversion projects over an 18-month period commencing in second half of 2021. Containerboard production will be based on recycled fibre and will reduce the mills' electricity consumption. Boilers to be constructed at the sites will provide efficient and environmentally friendly off-take of residual materials, and in return generate green steam for sustainable containerboard and paper production and green electricity for the power grids.

Strato is the new brand name for our packaging. It was the winner among the 164 contestants in an internal name competition among all employees. The HR Manager at Norske Skog Bruck Gert Pfleger, who won the competition, says: "Strato is the Italian word for layer, also in the sense of the stratosphere covering and protecting the world."

Photo: Adobe Stock

"The Containerboard Branding Team will now continue to shape the Norske Skog story, develop tools to enter the containerboard market and start communicating with potential customers", says Marleen van den Berg, VP Containerboard Sales.

From newsprint to Converting paper grade at Norske Skog Tasman

Photo: Norske Skog Tasman

The impact of COVID-19 on Norske Skog's regional business in Australasia has been dramatic and irreversible. The current business conditions are such that continuing to make newsprint at the Norske Skog Tasman mill is now no longer viable. In order to address this, Norske Skog has initiated the transition from manufacturing newsprint to the production of converting grade paper for supplies into the Asian packaging markets.

"We believe this to be the best strategic option for the Tasman mill and for the ANZ region as a whole. Existing assets and infrastructure on the Tasman site allow for production of approximately 180 000 tonnes per annum of converting grade paper. The transition is enabled by using the same production process, employees and equipment with very limited investments", says Regional President Eric Luck.

Converting grade paper is produced by drying mechanical pulp, made with specific properties suited to each customer, and based on roundwood and sawmill chips, through the paper machine, and it can be used directly in the manufacture of containerboard, or alternatively be repulped.

CEBINA
– environmentally improves other products

"The CEBINA sales in the fourth quarter are incredibly exciting. We have been able to establish promising cooperation with companies, consultants and researchers, who see the unique potential in the green and sustainable product we have developed," says Hugo Harstad, Commercial Development Director of CEBINA at Norske Skog Saugbrugs.

Photo: Eivind Nag, Adsign

CEBINA replaces existing viscosifiers used in epoxy, adding improved flow properties. Epoxy based on CEBINA is of particular interest due to its health and environmental qualities, as well as reduced time in deployment. Beyond epoxies, new variants of CEBINA will add similar benefits to glue and paint. Production capacity for CEBINA will be expanded in line with increased demand.


Photo: K9 project group

Norske Skog Bruck **progress well** towards the start-up of its new energy boiler

Norske Skog Bruck has during 2020 progressed according to plan with its new energy boiler. The new boiler which will be delivered by Valmet and start up in the first half of 2022. The EUR 72 million investment will improve the mill's cost competitiveness, reduce its carbon footprint and create new business beyond publication paper by generating revenue from combustion of refuse-derived fuels (RDF).

"This project is a further step of our green diversification initiatives in the Norske Skog group and a milestone for the further development of the Bruck site," says Enzo Zadra, Managing Director of Norske Skog Bruck.

With a fuel power of 56 megawatts, the new boiler will run mainly on RDF, pulper rejects and sludge with natural gas as a second fuel. It will partly replace the steam production of existing natural gas-fired boilers as well as supply heat to the paper mill and the local district heating network in Bruck, resulting in lower CO_2 emissions.

ABOUT NORSKE SKOG'S operations

SUMMARY

Norske Skog is a world leading producer of publication paper with strong market positions and customer relations in Europe and Australasia. The Norske Skog group operates four mills in Europe, of which two will produce recycled containerboard following planned conversion projects. In addition, the group operates one publication paper mill, a converting grade mill and one pellet facility in Australasia.

Norske Skog aims to further diversify its operations and continue its transformation into a growing and high-margin business through a range of promising converting, energy and fibre projects. The group has approximately 2 332 employees in five countries, is headquartered in Norway and listed on the Oslo Stock Exchange under the ticker NSKOG.

PUBLICATION PAPER

The group's newsprint paper products include standard and improved grades, while the group's magazine paper products comprise uncoated super-calendared paper ("SC") and lightweight coated paper ("LWC"). The end uses of the group's products are mainly newspapers and magazines, but also include catalogues, inserts/flyers, supplements, free-sheets, directories, direct mail, brochures and book paper. The group sells its products under well-known brands, including Nornews, Norbright, NorX, Norstar, Norcote, NorSC, Norbook, Vantage and Tasman Directory. The group's customers include publishers of leading newspapers and magazines in Europe, Australasia and the rest of the world. The group has longstanding relationships with several of its largest customers. In Europe, the group serves a diversified customer base including internationally recognised publishers, retailers and commercial printers, with the top 15 customers representing approximately 30% of revenue.

The group's market shares based on production capacity for newsprint, SC magazine paper and LWC magazine paper in Western Europe are approximately 22%, 12% and 5% respectively, according to PPPC. In Australasia, the group is the sole producer of publication paper, but the group estimates a market share in terms of publication paper deliveries of approximately 80% for newsprint and 43% for magazine paper.

NEW ACTIVITY

Norske Skog plans to become a leading European producer of recycled containerboard by converting two newsprint machines, one at Norske Skog Bruck and one at Norske Skog Golbey. The conversions will introduce 765 000 tonnes of competitive containerboard capacity to meet the growing demand for renewable packaging. Detailed engineering for the containerboard projects in Austria and France is on track for a final investment decision in the first half of 2021. The group has chosen Strato as the new packaging product brand name.

Following the conversions, both mills will have access to renewable energy and will have reduced their carbon footprints to become among the best performers in the industry. The instalment of a 50 MW renewable waste-to-energy boiler in Austria is scheduled for start-up in the first half of 2022.

Norske Skog actively works to realise value from the industrial sites by developing existing infrastructure and industry competence. Norske Skog ceased newsprint production at the Tasman mill at the end of the fourth quarter, and now delivers converting grade paper to customers in the Asian packaging market. In New Zealand, the recent scale-up of wood pellets production capacity has been highly successful and the facility now produces around 90 000 tonnes.

Norske Skog aims to further diversify its operations and continue its transformation into a growing and high-margin business through a range of promising converting, energy and fibre projects.

Norske Skog is the largest shareholder in Circa Group, which during the fourth quarter 2020 received a EUR 9.2 million EU Flagship Grant for the production of a first-of-its-kind 1 000 tonnes biochemicals plant in France. Circa Group has been listed on the Euronext Growth market in Oslo during the first quarter of 2021 with the purpose of raising the required capital for construction of the plant and continued market introduction of its biochemicals.

Following significant marketing efforts and customer testing in 2020, CEBINA is now sold and delivered to customers in Norway and internationally. CEBINA is a natural fibre product developed at Norske Skog Saugbrugs, which adds rheology control in fluids and armouring in solid materials.

Norske Skog has started building a pilot plant for fibre composites at its Saugbrugs mill In Norway, which Innovation Norway has given a grant of NOK 15 million.

STAKEHOLDER AND materiality analysis

The stakeholders affect Norske Skog's decisions, activities and performance in many ways. In our opinion, our most important stakeholders are our own employees, local communities where we operate, investors and owners, customers and our key suppliers. When determining which sustainability topics that are the most material ones for Norske Skog, we have also assessed to what extent different stakeholder groups are affected by our activities and/or to what extent they are affecting our sustainability work and performance. This is based on our ongoing interactions and dialogues with the different stakeholder groups. One example is that the commercial organisation in Norske Skog regularly performs customer surveys. The most important customers are followed up closely for each delivery. Other examples of cooperation and interaction with different stakeholders are included under the different sections of the sustainability report.

The materiality analysis highlights areas of opportunity and risk that will be fundamental to the group's strategy and integrated in daily operational activities. Environmental issues have been a concern to a great number of stakeholders since the start-up of Norske Skog in 1962. The environmental category has undergone a substantial quality improvement. The group has achieved significant results in collaboration with stakeholders, national authorities and employee initiatives. Norske Skog has also through the years been nationally recognised for its labour practices and excellent work environment, and the outstanding health and safety performance compared to the industry average.

The materiality analysis has been revised and approved by the corporate management after thorough discussions with key employees throughout the entire organisation. The new SDG strategy is based on both external and internal input.

Photo: Carsten Dybevig

The outcome of the materiality review shows that the GRI Standards topics with the most vital impact on Norske Skog's operations are:

- Economic performance
- Waste
- Occupational Health and Safety
- Energy
- Public policy

The most vital GRI standard topics to the sum of our external stakeholders were:

- Economic performance
- Water and effluents
- Customer health and safety
- Non-discrimination

Our priorities will have a significant impact throughout the sustainability report, and are included in the presentations related to each of the 17 UN Sustainable Development Goals. A total overview of which GRI Standards we report on, can be seen from the GRI Index presented in the back of this report and also on our homepages below:

https://www.norskeskog.com/Responsibility/Corporate-social-responsibility-(CSR)/Global-Reporting-Initiative-(GRI)/GRI-table

THE SUSTAINABLE DEVELOPMENT GOALS are an integral part of our strategy

The UN Sustainable Development Goals (SDGs), adopted by world leaders in September 2015, are a call for action for all countries and businesses to promote prosperity while protecting the planet. The 17 SDGs address the global challenges we face, including those related to poverty, inequality, climate, environmental degradation, prosperity, and peace and justice. The SDGs interconnect, and it is important that the world achieves each of the SDGs and its targets set for 2030.

Norske Skog supports all 17 SDGs, but realize that some are more relevant to our business than others. During 2020, we have assessed which of these 17 goals that we consider are the most relevant for Norske Skog, and those where we believe we can make a difference and contribute positively.

WE HAVE ASKED OURSELVES THESE QUESTIONS:

- To what extent do the SDGs affect our operations and business strategies?
- To what extent may we influence and contribute to the achievement of the specific goal?

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 believe that we can make the greatest difference and contribute positively through the prioritized SDGs highlighted in the illustration.

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.

To be a profitable business is fundamental for creating jobs and value for society through our operations and products. Profit must be created in a sustainable and responsible way. This means that, besides being a financially profitable business, we must have a strong governance practice, the way we operate must be safe for our employees, and we need to continuously improve through innovation.

Our operations must be based on sustainable sourcing, e.g. using certified wood and chips documented through Chain of Custody. We must be resource and energy effective in all our operations. Environmental impacts from our supply chain and our mills must be minimized.

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, crucial stakeholders, especially the press and investors. In 2020, the group reviewed the business climate risks and opportunities and related these findings 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.

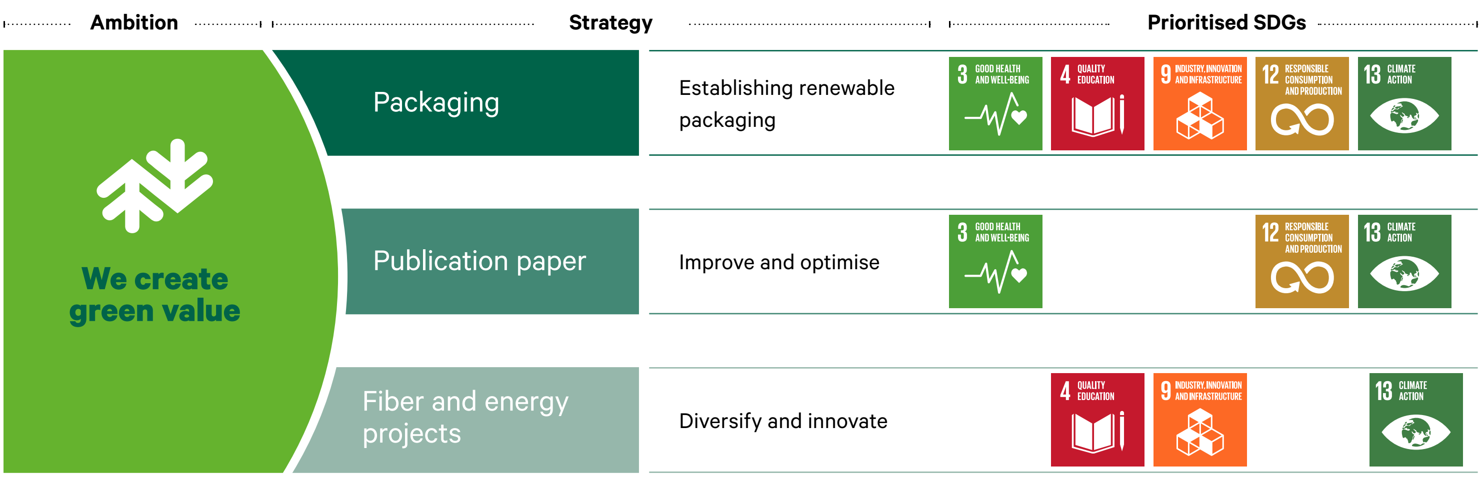
To make the new SDG targets relevant for the board, management and the rest of the group, the intention was to align and integrate the 5 prioritized sustainable development goals to the resolved strategic goals already effectuated by the board of directors.

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

For each of the prioritized SDGs, we summarize in this report how we relate to the goals, e.g. our ambitions and relevant targets and actions initiated or planned. For the SDGs considered less relevant to Norske Skog, we provide a brief description of ambitions and performance.

THE SDGS ARE AN INTEGRAL PART OUR STRATEGY



Compliance

Non-compliant and unethical conduct can have severe consequences, and entails both substantial economic losses and reputational damage. Norske Skog's aim is to be a "best in class" industry partner for our suppliers, customers and other business relations, and an attractive investment for our shareholders.

Norske Skog has common standards for all business units and employees to ensure compliance (the Steering Guidelines), and a Code of Conduct which all of our business partners shall adhere to. This strengthens the quality of our operations and promotes our predictability and credibility with customers, suppliers and other partners, and consequently Norske Skog's commercial position. Norske Skog has established a system where a compliance officer for the group ensures that that the Steering Guidelines are up to date and ensures that adequate internal control systems exist globally and locally. However, the responsibility to comply with the Steering Guidelines on a day-to-day basis lies with the line organisation at each of our business units as compliance must take place where the risk lies, primarily in the production and commercial operations and their associated activities.

Norske Skog has for a number of years maintained a whistle-blowing channel, where an employee can report irregular conditions or matters he/she finds difficult to report directly to immediate superiors. Norske Skog considers it important that each employee is ensured confidential and serious treatment of reported issues, and all reports are handled in accordance with written procedures set out in the Norske Skog Reporting Routines. Non-compliant and unethical conduct can be reported to compliance@norskeskog.com.

About the sustainability report

Norske Skog is committed to contribute to sustainable development and supports the ten principles in the UN Global Compact.

Norske Skog also supports 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 sustainability information which Norske Skog believes covers the material sustainability aspects. For the environmental data, it covers the value chain of the group's activities. Sustainability data for 2020 includes all paper mills at 31 December 2020.

Environmental data has been collected from the mills using established reporting routines. These include monthly standardised reporting for the key environmental data as well as a standardised collection of supplementary information on an annual basis. Data from this reporting is collated by the environment manager on the group level in standardised monthly reports to the corporate management and to the board quarterly. Similarly, people data, and health and safety data are collected from the mills with monthly reporting to the corporate management and quarterly to the board quarterly.

The sustainability report consist of three elements:

1 Materiality analysis and TCFD (task force on climate-related financial disclosures
2 Sustainability Development Goals
3 Corporate governance


Photo: Carsten Dybevig

We have summarized what the prioritised 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.

Sustainability Development Goals overview	E/S/G & E*	Ambition/ Area
1 NO POVERTY	G & E	To create shareholder value.
3 GOOD HEALTH AND WELL-BEING	S	To inspire others to learn from our 'best in class' occupational health and safety standards.
		To increase job attendance for all employees.
		To ensure a healthy and safe working environment.
4 QUALITY EDUCATION	S	To attract and to keep top talent.
		To invest in our people through training and development.
		To prepare Norske Skog for entering the containerboard market in 2023.
		To invest in our people through training and development.
9 INDUSTRY, INNOVATION AND INFRASTRUCTURE	G & E	To develop sustainable industrial clusters utilizing existing site infrastructure and contribute to economic growth.
		To commercialize promising and profitable innovation results.
		To align innovation activities with the long term group strategy.
		To perform R&D activities at all business units based on Norske Skog's position in the fiber value chain.
		To increase the level of sustainability through knowledge sharing across business units to strengthen continuous improvement activities and product development within the existing core business.
11 SUSTAINABLE CITIES AND COMMUNITIES	S	To understand the actual and potential impacts our operations have on local communities, and to understand their expectations and needs.
	E	To report the extent of development of significant infrastructure investments and services supported, both current or expected impacts on communities and local economies.
12 RESPONSIBLE CONSUMPTION AND PRODUCTION	E	To ensure sustainable use of materials and energy in our operations.
		To operate mills with high energy efficiency.
		To reduce COD to recipient.
		To reduce emissions of SO_2 and NOX from our operations.
		To reduce waste from our operations.
	G	To ensure sustainable sourcing of raw material.
		To ensure responsible supplier value chain handling.
13 CLIMATE ACTION	E	To reduce GHG emissions.
		To use sustainable energy sources.
		To handle climate risk and business opportunity understanding.
16 PEACE, JUSTICE AND STRONG INSTITUTIONS	G	To abstain from financial and in-kind political contributions.
	S	To ensure our customers healthy and safe working environment.
	G	To abstain from anti-competitive behavoiur and adhere to relevant competive legislation.
	S	To have no tolerance for discrimination on grounds of race, color, sex, religion, political opinion, national extraction, or social origin as defined by the ILO, or other relevant forms of discrimination involving internal and/or external stakeholders.
	G	To have no tolerance for practices such as bribery, facilitation payments, fraud, extortion, collusion, and money laundering; the offer or receipt of gifts, loans, fees, rewards, or other advantages as an inducement to do something that is dishonest, illegal, or represents a breach of trust. This also include practices such as embezzlement, trading in influence, abuse of function, illicit enrichment, concealment, and obstructing justice.
	G	To prohibit the use of child labor within our operations and avoid contributing to the use of child labor suppliers and customers.

** E/S/G&E: Environment / Social / Governance and Economy*

Targets	Planned activities
To achieve an EBITDA margin of more than 10%.	Adhering to operational budget plans and corrective actions.
To achieve net debt/EBITDA ratio of 2 or less.	Financing activities adapted to operational profit capacities.
To share knowledge through relevant professional forums and industry organisations.	Facilitating internal cross-BU knowledge sharing: Defining knowledge network vital to increase HESQ innovation across Norske Skog. Reviewing and developing e-Learning HESQ-material for local traning. Focusing on Contractor Management contracts.
To reduce absenteeism.	Developing local and community BU medical centres. Providing medical assistance for injuries but also provides extensive health and well-being programmes for Norske Skog staff.
To reach zero personal injuries (H1 and H2)	Changing to the latest version of DNV Synergi, including releasing new training program for users. Developing a new HESQ Leadership Training program. Performing a regular self–assessments to identify focus areas for improvement.
To achieve at least 75 % of new hired skilled workers to be recruited from apprentices programs by 2025.	Implementing advanced apprentice programs at all mills, including extended training programs.
To offer ten trainee positions or internships for master degree students annually.	Cooperating with local schools and selected universities about relevant programs.
To establish three knowledge networks to capture critical competence and facilitate knowledge transfer throughout the group.	Establishing and operating three knowledge networks, led by Champions by the end of 2021, and reinvigorating the Norske Skog Academy and NSPS-modules.
To establish three knowledge networks to capture critical competence and facilitate knowledge transfer throughout the group.	Establishing a containerboard knowledge network in 2021, including reviewing the sales organisation, and delivering a market knowledge program.
To achieve a 100 % completion rate for annual performance reviews and development plans by 2023.	Offering training and supplementary education for all through their entire job career, i.e. annual review of performance and revision of annual plans for training and development.
To provide training modules for technical core skills, soft skills and compliance skills.	
To achieve 50 % of revenue from new business areas by 2030.	Investing in packaging, energy and fibre projects.
To achieve 50 % of revenue from new business areas by 2030. To achieve at minimum an IRR of 10% on new investement projects.	Establishing Steering Committees at group level to ensure needed anchoring and allocation of necessary resources to speed up and succeed with commercialisation of new business opportunities.
To achieve 50 % of revenue from new business areas by 2030.	Ensuring alignment through group annual strategy discussions in corporate management.
To achieve 50 % of revenue from new business areas by 2030.	Reporting R&D activities in the mills to corporate management through the budget process.
To reach a minimum of 20 annual continuous improvement activities, and all mills contributing.	Evaluating the continuous improvement activities and the impact they have on the SDG targets compared to planned activity.
To report the significant social, environmental, safety and economic impacts our operations have on the local communities.	Cooperating with local community organisation and being open and honest about environment, safety and economic issues with relevant community bodies.
To report examples of significant identified indirect economic impacts of the organisation also in the context of external benchmarks and stakeholder priorities, such as national and international standards, protocols, and policy agendas.	Cooperating and communicating openly with the local community about company strategy and investment plans as early as possible.
To achieve efficient use of biprocess streams in the production process to create biobased-energy or biproducts for sale.	Utilising bi-products from the entire production process.
To measure the level of CAPEX used on energy efficiency / energy-source improvements.	Establishing specific activities and investments in energy efficiency and changes in energy-source, i.e. activities from the CAPEX-lists and the continuous improvement programs.
To install anaerobic wastewater treatment and biogas at all European mills (% installed) within 2030.	Investing in anaerobic WW-treatment and biogas production at all European mills.
To be compliant to emission permits and regulations.	Performing mill activities related to SO_2 and NOX improvements.
To have no ash delivered to landfill in 2030.	Establishing procedures and/or ash product development.
To achieve 100% certification of all wood used for our products.	Reviewing internal control routines to measure and reach the certification target.
To ensure supplier adherence to Norske Skog code of conduct within 2023.	Maturing sustainable sourcing practices by updating Code of Conduct, questionnaire for suppliers on ESG-topics and routines for audit of suppliers.
To reduce CO_2 emission kg/ton paper (baseline 2015) by 55% in 2030 (Scope 1 & 2).	Investing in packaging and promising energy and fibre projects.
To have net zero CO_2 emission kg/ton paper in 2050.	Participating in CCS and CCU activities at Skogn and Saugbrugs.
To reduce Scope 3 GHG emissions by collaborating with external parties.	Collaborating with transporters to utilize CO_2-free vehicles such as train for truck programs at the mills.
To reduce dependency of fossile energy sources.	Investing in biomass-boilers to replace fossile energy sources at the mills.
To review the annual climate risk plan and business opportunity analysis.	Performing an annual climate risk and opportunity analysis for each business unit.
To report which political topics and influence channel the group has used.	Involving in political tasks through the Norwegian Federation of Trade and Industry, the Norwegian Pulp and Paper organisation, CEPI, and through other relevant partnerships.
To report percentage of significant product and service categories for which health and safety impacts are assessed for improvement.	Performing reviews of relevant health and safety hazards our products expose to our customers.
To report the number of legal actions pending or completed during the reporting period regarding anti-competitive behavior and violations of anti-trust and monopoly legislation in which the organisation has been identified as a participant. To report the main outcomes of completed legal actions, including any decisions or judgments.	Performing annual reviews with relevant personnell and agents on relevant anti-competitive legislation and Norske Skog Steering Guidelines.
To report the total number of incidents of discrimination during the reporting period.	Identifying through formal process(es) and instance(s) of non-compliance to relevant non-dicriminatory Steering Document procedures, including management system audits, formal monitoring programs or grievance mechanisms (whistleblower channels).
To report the total number and percentage of operations assessed for risks related to corruption, and the significant risks related to corruption identified through the risk assessment. To report the total number and nature of confirmed incidents of corruption: in which employees were dismissed or disciplined, when contracts with business partners were terminated or not renewed, public legal cases against the organisation or its employees.	Reviewing the Steering Guidelines annually and performing mandatory compliance review and training for relevant personell and business partners and other relevant to our business periodically or when needed.
To report operations and suppliers considered to have significant risk for incidents of: child labor and young workers exposed to hazardous work, child labor either in terms of type of operation (such as manufacturing plant) and supplier, or countries or geographic areas with operations and suppliers considered at risk.	Reviewing the Steering Guidelines and Code of Conduct annually and performing mandatory compliance review and training for relevant personell and business partners and other relevant to our business periodically or when needed.

Prioritised SDGs

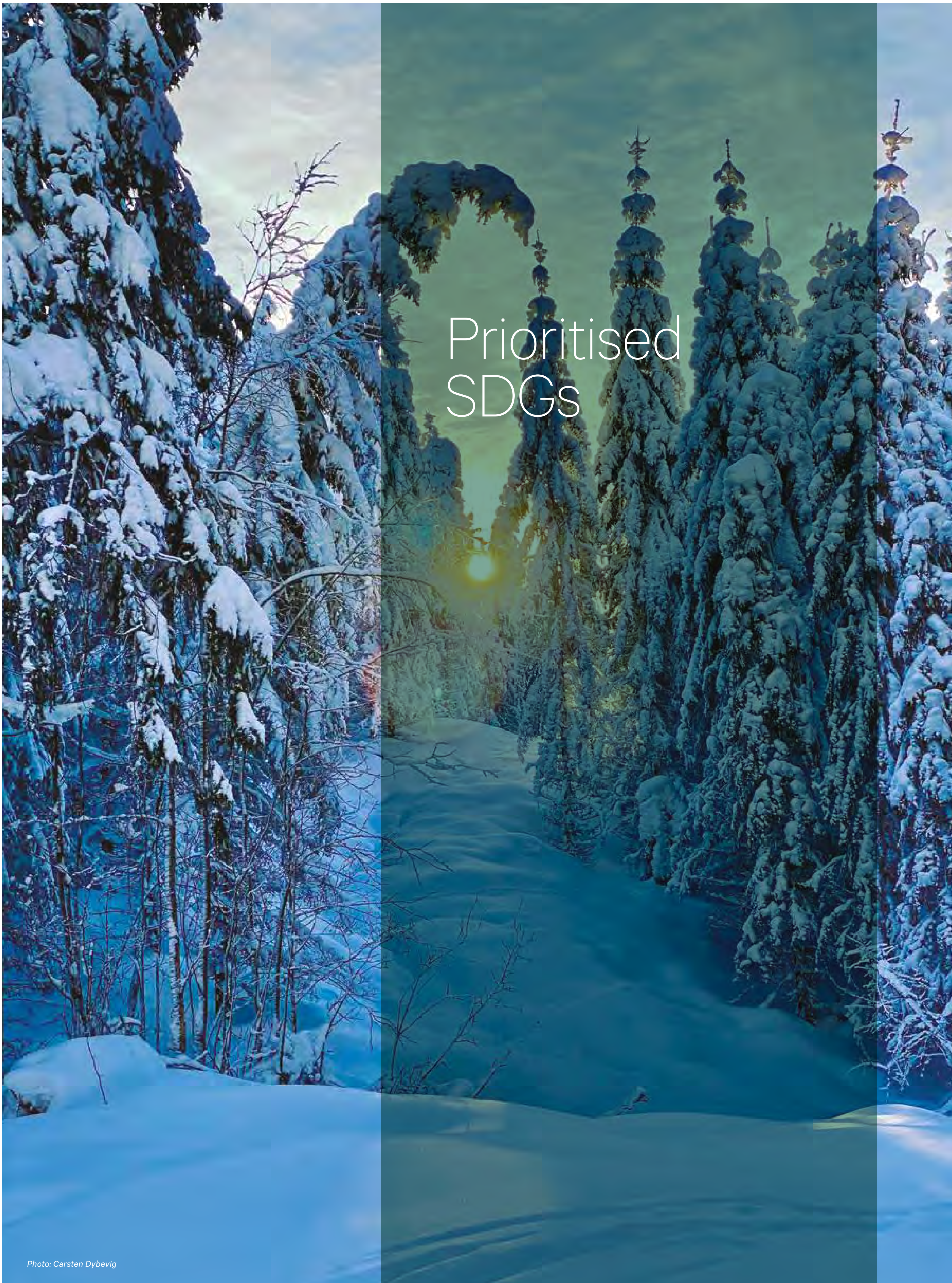


Photo: Carsten Dybevig

3 GOOD HEALTH AND WELL-BEING

Ensure healthy lives and promote well-being for all at all ages

E/S/G & E	Ambition/ Area	Targets	Planned activities
	To inspire others to learn from our 'best in class' occupational health and safety standards.	To share knowledge through relevant professional forums and industry organisations.	Facilitating internal cross-BU knowledge sharing: Defining knowledge network vital to increase HESQ innovation across Norske Skog. Reviewing and developing e-Learning HESQ-material for local traning. Focusing on Contractor Management contracts.
S	To increase job attendance for all employees.	To reduce absenteeism.	Developing local and community BU medical centres. Providing medical assistance for injuries but also provides extensive health and well-being programmes for Norske Skog staff.
	To ensure a healthy and safe working environment.	To reach zero personal injuries (H1 and H2).	Changing to the latest version of DNV Synergi, including releasing new training program for users. Developing a new HESQ Leadership Training program. Performing a regular self–assessments to identify focus areas for improvement.

** E/S/G&E: Environment / Social / Governance and Economy*

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

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

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

OUR IDENTIFIED NINE KEY ELEMENTS (STANDARDS) ARE:

- Leadership commitment
- Employee participation and safe behaviour
- Training and competence
- Hazard and risk management
- Management systems, reviews, audits, inspections
- Performance measurement and reporting
- Emergency preparation and response
- Health
- Contractors

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

THE OBJECTIVES OF THESE STANDARDS ARE AS FOLLOWS:

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

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

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

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

All our business units also have local health, safety and environmental (HSE) forums where the company and trade unions have regular meetings to address local HSE issues. At these meetings, there should be an equal number of representatives from the company and the employees, with as many different groups as possible from within the organisation represented. If the organisation has Occupational Health Services, it should also be represented on the committee. Occupational Health Services should be an advisory and independent body, and represent the interests of both the employer and the employees.

Norske Skog has used Synergi Life for many years, which is an operational risk management tool from DNV GL. We have a monthly Management Focus Report (MFR), which is distributed to all business units for internal distribution and includes type of injury and rates of injury, occupational disease rate, lost working days due to accidents, absenteeism, total number of work-related personal injuries and fatalities, by region and business unit. All business units report this information in the Synergi Life database system (Synergi), which is also a source for the transfer of experience and sharing of best practices. Reports from Synergi are analysed and form the basis for our internal HSE audits conducted by our HSE staff at the group level.

Norske Skog is committed to provide a safe working environment for our employees, contractors and visitors. Health and safety considerations are integrated into the day-to-day business of Norske Skog and apply to every organisation within Norske Skog and every activity carried out by its employees and contractors.

Norske Skog aims to have zero injuries, reduce sickness absence rates and to increase focus on job attendance for all employees.

PERFORMANCE:
Norske Skog had an absence rate due to sickness of 4.2 per cent in 2020. This is a slight increase from last year. It was an increase from 0.5 in 2019 to 0.8 in the H1 level for 2020, lost time injuries per million working hours.

The IA Agreement has been renewed and continues the operational objectives for the cooperation:

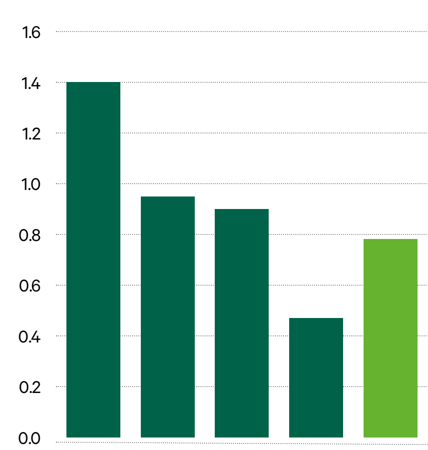
- Reduce sick leave
- Reduce employment dropout rates
- Increase employment of people with functional impairments
- Increase the retirement age

Our work with the IA Agreement has been extended to apply to all of Norske Skog's business units and is intended to be an integral part of our targeted health, safety and environmental (HSE) work.

HEALTH & SAFETY INDICATORS	RESULT 2020	STRETCH TARGET 2020 AND 2021	COMMENTS
H1 [1]	0.8	0	Best H1 result was in 2019 at 0.5
H2 [2]	6.6	0	
Absence due to illness	4.2	NA	

[1] *Lost time injuries per million working hours*
[2] *Total number of injuries with and without lost time per million working hours*

H1 DEVELOPMENT
Lost time injuries per million working hours



Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all

E/S/G & E	Ambition/ Area	Targets	Planned activities
S	To attract and to keep top talent.	To achieve at least 75 % of new hired skilled workers to be recruited from apprentices programs by 2025.	Implementing advanced apprentice programs at all mills, including extended training programs.
		To offer ten trainee positions or internships for master degree students annually.	Cooperating with local schools and selected universities about relevant programs.
	To invest in our people through training and development.	To establish three knowledge networks to capture critical competence and facilitate knowledge transfer throughout the group.	Establishing and operating three knowledge networks, led by Champions by the end of 2021, and reinvigorating the Norske Skog Academy and NSPS-modules.
	To prepare Norske Skog for entering the containerboard market in 2023.		Establishing a containerboard knowledge network in 2021, including reviewing the sales organisation, and delivering a market knowledge program.
	To invest in our people through training and development.	To achieve a 100 % completion rate for annual performance reviews and development plans by 2023.	Offering training and supplementary education for all through their entire job career, i.e. annual review of performance and revision of annual plans for training and development.
		To provide training modules for technical core skills, soft skills and compliance skills.	

** E/S/G&E: Environment / Social / Governance and Economy*

Norske Skog's people and organisation strategy is to maintain a business-oriented, international organisation that attracts and retains highly competent and motivated employees on all levels around the world. We strive to give people the opportunity to grow personally and professionally in a stimulating working environment.

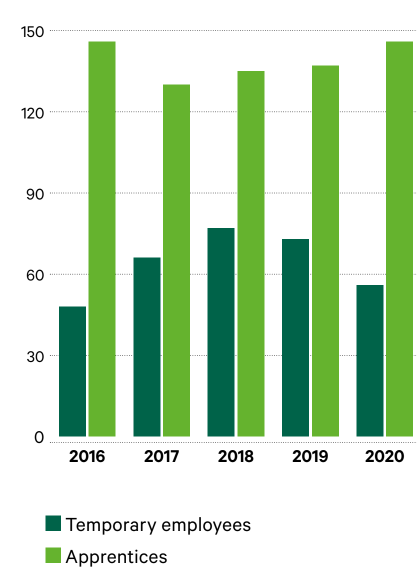
Our goal is to have a broad access to qualified personnel in a short and long-term perspective.

PERFORMANCE:
Norske Skog has a structured process for assessing people performance and creating targeted professional development for its human resources. We believe in developing people through their entire employment with Norske Skog, providing training, job enrichment and career opportunities.

We take pride in delivering advanced programmes for apprentices. These programmes are the preferred source when recruiting to our business and a key contribution from Norske Skog to society in terms of quality education. In 2020, 6% of our employees were apprentices and trainees. Most business units cooperate with selected schools, colleges and universities. Our engagement embraces activities such as mill visits, project work, diploma theses, trainee and apprentices' programmes.

In our internal continuous improvement programmes, we aim to share knowledge and learnings.

NUMBER OF APPRENTICES AND TEMPORARY EMPLOYEES



9 INDUSTRY, INNOVATION AND INFRASTRUCTURE

Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation

E/S/G & E	Ambition/ Area	Targets	Planned activities
G & E	To develop sustainable industrial clusters utilizing existing site infrastructure and contribute to economic growth.	To achieve 50 % of revenue from new business areas by 2030.	Investing in packaging, energy and fibre projects.
	To commercialize promising and profitable innovation results.	To achieve 50 % of revenue from new business areas by 2030. To achieve at minimum an IRR of 10% on new investement projects.	Establishing Steering Committees at group level to ensure needed anchoring and allocation of necessary resources to speed up and succeed with commercialisation of new business opportunities.
	To align innovation activities with the long term group strategy.	To achieve 50 % of revenue from new business areas by 2030.	Ensuring alignment through group annual strategy discussions in corporate management.
	To perform R&D activities at all business units based on Norske Skog's position in the fiber value chain.		Reporting R&D activities in the mills to corporate management through the budget process.
	To increase the level of sustainability through knowledge sharing across business units to strengthen continuous improvement activities and product development within the existing core business.	To reach a minimum of 20 annual continuous improvement activities, and all mills contributing.	Evaluating the continuous improvement activities and the impact they have on the SDG targets compared to planned activity.

** E/S/G&E: Environment / Social / Governance and Economy*

Norske Skog's research and development work is performed at the individual business units and in cooperation with external research institutions. The work is coordinated centrally, with the aim of leveraging synergies and best practices throughout the group. There is a continued focus on the evolution of paper products and new innovative green alternatives to existing resources.

Norske Skog continuously engages in low-cost R&D activities to explore new revenue sources. The efforts include both near-term and long-term projects across a wide range of initiatives. The initiatives are at various stages of the development cycle, from early-stage research to final stages of implementation and range from bioenergy production to development of biochemical and fibre products.

Investments into projects for alternative use of fibre and development of biochemicals are being done in the form of pilot plants that, if successful, can contribute to growth when commercialised.

The group's six paper mills are material industrial sites that offer possible attractive brownfield investment opportunities for investments such as packaging grades production, since a material part of the infrastructure at a publication paper mill can be re-used for packaging grades production such as containerboard. In addition, the logistics flow of inbound raw materials and outbound finished goods materials are very similar and offers synergies compared to a greenfield investment alternative. Finally, an existing publication paper mill will normally have all required permits and licenses in place for such a large-scale industrial production and the modification of existing permits to a different type of production may offer a less comprehensive and a quicker process compared to a greenfield investment alternative.

PERFORMANCE:

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

Photo: Erik Sandersen

Norske Skog plans to become a leading European producer of recycled containerboard by converting two newsprint machines, one at Norske Skog Bruck and one at Norske Skog Golbey. The conversions will introduce 765 000 tonnes of competitive containerboard capacity to meet the growing demand for renewable packaging. Detailed engineering for the containerboard projects in Austria and France are on track for a final investment decision in the first half of 2021. The group has chosen Strato as the new packaging product brand name.

Norske Skog employs dedicated R&D staff at all the paper mills, engaging in both the development of new publication paper products and researching opportunities within biochemical and fibre products than can replace petrochemical products. In addition to the R&D staff, the group employs personnel involved in developing and executing on opportunities for biogas, waste-to-energy facilities and alternative or additional methods of reusing the by-products from the production processes. The business units are all continuously working on improving existing publication paper products and finding new alternative purposes for our paper. For example, the Tasman mill has switched from producing standard newsprint to converting grades, utilising the strength potential in their furnish.

Norske Skog engages in several early-phase research projects into biochemical and fibre products.

Norske Skog has together with the Circa Group developed the Furacell process and invested in pilot plants at our Boyer mill that among other biochemicals produce Cyrene, which could represent the first biochemical solvent for use in the pharmaceutical industry to replace petrochemical products. Norske Skog is the largest shareholder in Circa Group, which has received a EUR 9.2 million EU Flagship Grant for the production of a first-of-its-kind 1 000 tonnes biochemicals plant in France. Circa Group has been listed on the Euronext Growth in Oslo during the first quarter of 2021 with the purpose of raising the required capital for construction of the plant and continued market introduction of its biochemicals.

The group is also engaged in developing nanofibrils for strengthening paper products, enhancing paint and glue, developing 3D composites and additives in nutritional products. Following significant marketing efforts and customer testing in 2020, CEBINA is now sold and delivered to customers in Norway and internationally. CEBINA is a natural fibre product developed at Norske Skog Saugbrugs, which adds rheology control in fluids and armouring in solid materials.

Norske Skog has started building a pilot plant for fibre composites at its Saugbrugs mill In Norway, which Innovasjon Norge has granted NOK 15 million.

The group engages in development of fibre-based construction board, the first of its kind, with high strength, low weight and without the use of glue and chemicals. The board can be used in all types of building construction, interior products and more.

The group has performed high-level feasibility studies on certain conversion options on the paper machines at the group's six paper mills. Attractive conversion options have been identified from a technical perspective and the group will continue to develop these options and the commercial side of a conversion project.


Photo: Tore Aarnæs

12 RESPONSIBLE CONSUMPTION AND PRODUCTION

Ensure sustainable consumption and production patterns

E/S/G & E	Ambition/ Area	Targets	Planned activities
E	To ensure sustainable use of materials and energy in our operations.	To achieve efficient use of biprocess streams in the production process to create biobased-energy or biproducts for sale.	Utilising bi-products from the entire production process.
	To operate mills with high energy efficiency.	To measure the level of CAPEX used on energy efficiency / energy-source improvements.	Establishing specific activities and investments in energy efficiency and changes in energy-source, i.e. activities from the CAPEX-lists and the continuous improvement programs.
	To reduce COD to recipient.	To install anaerobic wastewater treatment and bio-gas at all European mills (% installed) within 2030.	Investing in anaerobic WW-treatment and biogas production at all European mills.
	To reduce emissions of SO_2 and NOX from our operations.	To be compliant to emission permits and regulations.	Performing mill activities related to SO_2 and NOX improvements.
	To reduce waste from our operations.	To have no ash delivered to landfill in 2030.	Establishing procedures and/or ash product development.
G	To ensure sustainable sourcing of raw material.	To achieve 100% certification of all wood used for our products.	Reviewing internal control routines to measure and reach the certification target.
	To ensure responsible supplier value chain handling.	To ensure supplier adherence to Norske Skog code of conduct within 2023.	Maturing sustainable sourcing practices by updating Code of Conduct, questionnaire for suppliers on ESG-topics and routines for audit of suppliers.

** E/S/G&E: Environment / Social / Governance and Economy*

The highly simplified diagram on page 34 illustrates the paper production process. Main input materials are wood and/ or recovered paper, as well as electricity and chemicals. Wood and recovered fibres are separated during pulp production in two different processes.

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

The residues from the production processes are reused or disposed of in a number of ways: energy recovery, landfill, agriculture or sale/ delivery. Where possible, process residues are used to generate energy for the pulp and paper manufacturing process.

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

We will only use raw materials from sustainably managed sources. Our goal is to have 100% certified wood in our products.

Key objectives in all our business units are efficient production processes with high yield on raw material and energy utilisation. Norske Skog expects all of our business partners to comply with the applicable laws, regulations and principles set out in Norske Skog's Code of Conduct.

Norske Skog shall have an environmental performance that supports our customers in reaching their environmental objectives.

PERFORMANCE:

Norske Skog has systems and processes to make sure that all wood used in Norske Skog's products comes from sustainably managed forests. All Norske Skog mills utilising fresh fibre have third-party verified Chain of Custody (CoC) certification systems in place. The average share of certified fresh fibre in 2020 was 89%, the same as last year.

In 2020, Norske Skog consumed 2.85 million m^3 of fresh fibre and 0.61 million tonnes of recovered paper. On a tonnage basis, our largest consumption of recovered paper takes place in continental Europe. The fibre source used at the different Norske Skog mills depends upon availability and economic considerations. The minimisation of transport distances and costs is an increasingly important economic and environmental consideration.

The total quantity of production waste generated by the group in 2020 was 297 233 dry tonnes. 118 500 tonnes of ash were generated from combustion. In 2020, 82% of the waste was used as biofuel. Other residues, for example ash, are used in concrete or brick making, or in road construction. Agricultural re-use is also an option for some ash and organic materials. Part of the production residues are deposited in landfills. Hazardous waste amounted to 414 tonnes in 2020. Hazardous waste is disposed through authorised collection systems in accordance with national regulations.

Many of our mills participate in projects to find alternative or additional methods of reusing the by-products from the production processes.

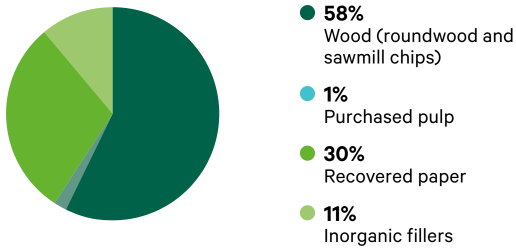
Our products come with an environmental product declaration for paper (Paper Profile) which guide the paper buyer according to environmental performance on standardised environmental parameters. All of Norske Skog's business units are certified in accordance with ISO 9001 and 14001.

Please refer to SDG 15 about sustainably managed forest and fibre sourcing, SDG 6 about clean water, and SDG 7 to read about energy utilisation.

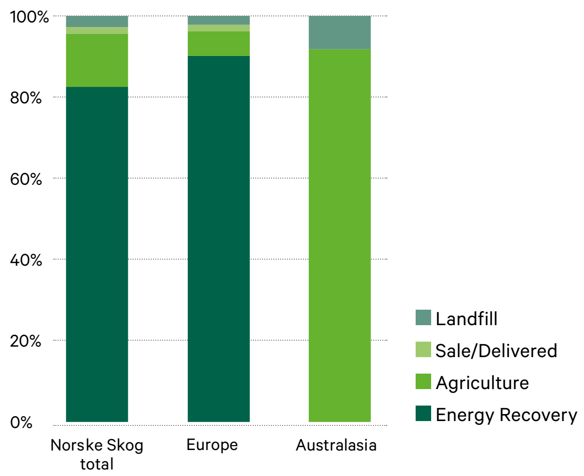
RECOVERED PAPER IN NEWSPRINT PRODUCTION

Norske Skog Golbey, France	87%
Norske Skog Bruck, Austria	66%
Norske Skog Skogn, Norway	18%

CONSUMPTION OF RAW MATERIAL IN 2020

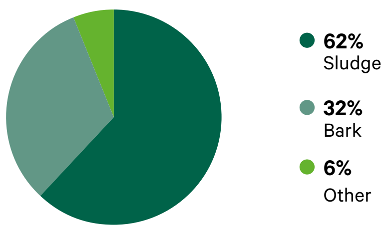


DISPOSAL OF MILL PRODUCTION WASTE



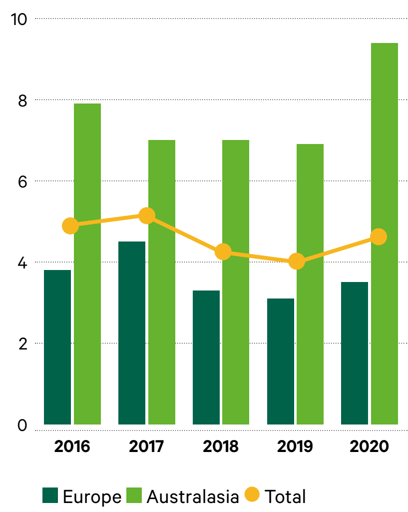
PRODUCTION WASTE

Total 297 233 tonnes



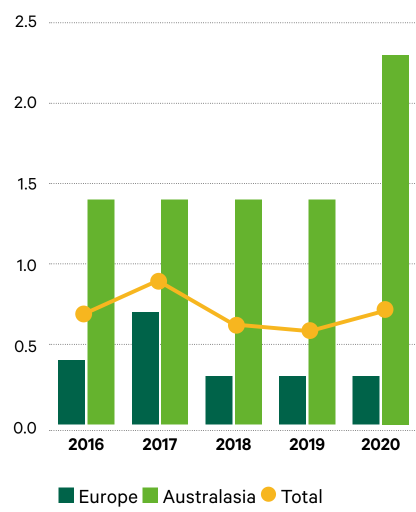
DISCHARGES OF ORGANIC SUBSTANCES (COD)

Kg per tonne of paper



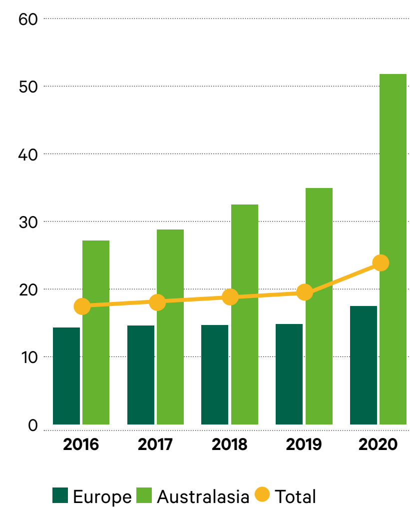
DISCHARGES OF SUSPENDED SOLIDS (SS)

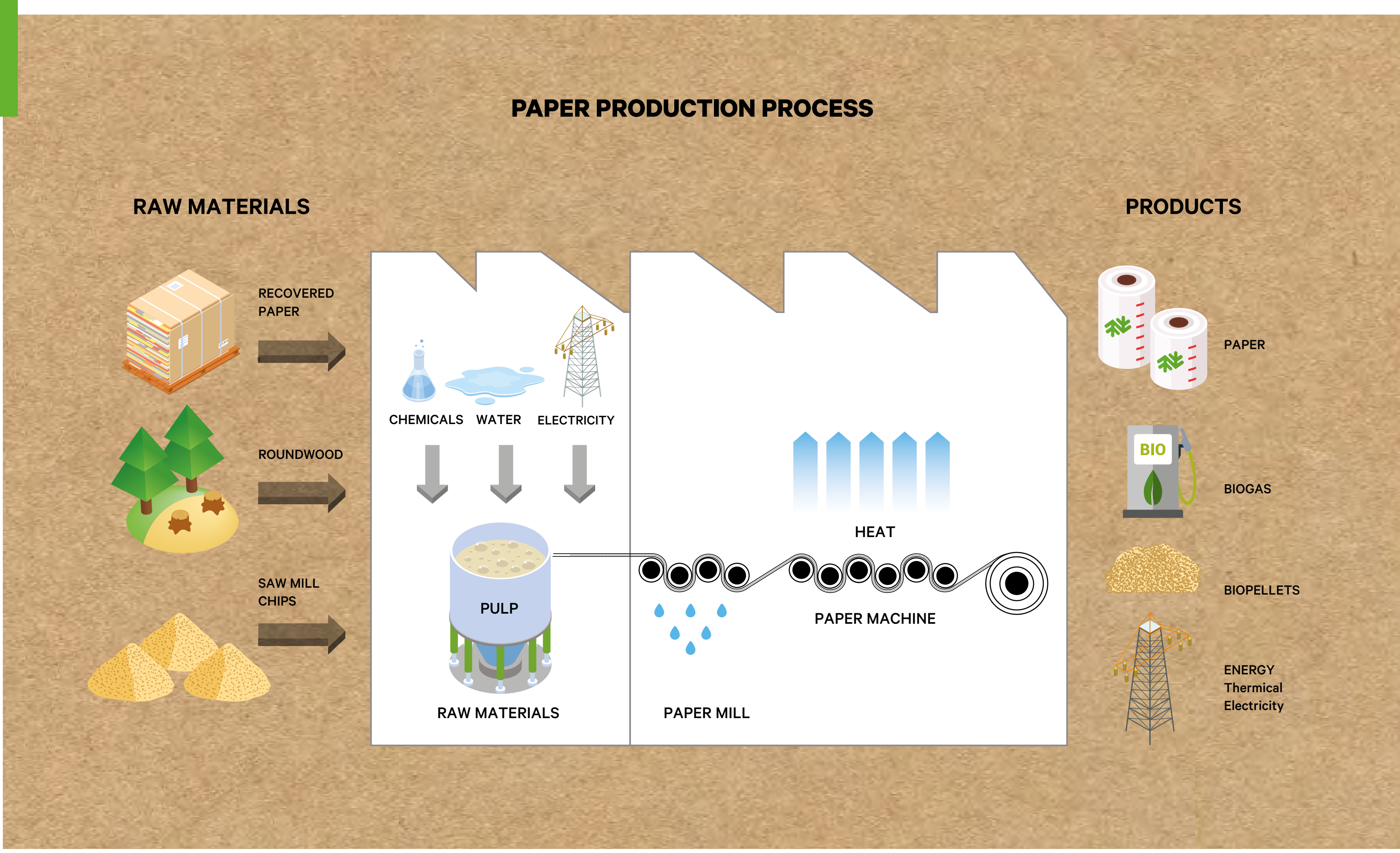
Kg per tonne of paper



DISCHARGES OF WASTEWATER

m3 per tonne of paper





13 CLIMATE ACTION

Take urgent action to combat climate change and its impacts

E/S/G & E	Ambition/ Area	Targets	Planned activities
E	To reduce GHG emissions.	To reduce CO_2 emission kg/ton paper (baseline 2015) by 55% in 2030 (Scope 1 & 2).	Investing in packaging and promising energy and fibre projects.
		To have net zero CO_2 emission kg/ton paper in 2050.	Participating in CCS and CCU activities at Skogn and Saugbrugs.
		To reduce Scope 3 GHG emissions by collaborating with external parties.	Collaborating with transporters to utilize CO_2-free vehicles such as train for truck programs at the mills.
	To use sustainable energy sources.	To reduce dependency of fossile energy sources.	Investing in biomass-boilers to replace fossile energy sources at the mills.
	To handle climate risk and business opportunity understanding.	To review the annual climate risk plan and business opportunity analysis.	Performing an annual climate risk and opportunity analysis for each business unit.

** E/S/G&E: Environment / Social / Governance and Economy*

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

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

Climate change is the environmental issue receiving the greatest attention today. In 2007, Norske Skog established a greenhouse gas reduction target of 25% in total emissions by 2020.

The European Union and related national governments have set forth new ambitious goals to reach carbon neutral societies by 2045. Norske Skog, together with other European and Norwegian industries, has adopted these ambitious goals and through our industrial organisations presented a proposed industrial road map to reach this ambition by 2045. The EU together with member state governments have introduced a comprehensive energy plan including various common and state programmes within technology development, energy efficiency and energy consumption to fulfil this ambitious goal.

PERFORMANCE:
Our carbon footprint, based on the CEPI carbon footprint tool, covers emissions from several elements of our value chain:

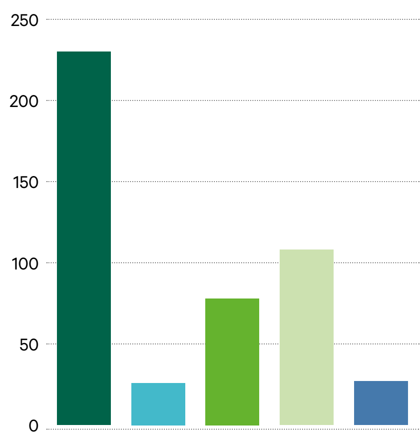
- Pulp and paper production
- Forest and recycling operations
- Producing other raw materials and fuels
- Purchased electricity and heat
- Transport: excluding transport to final customer which is calculated on a case-by-case basis

Carbon stored in forest products (biogenic carbon) is reported separately. We are working hard to reduce our carbon footprint. In 2020, we reached a level of 467 kg CO_2/tonne of paper – a reduction of 25.3% from 2019 mainly due to the removal of the Albury mill. Our greenhouse gas emissions were reduced by 47.7% from 2019 due to sale of Albury mill and lower production. By 2020, we have achieved a reduction of 52% since 2007, which is 32% points above the target.

Some of our mills are located in areas where drought/access to water and/or flooding might become a risk with changed climate. In 2020, Norske Skog performed a thorough review of the climate risks related to our mills.

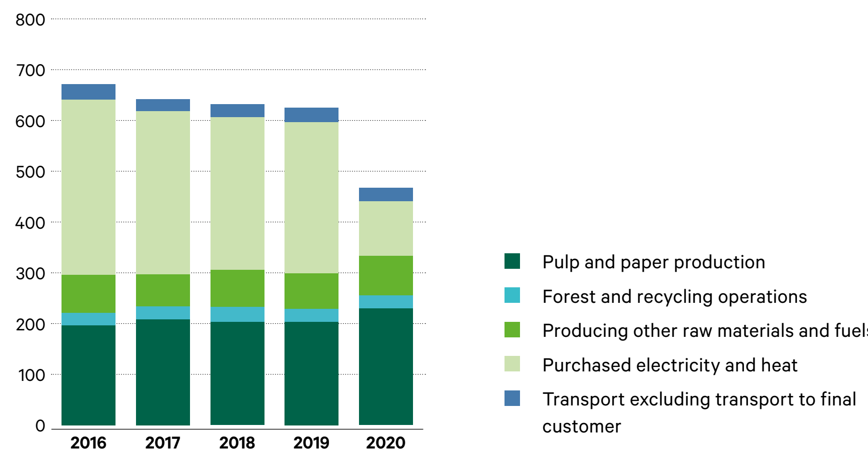
Please refer to SDG 7 to read more about energy consumption and production.

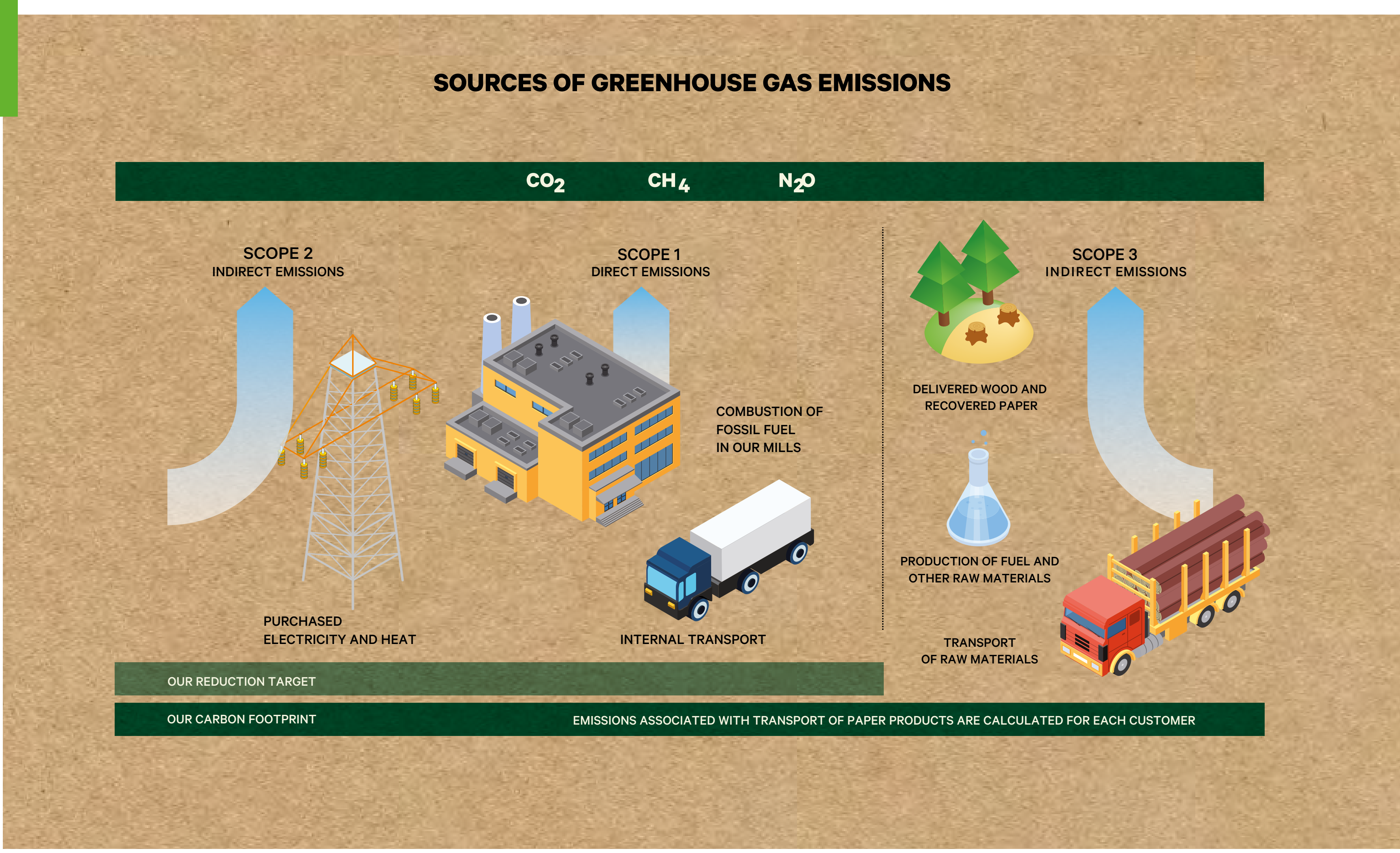
CARBON FOOTPRINT IN 2020 PER TYPE OF GREENHOUSE GAS EMISSIONS *Kg CO_2/tonne of paper*



CARBON FOOTPRINT DEVELOPMENT

Kg CO_2/tonne of paper





NORSKE SKOG GREENHOUSE GAS EMISSIONS	CO_2	CH_4	N_2O	CO_2-equiv 1000
Direct (Scope 1) Emissions	**1000 tonnes**	**tonnes**	**tonnes**	**tonnes**
Direct emissions from stationary fuel combustion	404	17	2	405
Direct emissions from transportation and mobile sources	4	0	1	5
Total direct emissions	409	17	3	410
Indirect (Scope 2) Emissions				
Indirect emissions from steam and power imports	194	0	0	194
Total Fossil Fuel Based Emissions (Direct & Indirect)				
Direct & Indirect	602	17	3	604
CO_2 emissions from combustion of biomass *	481	0	0	0

** Wood and bark residues only*

Photo: Thomas Leirvik

Our response to the TCFD recommendations (TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES)

1. Governance	Disclose the organisation's governance around climate-related risks and opportunities.
A. Describe the board's oversight of climate-related risks and opportunities	• The above environmental data includes all the most critical data, and is sent quarterly to the board. • The board reviews the long-term climate-related targets annually as an integral part of the business budget and strategy process. The business risks and opportunities are discussed and considered in defining the business plans. The targets are described under each relevant SDG, with the reduction of greenhouse gas emissions as a key part of our business strategy. The goal is to reduce energy consumption, change the sources of energy and to optimise the use of process chemicals and transport. • In an annual SDG review process for the entire group, the board set ambitious SDG targets, especially for environmental and climate-related issues. The board closely follows up the 2030 and 2050 group climate goals specifically.
B. Describe management's role in assessing and managing climate-related risks and opportunities.	• Corporate management assesses business risk and opportunities, strategies, corporate ambitions and targets for environmental aspects, including clima-related topics. • The environmental data is sent monthly to corporate management. • At each mill, the managing director is the main responsible for environmental issues. Each mill also has a responsible manager for environmental issues. Each mill has regular contact with national permit agencies and immediately reports any irregularities and deviances from the permits. Some mills have partnerships, memberships or collaboration with external environmental and certification NGOs, professional national trade organisations and Forest Owner Association. • Each mill management team regularly receives, usually on a monthly basis, internal environmental reports regarding emission data. Environmental reporting is part of the agenda at mill management meetings. Specific environmental incidents receive specific attention.

2. Strategy	Disclose the actual and potential impacts of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning where such information is material.
A. Describe the climate-related risks and opportunities the organisation has identified over the short, medium, and long term.	• The transformation to a larger, more diversified product portfolio with new products will reduce the dependency on one publication paper and thus reduce the business risk. The planned packaging production will be based on renewable resources. One of the new legs in Norske Skog's main strategy is to exploit opportunities within the circular economy utilising fibre and energy to create new non-fossil products. Today, pilot plants utilise fibre to produce nanocellulose-based products, biochemicals and biocomposites. This will in the long run contribute to green growth when commercialised. • The goal is to reduce energy consumption in production, change the sources of energy and to optimise the use of process chemicals and transport. After start-up of the new energy boiler at Bruck in 2022, all the European mills will be among the top performers regarding scope 1 and scope 2 emissions in the industry. • In and outbound logistics will be prioritised in the long-term horizon to minimise transport distances and costs, and for environmental considerations. • Temperature risk: Some of our mills are located in areas where drought/access to water and/or flooding might become a risk with a changed climate. • Regulatory risks: The EU has introduced a comprehensive green energy plan including various common and state programs within technology development, energy efficiency and energy consumption to fulfil ambitious zero greenhouse gas goals by 2050. If some countries lag in the implementation and financing process, this may cause a competitive (dis)advantage.

B. Describe the impact of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning.	• Strategic development: In 2020, Norske Skog had an extensive revision of its business strategy, emphasising the need for a profitable, robust and sustainable business plan. The climate goal for the new product portfolio is to attain a recyclable, low CO_2 footprint and be environmentally and financially sustainable.
	• Business opportunities include several early-phase research projects in biochemical and fibre products:
	  • CEBINA, a natural fibre product that adds rheology control in fluids and armouring in solid materials.
	  • CEBICO, a biocomposite product developed at Saugbrugs.
	  • Cyrene, developed at a pilot plant in partnership between Boyer and Circa Group, could represent the first biochemical solvent for use in the pharmaceutical industry to replace petrochemical products.
	• Business risk: Norske Skog has included a reduction of greenhouse gas emissions as a key part of our business strategy. The goal is to reduce energy consumption, change the sources of energy and to optimise the use of process chemicals and transport. It is important for Norske Skog to reuse production waste, which has a significant impact on CO_2 emissions. The biogas plants tied to our production at Golbey, Skogn and Saugbrugs utilise waste to produce energy. In addition, an energy plant is under construction at Bruck, which will utilise production process waste and fuels derived from refuse.
	• Temperature risk: Climate change with increased pan-European temperatures may change the growth potential for fibre, and the large focus on utilising biomass in new product areas will in the long-term impact the demand side and, thus, the price of virgin fibre, offering risks and opportunities in fulfilling the green shift vision.
	• Governmental support risk: Some national governments prioritise and fund low value biomass utilisation projects, which may displace projects that under normal market conditions would have been preferred. The limited biomass resources should be used where they provide the highest value creation, and preferably also where the finished products can be recycled. The authorities should therefore refrain from subsidising biomass projects solely used for energy purposes. The authorities should be encouraged to provide support for energy projects where the purpose is to utilise waste from wood processes.
	• Business partner dependency risk: The speed of implementing greenhouse gas emission (scope 3) initiatives will depend on the ability of our suppliers to transform their business into carbon neutrality and of authorities' ability to design effective political tools.

C. Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario	• Each mill management regularly reviews the physical, legal, technological and market risks and opportunities, which will create the basis for the overall long-term business plan and strategy for the corporate management and the board. • If the global political vision of limiting global warming to 1.5C is not achieved, this may have a negative effect on water and energy supply. • Water availability: our mills are dependent on water availability and would be severely affected by water restriction plans, although climate change could potentially increase the water supply for some mills. • Sufficient energy supply: the phasing out of fossil and nuclear energy sources may without any alternative energy substitution and with a general increase in public energy consumption cause an increase in demand and thus a general increase in energy prices. That could threaten the profitability of the business. • Business risk: Norske Skog has adopted a strategy and production process to develop existing and new products in congruence with the vision of a maximum 1.5C temperature increase. • Norske Skog is committed to the EU GHG targets of carbon neutrality by 2050 with an intermediate target of a 55% reduction in GHG emissions by 2030 based on 2015 figures.

Our response to the TCFD recommendations (TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES)

3. Risk management	Disclose how the organisation identifies, assesses, and manages climate-related risks.
A. Describe the organisation's processes for identifying and assessing climate-related risks.	• Annually, the board, corporate and business unit management make an extensive and systematic risk and opportunity evaluation as described in the SDG report. • Legal factors may constitute a business risk, especially if climate-related regulatory requirements are not evenly implemented among peer countries. • Politically imposed grid tariffs, especially tariffs not based on cost and efficiency as in Norway, will be a competitive disadvantage and thus constitute a severe business risk. • Policy related to energy, energy transmission and other regulatory energy issues may increase energy market prices, with a negative impact on Norske Skog. Energy constitutes about 15-20% of the mill gate cash costs.
B. Describe the organisation's processes for managing climate-related risks.	• Norske Skog handles business risks by securing delivery of energy and fibre through long-term contracts. • Norske Skog representatives participate in national organisations to influence and monitor political developments.
C. Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organisation's overall risk management.	• In 2020, the group reviewed the business climate risks and opportunities and used these findings to define ambitions, set targets for the prioritised 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 prioritising, and setting new ambitions and specific targets for each of the 17 UN SDGs after an extensive evaluation of climate-related risks.

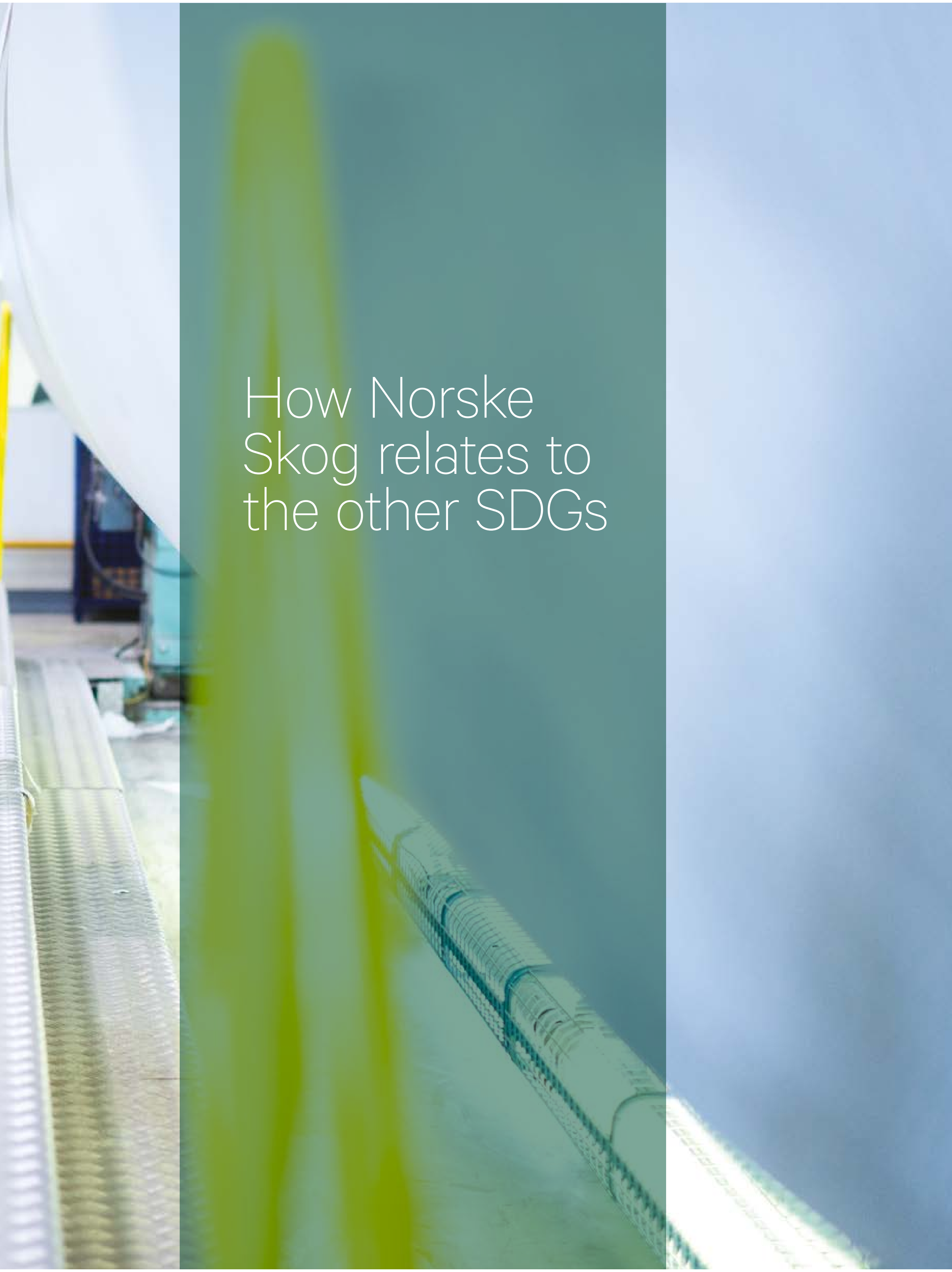
4. Metrics and targets	Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material.
A. Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process.	• In the materiality analysis, a set of factors related to energy, raw material, emissions, water and legal issues are given specific risk assessments, and their potential financial and operational impact on the business. • Production and environmental data: A large set of key figures are reported at the end of the sustainability report. • There are no specific established targets to measure climate-related threats and opportunities. However, each mill reviews the most imminent risks and business opportunities in relation to the annual revision of the materiality and risk analysis. • In the budget process, there are assessments of the long-term financial effects of changes in the forward energy prices in each market. Energy constitute on average about 15-20% of the mill gate cash cost for the group. The licence and permits to operate are reviewed and discussed both internally but also with relevant governmental agencies. • Today, the revenues derived from fossil resource-substitution activities and the low-carbon economy represent about 10% of the total revenue. In 2030, the group revenues from such activities will constitute about 50%.

B.
Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks.
	• Our carbon footprint, based on the CEPI carbon footprint tool, covers emissions from several elements of our value chain:
	  • Pulp and paper production
	  • Forest and recycling operations
	  • Production of other raw materials and fuels
	  • Purchased electricity and heat
	  • Transport, excluding transport to final customer which is calculated on a case-by-case basis
	  • Carbon stored in forest products (biogenic carbon) is reported separately
	• Performance 2020:
	  • Scope 1: 333 kg/tonne of produced paper
	  • Scope 2: 107 kg/tonne of produced paper
	  • Scope 3: 27 kg/tonne of produced paper
	• Key figures are reported in the back of the sustainability report.

C.
Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets.
	• In 2007, Norske Skog established a greenhouse gas reduction target of 25% in total emissions by 2020 and achieved a 52% reduction.
	• The group and the mills have set E-index targets for 2019 and 2020 for the parameters included in the E-index, as well as the results achieved during the last five years. The EU Commission finalised the BAT conclusions under the Industrial Emissions Directive 2010/75EU in September 2014. Norske Skog has since 2015 used revised BAT levels in the environmental index.
	• In 2020, through an extensive involvement and anchoring process throughout the entire organisation, new GHG-emission targets were set along with new SDG targets and planned activities. New targets for CO_2 emissions:
	  • A 55% reduction in CO_2 emissions by 2030
	  • A zero CO_2 emission target by 2050
	• The ambitious targets will be fulfilled through the newly established strategy converting newsprint into packaging and innovation of low carbon footprint products based on recycled materials and fresh fibre resources, and renewable energy sources. Under each relevant SDG section, a set of realistic targets and subgoals are defined.


Photo: Carsten Dybevig

Photo: Cyrielle Nussbaum



How Norske Skog relates to the other SDGs

End poverty in all its forms everywhere

EARNINGS, WAGES AND BENEFITS

OVERALL AMBITION:
To maximise the group's value through reliable, responsible and sustainable conduct throughout our operations.

PERFORMANCE:
We safeguarded employment for our workers. Our mills are delivering products to more than 85 countries. The mills are contributing with employment and taxes in the countries they operate. Our business units are often cornerstones of local communities. These facilities work closely with the local communities through open dialogue.

End hunger, achieve food security and improved nutrition and promote sustainable agriculture

OVERALL AMBITION:
To have a neutral impact on sustainable agriculture.

PERFORMANCE:
We do not have a significant impact on food systems or agriculture nor are we operating in societies with high poverty.

We deliver organic materials from production waste to agriculture for re-use.

Achieve gender equality and empower all women and girls

DIVERSITY AND EQUAL OPPORTUNITY

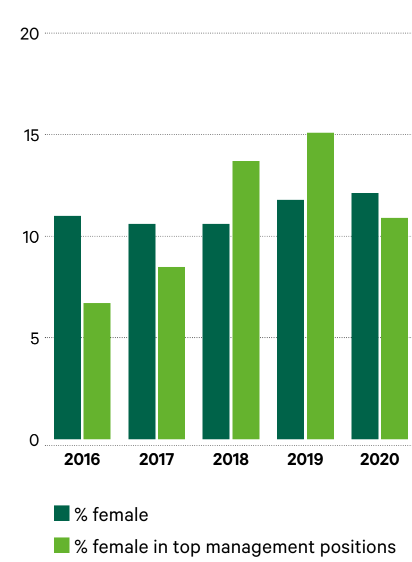
OVERALL AMBITION:
- To promote diversity and inclusion by providing equal employment and career opportunities.
- To treat all employees fairly and with respect.
- To consider competence as the key for both the company and the individual.

In 2021, Norske Skog will conduct an analysis of certain aspects of equality and diversity, including data on equal pay and parental leave. Based on the outcome of this analysis, Norske Skog will further develop its targets and initiatives.

PERFORMANCE:
The paper industry has traditionally attracted few female employees. At Norske Skog the share of female employee has been around 10% for many years. In 2020, the female share of the total workforce was 12%. Our female share in top management positions is 11%, representing the top level in group management at the headquarter, the management teams at the business units and the Managing Directors at the sales offices. Our female share in other leadership positions is 12%. We are committed to search for female talents for a wider range of roles in our company.

Norske Skog recognises that further improvement is needed, and we believe that our new strategic growth Initiatives will be instrumental in terms of diversity.

PROPORTION OF FEMALE (%)



6 CLEAN WATER AND SANITATION

Ensure availability and sustainable management of water and sanitation for all

OVERALL AMBITION:

- To improve water quality through effluent treatment.
- To improve water efficiency through reducing, reusing, recovering, recycling and replenishing usage of water.

DESCRIPTION OF ACTIVITIES:

Norske Skog is committed to maintain a sustainable environment and responsible use of natural resources. We are committed to foster innovation and implement continuous improvement activities in order to have no or only minimal adverse impact on the environment.

Water shall generally be used and recovered multiple times through the pulp and papermaking processes before finally being discharged to a number of treatment stages. These treatments remove solid particles as well as dissolved organic material, making the water suitable for safe return to the natural environment. Norske Skog is committed to follow the ambitious water permit goals given by the local authorities.

Norske Skog Environmental Index (E-index) forms part of the regular reporting by the mills to corporate management and the board.

Mill performance is measured in the index against a standard, which should be attainable with the use of Best Available Technology (BAT) or best practice, as described in the European Union IPPC reference document. An index value of 1or less indicates that the mill has an environmental standard, which satisfies the ambitious levels that can be attained with BAT or best practice. The environmental index for the whole group is calculated as an average of each mill's index score weighted by production volumes.

PERFORMANCE:

The water usage in 2020 is shown in the illustration. 98% of the water taken into the mills is returned to the waterways after treatment to fulfil the local quality requirements for water discharges.

Permit breaches are reported and managed according to standard procedures. Any permit breaches will be continuously monitored and discussed with supervisory authorities.

Norske Skog does not use bleaching chemicals containing chlorine in any mills. Chlorinated organic compounds are therefore not created and AOX is not included in our emission reporting.

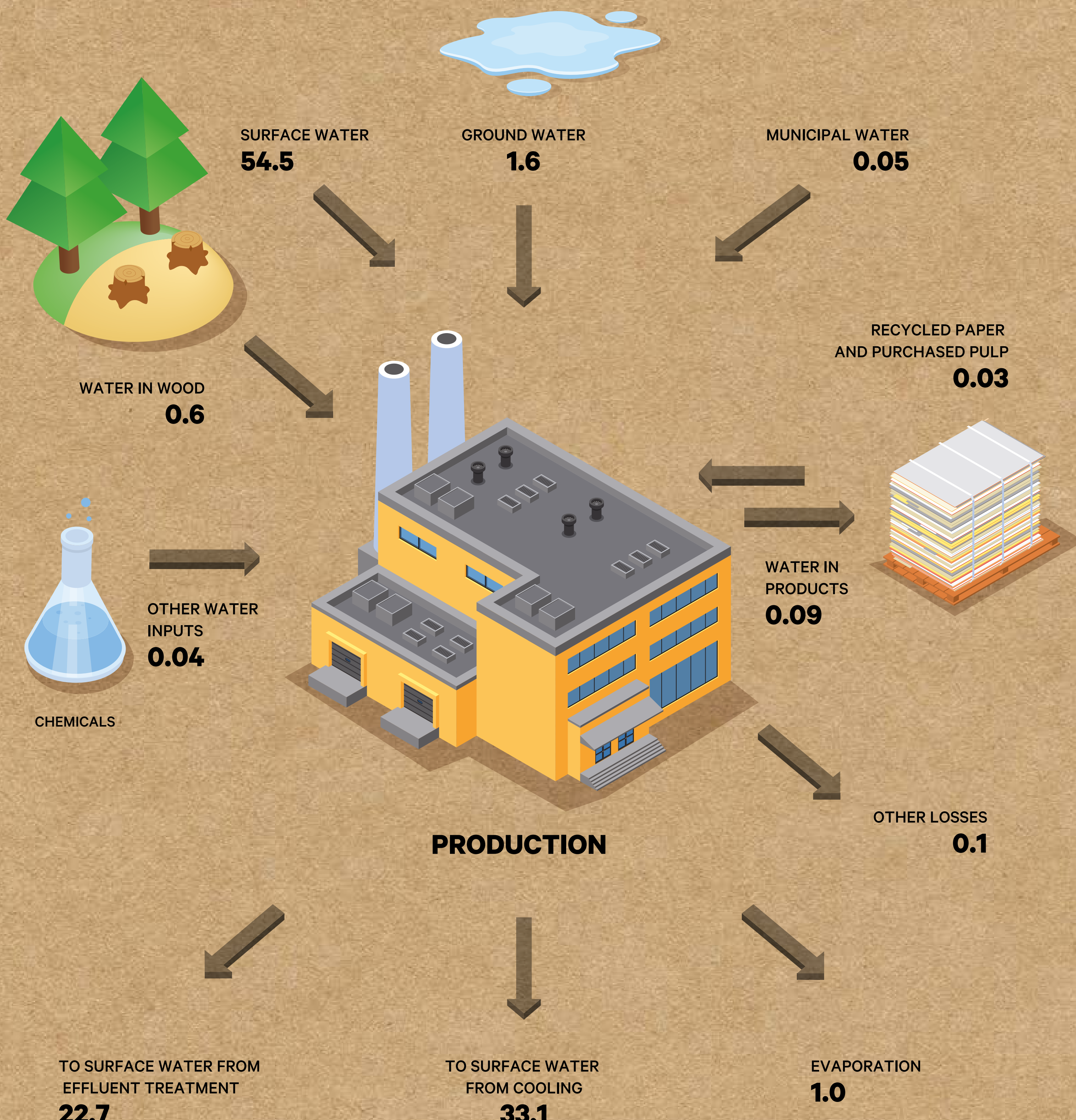
The table below shows the targets for 2020 and 2021 for the parameters included in the E-index, as well as the results achieved during the last five years. The EU Commission finalised the BAT conclusions under the Industrial Emissions Directive 2010/75EU in September 2014. Norske Skog has since 2015 used revised BAT-levels in the environmental index.

Please refer to SDG 14 to read more about discharges of water into the natural environment.

ENVIRONMENTAL INDEX		Achieved 2016	Achieved 2016	Achieved 2018	Achieved 2019	Achieved 2020	Target 2020	Target 2021
Discharged process water	m^3/tonne	16.8	17.2	17.7	20.4	22.0	17.3	19.1
Discharges of organic substances	kg/tonne	4.9	5.1	4.3	4.3	4.6	4.1	4.3
Suspended solids	kg/tonne	0.69	0.89	0.61	0.59	0.68	0.49	0.55
Nitrogen oxides	g/GJ	87.0	93.2	89.2	102.4	86.0	101	94
Waste to landfill	kg/tonne	17.0	22.7	25.5	25.5	24.8	21.6	24.2
Total energy consumption	GJ/tonne	12.4	12.4	12.0	14.7	13.1	11.9	12.0
Environmental index		**1.16**	**1.29**	**1.18**	**1.18**	**1.25**	**1.12**	**1.17**

GLOBAL AVERAGE WATER USE AND DISCHARGE

m^3/tonne of paper



Ensure access to affordable, reliable, sustainable and modern energy for all

OVERALL AMBITION:
- To achieve energy efficiency
- To utilise renewable sources for energy use
- To increase production of bioenergy

DESCRIPTION OF ACTIVITIES:
The production of paper is an energy-intensive process. Energy is consumed mainly for two purposes:
- To separate, process and transport fibre and water (electrical energy)
- To provide process heat and to dry the paper (thermal energy)

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

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

Norske Skog has comprehensive programmes in place to continuously reduce energy consumption and to become more environmentally friendly by changing the sources of energy. Norske Skog is utilising the mill effluent to produce biogas with its own biogas plants at Saugbrugs and Golbey. Effluent from Skogn is delivered to an external biogas plant adjacent to the mill. Norske Skog will continue to explore projects within bioenergy that support and develop the business. At Bruck in Austria, the group is investing in a new 50MW wide range energy boiler, utilising refuse derived fuels and paper production residuals.

In France, the Minister of Ecological Transition selected the project submitted by Green Valley Energie (GVE) as part of the CRE5.3 call for tenders. This project, supported by a partnership between Norske Skog Golbey (NSG) and Véolia Industries Global Solutions (Véolia), involves the design and construction of a new biomass cogeneration plant, which will produce 200 GWh of electricity and more than 500 GWh of steam.

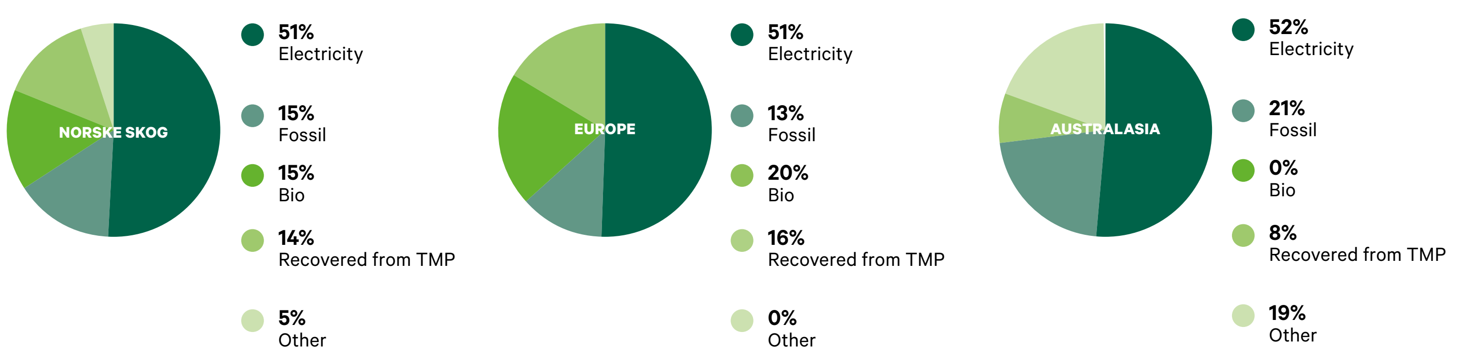
PERFORMANCE:
Thermal energy, mostly heat recovery from the thermomechanical pulping (TMP) or effluent treatment processes or from combustion of mill residues (biofuel), is used for the heating and drying of paper. This accounts for in total about 29%, in addition, electricity covers about 51% and fossil 15% of the total energy consumption in 2020.

82% of the production-related waste generated at the site is used to generate thermal energy.

Biogas facilities have been constructed at the Golbey and Saugbrugs paper mills, providing energy for the mills' operations and opportunity for energy sales to external customers. The biogas plants employ biowaste from paper production as

NORSKE SKOG ENERGY CONSUMPTION (TOTAL AND BY REGION)

Total 7 628 GWh, 4,24 MWh/tonne of paper



fuel, contributing to a reduced carbon footprint and an improved environmental profile for the group.

The wood pellets plant in New Zealand has an annual capacity of approximately 90 000 tonnes. The group upgraded the facility in 2019, approximately doubling its capacity from 40 000 tonnes to 90 000 tonnes annual production capacity. The additional production capacity is aimed at producing industrial grade pellet fuels for both the domestic New Zealand commercial and industrial market, as well as for the rapidly growing Japanese and Korean green energy generation markets.

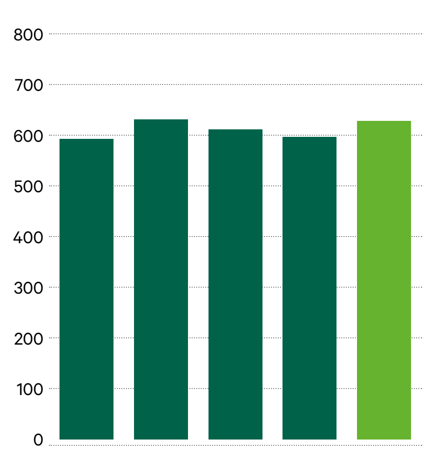
A final investment decision on a EUR 72 million investment in a waste-to-energy facility at the Bruck paper mill was taken in June 2019. The facility is estimated to provide new revenue from waste handling as well as cost savings in the publication paper production. The project is progressing according to plan. Bruck delivers enough heat to the local district heating system to supply 1 500 households (30 GWh). Minimisation of transport distances and costs make up important economic and environmental considerations.

Please refer to SDG 12 to read more about waste handling.

Photo: Carsten Dybevig

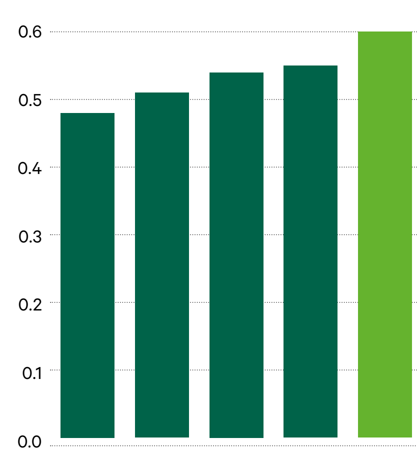
CONSUMPTION OF FOSSIL FUEL PER TONNE PAPER

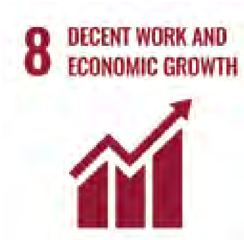
KWh/tonne



CONSUMPTION OF RECOVERED HEAT FROM THERMO-MECHANICAL PRODUCTION

MWh/tonne





Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all

OVERALL AMBITION:

- To promote decent and transparent working conditions, which are necessary to nurture the productivity, growth and sustainability of our business.
- To comply with employment legislation in the countries where we operate and have close cooperation with unions.

DESCRIPTION OF ACTIVITIES:

Norske Skog is committed to promote diversity and inclusion by providing equal employment opportunities and treating all employees fairly and with respect. All employees and others acting on behalf of Norske Skog are expected to conduct business in an ethical manner and must always comply with applicable laws and regulations.

Norske Skog fully complies with all laws regulating collective bargaining and recognises freedom of association. Our commitment to respect the freedom of association is embodied in the Global Framework Agreement on the Development of Good Working Relations, concluded by Norske Skog and the IndustriALL Global Union.

Norske Skog respects and supports the human rights of all individuals potentially affected by our operations and subscribes to the United Nations Global Compact principles.

In January 2020, Norske Skog Australia signed the first Modern Slavery and Trafficking Statement, as required under the Australian Federal Modern Slavery Act of 2018. The purpose is to outline our approach and commitment to ensuring that the group has robust frameworks and processes in place to establish zero tolerance level for modern slavery and human trafficking in our business and value chain. Norske Skog is obliged to operate responsibly and adhere to the highest ethical standards across business units.

PERFORMANCE:

As of 31 December 2020, Norske Skog employed 2 332 people in Europe and Australasia. This is a reduction of 27 employees from one year ago. The turnover of people, including retirement, was close to 8%. Our employment levels are not subject to seasonal variations, and the share of temporary employment is around 2.5% of the total.

In 2020, unions represented 86.5% of our employees for collective bargaining purposes. There have been no reported incidents of child labour, forced or compulsory labour during the reporting period. Nor has there been any reported incidents of discrimination in respect of employment or occupation. The risk of such incidents in the supply chain is considered low, and a high-level risk assessment of suppliers has not provided information or indications of any violation by our suppliers.

Photo: Jens Borge

Reduce inequality within and among countries

EARNINGS, WAGES AND BENEFITS

OVERALL AMBITION:

- To commit to an inclusive work culture, which appreciates and recognises that all people are unique and valuable and should be respected for their individual abilities and views.
- To encourage the Norwegian Discrimination Act's objectives within our business.
- To promote gender equality, ensure equal opportunities and rights.
- To prevent discrimination due to ethnicity, national origin, descent, skin colour, language, religion and faith.

PERFORMANCE:

Norske Skog shall promote diversity and inclusion by providing equal employment opportunities and treat all employees fairly and with respect. We shall also show commitment to developing programs and actions to encourage a diverse organisation based on the principle of equal opportunities.

During 2021 we will further examine the risk of discrimination and other barriers to equality in our organisation. We follow the principle of equal pay for equal work and will examine further the actual status related to this principle during 2021.

Make cities and human settlements inclusive, safe, resilient and sustainable

E/S/G & E	Ambition/ Area	Targets	Planned activities
S	To understand the actual and potential impacts our operations have on local communities, and to understand their expectations and needs.	Report the significant social, environmental, safety and economic impacts our operations have on the local communities.	Cooperating with local community organisation and being open and honest about environment, safety and economic issues with relevant community bodies.
E	To report the extent of development of significant infrastructure investments and services supported, both current or expected impacts on communities and local economies.	To report examples of significant identified indirect economic impacts of the organisation also in the context of external benchmarks and stakeholder priorities, such as national and international standards, protocols, and policy agendas.	Cooperating and communicating openly with the local community about company strategy and investment plans as early as possible.

** E/S/G&E: Environment / Social / Governance and Economy*

Several business units are located in immediate proximity to a local town. Norske Skog aims to be a strong and solid contributor for these towns. This is achieved by working with the community in various ways, both authorities and private partners.

Our activities affect employees, suppliers, customers and partners in many countries, regions, towns and villages. Our decisions and activities, production and sales have an impact on a multitude of individuals, groups and companies, both financially and otherwise. We recognise our impact and consider this when making decisions.

PERFORMANCE:

To improve and maintain our role in society and as an important employer in local communities, our business units are encouraged to be active and open in their communication and contact with local stakeholders. Examples include reports to neighbours and other local stakeholders, open days for the public to inform about our business, engagement in nature protection projects, support to local museums, involvement in sports and cultural initiatives, support to charitable organisations, as well as integration of immigrants and disabled persons through vocational training. We encourage employees to take part in local community work as many of them do.

Conserve and sustainably use the oceans, seas and marine resources for sustainable development

OVERALL AMBITION:

- To improve water quality through effluent treatment.

DESCRIPTION OF ACTIVITIES:

Water discharges from production processes are treated in a number of stages to remove solid particles and dissolved organic material. Nutrients such as nitrogen and phosphorus are added during this effluent treatment. The addition of nutrients should be at a minimum.

Norske Skog's objective is to prevent and reduce pollution of all kinds. We are committed to follow the EU Water Framework Directive and the ambitious water permit goals given by the local authorities. Our objective is to minimise our effect on the surrounding ecosystems.

PERFORMANCE:

Three mills (Norske Skog Golbey, Norske Skog Saugbrugs and Norske Skog Skogn) reported minor non-compliance issues to the respective local authorities in 2020. None of the instances have resulted in any further actions from the authorities except one issue at Skogn, which there is a constructive dialogue with the Norwegian Environment Agency to resolve the long-term ash storage.

The discharges of dissolved organic material and suspended matters per tonne of paper were respectively both up by 15% and 21% compared to 2019 due to relatively low capacity utilisation. The discharge of nitrogen decreased by 16% and discharge of phosphorus decreased by 20% compared to 2019. The difference in results from one year to the next is the result of many factors, including process improvements, utilisation of equipment, production-related issues and product changes.

Please refer to SDG 6 about water usage, treatment of water discharge and Norske Skog E-index.

Photo: Carsten Dybevig

15 LIFE ON LAND

Protect, restore and promote sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification, and halt and reverse land degradation and halt biodiversity loss

OVERALL AMBITION:

- To promote sustainable forest management.
- To ensure that all purchased fresh fibre and recycled have third party chain of custody certification.

DESCRIPTION OF ACTIVITIES:

Forestry and use of forest products play an important role in the combat of climate change. For the forest value chain to be a part of the climate change solution, the forests must be managed sustainably. Norske Skog has systems and processes to make sure that all wood used in Norske Skog's products comes from sustainably managed forests. All Norske Skog mills utilising fresh fibre have third-party verified Chain of Custody (CoC) certification systems in place. Our goal is to have 100% certified wood in our products.

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

PERFORMANCE:

Norske Skog is not a forest owner. The ability to increase the share of certified wood therefore depends largely on decisions made by forest owners.

The roundwood component of our fresh fibre came from both forests (69%) and plantations (31%). In all countries where Norske Skog sources wood, forest areas are increasing.

The average share of certified fresh fibre in 2020 was 89%, representing an increase from 2019.

In 2020, Norske Skog consumed 2.85 million m^3 of fresh fibre and 0.61 million tonnes of recovered paper.

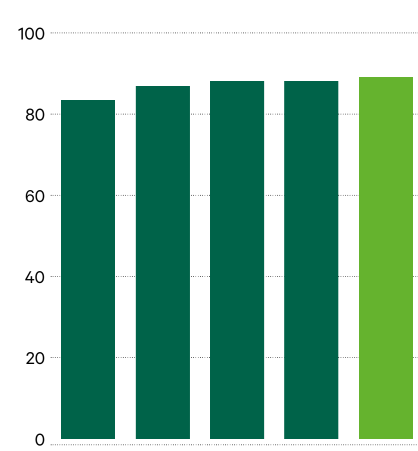
Roundwood accounted for 68% of our consumption of fresh fibres in 2020. Sawmill chips, a by-product from the sawmill industry, accounted for the remaining 32%.

Please refer to SDG 12 to read about sustainable sourcing and recycling of paper.

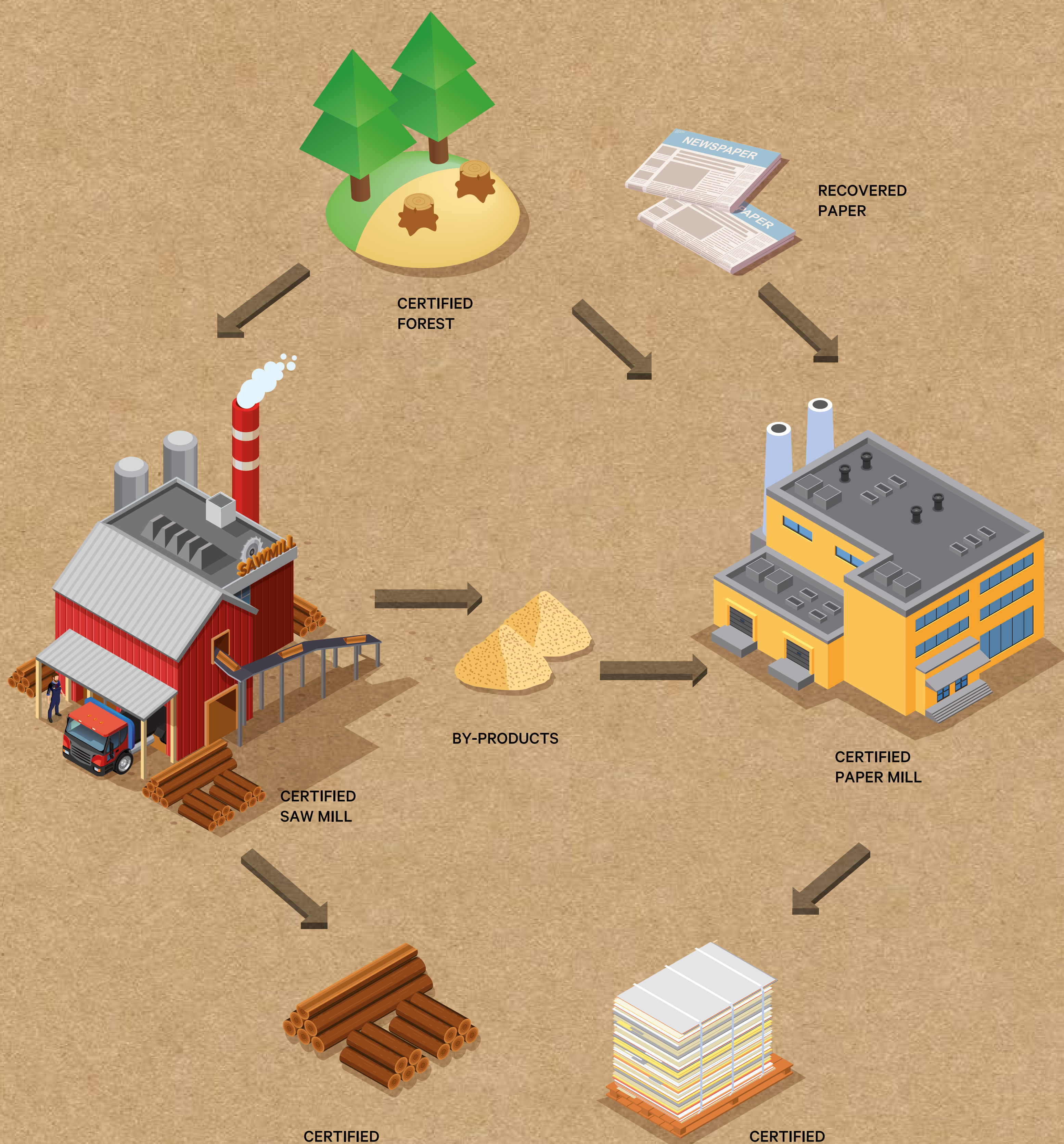
Photo: Carsten Dybevig

CERTIFIED PROPORTION OF FRESH FIBRE (%)

Roundwood and chips



FLOW OF SUSTAINABLE RAW MATERIALS



16 PEACE, JUSTICE AND STRONG INSTITUTIONS

Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels

E/S/G & E	Ambition/ Area	Targets	Planned activities
G	To abstain from financial and in-kind political contributions.	To report which political topics and influence channel the group has used.	Involving in political tasks through the Norwegian Federation of Trade and Industry, the Norwegian Pulp and Paper organisation, CEPI, and through other relevant partnerships.
S	To ensure our customers healthy and safe working environment.	To report percentage of significant product and service categories for which health and safety impacts are assessed for improvement.	Performing reviews of relevant health and safety hazards our products expose to our customers.
G	To abstain from ant-competitive behavoiur and adhere to relevant competive legislation.	To report the number of legal actions pending or completed during the reporting period regarding anti-competitive behavior and violations of anti-trust and monopoly legislation in which the organisation has been identified as a participant. To report the main outcomes of completed legal actions, including any decisions or judgments.	Performing annual reviews with relevant personnell and agents on relevant anti-competitive legislation and Norske Skog Steering Guidelines.
s	To have no tolerance for discrimination on grounds of race, color, sex, religion, political opinion, national extraction, or social origin as defined by the ILO, or other relevant forms of discrimination involving internal and/or external stakeholders.	To report the total number of incidents of discrimination during the reporting period.	Identifying through formal process(es) and instance(s) of non-compliance to relevant non-dicriminatory Steering Document procedures, including management system audits, formal monitoring programs or grievance mechanisms (whistleblower channels).
G	To have no tolerance for practices such as bribery, facilitation payments, fraud, extortion, collusion, and money laundering; the offer or receipt of gifts, loans, fees, rewards, or other advantages as an inducement to do something that is dishonest, illegal, or represents a breach of trust. This also include practices such as embezzlement, trading in influence, abuse of function, illicit enrichment, concealment, and obstructing justice.	To report the total number and percentage of operations assessed for risks related to corruption, and the significant risks related to corruption identified through the risk assessment. To report the total number and nature of confirmed incidents of corruption: in which employees were dismissed or disciplined, when contracts with business partners were terminated or not renewed, public legal cases against the organisation or its employees.	Reviewing the Steering Guidelines annually and performing mandatory compliance review and training for relevant personell and business partners and other relevant to our business periodically or when needed.
	To prohibit the use of child labor within our operations and avoid contributing to the use of child labor suppliers and customers.	To report operations and suppliers considered to have significant risk for incidents of: child labor and young workers exposed to hazardous work, child labor either in terms of type of operation (such as manufacturing plant) and supplier, or countries or geographic areas with operations and suppliers considered at risk.	Reviewing the Steering Guidelines and Code of Conduct annually and performing mandatory compliance review and training for relevant personell and business partners and other relevant to our business periodically or when needed.

** E/S/G&E: Environment / Social / Governance and Economy*

Norske Skog's goal is to create competitive shareholder values aligned withour strategic goals. Important instruments for achieving this objective include good principles for corporate governance and a clearly defined division of responsibilities and roles between Norske Skog's governing bodies. Norske Skog adheres to the Norwegian Code of Practice for Corporate Governance (the "Code", see www. nues.no).

All employees and others acting on behalf of Norske Skog must act in compliance with applicable laws and regulations and ethical guidelines at all times. Norske Skog has a zero tolerance policy for non-compliant behaviour and will take necessary actions in order to respond to any breaches that may occur.

PERFORMANCE:

To meet future sustainability expectations, we conduct our business mandates and activities according to internally developed Steering Guidelines, Power of Attorney structures and Operating Models. These provide the basic framework for our mandates and activities.

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

Norske Skog has for a number of years maintained a reporting (whistle-blowing) channel, where employees and other stakeholders can report on possible unethical and/or unlawful behaviour, and be assured confidential and serious treatment of their reports. Any confirmed non-compliance will be followed-up with fair consequences.

17 PARTNERSHIPS FOR THE GOALS

Strengthen the means of implementation and revitalize the global partnership for sustainable development

OVERALL AMBITION:

- To contribute to a sustainable development in close cooperation with our main stakeholders.

PERFORMANCE:

We were the first international paper manufacturer to sign an agreement with the IndustriAll Global Union (the former International Federation of Chemical, Energy, Mine and General Workers' Unions (ICEM) and the Norwegian United Federation of Trade Unions concerning employee rights on a global basis.

Our group has been a pioneer in setting a global standard for social responsibility and labour-management relations. We were also an early adopter of the 10 principles in the UN Global Compact.

Norske Skog's research and development work is performed at the individual business units and in cooperation with external research institutions. The work is coordinated centrally, with the aim of leveraging synergies and best practices throughout the group. There is a continued focus on the evolution of paper products and new innovative green alternatives to existing resources.

Photo: Erik Sandersen

Key figures

KEY FIGURES – EMPLOYEES

Business Unit	Number of employees (FTE) 31 December 2020				% Female	Female share in% Top mngt positions	Female share in% Other mngt positions	% of employees covered by collective agreements
	Ordinary	Temporary	Apprentices	Total	End 2020	End 2020	End 2020	End 2020
Norske Skog Saugbrugs	459	0	45	504	7.8	0	5	93
Norske Skog Skogn	362	28	27	417	10.6	0	10.4	91
Corporate Headquarter	36	0	0	36	27.8	0	16.7	5.5
Total Norway	**857**	**28**	**72**	**957**	**9.8**	**0**	**8.8**	**88.5**
Norske Skog Bruck	391	15	33	439	9	0	29	100
Norske Skog Papier Recycling	28	0	0	28	10.7	0	0	100
Norske Skog Golbey	344	1	22	367	16.4	33.3	11.5	100
Sales offices in Europe	52	2	0	54	58.7	16.7	14.8	9.7
Total Europe	**815**	**18**	**55**	**888**	**15.4**	**16.7**	**14.6**	**94.2**
Norske Skog Boyer	241	9	14	264	5.2	0	14.8	79
Norske Skog Tasman	157	5	5	167	10.9	40	0	76.3
Nature's Flame	14	2	0	16	21.4	0	0	0
Australasia Shared Services	39	1	0	40	40	20	28	0
Total Australasia	**451**	**17**	**19**	**487**	**10.7**	**18.8**	**13.5**	**68.8**
Total Norske Skog group	**2 123**	**63**	**146**	**2 332**	**12.1**	**10.9**	**12.1**	**86.5**

PRODUCTION CAPACITY

Business Unit	Capacity, tonnes/year: Newsprint (including improved NP)	Converting grade	SC (magazine paper)	LWC (magazine paper)	Total capacity
Norske Skog Saugbrugs	-	-	356 000	-	356 000
Norske Skog Skogn	490 000	-	-	-	490 000
Norske Skog Bruck	122 000	-	-	260 000	382 000
Norske Skog Golbey	558 000	-	-	-	558 000
Total Europe	**1 170 000**	**-**	**356 000**	**260 000**	**1 786 000**
Norske Skog Boyer	150 000	-	-	135 000	285 000
Norske Skog Tasman	-	169 000	-	-	169 000
Total Australasia	**150 000**	**169 000**	**-**	**135 000**	**454 000**
Total Norske Skog group	**1 320 000**	**169 000**	**356 000**	**395 000**	**2 240 000**

KEY FIGURE OPERATIONS

		2016	2017	2018	2019	2020
Health & Safety						
H1 [1)]		1.4	1.0	0.9	0.5	0.8
H2 [2)]		8	7.3	7.4	9.8	6.6
Absence due to illness	%	3.8	3.5	3.8	3.7	4.2
People						
Total employees	FTE	2 462	2 414	2 444	2 359	2 332
Temporary employees	FTE	48	66	77	73	56
Apprentices	FTE	146	130	135	137	146
Average age of employees	FTE	46.8	47.0	47.3	47.1	46.6
Female employees	%	11.0	10.6	10.6	11.8	12.1
Female in top management position	%	6.7	8.5	13.7	15.1	10.9
Female in management position	%	11.5	8.5	10.1	10.2	12.1
Employees w/ collective agreements	%	84.6	84.3	84.1	83.3	86.5

1) Number of personal injuries with absence x 1 000 000 / number of worked hours.

2) Number of personal injuries with medical treatment x 1 000 000 / number of worked hours.

		2016	2017	2018	2019	2020
Production						
Paper	tonnes	2 506 000	2 495 000	2 494 000	2 308 000	1 799 020
Consumption of raw materials						
Roundwood	m^3	2 868 000	2 810 000	2 785 000	2 586 000	1 930 000
Sawmill chips	m^3	968 000	1 018 000	1 031 000	1 093 000	917 000
Recovered paper	tonnes	834 000	814 000	871 000	777 000	608 000
Purchased pulp	tonnes	55 000	50 000	43 000	31 000	27 000
Inorganic fillers	tonnes	324 000	320 000	308 000	282 000	215 000
Energy consumption						
Electricity	GWh	5 596	5 571	5 526	5 316	4 203
Heat	GWh	4 240	4 325	4 161	4 127	3 425
Discharges to water						
Discharged process water	mill m^3	44	46	48	46	41
Discharges of organic substances	tonnes	12 286	12 831	10 623	9 226	8 283
Suspended Solid (SS)	tonnes	1 723	2 227	1 529	1 329	1 259
Phosphorus (Tot-P)	tonnes	41	41	31	37	29
Nitrogen (Tot-N)	tonnes	314	302	280	303	262
Emission to air						
CO_2-equivalents (direct)	tonnes	485 000	514 000	500 000	466 000	410 000
SO_2	tonnes	217	198	175	162	297
NOX	tonnes	763	908	772	786	701
Production waste						
Sludge (dry)	tonnes	254 000	246 000	249 000	246 000	186 000
Bark	tonnes	114 000	98 000	128 000	133 000	93 700
Other	tonnes	23 000	14 000	25 500	18 000	17 400

GRI STANDARDS INDEX 2020

Norske Skog is reporting in accordance with the Global Reporting Initiative GRI Standards: Core option.

Following the materiality analysis - the table below covers aspects that are considered to be the most material ones to our stakeholders and/or the company. For more information on GRI Standards and on the individual disclosures, see GRI's homepages, www.globalreporting.org

The index refers to where information about each GRI disclosure can be found in the Norske Skog – Annual Report 2020, regardless of whether they are fully or partly reported relative to GRI.

AR = Annual Report 2020
SR = Sustainability Report 2020, part of Annual Report 2020

General disclosures – Organisational profile		Reference and/or response
102-1	Name of the organisation	Norske Skog ASA
102-2	Activities, brands, products, and services	AR – Key figures SR – About Norske Skog's operations
102-3	Location of headquarters	Oslo, Norway
102-4	Location of operations	AR – Key figures.
102-5	Ownership and legal form	AR – Corporate governance
102-6	Markets served	AR – Key figures
102-7	Scale of the organisation	AR – Key figures
102-8	Information on employees and other workers	SR – Key figures employees; Key figures operations
102-9	Supply chain	SR – SDG 12
102-10	Significant changes to the organisation and its supply chain	No significant changes in 2020
102-11	Precautionary principle or approach	SR – About the sustainability report; SDG 17 Embedded in the UN Global Compact principles
102-12	External initiatives	SR – SDG 17
102-13	Membership of associations	SR – SDG 8, SDG 17
General disclosures – Strategy		**Reference and/or response**
102-14	Statement from senior decision-maker	SR – CEO's comments; Report of the Board of Directors
General disclosures – Ethics and integrity		**Reference and/or response**
102-16	Values, principles, standards, and norms of behaviour	AR – Corporate Governance SR – Compliance; SDG 17
General disclosures – Governance		**Reference and/or response**
102-18	Governance structure	AR – Corporate Governance
General disclosures – Stakeholder engagement		**Reference and/or response**
102-40	List of stakeholder groups	SR – Stakeholder and materiality analysis
102-41	Collective bargaining agreements	SR – SDG 8; Key figures - employees
102-42	Identifying and selecting stakeholders	SR – Stakeholder and materiality analysis
102-43	Approach to stakeholder engagement	SR – Stakeholder and materiality analysis
102-44	Key topics and concerns raised	SR – Stakeholder and materiality analysis
General disclosures – Reporting practice		**Reference and/or response**
102-45	Entities included in the consolidated financial statements	SR – Consolidated financial statements, note 22
102-46	Defining report content and topic boundaries	SR – Stakeholder and materiality analysis; About the sustainability report
102-47	List of material topics	SR – Stakeholder and materiality analysis
102-48	Restatements of information	No significant restatements
102-49	Changes in reporting	No signifcant changes
102-50	Reporting period	2020
102-51	Date of most recent report	13 March 2020
102-52	Reporting cycle	Annual
102-53	Contact point for questions regarding the report	info@norskeskog.com
102-54	Claims of reporting in accordance with the GRI Standards	SR – About the sustainability report; GRI Standards Index 2020
102-55	GRI content index	SR – GRI Standards Index 2020
102-56	External assurance	SR – Independent auditor's assurance report

Main category: Economy		Reference and/or response
103 1-3	Management approach for economic standards and disclosures	AR – Corporate governance; Report of the Board of Directors SR – Compliance; About the sustainability report; SDG 16
GRI Standard: Economic performance		**Reference and/or response**
201-1	Direct economic value generated and distributed	SR – Key figures; Consolidated financial statement, Income statement
201-2	Financial implications and other risks and opportunities due to climate change	SR – SDG 13; Our response to the TCFD recommendations
201-3	Defined benefit plan obligations and other retirement plans	SR – Consolidated financial statements, note 13
GRI Standard: Anti-corruption		**Reference and/or response**
205-3	Confirmed incidents of corruption and actions taken	No confirmed incidents in 2020
GRI Standard: Anti-competitive behavior		**Reference and/or response**
206-1	Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	No such legal actions in 2020

Main category: Environment		Reference and/or response
103 1-3	Management approach for social standards and disclosures	AR – Corporate governance; Report of the Board of Directors SR – Compliance; About the sustainability report; SDG 3; SDG 4; SDG 5; SDG 8; SDG 10; SDG 16; SDG 17
GRI Standard: Materials		**Reference and/or response**
301-1	Materials used by weight or volume	SR – SDG 12; SDG 15; Key figures operations
301-2	Recycled input materials used	SR – SDG 15; Key figures operations
GRI Standard: Energy		**Reference and/or response**
302-1	Energy consumption within the organisation	SR – SDG 7; Key figures operations
302-3	Energy intensity	SR – SDG 7
302-4	Reduction of energy consumption	SR – SDG 7
GRI Standard: Water		**Reference and/or response**
303-3	Water withdrawal	SR – SDG 6
303-4	Water discharge	SR – SDG 6; Key figures operations
303-3	Water consumption	SR – SDG 6
GRI Standard: Emissions		**Reference and/or response**
305-1	Direct (Scope 1) GHG emissions	SR – SDG 13; Key figures operations
305-2	Energy indirect (Scope 2) GHG emissions	SR – SDG 13
305-3	Other indirect (Scope 3) GHG emissions	SR – SDG 13
305-4	GHG emissions intensity	SR – SDG 13
305-5	Reduction of GHG emissions	SR – SDG 7; SDG 13
305-7	Nitrogen oxides (NOX), sulfur oxides (SOX), and other significant air emissions	SR – Key figures operations
GRI Standard: Waste		**Reference and/or response**
306-3	Waste generated	SR – SDG 12; Key figures operations
306-4	Waste diverted from disposal	SR – SDG 12
306-5	Waste directed to disposal	SR – SDG 12
GRI Standard: Environmental compliance		**Reference and/or response**
307-1	Non-compliance with environmental laws and regulations	SR – SD14

Main category: Social		Reference and/or response
103 1-3	Management approach for social standards and disclosures	AR – Corporate governance; Report of the Board of Directors SR – Compliance; About the sustainability report; SDG 3; SDG 4; SDG 5; SDG 8; SDG 10; SDG 16; SDG 17
GRI Standard: Employment		**Reference and/or response**
401-1	New employee hires and employee turnover	SR - SDG 8
GRI Standard: Labor/Management relations		**Reference and/or response**
402-1	Minimum notice periods regarding operational changes	Following national laws and practice
GRI Standard: Occupational health and safety		**Reference and/or response**
403-8	Workers covered by an occupational health and safety management system	SR – SDG 3 All workers covered
403-9	Work-related injuries	SR – SDG 3; Key figures operations
GRI Standard: Diversity and equal opportunity		**Reference and/or response**
405-1	Diversity of governance bodies and employees	AR – Board of Directors; Corporate management SR – SDG 5; Key figures employees
GRI Standard: Non-discrimination		**Reference and/or response**
406-1	Incidents of discrimination and corrective actions taken	SR – SDG 8
GRI Standard: Freedom of associations and collective bargaining		**Reference and/or response**
407-1	Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	SR – SDG 8
GRI Standard: Child labour		**Reference and/or response**
408-1	Operations and suppliers at significant risk for incidents of child labor	SR – SDG 8
GRI Standard: Forced or compulsory labour		**Reference and/or response**
409-1	Operations and suppliers at significant risk for incidents of forced or compulsory labor	SR – SDG 8

Deloitte AS
Dronning Eufemias gate 14
Postboks 221 Sentrum
NO-0103 Oslo
Norway

Tel: +47 23 27 90 00
Fax: +47 23 27 90 01
www.deloitte.no

To the Management of Norske Skog ASA

INDEPENDENT AUDITOR'S ASSURANCE REPORT ON NORSKE SKOG'S SUSTAINABILITY REPORT FOR 2020

We have been engaged by the Management of Norske Skog ASA to provide limited assurance in respect of the information presented in the Sustainable Report section ("the Report") included in the Norske Skog – Annual Report 2020. Our responsibility is to provide a limited level of assurance on the subject matters concluded on below.

Management's Responsibilities

The Management of Norske Skog is responsible for the preparation and presentation of the Report and that it has been prepared in accordance with the reporting criteria described in the Report, including the GRI Standards. The Management is also responsible for establishing such internal controls that they determine are necessary to ensure that the information is free from material misstatement, whether due to fraud or error.

Auditor's responsibilities

Our responsibility is to express a limited assurance conclusion on the information in the Report. We have conducted our work in accordance with ISAE 3000 (Revised) Assurance Engagements other than Audits or Reviews of Historical Financial Information, issued by the International Auditing and Assurance Standards Board.

Deloitte AS is subject to International Standard on Quality Control 1 and, accordingly, applies a comprehensive quality control system, including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

The procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement. Consequently, the level of assurance obtained is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed.

Considering the risk of material misstatement, our work included analytical procedures, meetings and inquiries with management and individuals responsible for the preparation of the Report and for sustainability management at corporate level, as well as a review on a sample basis of evidence supporting the information in the Report.

We believe that our work provides an appropriate basis for us to provide a conclusion with a limited level of assurance on the subject matters.

Deloitte.

Conclusions

Based on our work, nothing has come to our attention causing us not to believe that:

- Norske Skog has applied procedures to identify, collect, compile and validate sustainability information for 2020 to be included in the Report, as described in the Report.
- Sustainability information presented for 2020 is consistent with data accumulated as a result of these procedures and appropriately presented in the Report.
- The environmental information for 2020 reported from a sample of two reporting units (Norske Skog Skogn and Norske Skog Bruck) was reported according to the procedures noted above and was consistent with the source documentation presented to us.
- Norske Skog applies a reporting practice for its sustainability reporting aligned with the Global Reporting Initiative (GRI) Standards reporting principles and the reporting fulfils level Core according to the GRI Standards. Norske Skog's GRI index presented in the Report appropriately reflects where information on each of the disclosures of the GRI Standards is to be found within the Norske Skog – Annual Report 2020.

Oslo, March 23, 2021
Deloitte AS

Eivind Skaug

Eivind Skaug
State Authorised Public Accountant

Frank Dahl

Frank Dahl
Deloitte Sustainability

Corporate governance

Norske Skog ASA is a Norwegian based paper manufacturer with production and sales operations In Europe and Australasia. Norske Skog's goal is to increase shareholder value, through profitable and sustainable production of publication paper and other fibre related business. Norske Skog ASA is a Norwegian registered public limited liability company listed on the Oslo Stock Exchange and is subject to Norwegian law, including Norwegian securities legislation and stock exchange regulations.

The board of directors of Norske Skog has a strong focus on ensuring compliance with applicable corporate governance standards. Norske Skog is subject to reporting requirements for corporate governance pursuant to Section 3-3b the Norwegian Accounting Act, and complies with the Norwegian Code of Practice for Corporate Governance (the "Code", see www.nues.no, English pages).

Corporate governance principles as referred to in this statement define roles and responsibilities, powers and processes, between and within governing bodies, such as the general meeting, the board of directors and the corporate management. For further information on corporate bodies and corporate governance matters, please visit Norske Skog's website www.norskeskog.com.

Corporate governance is continuously addressed by the board of directors, and the board of directors has approved this corporate governance statement. There are no material amendments to the corporate governance statement compared to the corporate governance statement included in the annual report for 2019.

1. Implementation and reporting

This corporate governance statement follows the structure of the Code published on 17 October 2018. Deviations from the Code are explained where relevant in this statement, and the deviations may be summarised as follows:

- Section 6, General meetings: The Code recommends that the general meeting elects board members individually. Traditionally, Norske Skog's general meeting is invited to elect the board members collectively to promote the board of directors as a qualified team and in accordance with legal requirements for gender representation. The Code furthermore recommends that the entire board of directors is present at general meetings. Norske Skog does not require the entire board of directors' presence at general meetings. However, the chair of the board will be present, and a number of board members will regularly be present. Furthermore, the corporate management will at least be represented by the CEO and the CFO. In line with the above, Norske Skog does not require the entire nomination committee's presence at general meetings. However, the chair of the committee will be present to explain the committee's proposal.

The corporate governance principles adopted by Norske Skog are set out in the company's Corporate Governance Policy, and are fundamental for the company's corporate governance and value creation. Norske Skog's Corporate Governance Policy is based on the Code and, as such, it is designed to establish a basis for good corporate governance and to support achievement of the company's core objectives on behalf of its shareholders, including the achievement of sustainable profitability for the shareholders of Norske Skog. The manner in which Norske Skog is governed is vital to the development of its value over time.

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.

By pursuing the principles set out in the Corporate Governance Policy, the board of directors and management shall contribute to achieving the following objectives:

- Openness and honesty. Communication with the interest groups of Norske Skog shall be based on openness and honesty on issues relevant for the evaluation of the development and position of the company.
- Independence. The relationship between the board of directors, the management and the shareholders shall be based on independence. Independence shall ensure that decisions are made on an unbiased and neutral basis.
- Equal treatment. One of Norske Skog's primary objectives is equal treatment and equal rights for all shareholders.
- Control and management. Good control and corporate governance mechanisms shall contribute to predictability and reduce the level of risks for shareholders and other interest groups.

The development of, and improvements in, the company's Corporate Governance Policy are ongoing and important processes that the board of directors and management have continuous focus on.

Deviations from the Code: None.

2. Business

Norske Skog's business purpose is set out in the Articles of Association, article 2: "The company's objective is to conduct wood processing industry, investing activities and activities related to this, as well as providing headquarter services for the group, including raise of external loans and conducting group financing arrangements." The Articles of Association are available on the company's website. The business of the company is conducted in accordance with the targets, strategies and risk profile determined by the board of directors, within the scope of the company's business purpose. The board of directors considers the targets, strategies and risk profile of the company on a continuous basis.

The company has established guidelines and principles which are used to integrate considerations to human rights, employee rights and social matters, the external environment and anti-corruption efforts in its business strategies, its day-to-day operations and in relation to its stakeholders. This includes, but is not limited to the Norske Skog Steering Guidelines and the Code of Conduct. Compliance with the Steering Guidelines and the Code of Conduct is mandatory for all employees in the group and others acting on the group's behalf, and similar conduct and ethical standards are expected in partnerships, joint ventures and partially owned subsidiaries. The Steering Guidelines and the Code of Conduct can be found on the company's website.

Sustainability and corporate social responsibility are integrated parts of the group's business. The group's sustainability report is included in the sustainability report section of the annual report.

Deviations from the Code: None.

3. Equity and dividends

SHARE CAPITAL

The share capital of Norske Skog is set out in the Articles of Association, article 4. The company's share capital at year end 2020 was NOK 330 000 000, divided into 82 500 000 shares, each with a nominal value of NOK 4.00. On 5 February 2021, the share capital was increased to NOK 377 058 820, divided into 94 264 705 shares, each with a nominal value of NOK 4.00.

EQUITY

The board of directors is responsible for ensuring that the group is adequately capitalised relative to the risk and scope of operations and that the capital requirements set forth in laws and regulations are met. The company shall have an equity capital at a level appropriate to its objectives, strategy and risk profile. The board of directors shall continuously monitor the group's capital situation and shall immediately take adequate steps if the company's equity or liquidity is less than adequate.

The corporate governance principles adopted by Norske Skog are set out in the company's Corporate Governance Policy, and are fundamental for the company's corporate governance and value creation.

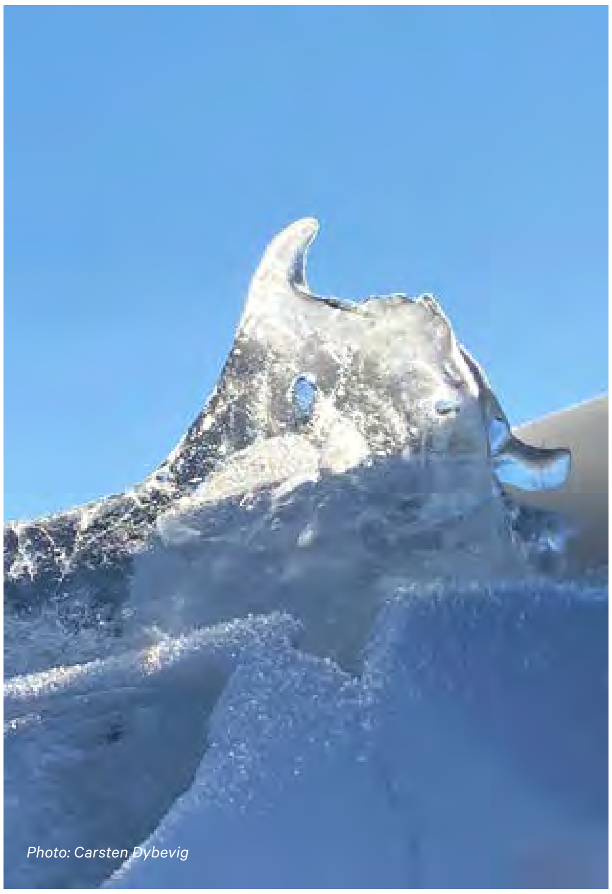


Photo: Carsten Dybevig

Norske Skog's consolidated total equity as at 31 December 2020 was NOK 3 219 million, which is equivalent to 41.3% of total assets (for Norske Skog ASA, the total equity was NOK 3 101 million, which is equivalent to 56.9% of total assets).

DIVIDEND POLICY

It follows from Norske Skog's Corporate Governance Policy that the company shall, at all times, have a clear and predictable dividend policy established by the board of directors. The dividend policy forms the basis for the board of directors' proposals on dividend payments to the company's general meeting.

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

For the financial year 2020, the board of directors has not proposed that the annual general meeting approves payment of dividend.

PURCHASE OF TREASURY SHARES

The general meeting in 2020 authorised the board of directors to purchase treasury shares up to a nominal value of NOK 33 000 000, equivalent to 10% of the company's share capital at the time. The authorisation was granted for the period up to the annual general meeting in 2021. As of the date hereof, the authorisation has not been used.

Deviations from the Code: None.

4. Equal treatment of shareholders and transactions with related parties

The company has only one class of shares. Each share in the company carries one vote, and all shares carry equal rights, including the right to participate in general meetings. All shareholders shall be treated on an equal basis, unless there is just cause for treating them differently.

In the event of an increase in share capital through issuance of new shares, a decision to deviate from existing shareholders' pre-emptive rights to subscribe for shares shall be justified. Where the board of directors resolves to issue shares and deviate from the pre-emptive rights of existing shareholders pursuant to an authorisation granted to the board of directors by the general meeting, the justification will be publicly disclosed in a stock exchange announcement issued in connection with the share issuance.

Any transactions in treasury shares carried out by the company shall be carried out on the Oslo Stock Exchange, and in any case at the prevailing stock exchange price. In the event that there is limited liquidity in the company's shares, the company will consider other ways to ensure equal treatment of shareholders. Any transaction in treasury shares by the company is subject to notification requirements, and shall be publicly disclosed in a stock exchange announcement.

In the event of transactions that are considered to be non-immaterial between the company and its shareholders, a shareholder's parent company, members of the board of directors, executive personnel or close associates to any such party, the board of directors shall arrange for an independent third-party valuation. This will, however, not apply for transactions that are subject to the approval of the general meeting pursuant to the provisions in the Norwegian Public Limited Liability Companies Act. Independent valuations shall also be procured for transactions between companies within the group if any of the companies involved have minority shareholders.

Please refer to Note 23 Related Parties in the consolidated financial statements for further information on transactions with related parties.

Deviations from the Code: None. It Is noted for completeness, however, that the board of directors proposed a deviation from existing shareholders' pre-emptive rights to subscribe for shares to an extraordinary general meeting held on 5 February 2021, which the general meeting approved. The justification for the proposed deviation was disclosed in a stock exchange announcement.

5. Freely negotiable shares

The shares of the company are freely negotiable and there are no limitations on any party's ability to own or vote for shares in the company.

Deviations from the Code: None.

6. General meetings

The general meeting is the shareholders' forum and the supreme governing body of the company. The Articles of Association do not limit the shareholders' rights as provided by the Public Limited Liability Companies Act. The board of directors sets the agenda for the general meeting. The minutes from the general meeting are published externally and on the company's website, in accordance with applicable laws and deadlines.

The board of directors shall ensure that as many of the company's shareholders as possible are able to exercise their voting rights at the company's general meetings, and that the general meeting is an effective forum for shareholders and the board of directors, which shall be facilitated through the following:

- the resolutions and any supporting documentation shall be sufficiently detailed, comprehensive and specific allowing shareholders to understand and form a view on all matters to be considered at the general meeting;
- deadlines for shareholders to give notice of their attendance at the general meeting shall be set as close to the date of the general meeting as practically possible. The time limit may not expire earlier than five days before the meeting;
- the chair of the general meeting shall if determined by the general meeting provide for that the shareholders are able to vote separately on each candidate nominated for election to Norske Skog's Board of Directors and other corporate bodies (if applicable);
- the chair of the board of directors and the chair of the nomination committee shall be present at general meetings, while other members of the board of directors, the nomination committee, the audit committee and the remuneration committee, as well as the auditor shall be present at general meetings where matters of relevance for such committees/persons are on the agenda; and

- the board of directors shall make arrangements to ensure that an independent chair for the general meeting is appointed.

Shareholders who are unable to be present at the general meeting shall be given the opportunity to be represented by proxy and to vote by proxy. The company shall in this respect:

- provide information on the procedure for attending by proxy;
- nominate a person who will be available to vote on behalf of shareholders as their proxy; and
- prepare a proxy form, which shall, to the extent this is possible, be set up so that it is possible to vote on each of the items on the agenda and the candidates nominated for election.

Deviations from the Code: The Code recommends that the general meeting elects board members individually. Traditionally, Norske Skog's general meeting is invited to elect the board members collectively to promote the board of directors as a qualified team and in accordance with legal requirements for gender representation. The Code furthermore recommends that the entire board of directors is present at general meetings. Norske Skog does not require the entire board of directors' presence at general meetings. However, the chair of the board will be present, and a number of board members will regularly be present. Furthermore, the corporate management will at least be represented by the CEO and the CFO. In line with the above, Norske Skog does not require the entire nomination committee's presence at general meetings. However, the chair of the committee will be present to explain the committee's proposal.

7. Nomination committee

Pursuant to the Articles of Association, article 8, the company shall have a nomination committee consisting of between one and three members. The company's general meeting elects the members and the chair of the nomination committee and determines their remuneration. The majority of the members of the nomination committee shall be independent from the company's board of directors and executive management. No more than one member of the nomination committee should be a member of the board of directors, and any such member should not offer himself for election to the board of directors. The CEO and other members of the executive management shall not be members of the nomination committee. The composition of the nomination committee should be such that the interests of shareholders in general are represented. The nomination committee currently consists of two members, Matthew Joseph Turner, who serves as the chair of the committee and Yngve Nygaard. Mr Turner is an employee of Oceanwood Capital Management Ltd, an entity associated with funds managing the company's largest shareholder, NS Norway Holding AS. Due to internal guidelines in Oceanwood Capital Management Ltd, Mr Turner does not receive remuneration for his role as chair of the nomination committee.

The general meeting shall approve the instructions for the nomination committee. These instructions set out the objectives, responsibilities and functions of the nomination committee, and provide guidelines for rotation of its members. The company shall provide information regarding the composition of the nomination committee, the members of the nomination committee and deadlines for submitting proposals to the nomination committee as part of its recommendations to the general meeting.

The nomination committee shall recommend candidates for the election of members and chair of the board of directors, candidates for the election of members and chair of the nomination committee, and remuneration of the members of the board of directors, its board committees and the nomination committee.

The nomination committee's recommendation of candidates to the nomination committee shall ensure that they represent a broad group of the company's shareholders. The nomination committee's recommendation of candidates to the board of directors shall ensure that the board of directors is composed to comply with legal requirements and principles of corporate governance. The nomination committee shall justify why it is proposing each candidate separately. The proposals from the nomination committee shall include a reasoning for its proposal, as well as a statement on how it has carried out its work. The nomination committee's proposal shall include information about the candidates, and shall be made available at the latest in accordance with the 21 days' notice rule to call for a general meeting. Shareholders shall be given the opportunity to submit proposals to the nomination committee for candidates for election to the board of directors and other appointments in a simple and practical manner. A date for when such proposals must be submitted to be considered by the nomination committee shall be communicated.

Deviations from the Code: None.

8. The board of directors' composition and independence

According to the Articles of Association, the board of directors of Norske Skog shall have between three and eight board members. The current number of board members is seven. The composition of the board of directors should ensure that the board of directors has the expertise, capacity and diversity needed to achieve the company's goals, handle its main challenges and promote the common interests of all shareholders. Each board member should have sufficient time available to devote to his or her appointment as a board member. The number of board members should be determined on this basis. Furthermore, individuals of the board of directors shall be willing and able to work as a team, resulting in the board of directors working effectively as a collegial body.

The board of directors shall be composed so that it can act independently of any special interests. A majority of the shareholder-elected members of the board of directors shall be independent of the executive management and material business connections of the company. At least two of the members of the board of directors shall be independent of shareholders that owns or controls 10% or more of the company's shares or votes, and meaning that there are no circumstances or relations that may be expected to be able to influence the independence of the board members' assessments.

The members of the board of directors and the chair of the board of directors shall be elected by the company's general meeting. No member of the company's executive management shall be members of the board of directors. At least half of the members of the board of directors shall reside in Norway or another EEA country. Both genders shall be represented on the board of directors in compliance with the gender representation requirements set out in section 6-11a of the Norwegian Public Limited Liability Companies Act. The term of office for the board members shall not be longer than two years at a time. Members of the board of directors may be re-elected. The election of the members of the board of directors should be phased so that the entire board of directors is not replaced at the same time.

Please refer to the description in the board of directors section of the annual report for further information on the expertise, experience and independence of the members of the board of directors, as well as the board members' respective shareholdings in the company. The board members have a statistic attendance at board meetings of nearly 100%.

Members of the board of directors are encouraged to own shares in the company. However, caution should be taken not to let this encourage a short-term approach, which is not in the best interests of the company and its shareholders in the longer term.

The nomination committee's proposal to the general meeting (as further described in item 7 above) shall include detailed information on candidates for the board of directors (both appointments and re-elections), and shall be made available at the latest in accordance with the 21 days' notice rule to call for a general meeting.

Deviations from the Code: None.

9. The work of the board of directors

The board of directors' main tasks comprise the overall responsibility for the management of the company, and overseeing the daily administration and operations of the company. The work of the board of directors is carried out in accordance with the rules and standards applicable to the group, as described in the company's rules of procedure for the board of directors of Norske Skog. The rules of procedure for the board of directors include detailed description of duties and responsibilities of the board members, as well as working and meeting procedures.

The board of directors prepares an annual plan for its work, clearly setting out strategic, financial, operational and organisational matters for discussion and resolution. In addition to addressing the matters on such plan, the board of directors continuously addresses matters and processes which require the board of directors' involvement from time to time. Throughout 2020 and into 2021, the board of directors has in addition to recurring matters concentrated a significant amount of time on strategic development and financial and capital markets matters related thereto. One of the most important strategic development goals addressed by the board of directors in 2020 has been the group's conversion of newsprint paper machines to packaging paper machines, with one machine at the Golbey mill in France and one machine at the Bruck mill in Austria. Furthermore, efforts and results within the areas of health, environment and safety are annually reported comprehensively to the board of directors, and the CEO reports on health, environment and safety, operations and market developments in every board meeting. The board of directors actively manages the resources of the board of directors and its committees in accordance with the relative strategic and commercial importance of matters.

The board of directors has two sub-committees, an audit committee, as required by the Public Limited Liability Companies Act, and a remuneration committee. The members of the audit committee are Arvid Grundekjøn (chair), John Chiang and Trine-Marie Hagen. The members of the remuneration committee are John Chiang (chair) and Arvid Grundekjøn. The company's Corporate Governance Policy includes a set of instructions for each of the committees, describing defined areas of responsibility. The committees undertake preparatory discussions and submit their recommendations to the full board of directors.

The audit committee focused on the company's financial reporting and internal control function in 2020. The remuneration committee focussed on salary and other remuneration to executive personnel in 2020, and among other things completed a benchmark evaluation in connection thereto. The external auditor and the CFO attend the meetings of the audit committee. The CEO attends the meetings of the remuneration committee, except when the CEO's remuneration is being discussed.

In 2020, the board of directors held thirteen meetings and one matter was resolved by written resolutions. The audit committee held six meetings in 2020 and the remuneration committee held two meetings in 2020. Due to the circumstances around COVID-19, the meetings of the board of directors and its committees were increasingly held by video conference throughout 2020. Representation at meetings of the board of directors and committee meetings is nearly at 100%

The board of directors shall annually evaluate its performance and expertise for the previous year. This evaluation shall include the composition of the board of directors and the manner in which its members functions, both individually and as a group, in relation to the objectives set out for its work. The report shall be made available to the nomination committee. Due to the circumstances around COVID-19 and the effects these have had on the meetings of the board of directors, the annual evaluation in 2020 was postponed to 2021.

Deviations from the Code: None.

10. Risk management and internal control

The board of directors is responsible for ensuring that the company has sound and appropriate internal control systems and systems for risk management, and that these systems are proportionate to and reflect the extent and nature of the company's activities. Having effective internal control systems and systems for risk management in place are important to prevent the group from situations that can damage its reputation and financial standing. Furthermore, effective and proper internal control and risk management are important factors when building and maintaining trust, to reach the company's objectives, and ultimately create value. Having in place an effective internal control system means that the company is better suited to manage commercial risk, operational risk, the risk of breaching legislation and regulations as well as other forms of risk that may be material to the company. As such, there is a correlation between the company's internal control systems and effective risk management. The internal control system shall also address the organisation and execution of the company's financial reporting, as well as cover the company's guidelines for how it integrates considerations related to stakeholders into its creation of value. Norske Skog shall comply with all laws and regulations that apply to the group's business activities.

Norske Skog's enterprise risk management processes are based on COSO's Enterprise Risk Management framework, and cover financial, operational, market and organisational risks. By this delineation of risk control, all sustainability and responsibility areas covered by Norske Skog's Steering Guidelines are also covered by its enterprise risk management processes and is reported to the board of directors. The system is based on the management teams in each business unit and in key corporate functions annually reporting potential risk factors to the company's risk management function, which in turn provide a basis for the agenda of the corporate management meetings and adequate follow-up measures. In addition, Norske Skog annually reviews and reports on sustainability in accordance with GRI's Sustainability Reporting Standards. The annual review is carried out by an independent and internationally recognised audit firm. Further information on the group's sustainability reporting is provided in the group's sustainability report included in the sustainability report section of the annual report.

The internal control systems within the finance organisation primarily cover the financial reporting structure and processes. Routines for internal control over financial reporting are defined in Norske Skog's internal control documentation (Financial Reporting Manual, Financial Closing Manual and Financial Closing Checklist). Responsibilities are clearly defined in terms of execution, documentation and control. As part of the continuous focus on compliance, regular reviews of business processes, investments or other issues are carried out. These compliance processes are carried out on the basis of risk assessments, and support the business in improving internal control and achieving the set goals. The group also has a power of attorney structure which describes and regulates financial empowerment to individual positions.

In addition, Norske Skog has implemented internal routines to ensure continuous attention and efforts on maintaining high compliance standards throughout the group. These internal routines are set out in Norske Skog's Continuous Compliance Program, and include a number of compliance related activities that shall be carried out over the course of a calendar year.

Norske Skog has clearly established channels and procedures for reporting and handling instances of possible serious misconduct (whistle blowing). Such channels are described on our website, intranet and in the Steering Guidelines.

It is the opinion of the board of directors that Norske Skog's internal control and systems for risk management are adequate and proportionate to the nature and complexity of the company's operations and financial situation.

Deviations from the Code: None.

11. Remuneration of the board of directors

The remuneration of the board of directors is decided by the annual general meeting on the basis of the nomination committee's proposal. The committee considers the level of responsibility, complexity and time consumption, as well as the required expertise, for the board members. Proposals for annual adjustments of the remuneration of the board of directors are based on considerations to ensure that Norske Skog remains attractive and competitive on the market for governing bodies' competencies.

No board member has carried out specific tasks or commissions for the company in addition to the directorship, and Norske Skog has not paid other remuneration to any board member than the ordinary board remuneration.

Separate remuneration is set for the chair and members of the board of directors and respective committees under the board of directors. The current remuneration amounts are as follows:

1. The remuneration for the chair of the board is NOK 0 (zero) per year. (*)
2. The remuneration for the other members of the board is NOK 300 000 per year.
4. The remuneration for the chair of the audit committee is NOK 130 000 per year.
5. The remuneration for other members of the audit committee is NOK 50 000 per year. (*)
4. The remuneration for the chair of the remuneration committee is NOK 0 (zero) per year. (*)
5. The remuneration for other members of the remuneration committee is NOK 20 000 per year.
6. Travel expenses in connection with board and committee meetings are paid in accordance with the Norwegian Government's Travel Allowance Regulation.

(*) John Chiang, chair of the board, chair of the remuneration committee and member of the audit committee, is a partner of Oceanwood Capital Management LLP, an entity associated with funds managing the company's largest shareholder, NS Norway Holding AS. Due to internal guidelines in Oceanwood Capital Management LLP, Mr Chiang does not receive remuneration for his role as chair of the board, chair of the remuneration committee and member of the audit committee.

The total remuneration for the board of directors in 2019, including committee work, was NOK 1 910 000. For further information, reference is made to Note 12 Employee Benefit Expenses in the consolidated financial statements.

Deviations from the Code: None.

12. Remuneration of executive personnel

The board of directors has adopted guidelines for determining salary and other remuneration to leading personnel in accordance with Section 6-16 a of the Public Limited Liability Companies Act and the Regulation on guidelines and reporting on remuneration for leading personnel. The guidelines are set out in Note 10 Guidelines on salary and other remuneration to leading personnel in the financial statement for Norske Skog ASA, and is a part of the documentation presented to the annual general meeting.

The CEO's remuneration terms are reviewed and decided annually by the board of directors following preparatory discussions in the board of directors' remuneration committee. The remuneration consists of base salary, annual performance bonus, pension and other benefits. The decision on the CEO's remuneration takes into consideration the overall performance of the CEO and the company, and the market development for CEO remuneration in companies of similar complexity, size and industries. The remuneration of other leading personnel is determined by the CEO, and the performance related remuneration consist of the same elements as for the CEO.

Performance based elements are calculated on the basis of quantifiable objective targets as well as on quantifiable targets falling within areas over which the respective executives have a reasonable influence. More information about remuneration of leading personnel is available in the financial statements, Note 10 Guidelines on salary and other remuneration to leading personnel in the financial statements for Norske Skog ASA and in Note 12 Employee benefit expenses in the consolidated financial statements.

In addition, Norske Skog has established a long-term incentive program based on synthetic stock options. The program mirrors the financial outcome of an actual stock option with an initial "exercise price" (which corresponds to the price per share set at the time of award of the options and a mechanic to fix a "fair market value" in the future when the options are exercised (3-5 years following award of the options). The long-term incentive program is described in Note 10 Guidelines on salary and other remunertion to leading personnel in the financial statements for Norske Skog ASA and in Note 12 Employee benefit expenses in the consolidated financial statements.

Deviations from the Code: None.

13. Information and communications

The company has established guidelines for its reporting of financial and other information based on openness and taking into account the requirement of equal treatment in the securities market. These guidelines are set out in the company's Communication Policy and the Investor Relations Policy.

The company provides on a continuous basis its shareholders, the Oslo Stock Exchange and the securities market and the financial market in general with timely and precise information about the company and its operations. Such information is published through the Oslo Stock Exchange's information system and the company's website. Information is typically given in the form of annual reports, half-year reports, quarterly reports, press releases, notices to the stock exchange and through published investor presentations in accordance with what is deemed appropriate and required at any given time. Financial reporting follows International Financial Reporting Standards, and through open and proactive communication with investors and financial markets, including through regular presentations, Norske Skog ensures transparency and equality to facilitate our stakeholders' assessment of the company. The company furthermore regularly provides information on its long-term potential, including strategies, value drivers and risk factors. Information to Norske Skog's investors will also be published simultaneously through the Oslo Stock Exchange's information system and/or the company's website.

The company publishes an annual, electronic financial calendar with an overview of dates for important events, such as the annual general meeting, interim financial reports, public presentations and payment of dividends, if applicable. The information is made available in English and Norwegian.

Unless there are applicable exemptions that is appropriate to utilise in the specific situation, Norske Skog promptly discloses all inside information (as defined by the Norwegian Securities Trading Act). In addition, Norske Skog provides information about certain events, e.g. by the board of directors and the general meeting concerning dividends, mergers/demergers or changes to the share capital, the issuing of subscription rights, convertible loans and all agreements of major importance that are entered into by Norske Skog and related parties.

Separate guidelines have been implemented regarding handling of inside information, and these follow from the instructions for handling of inside information and the instructions for primary insiders. The rules of procedure for the board of directors set out who in the board of directors is entitled to publicly speak on behalf of the company, and the Communication Policy defines the responsibility of communications on behalf of the company in various matters.

Deviations from the Code: None.

14. Take-overs

The board of directors has established clear principles in the Corporate Governance Policy for how it will act in the event of a take-over bid, including that it will act in accordance with the Code and Norwegian law. The principles emphasise the importance of equal treatment of existing shareholders. They further warrant that the board of directors will ensure sufficient information in time and content for the shareholders to assess a possible bid, including issuing a statement to the shareholders with the board of directors' assessment of such bid, together with a valuation prepared by an independent expert. A sale of a significant part of the company will require approval by the general meeting. The board of directors will not without decision by the general meeting attempt to hinder a take-over bid for the company.

Deviations from the Code: None.

15. Auditor

The auditor presents an annual audit plan, describing the auditor's understanding of the industry and significant risks, as well as the audit approach to be applied. The auditor participates in audit committee meetings when discussing the quarterly financial statements and other audit related matters, and attends board meetings when otherwise requested. The auditor annually confirms its independence in writing. During 2020 and 2021, the auditor has participated in discussions with the audit committee. Furthermore, the auditor has met with the board of directors without the corporate management being present, and reviewed the company's internal control procedures. The company has effective guidelines for the ability of the auditor to perform non-audit services for the company upon approval by the audit committee. The company informs the general meeting about the auditor's fees for audit and non-audit services.

The board of directors regularly assesses the quality and efficiency of the work of the auditor.

Deviations from the Code: None.

Photo: Carsten Dybevig

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

Photo: Thomas Leirvik

Consolidated financial statements

CONSOLIDATED FINANCIAL STATEMENTS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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	NOTE	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**
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	3 685
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	1 685
Tax payable	17	54	62
Other current liabilities	18	199	188
Total current liabilities		**2 073**	**2 354**
Total liabilities		**4 658**	**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 Material) 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.

Photo: Cyrielle Nussbaum

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	-260	-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	**1 130**	**1 130**	**0**	**0**	**1 130**
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	**1 705**	**1 751**	**0**	**1 126**	**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	**1 404**	**1 404**	**0**	**0**	**1 404**
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**	**1 432**	**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.

INTEREST-BEARING ASSETS AND LIABILITIES	31.12.2020 FLOATING	FIXED	TOTAL	31.12.2019 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.

INTEREST RATE	NET PROFIT AFTER TAX 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.

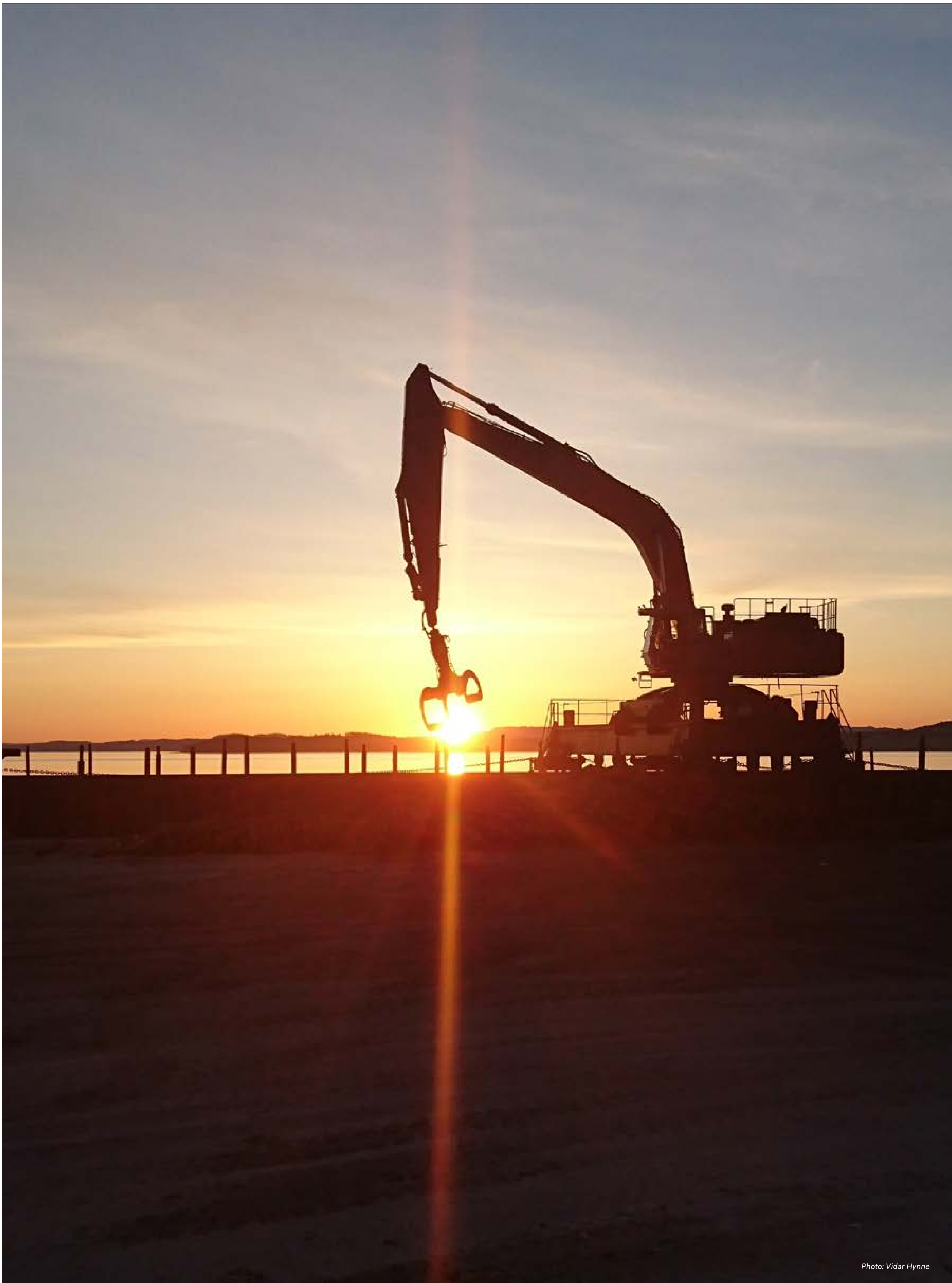


Photo: Vidar Hynne

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	RECLASSI-FICATION[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	RECLASSI-FICATION[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	-6	-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.

Photo: Carsten Dybevig

Financial statements

Norske Skog ASA

FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS

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: Kjetil 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	-694	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

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:	In our opinion:
• 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.	• 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 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	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.

BDO

audit area. We refer to the descriptions in notes 7, 8 and 9 in the consolidated financial statements.	
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.

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.

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

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).

Photo: Federica Rossi

Norske Skog

NORSKE SKOG ASA
Sjølyst plass 2, 0278 Oslo / www.norskeskog.com / twitter: @Norske_Skog