

INTRODUCTION

Norske Skog ("the group") is a world leading producer of publication paper with strong market positions and long-term customer relations in Europe and Australasia. Publication paper includes newsprint and magazine paper. Norske Skog operates a total of six mills in five countries, with an annual production capacity of 2.3 million tonnes. Newsprint and magazine paper is sold through sales offices and agents to over 80 countries. The group also operates a pellets factory in New Zealand with a capacity of 85 000 tonnes. The group has approximately 2 300 employees.

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

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

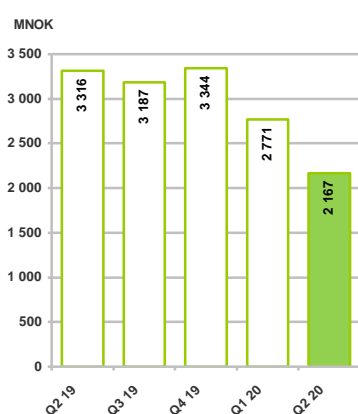
KEY FIGURES

NOK MILLION (unless otherwise stated)	Q2 2020	Q1 2020	Q2 2019	YTD 2020	YTD 2019
INCOME STATEMENT					
Total operating income	2 167	2 771	3 316	4 938	6 423
EBITDA*	138	379	444	517	873
Operating earnings	-122	90	1 150	-32	1 403
Profit/loss for the period	-59	-374	1 032	-433	1 184
Earnings per share (NOK)**	-0.71	-4.53	12.51	-5.24	14.36
CASH FLOW					
Net cash flow from operating activities	-109	470	225	361	531
Net cash flow from operating activities per share (NOK)**	-1.32	5.70	2.73	4.38	6.43
Net cash flow from investing activities	241	408	-88	649	-180
OPERATING MARGIN AND PROFITABILITY (%)					
EBITDA margin*	6.4	13.7	13.4	10.5	13.6
Return on capital employed (annualised)*	0.8	20.2	26.8	11.1	26.6
PRODUCTION / DELIVERIES / CAPACITY UTILISATION					
Production (1 000 tonnes)	404	503	588	907	1 173
Deliveries (1 000 tonnes)	389	495	591	884	1 140
Production / capacity (%)	69	86	90	78	89

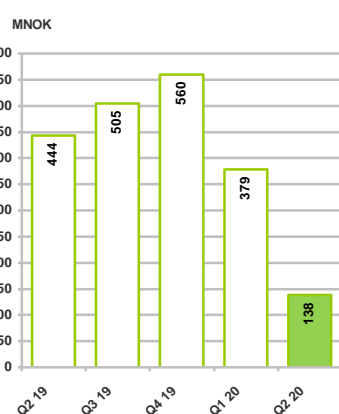
*As defined in Alternative Performance Measures

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

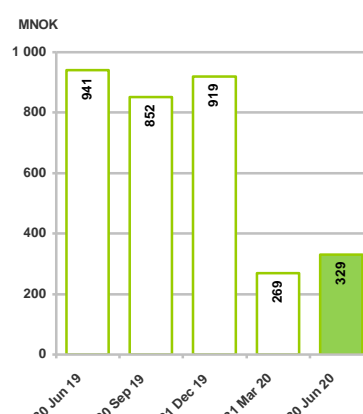
TOTAL OPERATING INCOME



EBITDA



NET INTEREST-BEARING DEBT



NOK MILLION	30 JUN 2020	31 MAR 2020	31 DEC 2019	30 JUN 2019
BALANCE SHEET				
Non-current assets	5 228	5 620	5 248	5 512
Assets held for sale	0	307	631	0
Current assets	4 393	4 705	4 360	3 859
Total assets	9 621	10 633	10 240	9 372
Equity	5 017	5 439	5 493	4 560
Net interest-bearing debt	329	269	919	941

REPORT OF THE BOARD OF DIRECTORS FOR THE SECOND QUARTER OF 2020

- Weak Q2 2020 EBITDA of NOK 138 million due to COVID-19
 - Restrictions significantly impacting volumes
 - Publication paper prices unchanged in the quarter
 - Includes gain of approximately NOK 86 million from sale of Tasmanian forest
- Announced entry into packaging with conversion projects in Golbey and Bruck
 - First production of containerboard planned in first half of 2023
 - Expected annual EBITDA of EUR 70-80 million from converted machines at full utilisation
- Completion of Tasmanian forest sale
- Maintains robust financial position
 - Cash position of NOK 1 487 million
 - Net interest-bearing debt of NOK 329 million
- Forestry and industry in general have seen limited support from Norwegian authorities
 - Need for re-industrialisation of Norway

PROFIT/LOSS FOR THE PERIOD

NOK MILLION	Q2 2020	Q1 2020	Q2 2019	YTD 2020	YTD 2019
Operating revenue	2 012	2 585	3 158	4 598	6 154
Other operating income	154	186	158	340	270
Total operating income	2 167	2 771	3 316	4 938	6 423
Distribution costs	-279	-300	-308	-579	-612
Cost of materials	-1 096	-1 403	-1 853	-2 499	-3 540
Fixed cost	-653	-689	-711	-1 343	-1 398
EBITDA	138	379	444	517	873

COVID-19 caused much of the world to close down from March and in the second quarter as restrictions were imposed on a country by country basis impacting movement of people. The demand for publication paper in markets where Norske Skog operates, remained stable through April as customers partly increased their inventory levels in preparation for potential supply chain disruptions. In May and June, the impact of the restrictions translated into a severe demand reduction and Norske Skog had temporary market down-time at almost all of the group's mills in order to adapt to a new and uncertain environment. Throughout the quarter, the health and safety of the group's employees has remained a top priority.

Lower operating revenue in second quarter compared to previous quarter was mainly driven by a reduction in deliveries (sales volume) as a result of COVID-19 restrictions on movement. Publication paper prices have remained stable through the quarter, however an increase in export volumes has reduced the overall achieved price to some extent both in Europe and in the Australasian region.

Other operating income for the second quarter includes a gain of approximately NOK 86 million following the completion of the sale of Tasmanian forest assets to New Forests, an Australian-based international sustainable forestry investment manager.

Cost of materials (mainly fibre and energy) decreased compared to the previous quarter, mostly driven by lower sales volumes. Cost of materials has been unchanged on a per tonne basis in the quarter.

Fixed costs (including employee benefit expenses) decreased compared to the previous quarter due to temporary layoffs at Norske Skog's mills resulting from reduced demand and market downtime at the mills. There have been notable differences in the level of government support between the various countries where Norske Skog operates.

EBITDA decreased quarter-over-quarter mainly due to lower sales volumes in the second quarter.

NOK MILLION	Q2 2020	Q1 2020	Q2 2019	YTD 2020	YTD 2019
Restructuring expenses	-5	-12	-9	-17	-18
Depreciation	-111	-107	-113	-218	-225
Impairments	-193	0	0	-193	0
Derivatives and other fair value adjustments	49	-170	828	-122	773
Operating earnings	-122	90	1 150	-32	1 403

Restructuring expenses recognised in the quarter of NOK 5 million mainly relates to restructuring in Australasian region.

Depreciation of NOK 111 million is slightly above previous quarter.

Demand for publication paper has dropped beyond the historical decline. Although there has been observed some increase in demand, there remains uncertainty on the future demand. Based on current information, Norske Skog has carried out an impairment test and recognised an impairment of NOK 193 million.

Derivatives and other fair value adjustments mainly reflects an increase in mark-to-market valuation of embedded derivatives related to energy contracts in New Zealand as local energy prices increased in the quarter.

Embedded derivatives related to energy contracts in Norway, that are sensitive to change in paper and pulpwood prices as well as currency, had a minor negative change in the quarter.

NOK MILLION	Q2 2020	Q1 2020	Q2 2019	YTD 2020	YTD 2019
Share of profit in associated companies	-16	-4	0	-20	0
Financial items	86	-429	-68	-343	-59
Income taxes	-7	-30	-50	-37	-159
Profit/loss for the period	-59	-374	1 032	-433	1 184

Share of profit in associated companies relates to the changes in the ownership of Circa in June where Norske Skog increased our share to 27.7%.

Financial items were positive by NOK 86 million mainly due to a partial reversal of the unrealised currency loss on debt denominated

in other currencies than NOK from the previous quarter. The reversal was caused by the NOK strengthening considerably in the quarter. Net interest expenses were in line with previous quarter.

Income taxes in the quarter relates to the operations in Golbey and Bruck.

DIVERSIFICATION BEYOND PUBLICATION PAPER

On 17 June, Norske Skog announced its planned entry into the packaging market with conversion projects at both Golbey and Bruck. The projects involve the conversion of two machines to containerboard production at a total investment cost of approximately EUR 350 million. Production of containerboard is expected to start in first half of 2023, with full utilisation reached by the end of 2025. The converted machines are expected to generate an EBITDA of EUR 70-80 million once at full utilisation.

At the Bruck paper mill, the EUR 72 million investment in a waste-to-energy facility is progressing in accordance with the timetable. In the quarter, Norske Skog placed the order for a 56 MW multifuel boiler with the Finland-based energy and forest industry technology major Valmet. The boiler is expected to start operating in first half of 2022, and will provide additional revenue and cost savings of approximately EUR 19 million annually.

In the quarter, Norske Skog continued to test and develop CEBINA and bio-composites with machine suppliers and customers. In addition, Norske Skog entered into an agreement with the Australia-based Circa Group (an advanced biochemical materials company and the world's only producer of Cyrene™) increasing its share from 10% to become the largest shareholder with a 27.7% stake in the company.

The group has launched several fibre and energy growth initiatives beyond its traditional publication paper business and conversion projects. These initiatives broaden the operations of the group from renewable energy in the form of biogas, wood pellets, biochemicals and bio-composites. These initiatives are at various stages of the development cycle, ranging from early-phase research to final stages of commercialisation. By 2023, the group expects approximately 25% of its EBITDA to be generated from these non-paper growth initiatives.

SEGMENT INFORMATION

PUBLICATION PAPER EUROPE

NOK MILLION (unless otherwise stated)	Q2 2020	Q1 2020	Q2 2019	YTD 2020	YTD 2019
Total operating income	1 655	2 131	2 528	3 786	4 895
EBITDA	75	329	419	404	811
EBITDA margin (%)	4.5	15.4	16.6	10.7	16.6
Return on capital employed (%) (annualised)	-2.5	19.6	32.7	8.9	31.2
Production (1 000 tonnes)	334	411	433	745	878
Deliveries (1 000 tonnes)	322	396	441	718	857
Production / capacity (%)	70	86	90	78	91

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

Operating income decreased from the previous quarter due to lower sales volumes mainly caused by COVID-19 restrictions. Publication paper prices remained stable through the quarter, with minor negative impact from increased export volumes to low price markets.

Cost of material decreased due to lower sales volumes, with raw material prices remaining stable in the quarter. Fixed costs were lower compared to the previous quarter caused by temporary layoffs at all the European mills as a result of reduced demand necessitating market downtime in the quarter. There have been notable differences in the support from national authorities in the group's effort to maintain future operations and secure jobs.

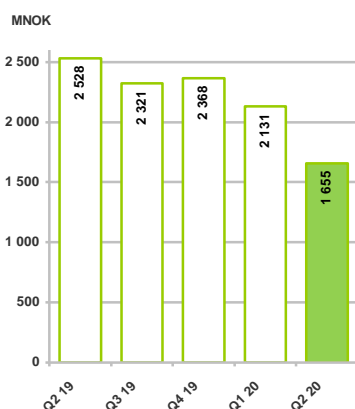
In second quarter, the European operations has received governmental support of approximately NOK 18 million mainly in relation to employees. There has also been provided support in the form of deferred payments of public taxes and duties of approximately NOK 100 million.

EBITDA was down from the previous quarter, mainly due to lower sales volumes. In addition, the previous quarter included sale of CO₂ emission allowances.

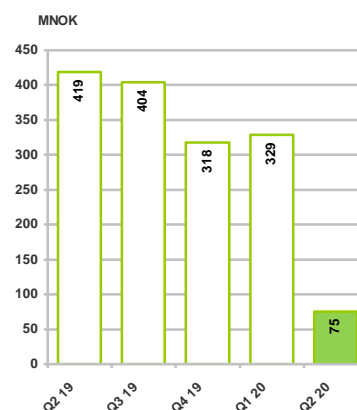
Demand for newsprint in Europe decreased by 21% through May this year compared to the same period last year. Magazine paper demand declined with Super Calendared paper decreasing 15% and Lightweight Coated paper decreasing 21%. (Source: Eurograph).

Capacity utilisation was 70% in the period.

**EUROPE
TOTAL OPERATING INCOME**



**EUROPE
EBITDA**



PUBLICATION PAPER AUSTRALASIA

NOK MILLION (unless otherwise stated)	Q2 2020	Q1 2020	Q2 2019	YTD 2020	YTD 2019
Total operating income	513	620	774	1 133	1 521
EBITDA	63	63	20	126	63
EBITDA margin (%)	12.3	10.2	2.6	11.1	4.1
Return on capital employed (%) (annualised)	143.8	44.6	-2.7	91.6	2.9
Production (1 000 tonnes)	70	92	155	162	294
Deliveries (1 000 tonnes)	67	99	149	167	283
Production / capacity (%)	65	85	89	75	84

The segment consists of Norske Skog's operations in Australasia with mills in Australia and New Zealand. The annual production capacity is 0.4 million tonnes.

Operating income decreased from the previous quarter due to lower sales volumes as a result of COVID-19 restrictions reducing demand. In addition, following a quarter with limited export volumes to low

priced Asian markets (as a result of lower production volumes following the sale of the Albury mill in December 2019), Norske Skog increased its exports to Asian markets in the second quarter as consequence of domestic drop in demand.

Total operating income includes a gain of NOK 86 million from the sale of Tasmanian forest assets in the second quarter, compared to a gain of NOK 62 million in the first quarter gain from recycling of translation difference following the completion of the sale of Albury.

Cost of materials decreased in the quarter as a result of lower sales volumes caused by COVID-19 restrictions. Fixed cost were down in the quarter due to temporary layoffs at both mills in the region. Fixed costs were also down on a per tonne basis, partly due to support from national authorities in the region.

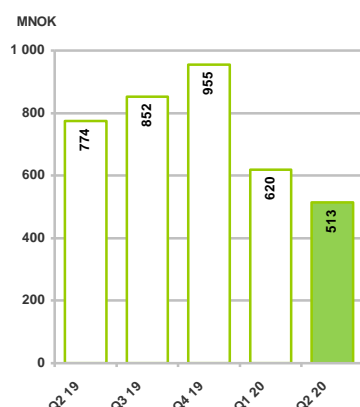
In second quarter the Australasian operations has received governmental support of approximately NOK 10 million mainly in relation to employees.

EBITDA was in line with previous quarter, but included a gain of NOK 86 million, offsetting the negative impact of lower sales volumes as a result of drop in domestic demand and increased exports to lower margin Asian markets.

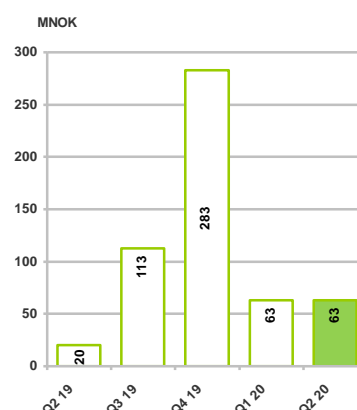
Demand for newsprint in Australasia declined by 24% through June this year compared to the same period last year. Demand for magazine paper decreased by 19% through May. (Source: official statistics).

Capacity utilisation was 65% in the period.

**AUSTRALASIA
TOTAL OPERATING INCOME**



**AUSTRALASIA
EBITDA**



OTHER ACTIVITIES

NOK MILLION	Q2 2020	Q1 2020	Q2 2019	YTD 2020	YTD 2019
Total operating income	38	48	44	86	78
EBITDA	0	-13	5	-14	-1

Operating income in other activities mainly consist of non-paper related operations which currently includes pellets and biogas. In addition, other activities also include unallocated headquarter costs. The unallocated headquarter costs are estimated to be approximately

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

CASH FLOW

NOK MILLION	Q2 2020	Q1 2020	Q2 2019	YTD 2020	YTD 2019
EBITDA	138	379	444	517	873
Change in working capital	12	222	35	234	-40
Restructuring payments	-21	-6	-13	-27	-17
Gains and losses from divestments	-92	-62	-89	-153	-89
Net financial items	-52	-65	-50	-117	-69
Taxes paid	-81	17	-91	-64	-92
Other items	-13	-14	-11	-27	-34
Net cash flow from operating activities	-109	470	225	361	531
Purchases of property, plant and equipment and intangible assets	-128	-100	-78	-228	-154
-whereof maintenance capex	-62	-42	-67	-103	-118

Net cash flow from operating activities was negative NOK 109 million.

Restructuring relates to payments of redundancy and other restructuring costs relating to closure of the Albury mill and

restructuring in Australasia. Taxes paid in the quarter mainly relate to Golbey.

Gains from divestments relates mainly to the sale of the Tasmanian forest with NOK 86 million.

BALANCE SHEET

NOK MILLION	30 JUN 2020	31 MAR 2020	31 DEC 2019	30 JUN 2019
Non-current assets	5 228	5 620	5 248	5 512
Assets held for sale	0	307	631	0
Cash and cash equivalents	1 487	1 659	970	861
Inventories, trade and other receivables and other current assets	2 906	3 046	3 390	2 998
Total assets	9 621	10 633	10 240	9 372
Equity	5 017	5 439	5 493	4 560
Non-current liabilities	2 611	2 730	2 393	2 403
Current liabilities	1 993	2 464	2 354	2 409
Net interest-bearing debt	329	269	919	941

Total assets decreased in the second quarter mainly due impairment of NOK 193 million on the group's mills and impact from translation due to strengthening of the NOK in the quarter. These effects were partly offset by investment in the multifuel boiler in Bruck and the energy efficiency projects in Saugbrugs.

Assets held for sale reduced to zero from NOK 307 million following the completion of the sale of the Tasmanian forest.

Cash and cash equivalents decreased by NOK 172 million to NOK 1 487 million at quarter end. The change is mainly due to a combination of outflow from operations and investments and inflow of proceeds from the sale of the Tasmanian forest. The dividend of NOK 3.25 per share was paid in the quarter.

Non-current and current liabilities were mainly impacted in the quarter by currency impact on liabilities denominated in other currencies than NOK, and the first draw-down on the Bruck boiler debt facility of EUR 2.5 million.

Net interest-bearing debt increased from NOK 269 million to NOK 329 million in the quarter.

OUTLOOK

The continued softening of the national restrictions caused by the global coronavirus pandemic, is expected to have a positive effect on the demand for publication paper as the retail trade in general will increase. The closure of several printed publications globally may indicate that at least part of the demand for publication paper will not return to the market. The market uncertainty and low capacity utilization may have a negative impact on sales prices in the short run. However, lower sales prices in the second half of 2020 will to some degree be offset by a decrease in input costs from energy, pulpwood and recovered paper.

The group will continuously monitor and evaluate the impact of the corona situation on the company's operations and business outlook. The health and safety of the group's employees are top priority under the circumstances. Further operational as well as long-term structural measures could be implemented at future dates.

In light of these unprecedented and challenging circumstances, Norske Skog remains committed to become a leading European producer of renewable packaging, improve and optimise publication paper cash flows, and diversify and innovate within fibre and energy.

SKØYEN, 15 JULY 2020
THE BOARD OF DIRECTORS OF NORSKE SKOG ASA



John Chiang
Chair



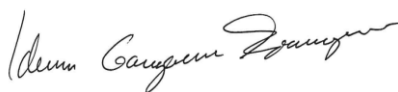
Arvid Grundekjøn
Board member



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

INTERIM FINANCIAL STATEMENTS, SECOND QUARTER OF 2020

CONDENSED CONSOLIDATED INCOME STATEMENT

NOK MILLION	NOTE	Q2 2020	Q1 2020	Q2 2019	YTD 2020	YTD 2019
Operating revenue		2 012	2 585	3 158	4 598	6 154
Other operating income		154	186	158	340	270
Total operating income	5	2 167	2 771	3 316	4 938	6 423
Distribution costs		-279	-300	-308	-579	-612
Cost of materials		-1 096	-1 403	-1 853	-2 499	-3 540
Employee benefit expenses		-441	-462	-476	-903	-932
Other operating expenses		-212	-227	-235	-439	-466
Restructuring expenses		-5	-12	-9	-17	-18
Depreciation	4	-111	-107	-113	-218	-225
Impairments	4	-193	0	0	-193	0
Derivatives and other fair value adjustments	7	49	-170	828	-122	773
Operating earnings		-122	90	1 150	-32	1 403
Share of profit in associated companies		-16	-4	0	-20	0
Financial items	6	86	-429	-68	-343	-59
Profit/loss before income taxes		-52	-343	1 082	-395	1 343
Income taxes		-7	-30	-50	-37	-159
Profit/loss for the period		-59	-374	1 032	-433	1 184
Basic earnings per share (NOK)		-0.71	-4.53	12.51	-5.24	14.36
Diluted earnings per share (NOK)		-0.71	-4.53	12.51	-5.24	14.36

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

NOK MILLION	Q2 2020	Q1 2020	Q2 2019	YTD 2020	YTD 2019
Profit/loss for the period	-59	-374	1 032	-433	1 184
Items that may be reclassified subsequently to profit or loss					
Currency translation differences	-95	386	-28	291	-90
Tax expense on translation differences	0	-4	0	-4	0
Reclassified translation differences upon divestment of foreign operations	0	-62	0	-62	0
Total	-95	320	-28	225	-90
Items that will not be reclassified subsequently to profit or loss					
Remeasurements of post-employment benefit obligations	0	0	0	0	0
Tax effect on remeasurements of employment benefit obligations	0	0	0	0	0
Total	0	0	0	0	0
Other comprehensive income for the period	-95	320	-28	225	-90
Total comprehensive income for the period	-154	-53	1 004	-208	1 094

CONDENSED CONSOLIDATED BALANCE SHEET

NOK MILLION	NOTE	30 JUN 2020	31 MAR 2020	31 DEC 2019	30 JUN 2019
Deferred tax asset		137	137	137	64
Intangible assets	4	35	92	38	26
Property, plant and equipment	4	3 748	4 034	3 685	4 459
Investments in associated companies		64	1	1	1
Other non-current assets	7	1 244	1 356	1 387	962
Total non-current assets		5 228	5 620	5 248	5 512
Assets held for sale	4	0	307	631	0
Inventories		1 492	1 410	1 427	1 547
Trade and other receivables		990	1 329	1 573	1 227
Cash and cash equivalents		1 487	1 659	970	861
Other current assets	7	424	307	390	224
Total current assets		4 393	4 705	4 360	3 859
Total assets		9 621	10 633	10 240	9 372
Paid-in equity	8	8 510	8 510	8 510	8 510
Retained earnings		-3 494	-3 071	-3 018	-3 950
Total equity		5 017	5 439	5 493	4 560
Pension obligations		323	342	295	260
Deferred tax liability		338	364	316	326
Interest-bearing non-current liabilities	6	1 612	1 667	1 470	1 473
Other non-current liabilities	7	338	358	312	343
Total non-current liabilities		2 611	2 730	2 393	2 403
Interest-bearing current liabilities	6	204	262	419	329
Trade and other payables		1 528	1 802	1 685	1 796
Tax payable		56	131	62	144
Other current liabilities	7	205	269	188	140
Total current liabilities		1 993	2 464	2 354	2 409
Total liabilities		4 605	5 194	4 747	4 811
Total equity and liabilities		9 621	10 633	10 240	9 372

SKØYEN, 15 JULY 2020
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Svein Erik Veie
Board member



Paul Kristiansen
Board member



Sven Ombudstvedt
CEO

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

NOK MILLION	Q2 2020	Q1 2020	Q2 2019	YTD 2020	YTD 2019
Cash generated from operations	2 384	2 871	3 312	5 255	6 577
Cash used in operations	-2 360	-2 352	-2 946	-4 713	-5 885
Cash flow from currency hedges and financial items	-28	-39	-9	-67	-16
Interest payments received	3	4	2	7	5
Interest payments made	-26	-30	-43	-56	-58
Taxes paid	-81	17	-91	-64	-92
Net cash flow from operating activities ¹⁾	-109	470	225	361	531
Purchases of property, plant and equipment and intangible assets	-128	-100	-78	-228	-154
Sales of property, plant and equipment and intangible assets	374	559	0	933	0
Purchase of shares in companies and other financial payments	-19	-50	-15	-70	-30
Sales of shares in companies and other financial instruments	14	0	4	14	4
Net cash flow from investing activities	241	408	-88	649	-180
New loans raised	53	255	1 261	307	1 287
Repayments of loans	-82	-484	-1 166	-566	-1 667
Dividends paid	-268	0	0	-268	
Net cash flow from financing activities	-297	-230	95	-527	-379
Foreign currency effects on cash and cash equivalents	-6	40	-9	34	-23
Total change in cash and cash equivalents	-172	689	223	517	-51
Cash and cash equivalents at start of period	1 659	970	638	970	912
Cash and cash equivalents at end of period	1 487	1 659	861	1 487	861
¹⁾ Reconciliation of net cash flow from operating activities					
Profit/loss before income taxes	-52	-343	1 082	-395	1 343
Change in working capital	12	222	35	234	-40
Change in restructuring provisions	-16	6	-3	-10	1
Depreciation and impairments	304	107	113	410	225
Derivatives and other fair value adjustments	-58	155	-829	96	-793
Gain and losses from divestment	-92	-62	-89	-153	-89
Net financial items without cash effect	-121	368	18	246	-10
Taxes paid	-81	17	-91	-64	-92
Change in pension obligations and other employee benefits	-3	2	-4	-1	-7
Adjustment for other items	0	0	-7	0	-7
Net cash flow from operating activities	-109	470	225	361	531

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN GROUP EQUITY

NOK MILLION	Paid-in equity	Other paid-in equity	Retained earnings	Total equity
Equity 1 January 2019	5 160	2 249	-5 044	2 365
Profit/loss for the period	0	0	153	153
Other comprehensive income for the period	0	0	-62	-62
Equity 31 March 2019	5 160	2 249	-4 953	2 456
Profit/loss for the period	0	0	1 032	1 032
Increase share capital	1 102	0	0	1 102
Other comprehensive income for the period	0	0	-28	-28
Equity 30 June 2019	6 261	2 249	-3 950	4 560
Profit/loss for the period	0	0	859	859
Other comprehensive income for the period	0	0	72	72
Equity 31 December 2019	6 261	2 249	-3 018	5 493
Profit/loss for the period	0	0	-374	-374
Other comprehensive income for the period	0	0	320	320
Equity 31 March 2020	6 261	2 249	-3 071	5 439
Profit/loss for the period	0	0	-59	-59
Other comprehensive income for the period	0	0	-95	-95
Dividends paid	0	0	-268	-268
Equity 30 June 2020	6 261	2 249	-3 494	5 017

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1. GENERAL INFORMATION

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

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

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

	Q2 2020	Q1 2020	30 JUN 2020	31 MAR 2020	31 DEC 2019
AUD	6.57	6.23	6.68	6.41	6.17
EUR	11.02	10.46	10.91	11.51	9.86
GBP	12.43	12.12	11.96	12.98	11.59
NZD	6.18	6.01	6.24	6.25	5.92
USD	10.02	9.49	9.74	10.51	8.78

2. ACCOUNTING POLICIES

The interim financial statements of Norske Skog have been prepared in accordance with IAS 34 Interim Financial Reporting. The interim financial statements do not include all information required for full annual financial statements, and should be read in conjunction with the consolidated financial statements for 2019. The interim financial statements are unaudited.

The accounting policies applied in the preparation of the interim financial statements are consistent with those applied in the

preparation of the annual financial statements for the year ended 31 December 2019, except for the adaptation of amended standards and new interpretations, which are mandatory from 1 January 2020. These changes are described in the annual financial statements for 2019.

The group has not early adopted any standard, interpretation or amendment that has been issued but is not yet mandatory.

3. ESTIMATES, JUDGEMENTS AND ASSUMPTIONS

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

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

Property, plant and equipment are tested for possible impairment charges whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. A prolonged decrease in prices or demand beyond the historical level could be an indicator of impairment and an impairment test will be prepared. The recoverable amount is the higher of an asset's fair value less sales costs or its value in use. Value in use is the present value of the future cash flows expected to be derived from a cash-generating unit. The key drivers of profitability in the industry and thus asset values for Norske Skog are product prices relative to production costs. Contracted prices/costs are reflected when applicable. Given the demand decline beyond the historical level there has been carried out an impairment test in connection with second quarter and the group has recognised impairment in both the European and Australasian segment. Given that the actual impact of the COVID-19 situation on global economy and demand for publication paper is unclear there remains uncertainty and circumstances may require further impairment testing.

Commodity contracts

Norske Skog's portfolio of commodity contracts consist mainly of contracts that are settled through physical delivery. Embedded

derivatives in commodity contracts are measured at fair value and embedded derivatives that are not traded in an active market, are assessed through valuation techniques.

The fair value of embedded derivatives in physical contracts vary depending on changes in currency, paper prices, pulpwood and price indexes. The energy contracts in Norway are nominated in EUR and contain embedded derivatives that are sensitive to changes in NOK against EUR.

Commodity contracts that fail to meet the own-use exemption criteria in IFRS 9 *Financial instruments* – recognition and measurement are recognised in the balance sheet and valued at fair value. Norske Skog has one long-term financial energy contract in New Zealand. The long-term electricity prices in New Zealand are not directly observable in the market for the whole contract length. Price forecasts from acknowledged external sources are used in the estimation of fair value.

The group uses its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at each balance sheet date. See Note 9 in the consolidated financial statements for 2019 for more information regarding the calculation of fair value of derivatives.

Provisions

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

Provisions for future environmental and dismantling liabilities are based on a number of assumptions made using management's best judgment. See Note 2 in the consolidated financial statements for 2019 for a more thorough description of important accounting estimates and assumptions impacting the preparation of financial statements.

Contingent liabilities

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

4. PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

JAN-JUN 2020	PROPERTY, PLANT AND EQUIPMENT	RIGHT-OF-USE ASSETS	TOTAL PROPERTY PLANT AND EQUIPMENT	INTANGIBLE ASSETS
Carrying value at start of period	3 567	118	3 685	38
Additions*	213	15	228	51
Depreciation	-196	-17	-213	-5
Impairments	-193	0	-193	0
Value changes	-6	0	-6	0
Disposals	-8	0	-8	-51
Currency translation differences	248	7	255	2
Carrying value at end of period	3 625	123	3 748	35

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

PER OPERATING SEGMENTS

30 JUN 2020	TOTAL PROPERTY, PLANT AND EQUIPMENT	INTANGIBLE ASSETS
Publication paper Europe	3 255	23
Publication paper Australasia	408	3
Other activities	84	10
Total	3 748	35

5. OPERATING SEGMENTS

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

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

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

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

The publication paper Australasia segment encompasses production and sale of newsprint and magazine paper in Australasia. Both mills in Australasia and the regional sales organization are included in the operating segment publication paper Australasia. Comparables for 2019 includes Albury which ceased production on 5 December 2019.

Activities in the group that do not fall into the operating segments are presented under other activities. This includes corporate functions, energy (commodity contracts and embedded derivatives in commodity contracts), Green Energy business and other holding company activities.

The pellets operation of Natures Flame is included in Green Energy under other activities.

Q2 2020	PUBLICATION PAPER EUROPE	PUBLICATION PAPER AUSTRALASIA	OTHER ACTIVITIES	ELIMINATIONS	NORSKE SKOG GROUP
Operating revenue	1 607	408	37	-40	2 012
Other operating income	49	105	1	0	154
Total operating income	1 655	513	38	-40	2 167
Distribution costs	-218	-57	-5	0	-279
Cost of materials	-857	-250	-2	13	-1 096
Employee benefit expenses	-343	-86	-13	1	-441
Other operating expenses	-162	-58	-19	26	-212
EBITDA	75	63	0	0	138
Restructuring expenses	0	-5	0	0	-5
Depreciation	-93	-15	-3	0	-111
Impairment	-122	-71	0	0	-193
Derivatives and other fair value adjustments	0	-11	59	0	49
Operating earnings	-140	-38	56	0	-122
Share of operating revenue from external parties (%)	99	100	35		100

Q1 2020	PUBLICATION PAPER EUROPE	PUBLICATION PAPER AUSTRALASIA	OTHER ACTIVITIES	ELIMINATIONS	NORSKE SKOG GROUP
Operating revenue	2 010	555	47	-27	2 585
Other operating income	121	65	0	0	186
Total operating income	2 131	620	48	-27	2 771
Distribution costs	-228	-67	-5	0	-300
Cost of materials	-1 062	-330	-11	0	-1 403
Employee benefit expenses	-338	-101	-25	1	-462
Other operating expenses	-175	-59	-19	26	-227
EBITDA	329	63	-13	0	379
Restructuring expenses	0	-11	-1	0	-12
Depreciation	-90	-14	-3	0	-107
Derivatives and other fair value adjustments	0	-4	-166	0	-170
Operating earnings	239	34	-184	0	90
Share of operating revenue from external parties (%)	100	100	49		100

Q2 2019	PUBLICATION PAPER EUROPE	PUBLICATION PAPER AUSTRALASIA	OTHER ACTIVITIES	ELIMINATIONS	NORSKE SKOG GROUP
Operating revenue	2 386	768	34	-30	3 158
Other operating income	142	6	10	0	158
Total operating income	2 528	774	44	-30	3 316
Distribution costs	-213	-92	-3	0	-308
Cost of materials	-1 389	-467	-2	5	-1 853
Employee benefit expenses	-333	-127	-17	0	-476
Other operating expenses	-175	-68	-18	25	-235
EBITDA	419	20	5	0	444
Restructuring expenses	0	-7	-3	0	-9
Depreciation	-82	-28	-3	0	-113
Derivatives and other fair value adjustments	0	-9	837	0	828
Operating earnings	337	-23	836	0	1 150
Share of operating revenue from external parties (%)	100	100	47		100

YTD 20200	PUBLICATION PAPER EUROPE	PUBLICATION PAPER AUSTRALASIA	OTHER ACTIVITIES	ELIMINATIONS	NORSKE SKOG GROUP
Operating revenue	3 617	963	85	-67	4 598
Other operating income	169	170	1	0	340
Total operating income	3 786	1 133	86	-67	4 938
Distribution costs	-446	-123	-10	0	-579
Cost of materials	-1 919	-580	-13	13	-2 499
Employee benefit expenses	-680	-187	-39	2	-903
Other operating expenses	-337	-116	-38	52	-439
EBITDA	404	126	-14	0	517
Restructuring expenses	0	-16	-1	0	-17
Depreciation	-183	-29	-6	0	-218
Impairments	-122	-71	0	0	-193
Derivatives and other fair value adjustments	0	-15	-107	0	-122
Operating earnings	100	-4	-127	0	-32
Share of operating revenue from external parties (%)	100	100	43		100

YTD 2019	PUBLICATION PAPER EUROPE	PUBLICATION PAPER AUSTRALASIA	OTHER ACTIVITIES	ELIMINATIONS	NORSKE SKOG GROUP
Operating revenue	4 648	1 507	68	-70	6 154
Other operating income	246	13	10	0	270
Total operating income	4 895	1 521	78	-70	6 423
Distribution costs	-428	-178	-6	0	-612
Cost of materials	-2 660	-895	-5	20	-3 540
Employee benefit expenses	-645	-254	-33	0	-932
Other operating expenses	-350	-131	-35	50	-466
EBITDA	811	63	-1	0	873
Restructuring expenses	-2	-7	-10	0	-18
Depreciation	-163	-56	-6	0	-225
Derivatives and other fair value adjustments	0	-14	787	0	773
Operating earnings	646	-14	770	0	1 403
Share of operating revenue from external parties (%)	100	100	40		100

INCOME STATEMENT	Q2 2020	Q1 2020	Q2 2019	YTD 2020	YTD 2019
OTHER OPERATING REVENUE					
Corporate functions	25	25	24	49	48
Green energy and other	13	23	20	36	30
Total	38	48	44	86	78
EBITDA					
Corporate functions	-1	-19	-5	-20	-11
Green energy and other	1	5	10	6	10
Total	0	-13	5	-14	-1

6. FINANCIAL ITEMS AND DEBT REPAYMENTS

FINANCIAL ITEMS

NOK MILLION	Q2 2020	Q1 2020	Q2 2019	YTD 2020	YTD 2019
Net interest expenses	-25	-29	-42	-54	-97
Currency gains/losses*	117	-382	-16	-265	57
Other financial items	-6	-19	-10	-24	-20
Total financial items	86	-429	-68	-343	-59

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

FINANCING

In 2019 Norske Skog 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 proceeds were mainly used to refinance existing debt. The outstanding amount of bonds, excluding repurchased bonds, was EUR 104.5 per 30 June 2020.

In 2019, Norske Skog established a revolving credit facility of EUR 31 million. EUR 20 million had been utilised per 30 June 2020. The facility has a tenor of three years.

During the first quarter of 2020 Norske Skog entered into a EUR 54 million credit facility to finance the construction of an incineration boiler on the Bruck mill. The facility will be utilised incrementally as expenditures incur during the construction phase,

after which it will be repaid by quarterly instalments 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 30 June 2020 the loan has been drawn by EUR 2.5 million.

The remaining financing arrangements for the group includes leasing, factoring, and other credit facilities on mill level.

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

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

BONDS

MATURITY	CURRENCY	INTEREST RATE	NOMINAL VALUE*	AMOUNT OUTSTANDING* 30 JUN 2020
June 2022	EUR	EURIBOR + 6%	125	105

*Excluding repurchased bonds

DEBT REPAYMENT SCHEDULE*

NOK MILLION	2020	2021	2022	2023	2024-
Bonds	0	0	1 140	0	0
Debt to credit institutions	155	38	279	35	19
Total	155	38	1 420	35	19

*Not including items relating to IFRS 16.

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

Financed amounts from securitisation arrangements is classified as interest-bearing current liabilities. This amounts to NOK 137 million in debt repayment in 2020. The financed amount represents a group of individual loans, which are settled individually at maturity of the accounts receivable.

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

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

30 JUN 2020	ASSETS		LIABILITIES	
	CURRENT	NON-CURRENT	CURRENT	NON-CURRENT
Energy contracts and embedded derivatives in energy contracts (level 3)	376	1 117	-15	-6
Energy contracts (level 2)	0	0	-72	-3
Other derivatives and financial instruments carried at fair value (level 2)	2	0	-6	0
Total	378	1 117	-93	-9

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

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

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

The external forecast prices on paper is lower compared to initial forecast in fourth quarter 2018 which have a significant positive effect on the embedded derivatives year to date. In the second quarter the forecast paper prices has increased slightly compared to first quarter which have a negative effect on the embedded derivatives. Pulpwood prices has decreased compared to previous quarter which had a negative effect on the fair value of the embedded derivatives. NOK has strengthened against EUR compared to the previous quarter, which has had a positive effect on the fair value of the embedded derivatives.

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

Gains and losses on level 3 financial instruments amounted to NOK +56 million in the second quarter (NOK -148 million in the first quarter). Changes in the value of energy-/commodity contracts and embedded derivatives in contracts are presented in the income statement line Derivatives and other fair value adjustments. See Note 8 in consolidated financial statements for 2019 for more information including sensitivity analyses regarding the calculation of fair value of commodity contracts and derivatives.

8. PRINCIPAL SHAREHOLDERS

	NUMBER OF SHARES	OWNERSHIP %
NS NORWAY HOLDING AS	52 161 386	63.23
J.P. MORGAN BANK LUXEMBOURG S.A	2 221 219	2.69
ARTIC FUNDS PLC	1 877 880	2.28
VERDIPAPIRFONDET EIKA SPAR	1 441 000	1.75
VERDPAPIRFONDET HOLBERG NORGE	1 400 000	1.70
BANQUE DEGROOF PETERCAM LUX. SA	1 376 981	1.67
RBC INVESTOR SERVICES BANK S.A	1 361 111	1.65
MP PENSJON PK	1 208 976	1.47
VERDIPAPIRFONDET EIKA NORGE	1 189 000	1.44
FRAM REALINVEST AS	850 000	1.03
TVECO AS	825 000	1.00
WENAASGRUPPEN AS	549 110	0.67
CARUCEL HOLDING AS	500 000	0.61
VERDIPAPIRFONDET DELPHI NORGE	500 000	0.61
TVENGE, TORSTEIN INGVALD	425 000	0.52
M25 INDUSTRIER AS	400 000	0.48
PACTUM AS	395 000	0.48
VERDIPAPIRFONDET EIKA BALANSERT	387 868	0.47
OM HOLDING AS	337 187	0.41
PENSJONSORDNINGEN	315 400	0.38
Other shareholders	12 777 882	15.49
Total	82 500 000	100.00

The data is extracted from VPS 15 July 2020. Whilst every reasonable effort is made to verify all data, VPS cannot guarantee the accuracy of the analysis.

9. THE NORSKE SKOG SHARE

	30 JUN 2020	31 MAR 2020	31 DEC 2019
Share price (NOK)	32.90	33.80	43.70
Book value of equity per share (NOK)	60.81	65.93	66.58

10. RELATED PARTIES

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

There have not been any transactions with related parties in 2020.

11. EVENTS AFTER THE BALANCE SHEET DATE

There has been no events after the balance sheet date with significant impact on the interim financial statements for the second quarter of 2020.

12. HISTORICAL FIGURES

INCOME STATEMENT	Q2 2020	Q1 2020	Q4 2019	Q3 2019	Q2 2019
Total operating income	2 167	2 771	3 344	3 187	3 316
Variable costs	-1 375	-1 703	-1 985	-1 965	-2 161
Fixed costs	-653	-689	-799	-717	-711
EBITDA	138	379	560	505	444
Restructuring expenses	-5	-12	-198	-8	-9
Depreciation	-111	-107	-112	-118	-113
Impairments	-193	0	-247	38	0
Derivatives and other fair value adjustment	49	-170	-120	696	828
Operating earnings	-122	90	-117	1 113	1 150
Share of profit in associated companies	-16	-4	-36	0	0
Financial items	86	-429	-22	-89	-68
Profit/loss before income taxes	-52	-343	-175	1 024	1 082
Income taxes	-7	-30	17	-6	-50
Profit/loss for the period	-59	-374	-158	1 018	1 032

SEGMENT INFORMATION	Q2 2020	Q1 2020	Q4 2019	Q3 2019	Q2 2019
Publication paper Europe					
Total operating income	1 655	2 131	2 368	2 321	2 528
EBITDA	75	329	318	404	419
Deliveries (1 000 tonnes)	322	396	441	426	441
Publication paper Australasia					
Total operating income	513	620	955	852	774
EBITDA	63	63	283	113	20
Deliveries (1 000 tonnes)	67	99	132	147	149
Other activities					
Total operating income	38	48	48	43	44
EBITDA	0	-13	-41	-12	5

BALANCE SHEET	30 JUN 2020	31 MAR 2020	31 DEC 2019	30 SEP 2019	30 JUN 2019
Total non-current assets	5 228	5 620	5 248	5 675	5 512
Assets held for sale	0	307	631	446	0
Inventories	1 492	1 410	1 427	1 530	1 547
Trade and other receivables	990	1 329	1 573	1 332	1 227
Cash and cash equivalents	1 487	1 659	970	909	861
Other current assets	424	307	390	447	224
Total current assets	4 393	4 705	4 360	4 219	3 859
Total assets	9 621	10 633	10 240	10 340	9 372
Total equity	5 017	5 439	5 493	5 649	4 560
Total non-current liabilities	2 611	2 730	2 393	2 438	2 403
Trade and other payables	1 528	1 802	1 685	1 691	1 796
Other current liabilities	466	662	669	562	613
Total current liabilities	1 993	2 464	2 354	2 253	2 409
Total liabilities	4 605	5 194	4 747	4 691	4 811
Total equity and liabilities	9 621	10 633	10 240	10 340	9 372

CASH FLOW	Q2 2020	Q1 2020	Q4 2019	Q3 2019	Q2 2019
Reconciliation of net cash flow from operating activities					
EBITDA	138	379	560	505	444
Change in working capital	12	222	-43	-180	35
Payments made relating to restructuring activities	-21	-6	-140	-10	-13
Gain and losses from divestment	-92	-62	-236	-89	-89
Cash flow from net financial items	-52	-65	-48	-34	-50
Taxes paid	-81	17	-143	-16	-91
Other	-13	-14	-30	-25	-11
Net cash flow from operating activities	-109	470	-78	150	225
Net cash flow from investing activities					
Purchases of property, plant and equipment and intangible assets	-128	-100	-132	-82	-78
Net divestments	369	509	133	82	-10
Net cash flow from investing activities	241	408	0	-1	-88
Net cash flow from financing activities					
	-297	-229	135	-100	95
Foreign currency effects on cash and cash equivalents	-6	40	3	-1	-9
Total change in cash and cash equivalents	-172	689	61	48	223

Responsibility Statement from the Board of Directors and CEO

We declare that to the best of our knowledge, the condensed consolidated interim financial statements for the period 1 January to 30 June 2020 have been prepared in accordance with IAS 34 – *Interim Financial Reporting* and give a true and fair view of the Norske Skog group's assets, liabilities, financial position and result as a whole. We also confirm to the best of our knowledge that the report

of the board of directors gives a true and fair view of important events that have occurred during the first six months of the financial year and their impact on the condensed consolidated interim financial statements, a description of the principal risks and uncertainties for the remaining six months of the financial year, and major related-party transactions.

SKØYEN, 15 JULY 2020
THE BOARD OF DIRECTORS OF NORSKE SKOG ASA



John Chiang
Chair



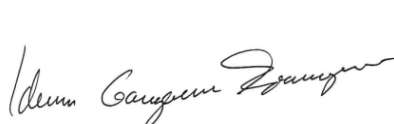
Arvid Grundekjøn
Board member



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

ALTERNATIVE PERFORMANCE MEASURES

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

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

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

NOK MILLION	Q2 2020	Q1 2020	Q2 2019	YTD 2020	YTD 2019
Operating earnings	-122	90	1 150	-32	1 403
Restructuring expenses	5	12	9	17	18
Depreciation	111	107	113	218	225
Impairments	193	0	0	193	0
Derivatives and other fair value adjustments	-49	170	-828	122	-773
EBITDA	138	379	444	517	873

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

NOK MILLION	Q2 2020	Q1 2020	Q2 2019	YTD 2020	YTD 2019
EBITDA	138	379	444	517	873
Total operating income	2 167	2 771	3 316	4 938	6 423
EBITDA margin	6.4%	13.7%	13.4%	10.5%	13.6%

Variable costs: Distribution costs + cost of materials

NOK MILLION	Q2 2020	Q1 2020	Q2 2019	YTD 2020	YTD 2019
Distribution costs	279	300	308	579	612
Cost of materials	1 096	1 403	1 853	2 499	3 540
Variable costs	1 375	1 703	2 161	3 078	4 152

Fixed costs: Employee benefit expenses + other operating expenses.

NOK MILLION	Q2 2020	Q1 2020	Q2 2019	YTD 2020	YTD 2019
Employee benefit expenses	441	462	476	903	932
Other operating expenses	212	227	235	439	466
Fixed costs	653	689	711	1 343	1 398

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

NOK MILLION	Q2 2020	Q1 2020	Q2 2019	YTD 2020	YTD 2019
EBITDA	138	379	444	517	873
Capital expenditure	128	100	78	228	154
Average capital employed	5 054	5 520	5 473	5 204	5 410
Return on capital employed (annualised)	0.8%	20.2%	26.8%	11.1%	26.6%

NOK MILLION	30 JUN 2020	31 MAR 2020	31 DEC 2019	30 JUN 2019
Intangible assets	35	92	38	26
Tangible assets	3 748	4 034	3 685	4 459
Assets held for sale	0	307	631	0
Inventory	1 492	1 410	1 427	1 547
Trade and other receivables	990	1 329	1 573	1 227
Trade and other payables	-1 528	-1 802	-1 685	-1 796
Capital employed	4 737	5 370	5 670	5 464

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

NOK MILLION	30 JUN 2020	31 MAR 2020	31 DEC 2019	30 JUN 2019
Interest-bearing non-current liabilities	1 612	1 667	1 470	1 473
Interest-bearing current liabilities	204	262	419	329
Cash and cash equivalents	-1 487	-1 659	-970	-861
Net interest-bearing debt	329	269	919	941

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).