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Shareholders' General Meeting

The ordinary General Meeting will be held on Wednesday April 16, 1997 at 12 o'clock at Festiviteten, Kirkegaten 18, Levanger.

Financial information 1997

General Meeting	April 16
Shares are quoted exclusive of dividend	April 17
Dividend paid to shareholders registered at the VPS as of April 16, 1997	May 2
Publication of results for January-March	May 7
Publication of results for January-June	August 21
Publication of results for January-September	October 30

1996 Highlights

Good result

Paper and pulp markets weakened in 1996. Nevertheless, Norske Skog achieved an operating profit before restructuring, of NOK 2,004 million.

New Group company

Norske Skog took over the Bruck printing paper mill at Steiermark, Austria, with effect from 01.01.1996. Norske Skog Bruck has a capacity of 220,000 tonnes of LWC (coated magazine paper) and 115,000 tonnes of newsprint.

Global environmental certificate

In May, Norske Skog's newsprint mill in Skogn became the first process industry plant in the world to receive the ISO 14001 environmental certificate, awarded by the international standardisation organisation. This new ISO standard is expected to become very important in marketing world wide.

Long-term financing

In November Norske Skog issued a 10-year fixed rate bond loan with a limit of NOK 1 billion on the Norwegian market.

Modernisation at Braskereidfoss

Modernisation of the particle board mill at Braskereidfoss was completed according to the plan, following investments totalling NOK 325 million. The mill thereby became the largest of its kind in the Nordic area, and one of the largest in the world.

Concentration on core areas

Sande Paper Mill AS was transferred to new owners with effect from 03.01.1997. Sande makes fluting, a product which lies outside Norske Skog's core areas.

Aims and tasks in 1997

Operation

The market balance for Norske Skog's main products will probably show little change in 1997. The increased globalisation of markets, and an appreciating Norwegian krone, require increased focus on costs. A campaign to boost efficiency at the Group's units will be carried out during the year.

Organisation

There will be a steadfast drive to streamline all parts of the organisation, and to achieve synergies wherever this is possible. A new IT strategy, and increased standardisation, provide opportunities for streamlining administrative routines. Additional synergies must be found and exploited in connection with the phasing in to the Norske Skog Group organisation of the companies in France and Austria. In addition, high priority will be given to improving skills and know-how in all parts of the organisation.

Projects

To reduce exposure to changed basic conditions in Norway, internationalisation will be carried further. Alloc flooring will be launched on European markets. One of the three paper machines at Norske Skog Saugbrugs will undergo an extensive upgrade, in order to maintain its competitiveness in the most lucrative magazine paper markets. Total investments at Norske Skog's plants in Norway and abroad will reach around NOK 1 billion in 1997. This does not include possible major projects.

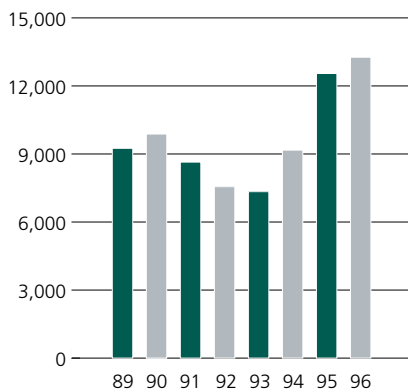
Photo: Glenn Røkkeberg



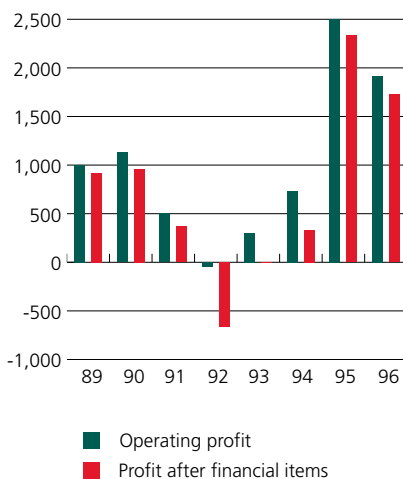
Mette Eriksen, an engineer with Norske Skog Teknikk, works with coating; she is shown here in Norske Skog Teknikk's laboratory at Norske Skog Follum.

Board of Directors' Report 1996

Consolidated operating revenue
NOK mill.



Consolidated profit
NOK mill.



The year 1996

1996 was a good year for Norske Skog. The Group strengthened its position in the printing paper sector, and expanded internationally. Area Paper achieved a record result in 1996, offsetting weak results in pulp and sawn timber. During the year the markets for printing paper also weakened gradually. Pulp prices dropped dramatically and the supply of sawn timber exceeded demand in Europe.

The globalisation of the forest industry continued in 1996. The emergence of new capacity for newsprint and pulp in the Far East is larger than the growth in consumption in this area, and will affect market conditions in the US and Europe. In the longer term, increased competition from the Far East is expected in - primarily - short fibre-based pulp and paper, including sulphate pulp and fine paper. At the same time, the large Asian markets are being stimulated, offering new possibilities both for paper and pulp and for building materials.

For the forest industry, the structural changes taking place in the world are shifting the centres of gravity where consumption, production and trade are concerned. Norske Skog's challenge is to develop positions in established markets, and to build positions in new regions. Continued major wealth creation based on Norwegian resources can best be achieved in combination with international expansion.

Norske Skog increased its production capacity for printing paper in 1996, among other things through its acquisition of Bruck in Austria. With this, the Group for the first time became a producer of coated magazine paper (LWC). Area Paper now has 75% of its production in Norway, and the rest in Austria and France.

Result and dividend

Norske Skog achieved a pre-tax profit of NOK 1,732 million in 1996. The corresponding figure for 1995 was NOK 2,336 million. The result trend was affected, first and foremost, by low prices and low demand for pulp and to some extent sawn timber as well.

The printing paper mills Norske Skog Skogn and Norske Skog Saugbrugs achieved a very good result. This enabled Area Paper to increase its operating profit in 1996 by NOK 370 million.

Group operating revenue rose by 5.7% to NOK 13,265 million (NOK 12,548 million), including the consolidation of Norske Skog Bruck, in Austria. The increase was less than expected, owing to low pulp prices and reduced sales volumes, particularly in the second half of the year.

Operating profit reached NOK 1,916 million (NOK 2,500 million), after restructuring costs of NOK 88 million have been debited. This sum relates in its entirety to Sande Paper Mill AS, which was transferred to new owners as of 03.01.1997. The increase in depreciation mainly reflects the consolidation of Norske Skog Bruck in the Group accounts from 01.01.1996.

Operating margin was 14.4% (19.9%). The cash flow from operation was NOK 2,616 million (2,555 million). Return on total assets reached 14.1% (21.4%), which meets the Group's requirement for a 13% average return, during an economic cycle. Return on equity was 18.6%, compared with the Group's target figure of 15%.

Net financial items amounted to minus NOK 262 million in 1996 (minus NOK 225 million). Net interest costs were NOK 285 million (NOK 308 million).

Several tax appeals by Norske Skog were concluded in the Group's favour during 1996, thereby reducing its tax costs by NOK 60 million. The Group's tax costs amounted to NOK 415 million. This corresponds to 24% of the pre-tax profit.

The ordinary annual profit, after tax and minority interests, was NOK 1,317 million (NOK 1,699 million). Earnings per share were NOK 40.38 (NOK 52.39).

The Board proposes a dividend of NOK 7.00 per share (NOK 6.00).

Capital developments, financing and investments

Norske Skog's financial position has strengthened significantly during the past three years. Whilst the Group's equity capital at the end of 1993 amounted to NOK 3,861 million, it had by 31.12.1996 reached NOK 7,635 million. At the same time, the book value of Norske Skog's assets rose from NOK 11,955 million to NOK 16,623 million. This means that the equity to assets ratio, during this period, rose from 32.3% to 45.9%. Norske Skog has thereby strengthened the financial basis for the Group's further development. Norske Skog's target figure is a minimum of 40% throughout a cycle. The ratio of net interest-bearing debt to equity was 0.63 as of 31.12.1996, compared with 0.61 at the end of 1995. The Group's target figure is a maximum of 1.

The Group's net interest-bearing debt rose from NOK 4,006 million at the end of 1995 to NOK 4,827 million as of 31.12.1996. Bruck was consolidated in the accounts as of 01.01.1996. The average time to maturity of the Group's loans is 5 years (3 years). Of gross interest-bearing debt, 51% was denominated in foreign currencies and 57% had floating interest rates or a rate fixed for less than 12 months.

In November, Norske Skog floated a 10-year bond loan with a limit of NOK 1 billion on the Norwegian market. As of 31.12.1996, NOK 510 million had been drawn within this limit. The life of the Group's 1995 revolving credit facility of USD 470 million has been extended by 15 months, to January 2004. During the period 02. - 13.09 Norske Skog carried out a new share issue directed at the Group's employees. 1,053 employees subscribed to a total of 25,675 shares.

Liquid assets totalled NOK 1,088 million at the end of 1996, compared with NOK 1,010 million as of 31.12.1995. Overall liquidity also includes unutilised drawing rights, which totalled NOK 3,328 million at the end of 1996.

Investments in the Group's production mills in 1996 totalled NOK 1,053 million, of which NOK 934 million was invested in plants in Norway. The largest projects were the new particle board mill at Braskereidfoss, a new biofuel boiler at Norske Skog Saugbrugs and a new production line for flooring products at Fibo-Trespo. Since the completion of several major projects in 1993, annual investments have been roughly equal to overall depreciation.

Shareholder structure

Norske Skog's shareholder structure remained stable in 1996, but with increasing interest being shown by foreign investors. As of 31.12.1996 foreign interests held 22.0% of the company's shares, compared with 19.3% at the end of 1995. At the turn of the year the two largest shareholders - with 9% and 6.9%, respectively, of total shares - were the US investment fund Templeton and Drammensdistriktets Skogeierforening.

The high proportion of shares held by foreigners conforms with a general trend on the Oslo Stock Exchange, where foreign investors accounted for 33.6% of the total market value of Norwegian companies as of 31.12.1996.

Internationalisation creates a significantly larger market for Norwegian shares, thereby increasing Norske Skog's scope for securing necessary risk capital.

During the period 1989 to 1995, dividend to shareholders has averaged 14.4% of earnings per share. The proposed dividend for 1996 amounts to a pay-out ratio of 17.3%.

The price of Norske Skog shares fluctuated within the area of NOK 180.00 - 210.00 per share during 1996. As of 31.12.1996 the share price was NOK 213.00, compared with NOK 185.50 at the end of 1995. During 1996 a total of 25.6 million Norske Skog shares were traded on the Oslo Stock Exchange. This amounted to 78% of the total number of shares in the company. The company's B shares are also quoted on SEAQ (Stock Exchange Automatic Quotation System) in London. Turn-over on this market in 1996 reached 6.0 million A shares and 2.5 million B shares.

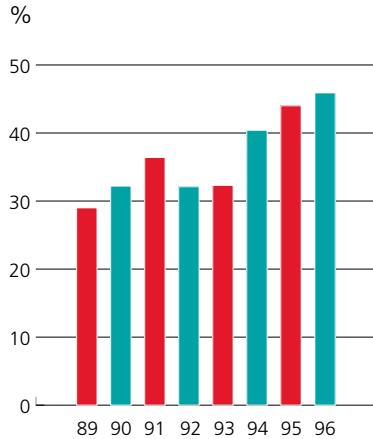
Norske Skog had 18,070 shareholders as of 31.12.1996. The number of shares issued was 32,641,055, comprising 26,556,726 (81%) A shares, with voting rights, and 6,084,329 (19%) non-voting B shares.

The company's share capital is NOK 652,821,100. At the end of 1996 its stock exchange value was NOK 6,900 million.

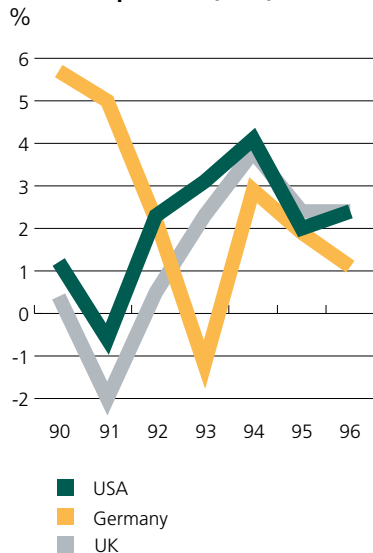
The RISK*) figure as of 01.01.1996 has been set at NOK 35.15 per share. Norske Skog has provisionally estimated the RISK figure as of 01.01.1996 at NOK 20 per share. During 1997 the tax authorities will determine the final RISK figure on the basis of Norske Skog's tax returns for 1996.

*)Annual adjustment of original cost of share with the company's taxable retained profit.

Equity ratio



Growth per year in gross domestic product (GDP)



The markets for forest industry products are affected by economic developments in the major industrial countries.

Source: OECD December 1996

Paper

Norske Skog's paper mills achieved a record operating profit of NOK 2,078 million in 1996 (NOK 1,708 million). This was due to high prices, and the fact that a significant part of Norske Skog's printing paper capacity consists of cost-effective, high quality production facilities. Total operating revenue reached NOK 9,493 million (NOK 8,066 million).

At the turn of the year 1995/96 the printing paper market was very strong, and price increases were implemented for both newsprint and SC magazine paper. There was full capacity utilisation in the world printing paper industry throughout the whole of 1995 and at the beginning of 1996. This led to stockpiling and imbalance in the market, during the year. All mills therefore reduced output to some extent. Towards the end of 1996 demand for newsprint stabilised, but at slightly lower prices in the second half-year than in the first half-year. Demand for SC magazine paper also weakened somewhat, leading to pressure on prices. Demand for LWC magazine paper improved towards the end of the year, but prices continue to stay very low.

In the US, which accounts for 32% of world newsprint consumption, demand declined in 1996. On an annual basis the decline was 2.5%. At the same time, capacity growth in the Far East reduced that area's import requirements. This led to increased Canadian deliveries to Europe.

1997 will probably be a year of consolidation for parts of the world's printing paper industry, until there is again a better balance between supply and demand. In a longer-term perspective, the total market is expected to increase by 2-3% per year. In the medium term, the European market situation could be affected by capacity growth in the Far East, but it is assumed that these volumes will be absorbed relatively rapidly by the powerful consumption growth in that region.

Norske Skog decided on 15.11.1996 to transfer Sande Paper Mill to new owners, with effect from 03.01.1997. Sande's production of fluting lies outside Norske Skog's core areas.

Through its purchase of Bruck, Norske Skog became involved, in 1996, in the production and sale of a new printing paper grade - LWC. This has required paying extra attention to this new part of our activity, in order to establish internal systems, to build up market knowledge and to present the Group to new customer groups.

It has been decided to carry out an extensive rebuilding of PM 5 at Norske Skog Saugbrugs, in Halden. This will improve the quality of the machine's output of SC magazine paper, and increase the company's competitiveness in Europe and the US.

In April 1995, the EU Commission started a study of the major European paper manufacturers, to ascertain whether any of them were operating in conflict with the EU's rules of competition. The enquiry is aimed at manufacturers of wood-based printing paper. The Commission has not completed its preliminary investigations in this matter.

Fibre

Results in this area were affected by the fact that the price of pulp fell by half during six months in 1995/96. Operating result was minus NOK 127 million (plus NOK 682 million). Total operating revenue was NOK 1,222 million (NOK 2,171 million).

In line with the rest of the paper and pulp industry, suppliers of market pulp enjoyed high activity and full capacity utilisation during the first three quarters of 1995. But in the fourth quarter demand declined dramatically, and it was very low in the first quarter of 1996, too, owing to inventory reduction by customers. At the turn of the year 1995/96 NORSCAN stocks stood at about 2 million tonnes, and during the first half of the year they reached 2.7 million tonnes. This led to a dramatic

fall in the price of bleached long-fibre sulphate pulp, from a peak of USD 925-1,000/tonne to USD 500/tonne at the end of the first quarter of 1996. Increased demand and reduced production brought NORSCAN stocks down to 1.7 million tonnes by the end of September, but then they began rising again, to stand at 1.9 million tonnes by the end of 1996. The price of long-fibre sulphate pulp rose to 560 USD/tonne in the second half of the year.

Several Canadian CTMP mills were started up again in 1995, after having been shut down because they were not profitable. This put CTMP markets under strong pressure. Deliveries of short-fibre pulp from Indonesia also had a negative impact on the CTMP market.

These developments led to production cutbacks, in order to keep the inventory situation under control. Both Norske Skog Tofte and - to an even greater extent - Norske Skog Folla had to curb production in 1996.

The growth in capacity for market pulp during recent years has been primarily in short-fibre pulp, and has exceeded demand growth. The pulp market situation will to a large extent be determined by capacity utilisation in the fine paper industry, and demand in Asia.

Building Materials

Norske Skog's building materials companies achieved an operating profit of NOK 27 million in 1996 (NOK 96 million). Total operating revenue was NOK 2,579 million (NOK 2,333 million). Results were primarily affected by a weak sawn timber market, combined with high raw material prices.

The Norwegian market for building materials was stable in 1996. Housing starts in Norway numbered 18,300 units (20,000). The production of dwelling units in Norway is at present lower than demand.

Sawn timber markets were affected at the turn of the year 1995/96 by large

inventories, which kept prices at a low point until the third quarter. During the autumn, there was a definite improvement. Production in the Nordic area was reduced throughout the whole of 1996, partly owing to reduced timber supplies and lower demand for sawmill chips. At the same time, stocks of finished goods in Europe declined, at both the producer and the importer/distributor level. In addition, demand for Nordic sawn timber increased on distant markets, such as Asia. These circumstances provided the basis for price increases towards the end of the year, mainly for spruce grades.

Board markets were stable in 1996, and the level of activity rose during the second half of the year. Further processed board has found attractive markets in both Eastern Europe and Asia. The new, continuous particle board press at Braskereidfoss came on line in January/February. It is the largest ever single project in the Norwegian wood working industry.

Parquet flooring got off to a very poor start in the year, owing to significantly reduced demand in Germany. During the latter half of the year, however, activity increased on all markets. European consumption of parquet was at the same level in 1996 as in 1995, but in general there is increasing global interest in environment-friendly flooring products.

The recently-developed Alloc flooring was launched in Norway during the first half-year, and response was favourable. After some technical problems with the pilot line at the Lyngdal production plant, the product is now being launched on the European market.

It has been decided to bring together the Group's flooring activities under one company, through a merger of Langmoen Parkett and Fibo-Trespo. Plans are being made for a major international promotion of Alloc products.

Resources

Norske Skog's mills bought about 6.6 million cubic metres of round timber and sawmill chips and 293,000 tonnes of waste paper in 1996. Of this, 6.2 million cubic metres and 20,000 tonnes, respectively, were bought for the Group's plants in Norway. Imports of timber to Norway declined, amounting to 1.6 million cubic metres (2.2). Of this, eucalyptus and birch accounted for 0.5 million cubic metres.

Supplies of pulpwood and waste paper to the Group's plants were satisfactory throughout the whole of 1996. Norwegian supplies of round timber were inadequate during the latter half of the year, and had to be supplemented by larger than expected import volumes.

Harvesting in Norske Skog's forests has declined in recent years; in 1996 it amounted to 87,650 cubic metres (102,250 cubic metres).

Norske Skog is concerned about the ecological qualities of the raw materials it employs, a considerable amount of effort is spent on documenting such qualities. Norske Skog is engaged in a continuing dialogue with its customers regarding sustainable forestry, and is an active participant in the projects "Living Forests" and "Nordic Forest Certification".

The authorities and Norske Skog have agreed to co-operate in maintaining collection of waste paper (newspapers and magazines) at the high level which has now been established. The Group's new agreement of 07.11.1996 with the Environment Ministry envisages the creation by Norske Skog of a fund which can be used to ensure a high level of collection and recycling of waste paper, during periods when the market is difficult. This can be achieved by subsidising energy recovery, or extraordinary exports.

Total use of electricity by the Group's plants in 1996 was 5,251 GWh (5,350 GWh). Consumption of thermal energy reached 5,457 GWh (5,250 GWh).

At the plants in Norway, consumption of electricity was 4,416 GWh (4,900 GWh). Of the thermal energy used by the Group's Norwegian activities, 58% came from biofuels, 23% from recycled electricity, 3% from spot market power and 16% from oil. Norske Skog is Norway's largest producer and user of bioenergy. Production reached 2,757 GWh in 1996, corresponding to oil consumption of 250,000 tonnes. It will rise further following the start-up in 1996 of a new biofuel boiler at Norske Skog Saugbrugs, in Halden, and when similar facilities have been put into operation at the Braskereidfoss particle board mill, in 1997, and the Skogn newsprint mill, in 1998. Owing to scant precipitation and the overhaul of a power plant, production of electricity at the Group's own hydro power plants in Norway reached only 354 GWh (405 GWh).

The Group's energy costs were not adversely affected by the high prices in the short-term power market, because contract cover was adequate. It is important that a predictable, long-term industrial power supply system should be established in Norway. This will be crucial to Norske Skog in planning major investments.

The stated political goal of ensuring that Norwegian industry can rely on competitive, long-term power prices is not being attained in today's market. This market is very thin, and does not seem to take advantage of the ample opportunities which exist for importing large volumes of electricity, at low prices, during large parts of the year. In 1996 Norske Skog had an offer of such electricity from the Continent, but it proved impossible to arrange for it to be transmitted to Norway.

Environment

In 1996, as in previous years, Norske Skog has given high priority to environmental improvement. Major environment-related investments have been made at several of our plants. In total, such investments amounted to NOK 172 million.

When Norske Skog Skogn begins operating its biological waste water treatment plant in the latter half of 1997, all the Group's printing paper mills will have installed biological treatment of their process water. Since 1992, when Norske Skog Saugbrugs became the first of these mills to inaugurate a biological effluent treatment plant, five such plants will have been built at the Group's mills in Norway. A total of about NOK 480 million has been invested in these projects, with the result that discharges of organic material have been cut by about 80%. The Norske Skog Tofte pulp mill has opted for a different strategy, investing in new, modern and more environment-friendly production equipment. This has reduced discharges of organic substances by over 60% and discharges of highly chlorinated organic substances by 95%. It means that Norske Skog Tofte has one of the lowest discharge levels of any sulphate pulp mill in the world.

Norske Skog aims to be a leader in the development and practice of environmental management systems. All the Group's production units are to seek registration within the EU's voluntary environmental management system (EMAS). As one of the first in Norway, Norske Skog Skogn achieved EMAS approval in May 1996, and at the same time the company was also awarded ISO-14001 certification, as meeting the international environment management standards set by ISO, the international standardisation organisation. Since then, Norske Skog Hurum has achieved the same certifications, and several of the Group's other plants are in the process of qualifying. This

means that Norske Skog's environmental efforts have achieved a very high level of quality.

The largest environment-related investment in 1996 was the construction of a new biofuel boiler at Norske Skog Saugbrugs. The boiler will incinerate all the sludge and bark generated at the mill, as well as burning purchased biofuel. This investment put an end to all depositing of organic waste, as well as steeply reducing consumption of fossil fuels. Total investments amount to NOK 180 million.

Before Christmas 1995, Norske Skog Skogn began building a new biological effluent treatment plant, as well as a new biofuel boiler. When the treatment plant starts operation, towards the end of 1997, all of Norske Skog's major units will have installed biological waste treatment, and they will be world-class leaders in this field, with negligible discharges to air and water.

Research and development

Research and development within Norske Skog is undertaken by Norske Skog Teknikk, in close co-operation with key people in the Group's business units, and in external institutions. In 1996, efforts in the pulp and paper area have focused on the continuous improvement of product characteristics, as well as the development of new products. Norske Skog Follum, in particular, has devoted substantial resources to the development of new products from PM 7, following the upgrade of the machine in autumn 1995.

A major project completed in 1996 aimed at ascertaining the recyclability of newsprint. It was carried out in co-operation with MoDo (Holmen Paper AB), Sweden, Enso, Finland and Bridgewater Paper Company of the UK.

During 1996 the first phase was completed of an important environmental project which is seeking to find a way of closing the water systems in an integrated newsprint/magazine paper mill. The project, which was ini-

tiated in 1995, is being undertaken in three phases, and will be concluded in 1998. So far, a comprehensive mapping of the water systems at Norske Skog Saugbrugs has been undertaken, and the technology which will be required to close these systems has been tested.

A corresponding project, currently under way, aims at developing a concept for closing the water system in the bleaching plant at Norske Skog Tofte.

In the building materials area, considerable resources have been devoted to developing the new Alloc system, which locks laminated and parquet flooring into place as it is laid. Work on this will continue during 1997. Other product development work in 1996 has concerned board, other characteristics of laminated and parquet flooring, and sawn timber.

Personnel and the working environment

At the end of 1996 Norske Skog had 5,965 people on its payroll (5,193). Of these, 1,000 (430) were employed outside Norway. The increase reflects Norske Skog Bruck's inclusion in the Group, as of 01.01.1996. Total wages and social expenses in 1996 were NOK 1,859 million (NOK 1,568 million).

Norske Skog and the employees' organisations at the Group's companies in Norway, France and Austria signed an agreement in September to create a European Group committee. The agreement is based on the new rules which will be included in the Main Agreement between the LO (Norway's largest trade union federation) and the NHO (Confederation of Norwegian Business and Industry). These rules, in turn, are derived from EU rules which apply to Norway as a member of the EEA (European Economic Area).

Norske Skog has concluded an agreement with Statsbygg (the body in charge of State property) to buy a site and buildings in the area of Oslo's Fornebu airport. The property, Oxenøen

Bruck, will become the site of new office accommodation for the Group's Corporate Centre. The airport is due for closure in autumn 1998, and the move to the new accommodation is planned to take place then.

In 1996 the number of injuries resulting in time off work at the Group's companies, per million hours worked, amounted to 23 (20). Absenteeism due to illness was 5.5% of time worked (5.8%).

There were no changes in the membership of the Board during 1996. Details of the shareholdings of the company's elected officers and the administration are given on page 61 and 62.

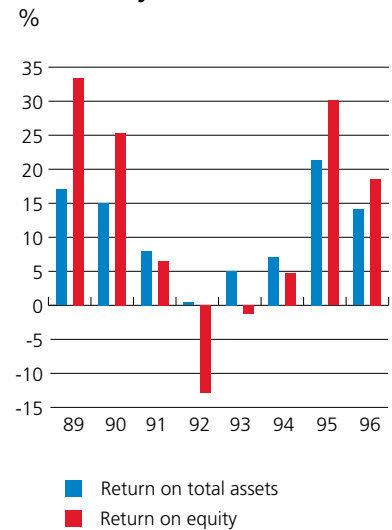
The salary of the President and CEO amounted to NOK 1,504,341, and his perquisites relating to company car, residence etc. amounted to NOK 266,406. The President and CEO has an agreement entitling him to up to three years' salary after leaving the company.

Remuneration of the Corporate Assembly and the Board members amounted to NOK 375,250 and NOK 820,000 respectively.

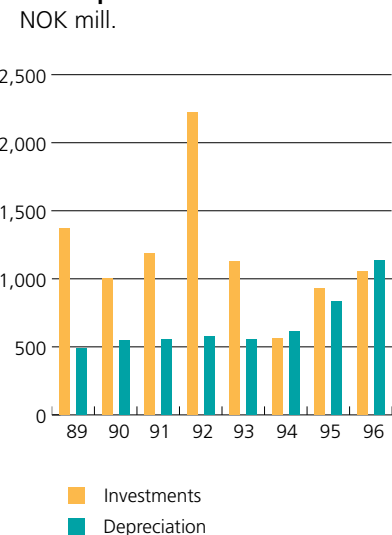
The 1996 audit fee for Norske Skogindustrier ASA amounted to NOK 1,490,000. Other audit fee amounted to NOK 690,000 in 1996.

1996 was another year of hard work within all parts of the Group's organisation. The Board thanks all Norske Skog employees for their valuable contributions to the Group's good performance in 1996, as in previous years.

Profitability



Operational investments and depreciation



Future prospects

Capacity growth for publication paper in Western Europe in 1997 will come almost entirely from the upgrading of existing mills, and will amount to around 2% for newsprint and SC magazine paper and 4% for LWC magazine paper.

At the turn of the year there are indications that the markets for newsprint and SC magazine paper will strengthen during 1997. Imbalance still prevails, however, in the markets for these grades - a fact which led to a relatively steep price decline at the turn of the year 1996/97.

At the start of 1997 the demand trend for LWC magazine paper and fine paper is positive, and price rises are expected. That will also benefit market pulp.

Export markets for sawn timber are developing favourably, and this could lead to improved market balance and further price rises. New production capacity for flooring will start up at Lyngdal in March 1997. Other building materials are expected to show a stable trend in 1997.

Norske Skog is expected to have a weaker result in 1997 than in 1996.

Application of profit

Norske Skogindustrier ASA made a profit for the year of NOK 1,123 million.

It is proposed to apply the profit as follows:


Profit for the year	NOK	1,123 million
From temporary restricted reserve	NOK	79 million
Available for application	NOK	1,202 million

Proposal for application:

To legal reserve	NOK	112 million
To distributable reserve	NOK	740 million
Group contribution	NOK	122 million
Dividend to shareholders	NOK	228 million
Total applied	NOK	1,202 million

Lysaker, February 12, 1997


Lage Westerbo
formann


Jon R. Gundersen
nestformann


Roy Borgersen


John Frøseth


Eivind Reiten


Arne Rødd


Arnt Sælør


Halvard Sæther

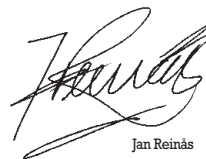
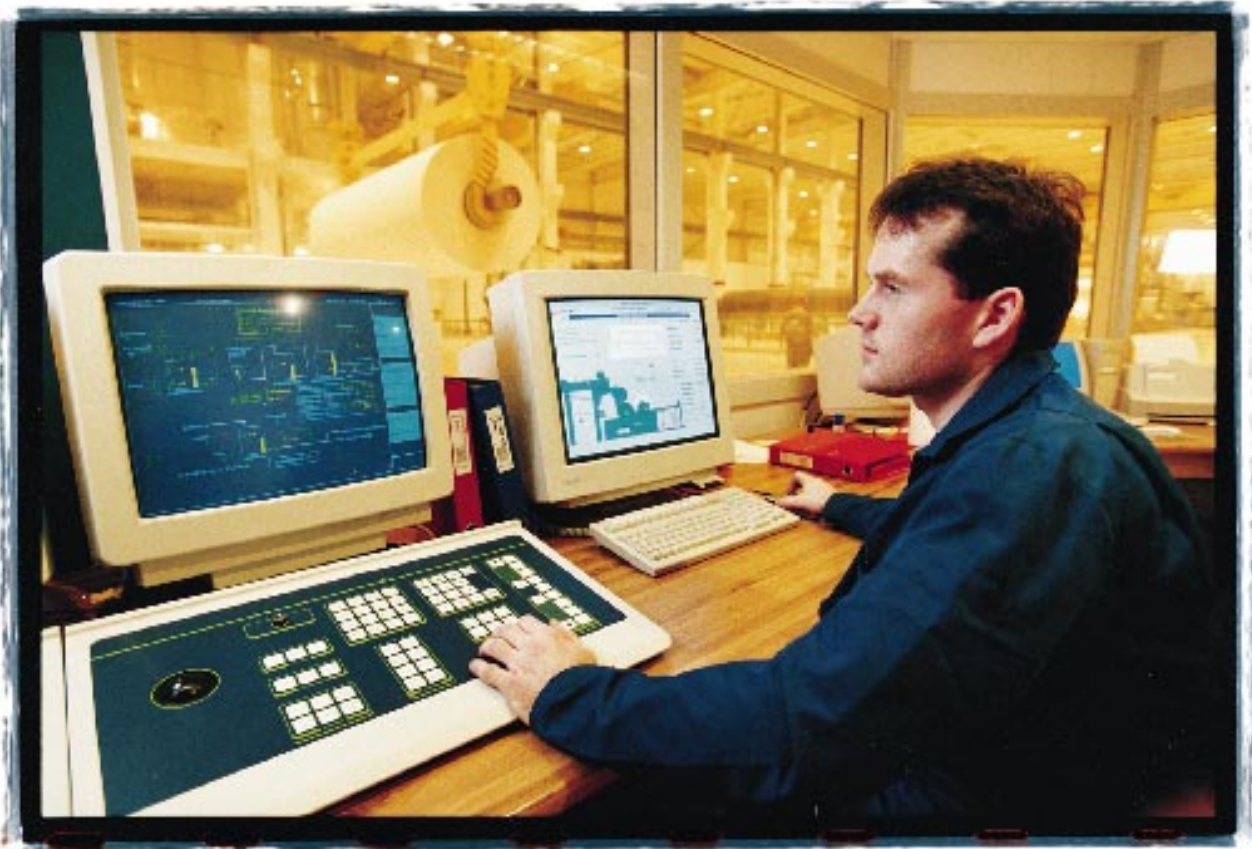

Jan Reinås

Photo: Glenn Røkkeberg



Process operator Kenneth Olafsen, Norske Skog Saugbrugs, monitors the quality of the magazine paper from the large new paper machine - PM 6 - as it is being rolled up.

Accounts 1996 Consolidated

Profit and Loss Account	Notes	1996 NOK mill.	1995 NOK mill.	1994 NOK mill.
Operating revenue	1	13,265	12,548	9,170
Cost of materials	2	5,564	5,252	4,438
Wages, salaries and personnel expenses	3,4	1,859	1,568	1,306
Other operating expenses	5	2,706	2,396	2,078
Ordinary depreciation	16	1,132	832	616
Restructuring expenses	29	88	0	0
Operating expenses		11,349	10,048	8,438
Operating profit		1,916	2,500	732
Share of profit in affiliated companies	13	74	60	-137
Net financial expenses	6	-262	-225	-262
Financial items		-188	-165	-399
Profit before minority interests and taxes		1,728	2,335	333
Minority interests		4	1	0
Profit before taxes		1,732	2,336	333
Taxes	7	-415	-637	-127
Profit for the year		1,317	1,699	206
Earnings per share		40.38	52.39	6.91
Earnings per share fully diluted		35.89	45.99	6.91

Statement of Cash Flow

Cash flow from operating activities

Cash generated from operations		13,885	12,181	8,908
Cash used in operations		-10,514	-9,395	-7,737
Financial revenue received		133	258	248
Financial expenses paid		-366	-482	-510
Taxes paid		-522	-7	-43
Net cash flow from operating activities	8	2,616	2,555	866

Cash flow from investment activities

Investments in operational fixed assets		-1,053	-926	-565
Sales of operational fixed assets		21	20	41
Long-term investments		-309	-672	0
Net financial investments		-27	23	9
Net cash flow from investment activities		-1,368	-1,555	-515

Cash flow from financial activities

New long-term debt		227	1,097	322
Repayment of long-term debt		-1,392	-2,621	-1,408
New short-term debt		3,614	1,126	240
Repayment of short-term debt		-3,443	-1,182	-470
Dividend paid		-196	-48	-26
Converted bonds		0	16	7
Share issues		4	89	767
Net cash flow from financial activities		-1,186	-1,523	-568

Total change in liquid assets		62	-523	-217
Liquid assets as at January 1		1,026	1,533	1,716
Liquid assets as at December 31		1,088	1,010	1,499

Balance Sheet at 31.12.

Assets	Notes	1996 NOK mill.	1995 NOK mill.	1994 NOK mill.
Cash and bank deposits	9	351	184	202
Short-term investments	10	737	826	1,297
Accounts receivable	11	1,842	1,886	1,570
Other short-term receivables		164	394	332
Stocks	12	1,498	1,328	932
Current assets		4,592	4,618	4,333
Shares in affiliated companies	13	383	307	308
Shares in other companies and partnerships	14,15	107	103	84
Other long-term receivables	17	302	281	420
Securities and long-term financial assets		792	691	812
Operational fixed assets	16	11,239	9,555	6,565
Fixed assets		12,031	10,246	7,377
Total assets		16,623	14,864	11,710

Liabilities and shareholders' equity

Short-term liabilities	18	2,466	2,795	1,576
Interest-bearing short-term liabilities	19	1,288	542	467
Current liabilities		3,754	3,337	2,043
Pension obligations	4	101	73	75
Subordinated convertible bonds	20	707	1,206	1,207
Senior interest-bearing long-term debt	21	3,920	3,267	2,988
Other long-term debt		39	0	0
Deferred taxes	7	411	435	666
Long-term liabilities		5,178	4,981	4,936
Minority interests		56	1	4
Share capital		653	652	635
Other consolidated equity	23	6,982	5,893	4,092
Shareholders' equity	23	7,635	6,545	4,727
Total liabilities and shareholders' equity		16,623	14,864	11,710
Mortgages	24	692	964	177
Guarantees	25	251	270	125
Contract obligations	27	386	362	340

Accounting Principles

The consolidated accounts

The consolidated accounts include all companies in which Norske Skog owns more than 50 per cent of the shares. Affiliated companies are shown in the accounts according to the equity method.

Inter-company sales, receivables, payables and profits included in inventories are eliminated in the consolidated accounts.

Shares in subsidiary companies are eliminated in accordance with the purchase method. The price paid in excess of the booked equity is, on the basis of an excess value analysis according to the unit principle, allocated to the relevant items in the balance sheet and amortised accordingly. If the date of payment differs from the date of purchase and no interest has been agreed, the purchase amount is corrected to allow for the accrued interest. The interest adjustment is recorded as a financial expense.

In translating to NOK the liquid assets, receivables etc. of foreign subsidiaries which are considered an integrated part of the parent company, the year-end exchange rate is used. In the same way, current liabilities are translated at the year-end exchange rate. Long-term liabilities are translated at the higher of the exchange rate on the transaction date or on the balance sheet date, while non-monetary items are translated at the exchange rate on the transaction date. Profit and loss account items are translated at average exchange rate for the year, except for cost of materials and ordinary depreciation, which are translated at the exchange rate on the transaction date. The translation difference is shown in the profit and loss account. Items on the balance sheets of subsidiaries not considered as an integrated part are translated to NOK at year-end exchange rates. Profit and loss account items are translated at the average exchange rate for the year. The translation difference is shown under consolidated equity.

Minority interests in subsidiaries that are not wholly-owned are shown as separate items in the profit and loss account and balance sheet.

Affiliated are those companies in which the Group owns between 20 and 50 per cent and where its ownership gives influence. The Group's share of profit of affiliated companies is shown under financial items in the profit and loss account, and share of equity is shown as fixed assets in the balance sheet. Excess/lesser values, amounting to the difference between cost and calculated equity at the time of acquisition, are shown under fixed assets.

Revenue recognition

Sales are recognised as revenue from the time of delivery. Newsprint is mostly sold free delivered to customer abroad and free from mill in the domestic market, while other deliveries are sold on a cif (cost, insurance and freight) basis.

Operating revenue includes gross operating revenue reduced by commissions, rebates and other direct reductions in the sales price.

Cash rebates

Cash rebates related to sales are deducted from sales revenue and related to purchases deducted from cost of materials.

Classification

Assets which are to be retained or used on a long-term basis and receivables due for repayment more than a year after the end of the accounting year are shown as fixed assets. Other assets are classified as current assets. There will be corresponding classification for liabilities.

Assets and liabilities in foreign currencies

Bank deposits, short-term receivables and short-term debt denominated in foreign currencies are translated into Norwegian kroner using year-end exchange rates.

Long-term receivables and long-term debt denominated in foreign currencies are translated into Norwegian kroner at the lower, respective higher, of the exchange rates on the transaction date or on the balance sheet date. Each currency is consciously managed as a whole so that unrealised losses are eliminated against unrealised gains within each currency. Net unrealised losses within each currency are booked as financial expenses. Net unrealised gains are booked as financial revenue (reversed) within the limits of previous booked losses.

Shares, bonds and commercial papers

Shares, bonds and commercial papers included under current assets are valued as separate portfolios. Each portfolio is consciously managed as a whole, and is recorded at the lower of cost or market value at year-end. Net unrealised losses of each portfolio are booked as financial expenses, while net unrealised gains are booked as financial revenue within the limits of previous losses.

Shares shown under fixed assets, not being shown as affiliated companies, are investments of strategic character where the Group has no significant influence. These shares are valued at cost or market value if value reduction is of a permanent character.

Stocks

Raw materials and other purchased goods are valued at purchase cost on a first-in-first-out (FIFO) basis. The value of own produced finished goods includes cost of raw materials, energy, direct wages and a share of indirect costs including maintenance and ordinary depreciation. Future net realisable value is used where this is lower than cost.

Shares in limited partnerships (K/S) and other partnerships

Shares in limited and other partnerships are included in the accounts according to the net method/equity method. The Group's share of the profit is included in the profit and loss account as financial revenue and is added to the book value of the investments in the balance sheet. Shares less than 20 per cent is included in accordance with the cost method.

Operational fixed assets and depreciation

Expenditure that increases capacity or significantly improves the quality of the facilities, including environmental investments, are capitalised. Building loan expenses of larger investments are capitalised.

Ordinary depreciation is calculated from the time fixed assets are used in normal operations and is based on the estimated useful economic lives of the assets in accordance with the following guidelines:

Machinery	10 - 20 years
Fixtures	10 years
Vehicles	5 - 10 years
Factory buildings	25 - 33 years
Other buildings	10 - 25 years
Computer equipment	3 - 5 years
Goodwill and other exclusive rights	5 - 20 years

Spare parts are capitalised in the same group as the machinery to which they belong, and depreciation rates follow those of the machinery. No depreciation has been made for plant under construction.

Gains and losses on sales of operational fixed assets are calculated as the difference between sale price and net book value and included as other income.

Leasing

A concrete evaluation of each leasing agreement determines whether it is considered to be a financial or an operational leasing agreement. Fixed assets leased under agreements regarded as financial leasing agreements are capitalised in the balance sheet and depreciated in the same way as ordinary fixed assets. The amortisation part of the leasing obligation is shown as a long-term loan. The liability is reduced by the amount of rental paid, after deducting the calculated interest cost.

Pension costs and pension obligations

The net periodic pension cost is included in wages, salaries and personnel expenses, and consists of the total of the benefits earned during the year, the interest costs of the prior period benefit, the expected return on pension plan assets, the booked effect of changes in estimates and pension plans, the booked effect of any difference between the actual and expected return, plus accrued employers' contribution.

The plan assets at fair value is evaluated against projected benefit obligations. Initially, each individual pension arrangement is evaluated separately, but the value of overfunding in one arrangement, and underfunding in others, is combined and shown net on the balance sheet, where plan assets can be transferred between one arrangement and another. Net plan assets are shown as long-term receivables, and net pension obligations as long-term liabilities.

Changes in projected benefit obligations resulting from changes in estimates and pension plans, as well as disparities between actual and expected return, are charged according to the accrual method over the remaining earning time, or expected lifetime, only when the accumulated effect exceeds ten per cent of the larger of plan assets or pension obligations.

Bonds held in treasury

The senior long-term debt in the balance sheet is reduced by bonds held in treasury.

Subordinated convertible bonds

Convertible bonds are shown in the accounts as debt. On conversion, the outstanding debt is reduced by the nominal value of the bonds converted and share capital increased with the nominal value of shares issued. Any share premium is included in the legal reserve.

Deferred taxes/deferred tax advantage

At the balance day deferred taxes are booked according to temporary differences between fiscal and tax values, together with taxable deficit. Temporary differences related to assets and liabilities are eliminated within the same period and shown in the accounts as net values.

Deferred tax advantage due to pension obligations and deficits which are not eliminated has been classified as tax advantage and shown separately in the balance sheet.

Derivative financial instruments

The treatment of derivative financial instruments in the accounts depends on the intentions behind entering into the agreements. The agreements are classified as either hedging contracts or trading contracts. For hedging contracts the gains or losses related to these derivative financial instruments are amortised and classified in the same manner as the result on the underlying balance items.

Contracts not related to any particular commercial or financial transaction are accounted for as trading only. Each type of the derivative financial instruments is consciously managed as a whole, and the portfolios are valued at the lower of cost or market value at year-end. Net unrealised losses within each portfolio are booked as financial expenses. Net unrealised gains within each portfolio are booked as financial revenue (reversed) within the limits of previously booked losses. Market value is described as the price to be paid to close the different portfolios.

Fully covered derivatives positions are treated as realised even though they have not expired. Net gains or losses on these contracts are included as financial revenue or financial expenses.

Premiums, received or paid, related to options expiring after the date of the balance sheet, are classified as current liabilities or as current assets. The portfolios of foreign exchange options and interest rate options are valued as the lower of cost or market value at year-end. Unrealised losses, if any, are included in the financial expenses. Premiums related to the interest rate options with more than one exercise date (caps/floors) are written off over the options' life. At expiration date the remaining value, if any, will be included in the accounts.

Comparability

The consolidated accounts for 1996 include two new companies compared with 1995. The newsprint and LWC producer Bruck was purchased with effect as of 01.01.1996. In addition, the subsidiary company Norske Skog Trelast AS acquired a 66% stake in the saw mill Telemarksbruket K/S, also with effect as of 01.01.1996. Total operating income for these companies in 1995 amounted to NOK 1,936 million, and the joint total assets were valued at NOK 2,132 million.

When translating the figures for 1995 into NOK, Norske Skog Golbey was considered an independent unit. In the 1996 accounts, the company is considered as an integrated unit. Translation into NOK on the basis of Norske Skog Golbey being an independent unit in 1996, would result in a translation difference as a reduction in equity in the region of NOK 98 million. On the basis of Norske Skog Golbey being termed an integrated unit, translation into NOK results in a translation difference of NOK 19 million as financial income.

Notes to the Consolidated Accounts

All figures shown as NOK million unless otherwise stated

1. Business areas

1996	Paper	Fibre	Build. mater.	Staff/ elim.	Consolidated
Operating revenue					
Norway	907	403	1,727	-79	2,958
Rest of Europe	6,751	814	789	50	8,404
Rest of World	1,835	5	63	0	1,903
Total operating revenue	9,493	1,222	2,579	-29	13,265
Operating expenses	6,563	1,218	2,421	-73	10,129
Ordinary depreciation	852	121	131	28	1,132
Restructuring expenses	0	10	0	78	88
Operating profit	2,078	-127	27	-62	1,916

Current assets	2,273	358	684	1,277	4,592
Fixed assets	8,918	891	1,629	593	12,031
Non-interest bearing debt	1,026	83	253	1,104	2,466

Investments	511	81	443	18	1,053
Employees	3,386	521	1,862	196	5,965
Export share (%)	90	67	33		78

1995	Paper	Fibre	Build. mater.	Staff/ elim.	Consolidated
Operating revenue					
Norway	842	703	1,468	-20	2,993
Rest of Europe	5,679	1,461	832	-2	7,970
Rest of World	1,545	7	33	0	1,585
Total operating revenue	8,066	2,171	2,333	-22	12,548
Operating expenses	5,777	1,373	2,123	-57	9,216
Ordinary depreciation	581	116	114	21	832
Operating profit	1,708	682	96	14	2,500

Current assets	2,555	461	674	928	4,618
Fixed assets	7,530	937	829	950	10,246
Non-interest bearing debt	945	128	260	1,462	2,795

Investments	601	96	217	12	926
Employees	2,799	532	1,681	181	5,193
Export share (%)	90	68	37		76

1994	Paper	Fibre	Build. mater.	Staff/ elim.	Consolidated
Operating revenue					
Norway	846	537	1,338	-209	2,512
Rest of Europe	3,802	941	691	2	5,436
Rest of World	1,183	20	19	0	1,222
Total operating revenue	5,831	1,498	2,048	-207	9,170
Operating expenses	4,978	1,208	1,808	-172	7,822
Ordinary depreciation	399	112	94	11	616
Operating profit	454	178	146	-46	732
Current assets	2,171	348	550	1,264	4,333
Fixed assets	5,006	965	646	760	7,377
Non-interest bearing debt	921	98	283	274	1,576
Investments	268	84	193	20	565
Employees	2,505	518	1,597	138	4,758
Export share (%)	85	64	35		73

2. Consumption of raw materials

	1996	1995	1994
Raw materials and purchased goods	5,483	5,400	4,388
Change in stock of finished goods	81	-148	50
Total	5,564	5,252	4,438

3. Wages, salaries and personnel expenses

	1996	1995	1994
Wages/salaries incl. holiday allowance	1,706	1,405	1,169
National insurance and pensions	153	163	137
Total	1,859	1,568	1,306

4. Pension cost and pension obligations

Norske Skogindustrier ASA, with subsidiaries, has collective benefit retirement plans for its employees with a life insurance company. The retirement plans for the Group are uniform. The main conditions are 30 years' service, a pension amounting to 65 % of pensionable earnings on January 1 of the year the employee reaches 67 years, plus disablement, spouse and childrens' pension. All plan benefits are co-ordinated with expected social security benefits. The pension level is reduced to 60 % from the pensioner's 75th birthday. As of December 31, 1996 the pension arrangements covered 7,290 members, of whom 5,119 were working and 2,171 were pensioners. In case of disablement the obligations extend to the disabled both as an active employee and as a pensioner. In these cases the person will be included in both aforementioned categories.

In addition to the benefit obligations covered through insurance arrangements, the Group has uninsured benefit obligations. These include obligations concerning former owners

of subsidiaries, and pensions of top management and Board members, totalling 60 persons. The uninsured benefit obligations also include estimated future obligations connected with the AFP-arrangement (involving a possible future reduction of the pension age), and obligations concerning foreign subsidiaries. Obligations relating to top management pensions are partly insured through a supplementary retirement plan with a life insurance company.

In evaluating plan assets their estimated value at year end is used. This estimated value is corrected every year in accordance with the figures provided by the life insurance company regarding the market value of the assets.

In measuring incurred obligations the projected obligation at year end is used. This projected obligation is corrected every year in accordance with the figures provided by the actuary concerning incurred pension obligations.

Calculation of future benefit obligations is based on the following assumptions:

	1996	1995	1994
Discount rate	5.5 %	5.5 %	5.5 %
Expected return on plan assets	6.5 %	6.5 %	6.5 %
Salary adjustment	3.0 %	3.0 %	3.0 %
Social security increase/inflation	2.0 %	2.0 %	2.0 %
Pension increase	1.6 %	1.6 %	1.6 %

	1996	1995	1994
Net periodic pension cost			
Benefits earned during the year	40	37	28
Interest cost on prior period benefit	44	37	35
Expected return on plan assets	-53	-45	-44
Accrued employer tax	-1	1	-1
Expensed portion of differences in estimates	2	0	0
Net periodic pension cost	32	30	18

Status of the pension plans reconciled to the consolidated balance sheet:

	Plan assets exceed PBO			PBO exceed plan assets		
	31.12.96	31.12.95	31.12.94	31.12.96	31.12.95	31.12.94
Projected Benefit Obligations (PBO)	-780	-657	-616	-143	-79	-83
Plan assets at fair value	887	841	684	31	14	11
Plan assets in excess of/less than (-) PBO	107	184	68	-112	-65	-72
Differences in estimates not taken to income/expensed	72	15	29	14	-3	1
Net plan assets/pension obligations	179	199	97	-98	-68	-71
Accrual employer tax	9	10	0	-3	-5	-4
Plan assets/pension obligations (-) in the balance sheet	188	209	97	-101	-73	-75

The plan assets are managed by the life insurance company and invested in accordance with the general guidelines governing investments by life insurance companies in Norway.

The actual return on plan assets in 1995 was NOK 52 million. For 1996 return on plan assets of NOK 70 million is estimated, which is included in the estimated plan assets as of December 31, 1996. The difference of NOK 17 million between booked return of NOK 53 million and estimated return of NOK 70 million is treated as an estimate difference.

The effect of changes in estimates and deviations between projected and actual returns is booked during the average remaining earning period, only when the accumulated effect exceeds 10 % of plan assets or pension obligations, whichever is the larger. This entails booking according to the straight line method over 15 years.

5. Other operating expenses

Losses on bad debts are included as follows:

	1996	1995	1994
Amounts written off during the year	-14	-15	-22
Received amounts previously written off	2	1	0
Changes in bad debt reserves	-8	7	0
Total	-20	-7	-22

6. Net financial expenses

	1996	1995	1994
Dividends received	2	1	3
Interest revenue	86	100	148
Profit on shares	0	0	50
Profit on bonds	8	35	0
Profit on other investments	3	17	0
Realised net profit on foreign currency debt and related foreign exchange contracts	45	0	30
Net profit realised on foreign exchange contracts related to cash flows	0	94	10
Other financial revenue	91	43	7
Total financial revenue	235	290	248
Interest expenses	371	408	366
Loss on shares	0	10	0
Loss on bonds	0	0	113
Realised and unrealised net loss on foreign currency debt and related foreign exchange contracts	0	4	0
Realised net loss on foreign exchange contracts related to cash flow	104	0	0
Other financial expenses	22	93	31
Total financial expenses	497	515	510
Net financial expenses	-262	-225	-262

7. Taxes

In several legal disputes over taxes in 1996 the court has ruled in favour of Norske Skog. In addition a settlement has been reached with Hurum County Council regarding the earlier reluctance of the council to accept the taxable expensing of environmental investments at Tofte during 1990 and 1991.

In total, tax provisions taken into profit have reduced the tax costs with 60 million NOK.

Tax expenses	1996	1995	1994
Taxes payable	-345	-513	-74
Change in deferred tax	-70	-124	-53
Total tax expenses	-415	-637	-127

Deferred tax/deferred tax advantage

A specification is made of temporary differences and losses to be brought forward, as well as calculation of deferred tax/deferred tax advantage at year end:

Deferred tax	1996	1995	1994
Total short-term items	37	6	-6
Total long-term items	2,790	2,537	2,403
Taxable deficit to be brought forward*)	-1,063	-937	-13
Total temporary differences and losses to be brought forward	1,764	1,606	2,384
Deferred tax	411	435	666

*) Taxable deficit to be brought forward is mainly related to our companies in France and Austria. The deficits have no time limit.

Deferred tax advantage	1996	1995	1994
Unsecured pension obligations	94	61	62
Deficits not eliminated	0	0	12
Total basis of tax advantage	94	61	74
Deferred tax advantage (see note 17)	27	17	20

8. Net cash flow from operations

The connection between profit before minority interests and cash flow from operations is shown below:

	1996	1995	1994
Profit before minority interests and taxes	1,728	2,335	333
Ordinary depreciation	1,132	832	616
Share of profit in affiliated companies	-74	-60	137
Taxes paid	-522	-7	-43
Changes in receivables	620	-367	-262
Changes in stocks	7	-371	-23
Changes in current liabilities	-275	193	108
Net cash flow from operating activities	2,616	2,555	866

1996 cash flow is based on the balance sheet figures at 31.12.1995, inclusive of Bruck's consolidated balance sheet at 01.01.1996.

9. Bank deposit

Restricted deposits covering employer taxes and sundry guarantees amount to NOK 25 million in 1996, compared to NOK 34 million in 1995.

10. Short-term investments

	1996	1995	1994
Treasury bonds	66	10	140
Bank/Insurance	201	320	274
Other financial institutions	221	237	177
Industry/Commerce/Shipping	29	55	64
Foreign bonds	0	22	192
Total bonds	517	644	847
Commercial papers	20	158	340
Short-term investments in foreign currencies	200	24	110
Total	737	826	1,297

At year-end, unrealised gains in the bond portfolio amounted to NOK 5 million, which have not been taken into profit. In the portfolio of commercial papers book value equals market value at year-end. Corresponding figures for year end 1995 were unrealised gains in the bond portfolio of NOK 7 million, and balance between book and market value for the portfolio of commercial papers.

Norske Skogindustrier ASA bonds held in treasury have been deducted from the bond portfolio.

11. Accounts receivable

	1996	1995	1994
Accounts receivable	1,922	1,940	1,631
Provisions for bad debts	-80	-54	-61
Total	1,842	1,886	1,570

12. Stocks

	1996	1995	1994
Raw materials	629	636	412
Work in progress	66	49	53
Finished goods	803	643	467
Total	1,498	1,328	932

13. Affiliated companies

In the consolidated accounts, shares in affiliated companies are included according to the equity method. Norske Skog owns 48,1% of the voting shares in Union. Norske Skog's total ownership in Union of 57,6% has been used when applying the equity method.

Company	Owner-ship %	Book value 31.12.95	Purchase/sales of shares	Share of profit for the year	Dividend/other equity corrections	Book value 31.12.96
Union	57.6	298	2	74	-15	359
Norsk Gjenvinning	31.4	9	15	0	0	24
Total		307	17	74	-15	383

14. Shares

Shares included as financial assets

Shares owned by the parent company	Share capital	Number of shares	Total nominal value	Book value	
Norsk Finpapir AS	2.0	2,940	0.3	3.0	
Støren Trelast AS	6.6	12,400	1.1	1.1	
Adresseavisen AS	31.3	37,015	0.6	4.7	
Norsk Avfallshandtering AS	131.4	300	3.0	3.0	
Union *)	10.0	289,057	2.9	15.0	
Norsk Gjenvinning *)	19.3	1,212,820	6.0	33.5	
Stangeskovene	20.3	726	3.6	13.4	
Camfore AB	SEK	3.2	179,700	0.4	13.0
Other shares				4.2	
Total				90.9	

Shares owned by subsidiaries

Union *)		10.0	287,094	2.8	12.8
Germain Saulxures	FRF	5.0	8,917	3.6	6.7
Fjellmann Press	SEK	2.5	1,000	1.0	2.9
Other shares					12.7
Total					126.0
*) Included as affiliated companies					-61.3
Partnerships (see note 15)					42.4
Total amount shares and partnerships					107.1

Shares in subsidiaries

Shares in Norwegian subsidiaries owned by the parent company	Share capital (NOK 1,000)	Number of shares	Total nominal value (1,000)	Ownership %	Book value (1,000)
Nornews AS	50	1,000	50	100.0	50
Norske Treindustrier AS	50	50	50	100.0	50
Lysaker Invest AS	100	1,000	100	100.0	100
Norske Skog Sales AS	50	500	50	91.0	46
A/S Van Severen & Co. Ltd.	6,625	66,250	6,625	100.0	32,427
Norske Skog Bygg AS	10,000	100,000	100	100.0	10,000
Norsk Virke AS	4,000	364	3,640	91.0	3,640
Sande Paper Mill A/S	10,000	10,000	10,000	100.0	0
Folla CTMP AS	10,000	100,000	10,000	100.0	0
AWA AS	1,000	6,000	600	60.0	600
Total					46,913

Shares in foregn subsidiaries owned by the parent company		Share capital (NOK 1,000)	Number of shares	Total nominal value (1,000)	Ownership %	Book value (1,000)
Norske Skog Golbey S.A.	FRF	2,187,370	2,187,370	2,187,370	100.0	2,270,988
Norske Skog Bruck GmbH	ATS	25,000	25	25,000	100.0	34,357
Norske Skog Österreich GmbH	ATS	2,000	1	2,000	100.0	1,254
Markproject Ltd.	GBP	300	50,000	300	100.0	3,105
Norske Skog Deutschland GmbH	DEM	500	500	500	100.0	4,222
Norske Skog (UK) Ltd.	GBP	100	10,000	100	100.0	2
Norske Skog Holland B.V.	NLG	100	200	100	100.0	400
Norske Skog Belgium S.A.	BEC	19,375	19,375	19,375	100.0	3,234
Nornews Produtos Florestais, LDA	PTE	400	400	400	100.0	17
Norske Skog España S.A.	ESP	40,000	400	40,000	100.0	1,652
Norske Skog (Irland) Ltd.	IEP	2	20	2	100.0	22
Norske Skog (Schweiz) AG	CHF	25	25	25	100.0	193
Norske Skog Danmark ApS	DKK	30	30	30	100.0	25
Norske Skog Italia s.r.l.	ITL	20,000	19	19,000	95.0	84
Norske Skog France S.A.R.L.	FRF	50	500	50	100.0	6,374
Norske Skog Japan Co. Ltd.	JPY	2,000	20	2,000	100.0	94
Norske Skog (USA) Inc.	USD	2	200	2	100.0	8
Norske Skog AB	SEK	50	500	50	100.0	58
Norske Skog (Cypros) Ltd.	CYP	1	1,000	1	100.0	2
Norske Skog Trading Far East Ltd.	USD	20	20,000	20	100.0	69
AB Lee Bruk	SEK	150	1,500	150	100.0	11,089
Norske Skog Hong Kong Ltd.	HKD	10	10,000	10	100.0	8
Total						2,337,257
Total shares owned by the company						2,384,170

Shares in Norwegian subsidiaries owned by consolidated companies		Share capital (NOK 1,000)	Number of shares	Total nominal value (NOK 1,000)	Ownership (%)
Norske Skog Trelast AS	NOK	6,500	65,000	6,500	100.0
Norske Skog Plater AS	NOK	26,000	26	26,000	100.0
Folla Tech AS	NOK	950	950	950	100.0
Langmoen Parkett AS	NOK	20,000	20,000	20,000	100.0
Fibo-Trespo AS	NOK	16,000	16,000	16,000	100.0
Telemarksbruket KS	NOK	2,240	14,784	1,478	66.0

Shares in foreign subsidiaries owned by consolidated companies

Polak & van Berg B.V.	NLG	120	240	120	100.0
Amstelpoort B.V.	NLG	10	20	10	100.0
Respatex International Ltd.	GBP	10	10,000	10	100.0
Norske Skog Italia s.r.l.	ITL	20,000	1	1,000	5.0
Norske Skog Golv AB	SEK	100	1,000	100	100.0
Nor-Holz GmbH	DEM	100	1	83	83.0
Forpromote GmbH	DEM	100	1	50	50.0
Norske Skog Publicationspapier GmbH	ATS	380,000	1	380,000	100.0
Paper Back Buro-Altppapier GmbH	ATS	500	1	500	100.0
Germain Saulxures	FRF	4,977	8,917	3,566	71.7

15. Shares in partnerships

NOK 1,000

Shares in foreign subsidiaries owned by the parent company	Ownership %	Partnership capital paid	Partnership capital not paid	Share of profit	Book value
Nornews Express ANS	55.0	936	0	3,656	17,184
Lys-Skog ANS	60.0	10,123	0	2,610	13,286
ANS Hed-Opp	11.0	5,200	5,000	0	900
Norway Airlines City of Stavanger ANS	8.3	5,544	9,383	0	4,767
ANS Østfoldtømmer	28.7	6,310	0	0	6,310
Total owned by the parent company		28,113	14,383	6,266	42,447

Shares in partnership

Telemarksbruket KS	66.0	8,960	0		
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16. Operational fixed assets

Acquisition	Goodwill and other exclusive rights	Ships	Machinery, equipment, etc.	Buildings and plants	Real estate	Plant under construction	Total
Acquisition cost 31.12.1995	165	21	12,641	3,575	253	149	16,804
Addition, new companies	33	0	1,796	457	80	9	2,375
Addition 1996 at cost	10	0	467	102	19	455	1,053
Sales 1996 at cost	-18	0	-64	-20	-4	0	-106
Transferred from plant under construction	3	0	77	48	3	-131	0
Acquisition cost 31.12.1996	193	21	14,917	4,162	351	482	20,126

Revaluation

Revaluation 31.12.1995	0	0	0	33	111	0	144
Revaluation 31.12.1996	0	0	0	31	99	0	130

Depreciation

Accum. ordinary depreciation 31.12.1995	27	17	6,106	1,196	47	0	7,393
Accum. depr. new companies 31.12.1995	32	0	486	41	1	0	560
Ordinary depreciation 1996	15	1	929	174	13	0	1,132
Depreciation on fixed assets sold in 1996	-13	0	-52	-3	0	0	-68
Accum. ordinary depreciation 31.12.1996	61	18	7,469	1,408	61	0	9,017

Book value

Book value 31.12.1995	138	4	6,535	2,412	317	149	9,555
Book value 31.12.1996	132	3	7,448	2,785	389	482	11,239

Operating fixed assets - acquisition and disposals over the last 5 years.

1992	Acquisition	7	0	372	39	14	1,788	2,220
	Disposal	0	0	8	3	8	0	19
1993	Acquisition	18	0	160	41	3	905	1,127
	Disposal	0	0	6	23	7	0	36
1994	Acquisition	4	0	314	53	9	185	565
	Disposal	0	0	20	2	19	0	41
1995	Acquisition	23	0	618	89	8	188	926
	Disposal	0	0	7	0	13	0	20
1996	Acquisition	10	0	467	102	19	455	1,053
	Disposal	0	0	14	0	7	0	21
Total 5 years	Acquisition	62	0	1,931	324	53	3,521	5,891
	Disposal	0	0	55	28	54	0	137

17. Other long-term receivables

	1996	1995	1994
Loans to employees	8	8	8
Sundry long-term receivables	79	47	37
Subordinated loan to Norske Skog Golbey	0	0	258
Pension plan assets	188	209	97
Deferred tax advantage	27	17	20
Total	302	281	420

Loans to associated parties under the Joint Stock Companies' Act § 12-10 represent NOK 7,3 million.

18. Short-term liabilities

	1996	1995	1994
Public dues and holiday allowances	226	226	183
Accounts payable	1,028	1,027	953
Sundry interest-free short-term debt	259	249	108
Provisions for dividend	228	196	48
Accrued expenses	287	476	149
Taxes payable	438	621	121
Deferred revenue	0	0	14
Total	2,466	2,795	1,576

19. Interest-bearing short-term liabilities

	1996	1995	1994
Short-term bank debt	202	215	240
Current portion of long-term debt	1,086	327	227
Total	1,288	542	467

20. Subordinated convertible bonds

	1996	1995	1994
Remaining debt as of December 31	1,206	1,206	1,222
Current portion of long-term debt	-499	0	-15
Book value of long-term debt	707	1,206	1,207

As of December 31, 1996 Norske Skogindustrier ASA had no stock of subordinated convertible bonds held in treasury.

Loan	Interest rate	Conv. rate	Face value	Balance as of 31.12.96	Curr. portion long-term debt	Book value
Norske Skog 1990/1997	8.50%	195	500	499	499	499
Norske Skog 1991/2000	8.125%	201	707	707	0	707
Total			1,207	1,206	499	1,206

21. Senior long-term debt

	1996	1995	1994
Senior long-term debt in NOK	1,483	783	739
Senior long-term debt in foreign currencies	3,024	2,811	2,461
Total	4,507	3,594	3,200
Current portion of senior long-term debt	-587	-327	-212
Total	3,920	3,267	2,988

Bonds

The book value of bonds held in treasury is NOK 2 million at year-end. These bonds are neither included in the bond portfolio nor in the liabilities.

On September 20, 1991 the company issued a 10.5 per cent domestic fungible bullet bond loan with an upper limit of NOK 1,500 million, maturing in 2001. Total drawn on this facility as of December 31, 1996, was NOK 944 million.

In connection with this bond loan, the company has entered into cross-currency swap agreements of NOK 700 million, thus changing the exposure into floating rate foreign currency obligations. This part of the bond loan has been presented in the accounts as a foreign currency debt with floating interest.

On March 16, 1994 the company issued a 6.5 % domestic fungible bullet bond loan with an upper limit of NOK 1,000 million, maturing in 2004. The total outstanding on this facility as of December 31, 1996, was thus NOK 53 million.

On November 13, 1996 the company issued a 7.6 % domestic fungible bullet bond loan with an upper limit of NOK 1,000 million, maturing in 2006. The total outstanding on this facility as of December 31, 1996, was NOK 510 million.

Senior long-term debt by currency

Senior long-term debt by currencies, current portion included:

	Amount in currency (million) 31.12.96	Booked exchange rates 31.12.96	NOK million 31.12.96	Weighted average interest (%) 31.12.96
USD	107	6.4425	687	6.11
DEM	253	4.1431	1,049	3.56
JPY	1,713	0.5888	1,009	3.97
GBP	9	10.9070	101	6.83
FRF	291	1.2284	357	4.08
CHF	5	4.7677	24	2.58
Set-off			-203	
Total debt in foreign currencies			3,024	
Total senior long-term debt in NOK			1,483	6.73
Total senior long-term debt			4,507	
Subordinated convertible bonds			1,206	8.28
Current portion of long-term debt			-1,086	
Total long-term debt			4,627	

Unrealised losses according to exchange rates as of December 31, 1996 amount to NOK 55 million. Unrealised losses as at December 31, 1995 amounted to NOK 143 million. The change of NOK 88 million is included in the financial expenses in 1996.

Unrealised currency reserve, not set-off, amounts to NOK 74 million.

Repayment of debt

The company's long-term debt as at December 31, 1996 matures as follows:

	Subord. conv.bonds	Debt banks	Bonds	Total
1998	0	270	0	270
1999	0	85	0	85
2000	707	835	0	1,542
2001	0	201	944	1,145
2002	0	451	0	451
2003	0	309	0	309
After 2003	0	262	563	825
Total	707	2,413	1,507	4,627

As of December 31, 1996, the company held unexercised drawing rights totalling NOK 3,328 million. The drawing right of USD 470 million was extended in 1996, and now runs until January 2004. The remaining committed drawing rights of NOK 300 million run until 2002.

Loans of FRF 250 million in Nordisk Investeringsbank (NIB), which originally were set to mature in 1997, have had the maturity date extended until 2005, with the first instalment due in 2003.

The Group's long-term fixed-interest debt has a market value at year end which exceeds book value by NOK 100 million.

When entering into certain long-term unsecured loan agreements, negative trust receipts have been issued. Furthermore, some loan agreements require financial ratios regarding solidity and liquidity to be met. These requirements have been satisfied.

22. Foreign exchange- and interest off-balance instruments

Foreign exchange exposure

Bank deposits, receivables, long-term receivables and cash flow from operations in foreign currencies are managed partly through debt in foreign currencies and partly through the use of different derivative financial instruments. Mainly, Norske Skog uses foreign exchange contracts in managing the foreign exchange exposure.

Interest rate exposure

In order to obtain an effective management of the interest structure in the company, off-balance interest rate contracts are used in addition to a well-proportioned balance of interest bearing assets and liabilities.

Currency	Purchase contracts equiv. to NOK mill.	Sales contracts equiv. to NOK mill.
USD		566
GBP		1,010
DEM	150	
DKK		134
FRF		50
BEC		75
NLG		277
ITL		362
ESP		169
CHF		112
JPY		90
SEK		9
FIM	125	
ATS	241	
XEU		64
NOK	2,414	
Total	2,930	2,918

Foreign currency contracts have been converted to NOK at the spot rates ruling on December 31, 1996.

All the foreign exchange contracts mature during 1997. The portfolio of foreign exchange contracts at year-end showed total gains of NOK 7 million against NOK 1 million in 1995. The market value of fully covered foreign exchange contracts have been reduced by NOK 5 million since December 31, 1995, and this change is included in the financial income. The net unrealised gain of NOK 6 million in the portfolio of foreign exchange contracts has not been included in the accounts. The total amount is split into the following items:

	1996	1995	1994
Gain/losses(-) on fully covered foreign exchange contracts	1	-4	-1
Unrealised gains as of December 31	6	5	11
Total	7	1	10

Currency options

Currency options are contracted in GBP as of December 31, 1996. As of December 31, 1996 there is an unrealised gain in this portfolio amounting to NOK 1 million. The change in unrealised losses is included in the financial items.

The market value consists of

	1996	1995	1994
Cost price currency options	3	8	3
Unrealised gains/losses (-)	1	-5	-2
Market value currency options	4	3	1

Forward rate agreements (FRA)	Net purch./ sales(-) in million	Period
Currency		
GBP	-10	3 mths.
USD	20	6 mths.
ITL	25,000	3 mths.
FRF	140	3 mths.
DEM	-40	3 mths.

When selling forward rate agreements the company will benefit from a decrease in the interest rates.

As of December 31, 1996 there is an unrealised loss in the FRA portfolio amounting to NOK 1 million, which is included in the financial expenses.

Long-term interest rate futures

Commercial paper no.	Net purchase/sales
German Bund	5
French Matif	-32.5

When buying long-term interest rate futures the company will benefit from a decrease in the interest rates. As of December 31, 1996 there is an unrealised gain in the interest rate futures portfolio of NOK 0.4 million.

Interest rate swaps

Currency	Million	Receives	Pays	Maturity
NOK	350	Fixed	Floating	1998
NOK	50	Fixed	Floating	2001
DEM	75	Floating	Fixed	1998
FRF	50	Floating	Fixed	1999
CHF	5	Floating	Fixed	1998

When interest rates are decreasing the company will benefit from receiving fixed interest rates and paying floating interest rates.

As of December 31, 1996 there is an unrealised gain in the portfolio amounting to NOK 23 million, which is not included in the accounts. At year-end 1995 the unrealised gain amounted to NOK 11 million.

23. Shareholders' equity

Other consolidated equity	1996	1995	1994
Legal reserve	1,869	1,754	1,511
Temporary restricted reserve	0	79	289
Distributable reserve	4,420	3,680	1,614
Other consolidated equity	693	380	678
Total consolidated equity	6,982	5,893	4,092

Shareholders' equity

Shareholders' equity 01.01.	6,545	4,727	3,861
Implementation of new pensions standard	0	0	-62
Profit for the year	1,317	1,699	206
Share issues	4	89	767
Converted bonds	0	16	7
Provisions for dividend	-228	-196	-48
Corrected equity capital in Norske Skog Golbey	0	179	0
Corrected equity capital in affiliated co.	-3	0	0
Translation difference	0	31	-4
Shareholders' equity 31.12.	7,635	6,545	4,727

24. Mortgages

The following loans are secured by real estate mortgages 31.12.

	1996	1995	1994
Outstanding balance, bond	5	10	18
Outstanding balance, other mortg. debt	687	954	159
Total	692	964	177

Book value of assets securing this debt as of 31.12.

Ships	3	4	5
Machinery	1,856	5,706	3,818
Buildings	629	2,046	1,400
Forest, land and other real estate	3	158	260
Plant under construction	1	106	110
Operating fixed assets	2,492	8,020	5,593
Stocks/receivables	12	63	71
Total	2,504	8,083	5,664

25. Guarantees

	1996	1995	1994
Partnerships shares not paid	14	14	14
Other guarantees	237	256	111
Total	251	270	125

The above does not include mutual responsibility beyond the amount subscribed to ANS, which amounts to a maximum of NOK 54 million.

26. Environment

Capitalised environm. investments	1996	1995	1994
Norske Skog Skogn	16	0	0
Norske Skog Bruck	6	-	-
Norske Skog Follum	1	43	9
Norske Skog Saugbrugs	108	64	3
Sande Paper Mill	8	6	2
Norske Skog Tofte	1	1	49
Norske Skog Folla	3	27	4
Norske Skog Hurum	4	2	2
Area Building Materials	25	9	6
Total	172	152	75

Norske Skog Skogn

The company started building a new biological waste water treatment plant at the end of the year. The plant is of the active sludge type, and will be supplied by the Finnish company Ahlström Aquaflow. The total investment cost is estimated at NOK 120 million. The company has also decided to invest in a new biofuel boiler to incinerate bark and sludge from the waste treatment plant. Investment costs should amount to about NOK 125 million. Both facilities will be put into operation around the turn of the year 1997/98.

Norske Skog Bruck

The company has upgraded the electric filter which treats exhaust gases from the boiler that incinerates bark and treatment plant sludge. The upgrade was necessary to meet the emission limits set by the Austrian authorities.

Norske Skog Saugbrugs

The company's new biofuel boiler was started up during July 1996. The boiler will burn all organic waste produced at the company's factory, as well as purchased biofuel. The investment has ended all depositing of organic waste, and has steeply reduced consumption of fossil fuels. Total investment costs are about NOK 180 million.

Sande Paper Mill

The company has invested in a third bioreactor for waste water treatment. The investment was necessary in order to meet the discharge limits set by the authorities. The company has also invested in a new steam accumulator in order to achieve more stable boiler operation, thereby reducing emissions.

Norske Skog Folla

Folla started up a new biological waste water treatment plant at the end of November 1995. The plant's total investment cost was just over NOK 30 million. Of that, about NOK 27 million was incurred in 1995. The facility was needed so that Folla could meet new discharge requirements laid down by the SFT (State Pollution Inspectorate) and applicable from January 1, 1996.

Area Building Materials

At Soknabruket the company has invested in a new boiler, and at Våler Skurlag an existing boiler has been extensively upgraded. The investments were needed to deal with all the bark and wood waste produced at the two sawmills.

At Fibo-Trespo, too, the company has invested in a new boiler. Waste gases from the impregnation process will be piped to the boiler as combustion air, thereby significantly reducing solvent emissions.

27. Contractual obligations

The company has entered into contractual obligations for the purchase of operational fixed assets amounting to NOK 386 million in addition to the expenses included in the accounts as of December 31, 1996. Additionally, decisions have been made to invest a total of NOK 726 million.

28. Leasing obligations

The Group has annual expenses related to long-term rental and leasing obligations of NOK 102 million.

29. Restructuring expenses

The amount is in its entirety linked to losses incurred related to sale of Sande Paper Mill AS.

Accounts 1996 Norske Skogindustrier ASA

Profit and Loss Account

	Notes	1996 NOK mill.	1995 NOK mill.	1994 NOK mill.
Operating revenue	2	7,685	9,919	5,456
Cost of materials		2,946	4,227	2,815
Wages, salaries and personnel expenses	5	911	1,052	685
Other operating expenses	3	1,682	1,888	1,139
Ordinary depreciation	7	563	578	341
Operating expenses		6,102	7,745	4,980
Operating profit		1,583	2,174	476
Financial revenue		199	401	431
Financial expenses		-358	-557	-446
Financial items, net		-159	-156	-15
Profit before taxes		1,424	2,018	461
Taxes	6	-301	-511	-9
Profit for the year		1,123	1,507	452
Application of profit for the year				
Group contribution		-122	0	-429
Allocated to legal reserve		-112	-151	-45
Transferred from temporary restricted reserve		79	238	209
Transferred from/to(-) distributable reserve		-740	-1,398	-139
Dividend to shareholders		-228	-196	-48
Total		-1,123	-1,507	-452

Statement of cash flow

	Notes	1996 NOK mill.	1995 NOK mill.	1994 NOK mill.
Cash flow from operating activities				
Cash generated from operations		8,042	9,883	5,140
Cash used in operations		-6,013	-7,393	-4,489
Financial revenue received		202	401	391
Financial expenses paid		-384	-557	-446
Taxes paid		-483	4	-43
Net cash flow from operating activities	4	1,364	2,338	553
Cash flow from investment activities				
Investments in operational fixed assets		-470	-761	-249
Sales of operational fixed assets		13	16	31
New intercompany receivables		-711	-60	-40
Net financial investments		-43	-1,814	11
Net cash flow from investment activities		-1,211	-2,619	-247
Cash flow from financial activities				
New long-term debt		941	1,092	322
Repayment of long-term debt		-677	-1,453	-1,385
New short-term liabilities		3,228	1,126	240
Repayment of short-term liabilities		-3,443	-1,151	-470
Dividend paid		-196	-48	-26
Converted bonds		0	16	7
Share issues		4	89	767
Net cash flow from financial activities		-143	-329	-545
Total change in liquid assets		10	-610	-239
Liquid assets as of January 1		787	1,397	1,636
Liquid assets as of December 31		797	787	1,397

Balance sheet at 31.12.

Assets	Notes	1996 NOK mill.	1995 NOK mill.	1994 NOK mill.
Cash and bank deposits		80	52	101
Bonds		517	622	656
Commercial papers		0	75	339
Other short-term investments		200	38	301
Liquid assets		797	787	1,397
Accounts receivable		1,013	1,423	1,021
Provision for bad debts		-51	-47	-40
Other receivables		99	283	216
Intercompany receivables		989	747	259
Receivables		2,050	2,406	1,456
Raw materials and work in progress		307	367	250
Finished goods		437	383	204
Stocks		744	750	454
Current assets		3,591	3,943	3,307
Shares in subsidiaries		2,384	2,376	852
Shares in other companies		91	61	48
Partnerships		42	41	35
Pension plan assets	5	139	165	59
Other long-term assets		44	40	295
Deferred tax advantage	6	10	13	10
Intercompany receivables		946	238	2,492
Securities and long-term financial assets		3,656	2,934	3,791
Operational fixed assets	7	5,816	5,920	2,684
Fixed assets		9,472	8,854	6,475
Total assets		13,063	12,797	9,782

Liabilities and shareholders' equity

Bank debt		0	215	240
Current portion of long-term debt		569	57	212
Taxes payable		371	576	104
Provisions for dividend		228	196	48
Public dues and holiday allowances		128	126	93
Accounts payable		358	528	409
Other short-term liabilities		259	461	151
Current liabilities		1,913	2,159	1,257
Pension obligations	5	35	46	38
Senior long-term debt		2,826	2,551	2,802
Mortgage loans		3	28	66
Subordinated convertible bonds		707	1,206	1,207
Deferred tax	6	637	642	363
Long-term liabilities		4,208	4,473	4,476
Share capital		653	652	635
Legal reserve		1,869	1,754	1,511
Temporary restricted reserve		0	79	289
Distributable reserve		4,420	3,680	1,614
Shareholders' equity	9	6,942	6,165	4,049
Total liabilities and shareholders' equity		13,063	12,797	9,782
Mortgages		27	28	103
Guarantees	8	1,238	408	344

Notes

Norske Skogindustrier ASA

1. Accounting principles

The company's accounting principles are the same as those of the consolidated accounts, which are described on page 14-15. The company's notes are similar to the consolidated notes. Only those notes which are different, are shown below.

2. Operating revenue

The figures include ordinary revenue from sale of goods to companies within the Group amounting to NOK 816 million. Additionally, administration fee and income from rent to the subsidiaries amounted to NOK 79 million. All intercompany deliveries, intercompany profits and intercompany debts are eliminated in the consolidated accounts.

3. Other operating expenses

Losses on bad debts amounting to NOK 25 million are included in the figures.

4. Net cash flow from operations

The connection between profit before taxes and cash flow from operations is shown below

	1996	1995	1994
Profit before taxes	1,424	2,018	461
Ordinary depreciation	563	578	341
Shares a.o. written off	0	0	-40
Taxes paid	-483	4	-43
Changes in receivables	357	-36	-316
Changes in stocks	6	-139	4
Changes in current liabilities	-503	-87	146
Net cash flow from operating activities	1,364	2,338	553

5. Pension costs and pension liabilities

	1996	1995	1994
Net periodic pension cost			
Benefit earned during the year	28	28	15
Interest costs on prior period benefit	30	28	22
Expected return on plan assets	-38	-36	-29
Periodic employer tax	-2	1	-1
Net periodic pension cost	18	21	7

Status of pension plans reconciled to the balance sheet

	Pension assets exceed PBO			PBO exceed plan assets		
	31.12.96	31.12.95	31.12.94	31.12.96	31.12.95	31.12.94
Projected Benefit Obligations (PBO)	-532	-512	-390	-53	-52	-47
Plan assets at fair value	631	676	431	17	14	11
Plan assets in excess of/less than (-) PBO	99	164	41	-36	-38	-36
Unrecognized gain (-)/loss on plan assets	32	-7	18	3	-4	1
Net plan assets/pension obligations (-)	131	157	59	-33	-42	-35
Employer tax accruals	8	8	0	-2	-4	-3
Pens. assets/pens. oblig. (-) in the balance sheet	139	165	59	-35	-46	-38

See note 4 to the consolidated accounts regarding assumptions and further information.

6. Taxes

In several legal disputes over taxes in 1996 the court has ruled in favour of Norske Skog. In addition a settlement has been reached with Hurum County Council regarding the earlier reluctance of the council to accept the taxable expensing of environmental investments at Tofte during 1990 and 1991.

In total, tax provisions taken into profit have reduced the tax costs with 60 million NOK.

Taxation basis

A specification of the difference between profit before taxes and basis for taxation this year is shown below:

	1996	1995	1994
Profit before taxes	1,424	2,018	461
Permanent differences	-19	-204	-73
Group contribution	-121	0	-443
Change of temp. differences	-5	-74	81
Basis for taxation this year	1,279	1,740	26

Tax expenses

Taxes payable	-300	-468	-62
Change in deferred tax	-1	-43	53
Total tax expenses	-301	-511	-9

Deferred tax/deferred tax advantage

A specification is made of temporary differences and calculation of deferred tax/deferred tax advantage at the end of the year (taxation rate 28 per cent).

	1996	1995	1994
Reserve in accounts receivable	-49	-36	-26
Reserve in stocks	85	67	24
Other short-term items	-27	-14	-8
Total short-term items	9	17	-10
Accelerated depreciation	2,076	1,972	1,194
Allocated capital gains	61	69	81
Pension plan assets	139	165	59
Other long-term items	-9	-17	-23
Total long-term items	2,267	2,189	1,311
Total temporary differences	2,276	2,206	1,301
Deferred tax	637	642	363

Deferred tax advantage

Uncovered pension obligations	-35	-45	-36
Deferred tax advantage	10	13	10

7. Operational fixed assets

Acquisition cost	Goodwill and other exclusive rights	Ships	Machinery equipment, etc	Buildings and plants	Real estate	Plant under construction	Total
Acquisition cost 31.12.1995	24	21	8,269	2,217	183	96	10,810
Addition 1996 at cost	0	0	230	21	8	211	470
Addition 1996 at cost	-18	0	-37	-3	-4	-2	-64
Reclassification	0	0	47	38	0	-85	0
Acquisition 31.12.1996	6	21	8,509	2,273	187	220	11,216

Revaluation

Revaluation 31.12.1995	0	0	0	0	83	0	83
Revaluation 31.12.1996	0	0	0	0	79	0	79

Depreciation

Accum. ordinary deprec. 31.12.1995	11	17	4,189	726	30	0	4,973
Ordinary depreciation 1996	4	1	470	83	5	0	563
Depreciation on fixed assets sold 1996	-13	0	-37	-3	0	0	-53
Accum. ordinary deprec. 31.12.1996	2	18	4,622	806	35	0	5,483

Book value

Book value 31.12.1995	13	4	4,080	1,491	236	96	5,920
Book value 31.12.1996	4	3	3,887	1,467	231	220	5,812

Operating fixed assets - acquisition and disposals over the last 5 years

1992	Acquisition	0	0	286	24	2	37	349
	Disposal	0	0	5	0	7	0	12
1993	Acquisition	18	0	110	10	2	25	165
	Disposal	0	0	4	23	6	0	33
1994	Acquisition	3	0	106	6	2	132	249
	Disposal	0	0	16	1	14	0	31
1995	Acquisition	10	0	527	55	7	162	761
	Disposal	4	0	199	51	22	28	304
1996	Acquisition	0	0	230	21	8	211	470
	Disposal	0	0	6	0	7	0	13
Sum 5 år	Acquisition	31	0	1,259	116	21	567	1,994
	Disposal	4	0	230	75	56	28	393

8 Guarantees

The company has guaranteed debt for its subsidiaries for a total of NOK 1,238 million.

9. Shareholders' equity

	Share capital	Legal-reserve	Temporary restricted-reserve	Distributable reserve	Total
Shareholders' equity 31.12.1995	652	1,754	79	3,680	6,165
Share issues	1	3	0	0	4
Group contribution	0	0	0	-122	-122
Reversal of temporary restricted reserve	0	0	-79	79	0
Profit for the year	0	112	0	1,011	1,123
Provisions for dividend	0	0	0	-228	-228
Shareholders' equity 31.12.1996	653	1,869	0	4,420	6,942

Auditor's Statement

To the Annual General Meeting of Norske Skogindustrier ASA

We have audited the annual accounts of Norske Skogindustrier ASA for 1996, showing net income of NOK 1,123 million for the company and net income of NOK 1,317 million for the group. The annual accounts, which consist of the Board of Directors' report, statement of income, balance sheet, statement of cash flows, notes and the corresponding consolidated financial statements, are the responsibility of the Board of Directors and the President and Chief Executive Officer.

Our responsibility is to examine the company's annual accounts, its accounting records and the conduct of its affairs.

We have conducted our audit in accordance with applicable laws, regulations and generally accepted auditing standards. We have performed the auditing procedures we considered necessary to determine that the annual accounts are free of material errors or omissions. We have examined, on a test basis, the accounting material supporting the financial statements, the appropriateness of the accounting principles applied, the accounting estimates made by management and the overall presentation of the annual accounts. To the extent required by generally accepted auditing standards we have also evaluated the company's asset management and internal controls.

The appropriation of net income and equity transfers, as proposed by the Board of Directors, complies with the requirements of the Joint Stock Companies Act.

In our opinion, the annual accounts have been prepared in conformity with the Joint Stock Companies Act and present fairly the company's and the group's financial position as of December 31, 1996 and the result of its operations for the fiscal year in accordance with generally accepted accounting principles.

Oslo, February 12, 1997

ARTHUR ANDERSEN & CO.

Henning Strøm
State Authorised Public Accountant (Norway)

The Corporate Assembly's Statement

The Corporate Assembly's Statement to the General Meeting

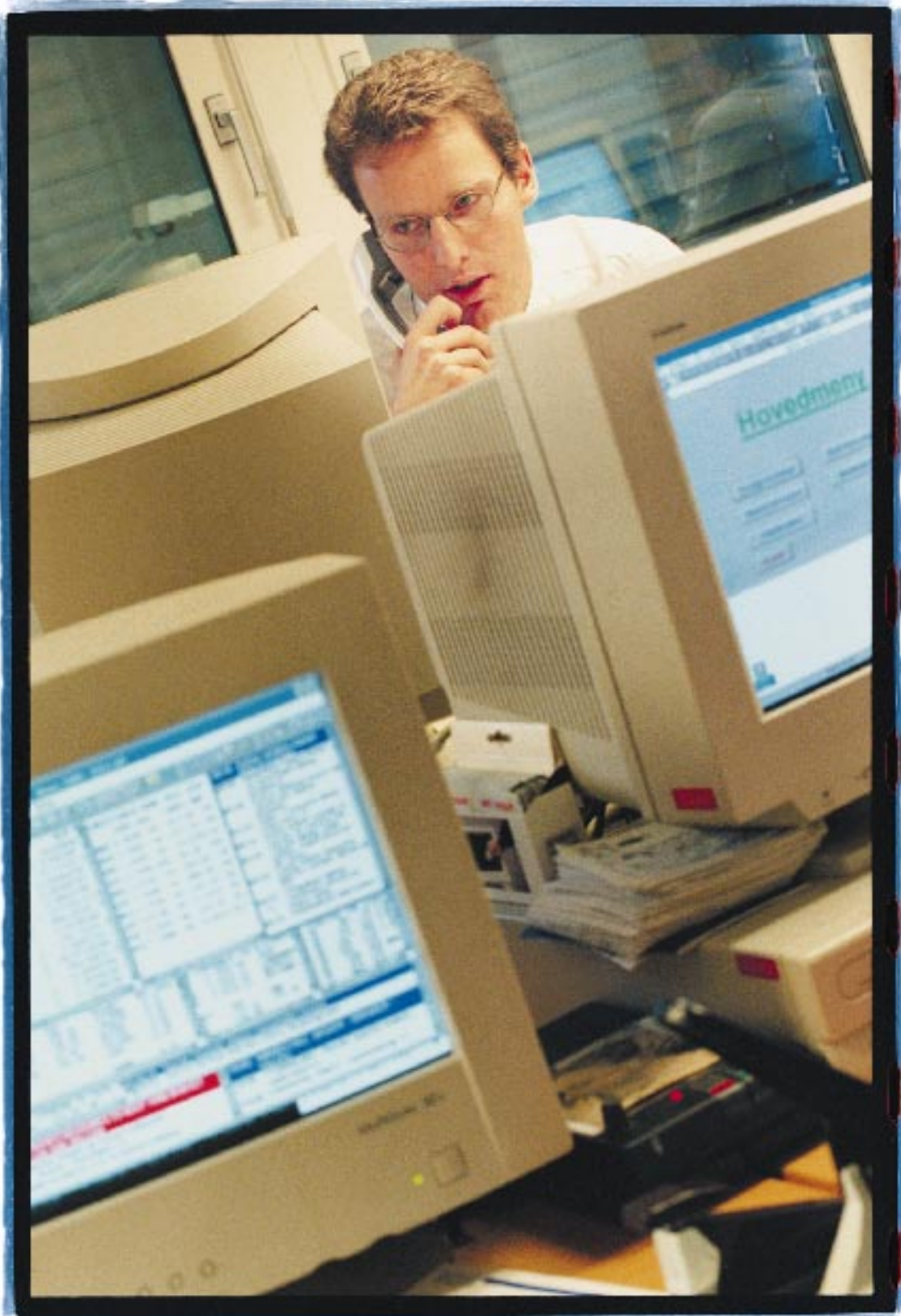
The Corporate Assembly recommends that the General Meeting confirms the Board's proposed profit and loss statement and balance sheet of Norske Skogindustrier ASA, together with the consolidated profit and loss statement, and balance sheet.

It also recommends that the Board's proposal for distributing the profit is approved.

Lysaker, March 19, 1997

Egil Molteberg
Corporate Assembly Chairman

Photo: Glenn Røkkeberg



Ivar Qvist is portfolio manager in the Treasury department at Norske Skog's Corporate Center at Lysaker. His task is to manage the Group's total interest risk on borrowing and investment.

Strategy

Business Concept

Norske Skog's activity area is forest industry.

The Group's Goal

Norske Skog will continue to develop as an international forest industry group. The Group will achieve long-term profitability and must be able to compete with the leaders in its product and market areas.

Norske Skog must give shareholders a competitive return.

The Group's Strategy

Norske Skog will concentrate its activity on core areas.

Norske Skog's core areas are wood-containing printing paper, bleached sulphate pulp and the timber-working industry.

Norske Skog must be among the leaders when it comes to quality.

Norske Skog shall be known for maintaining high standards with regard to all environmental matters and the use of natural resources in the Group's activities.

Norske Skog will further develop an internationally orientated and adaptable organisation which, through its competence, motivation and efficiency can match the best.

Norske Skog will achieve a high degree of value creation, based mainly on the processing of Norwegian timber resources.

Norske Skog shall have the financial strength necessary to allow freedom of action in both booms and recessions.

Norske Skog shall run its activities at least as cost-efficiently as the best competitors in its main markets.

Norske Skog shall carry out market orientated product and process development.

Norske Skog will seek partnerships within specific areas, when this is appropriate.

Norske Skog shall achieve continuous improvements within the area of health, safety and the working environment.

Norske Skog shall, through its actions, build a reputation for credibility and reliability.

All in all, strategy, and Norske Skog's shareholder policy, will ensure a supply of risk capital for further growth.

Main financial figures

Profit and loss account (NOK million)

	Definitions	1996	1995	1994	1993	1992	1991	1990	1989
Operating revenue		13,265	12,548	9,170	7,338	7,557	8,640	9,879	9,248
Gross operating profit	1	3,136	3,332	1,348	851	728	1,183	1,676	1,678
Operating profit		1,916	2,500	732	299	-47	500	1,128	1,001
Profit before financial expenses	2	2,225	2,850	843	589	49	877	1,502	1,490
Profit before taxes		1,732	2,336	333	4	-659	478	957	917
Profit for the year		1,317	1,699	206	-47	-516	246	773	802

Balance sheet (NOK million)

Current assets	4,592	4,618	4,333	4,261	3,816	5,690	4,835	5,093
Fixed assets	12,031	10,246	7,377	7,694	7,917	6,042	5,380	4,662
Total assets	16,623	14,864	11,710	11,955	11,733	11,732	10,215	9,755
Current liabilities	3,754	3,337	2,043	1,958	2,535	2,077	2,418	3,358
Long-term debt	5,178	4,981	4,936	6,133	5,413	5,368	3,139	2,453
Minority interests	56	1	4	3	16	20	20	31
Untaxed reserves	-	-	-	-	-	-	3,379	2,713
Shareholders' equity	7,635	6,545	4,727	3,861	3,769	4,267	1,259	1,200
Total liabilities and shareholders' equity	16,623	14,864	11,710	11,955	11,733	11,732	10,215	9,755

Profitability

Gross operating margin %	3	23.6	26.6	14.7	11.6	9.6	13.7	17.0	18.1
Net operating margin %	4	14.4	19.9	8.0	4.1	-0.6	5.8	11.4	10.8
Net profit margin %	5	9.9	13.5	2.2	-0.6	-6.8	2.9	7.8	8.7
Return on total assets %	6	14.1	21.4	7.1	5.0	0.4	8.0	15.0	17.0
Return on equity % *)	7	18.6	30.1	4.8	-1.2	-12.8	6.5	25.3	33.4
Return on capital employed %	9	15.9	25.4	8.3	3.4	-0.6	7.2	17.9	19.8
Equity ratio % *)	8	45.9	44.0	40.4	32.3	32.1	36.4	32.2	29.0
Net interest-bearing debt/Equity		0.63	0.61	0.67	1.13	1.07	0.49	0.65	0.63
Net earnings per share after tax (NOK)	10	40.38	52.39	6.91	-1.79	-21.28	10.18	32.05	35.99
Net earnings per share after fully diluted (NOK)	10	35.89	45.99	6.91	1.68	-13.03	11.30	30.25	34.59
Cash flow per share after tax	11	80.20	78.79	29.07	18.74	10.56	58.12	41.5	41.19
Cash flow per share after fully diluted (NOK)	11	69.47	68.22	25.91	18.11	11.56	49.73	38.85	39.55

*) For 1990 and 1989 equity includes shareholders' equity and 60% of untaxed reserves.

Liquidity

Liquid assets (NOK million)	12	1,088	1,010	1,499	1,716	1,433	3,081	1,879	2,354
Cash flow (NOK million)	13	2,616	2,555	866	492	256	1,405	1,001	918
Current ratio	14	1.22	1.38	2.12	2.18	1.51	2.74	2.00	1.52

Definitions main financial figures :

1. Gross operating profit = Operating profit + Ordinary depreciation + Restructuring expenses
2. Profit before financial expenses = Operating profit + Financial income + Share of profit in affiliated companies
3. Gross operating margin = Gross operating profit : Operating revenue
4. Net operating margin = Operating profit : Operating revenue
5. Net profit margin = Profit for the year : Operating revenue
6. Return on total assets = Profit before financial expenses : Total assets (average)
7. Return on equity = Profit for the year : Equity (average)
8. Equity ratio = Equity : Total assets
9. Return on capital employed = Operating profit : Capital employed (average) (see 15)
10. Net earnings per share = Profit for the year : Average number of shares
11. Cash-flow per share = Cash-flow : Average number of shares
12. Liquid assets = Cash and bank deposits + Short-term investments
13. Cash flow = Net cash flow from operating activities (from Statement of Cash Flow)
14. Current ratio = Current assets : Current liabilities
15. Capital employed = Total assets with deductions for non-interest-bearing liabilities and interest-bearing assets

Production capacities

Paper

			Capacities
Newsprint:			
Norske Skog Skogn	Levanger	550,000 tonnes	
Norske Skog Follum	Ringerike	350,000 tonnes	
Norske Skog Golbey	Golbey, France	255,000 tonnes	
Norske Skog Bruck	Steiermark, Austria	115,000 tonnes	
A/S Union (affiliated company)	Skien	240,000 tonnes	1,510,000 tonnes
SC magazine paper:			
Norske Skog Saugbrugs	Halden		540,000 tonnes
LWC magazine paper:			
Bruck	Steiermark, Austria	220,000 tonnes	
Total publication paper			2,270,000 tonnes
Special grades:			
Norske Skog Hurum	Hurum		35,000 tonnes
Total capacity paper			2,305,000 tonnes

Fibre

Norske Skog Tofte (sulphate pulp)	Hurum	365,000 tonnes	
Norske Skog Folla (chemithermomechanical pulp)	Verran	90,000 tonnes	455,000 tonnes
Total capacity pulp			455,000 tonnes

Resources *)

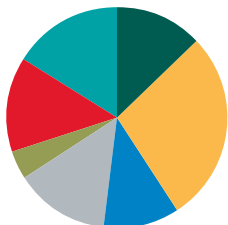
Total land area	180,000 hectares
Of which productive forest area	81,000 hectares
With sustainable annual timber yield of	102,000 m ³
Mean installed hydropower capacity	415 GWh

* This activity also includes procurement of round timber, waste paper and energy, and management of the Group's property.

Cost distribution - Main products

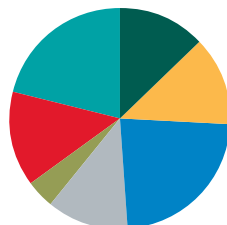
For most of Norske Skog's products, the cost distribution is roughly 60-65% variable costs and 35-40% fixed costs. At Norske Skog Golbey, however, the fixed costs have a somewhat higher share. The pie charts below indicate the approximate cost distribution for the main products at our Norwegian mills.

Newsprint in Norway



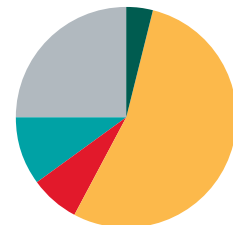
- Distribution
- Timber
- Other raw materials
- Energy
- Other variables
- Wages
- Other fixed

SC magazine paper



- Distribution
- Timber
- Other raw materials
- Energy
- Other variables
- Wages
- Other fixed

Chemical pulp



- Distribution
- Timber
- Other raw materials
- Wages
- Other fixed

Sensitivity

One per cent change of the price on main products/cost factors entail the following change on the operating profit:

Sales prices	NOK million
Newsprint	45
SC magazine paper	25
LWC magazine paper	10
Pulp	5
Sawn timber	10

Cost factors	NOK million
Timber	30
Energy	10

The Group's management of Currency and Interest Rate Risks

In the management of the Group's currency and interest rate exposure, the goal is to minimise risk, in accordance with given guidelines.

Comprehensive internal supervisory routines have been established to ensure that the financial management follows these guidelines.

Currency risk

Fluctuations in foreign exchange rates expose Norske Skog to both direct and indirect economic risk.

The direct risk (basic risk) reflects the fact that approx 80% of the Group's operating revenues are in foreign currencies, while only about 25-30% of its costs are in such currencies. The largest exposures are against GBP, USD and DEM.

The basic risk per currency is calculated as 12 months' future net cash flow per currency (rolling). Allowance is made for the fact that market pulp is invoiced in local European currencies, while prices are agreed in USD. On a 12-month horizon, 75% of the currency risk on pulp is calculated as a USD risk. The basic risk is estimated by the business units, and consolidated to a net exposure per currency. At all times, 50-100% of that exposure should be hedged. Hedging takes place either by drawing on a loan in foreign currency, or through the use of hedging instruments such as forward contracts and currency options.

The effect on the accounts of hedging deals is shown in the Group accounts under financial items. Such

currency losses or gains will to a greater or lesser extent have counterpart items in the form of increased or reduced future net operating revenue. The size of the counterpart item will depend mainly on what proportion of the exposure has been hedged.

Norske Skog is exposed to indirect risk because our competitive position is affected by fluctuations in the domestic currencies of our competitors. This applies mainly to SEK, FIM and CAD. This type of risk is not hedged.

Interest rate risk

Norske Skog is normally a net borrower, and is therefore exposed to risk connected to changes in interest rate levels. Management of interest rate risk is based on the fact that there is a connection between the way interest rates develop during the different phases of an economic cycle, and the trend of the company's results. During an upswing, interest rates will normally be higher than during a downturn, and in the same way Norske Skog's results are normally higher in an economic upturn than in a downturn. Thus, Norske Skog can handle higher interest costs during an upswing, while it is important to ensure low interest costs during a recession. It is therefore regarded as a reduction of risk to have floating interest rates, to the greatest possible extent, on net borrowing. In order to exploit interest rate fluctuations, we also have a proportion of borrowing at fixed interest rates.

Today's loan portfolio consists of

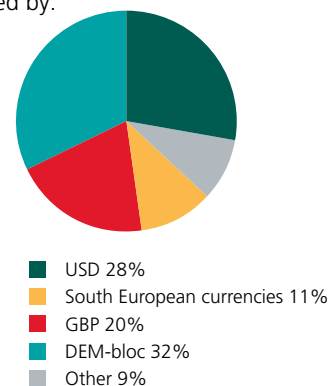
floating and fixed interest rate loans.

The economic risk incorporated in the portfolio is measured in terms of interest rate sensitivity. Exposure limits are set for sensitivity to a 1% rise in the general level of interest rates, and the limits are fixed for each separate currency. This risk is hedged either by interest-bearing assets or by off balance sheet hedging instruments.

As a consequence of this strategy, Norske Skog has held long-term bonds to reinsure the interest rate risk on long-term loans. This resulted in a loss on bonds in 1994, while the company had gains on its bond holdings in 1995 and 1996. The losses and gains on the bond portfolio have their counterpart item in an increase/decrease in the value of the company's fixed interest rate debt. This increase/decrease is not shown in the accounts, in accordance with present accounting rules.

Net currency exposure

The Group's annual net currency exposure is approx. NOK 6 billion divided by:



Non operating assets - basis for value estimates

General remarks

The assets of an industrial group such as Norske Skog consist largely of mills and the appertaining operating capital in the form of stocks and receivables. The value of these assets is, in principle, equal to the discounted value of the future cash flows they will generate. The Group has, however, certain other assets which must be taken into account when valuing total assets, including the Group's liquid assets, which on 31.12.96 amounted to NOK 1,088 million.

Below are listed the most important assets not dependent on operations.

Forests

Norske Skog owns 80,000 hectares of productive forest, 17,000 hectares of which is in Sweden. Annual fellings during the past few years have averaged about 100,000 m³.

The book value of the Group's forest properties is NOK 103 million. Of this, revaluations account for NOK 27 million.

Hydro power rights

Norske Skog owns power plants which, in a year with average precipitation, generate 415 GWh of hydro power. Only a small part of this hydro power is due to revert to state ownership within a specified period.

The book value of the Group's power plants and hydro power rights is NOK 77 million, of which revaluations account for NOK 58 million.

Shares in A/S Union

Norske Skog owns 576,151 shares in Union, corresponding to 57.6% of total share capital. The Union group produces about 240,000 tonnes of newsprint and other grades of printing paper. In addition, Union owns power plants with an annual output of 280 GWh and buildings in downtown Drammen.

The cost price to Norske Skog of its Union shares is NOK 27.8 million. Union is consolidated in Norske Skog's accounts according to the equity capital method. This gives it a book value of NOK 359 million, as of 31.12.96.

Ships

Norske Skog owns majority stakes in three vessels specially built for paper transport. It has a 55% ownership stake in each of the ships "Nornews Express" and "Nornews Leader", and one of 60% in "Lys-Skog".

All three vessels carry newsprint, SC and to some extent paper pulp for Norske Skog, under long-term contracts.

"Nornews Express" is of 4,568 m.t. deadweight and built in 1987. "Nornews Leader" is of 5,670 m.t. deadweight and built in 1991. "Lys-Skog" is of 3,700 m.t. deadweight and built in 1991.

The book value of Norske Skog's 55% stakes in "Nornews Express" and "Nornews Leader" is NOK 17 million, and that of Norske Skog's 60% stake in "Lys-Skog" NOK 13 million.



Norske Skog Skogn: Otte Nessø (left) and Magne Grenne are reserves on shift 3 at the Skogn newsprint mill - seen here in front of the rewinder.



Graduated engineer Ilona Mussler is project co-ordinator with Norske Skog Teknikk, at Lysaker.

Shareholder policy, share capital and shareholder structure

Shareholder policy

The forest industry is a sector which is marked by wide fluctuations in earnings and by large capital requirements for continuing investment in machinery and equipment. To be able to cope with economic fluctuations and major investment outlays a sound balance sheet is required, with a high equity capital ratio and long-term financing.

Risk capital is a must for Norske Skog's further development. The company's shares must therefore be a competitive investment option.

Norske Skog will achieve this by dividend payments and by creating the conditions for a long-term rise in the shares' value.

It is Norske Skog's goal to pay a dividend which gives shareholders a reasonable proportion of profits during an economic cycle, without impairing the company's ability to finance future development from its own resources. Efforts will be made to even out dividend payments over the life of the cycle.

Dividend for 1996

The Board proposes a dividend of NOK 7.- per share for 1996, against NOK 6.- for 1995.

Shares and share capital

The company's share capital as of 31.12.1996 was NOK 652,821,100, consisting of 26,556,726 A-shares and 6,084,329 B-shares.

B-shares are non-voting. Apart from that, all shares are entitled to equal rights in the company, and there is no limit regarding foreign holding.

At the end of 1996 foreigners owned 23.6% of Norske Skog A-shares and 22% of all the company's shares.

Corresponding figures at the beginning of 1996 were 14.2% of A-shares and

19.3% of the total number of shares.

November 20, 1996 25,675 new A-shares were issued, in connection with an issue to the employees. In addition there are issued 60 A-shares because of conversion of bonds.

Investor relations

Norske Skog gives high priority to communication with the Norwegian and international financial market. Our goal is to increase knowledge about the company and understanding of the forestry industry. By doing this we build up the confidence needed to stimulate long-term investors' interest in Norske Skog.

Relevant, timely information to the financial market is an important part of our contact with investors. Norske Skog's schedule for publication on the following dates:

Preliminary report 1996 - February
Annual report and accounts, 1996 - March

1st quarter 1997 - May 7

2nd quarter 1997 - August 21

3rd quarter 1997 - October 30

In addition to the information provided by the interim reports, Norske Skog holds regular presentations to market players at home and abroad. During 1996 such presentations were held in Norway, England, Germany, Sweden and the US. Presentation activity is increasing in Norway as well as abroad.

A large number of Norwegian and foreign broking houses watch Norske Skog and publish analysis of the company.

Responsible for investor relations in Norske Skog is Jarle Langfjæran.

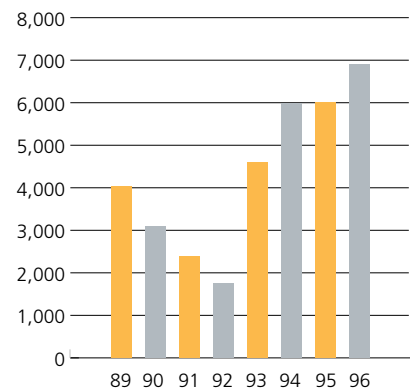
Share price movements in 1996

The Oslo Stock Exchange all-share index rose by 32% during 1996, and the index for industrial shares increased by 30%. The price of Norske Skog shares rose by 14.5%. At the end of the year the price of A-shares was NOK 213.- and B-shares NOK 194.50.

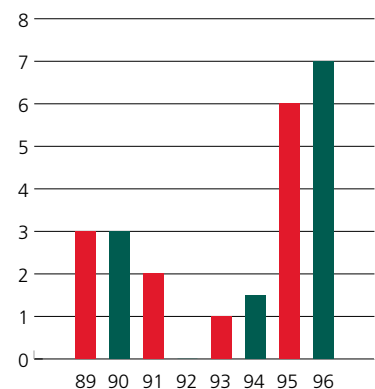
The highest price of A-shares during the year was NOK 214.- and the lowest NOK 174.50.

The market value of Norske Skog was NOK 6.9 billion as of 31.12.1996. This is 0.9 billion more than at the beginning of the year.

Market value Norske Skog as of 31.12. NOK mill.



Dividend Norske Skog NOK per share

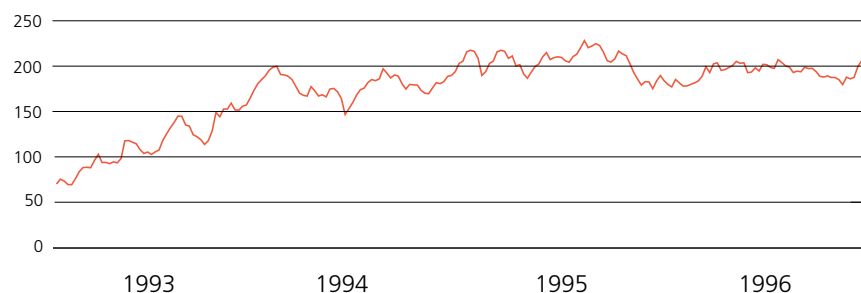


Trading in Norske Skog shares

The company's shares are listed on the Oslo Stock Exchange. In addition, the B-shares are listed on SEAQ in London.

A total of 25.6 million Norske Skog shares were traded during the year. Compared with the total number of shares - 32.6 million - this gives a turnover ratio of 0.78. That is a relatively high figure, considering the large number of long-term institutional shareholders in Norske Skog. 6 million A-shares and 2.5 B-shares were traded on SEAQ.

Price of Norske Skog A-shares 1993 - 1996



Number of shares as of December 31, 1996

	Totalt
Number of shares	32,641,055
Subordinated convertible bond loans:	
Loan period:	Interest rate: Conv. rate: Converted to:
1990/1997	8.5% 195 100% A 2,560,918
1991/2000	8.125% 201 100% B 3,516,915
Total convertible bonds	6,077,833
Potential number of shares	38,718,888

See note 20 to the account regarding the remainder of convertible bonds.

Principal shareholders as of December 31, 1996 (>1% ownership)

Total number of shares: 32,641,055

Name	A-shares		B-shares		Total		No
	number	%	number	%	number	%	
Chase Manhattan Bank NA, England *)	3,496,547	13.17	227,861	3.75	3,724,408	11.41	1
Drammendistr, Skogeierforening, Hønefoss	2,199,745	8.28	46,273	0.76	2,246,018	6.88	2
UNI Storebrand Liv- og Skadefors,, Oslo	709,491	2.67	472,588	7.77	1,182,079	3.62	3
Folketrygdfondet, Oslo	963,522	3.63	151,050	2.48	1,114,572	3.41	4
Telemark Tømmersalgslag, Skien	1,015,165	3.82	9,004	0.15	1,024,169	3.14	5
Mjøsen Skogeierforening, Lillehammer	1,000,185	3.77	10,000	0.16	1,010,185	3.09	6
Nedre Glommen Skogeierforening, Ås	832,544	3.13	91,000	1.50	923,544	2.83	7
Glommen Skog/Fond, Elverum	904,320	3.41	159	0.00	904,479	2.77	8
UNION A/S, Skien	838,546	3.16	182	0.00	838,728	2.57	9
Vestfold-Lågen Skogeierforening, Hvittingfoss	733,565	2.76	25,000	0.41	758,565	2.32	10
Gjensidige Forsikring, Oslo	726,476	2.74	0	0.00	726,476	2.23	11
Aksjefondet Avanse, Oslo	700,157	2.64	0	0.00	700,157	2.15	12
Morgan Guaranty Trust Co., Belgia	612,959	2.31	30,315	0.50	643,274	1.97	13
Kommunal Landspensjonskasse, Oslo	0	0.00	576,200	9.47	576,200	1.77	14
Sør-Trøndelag Skogeierforening, Trondheim	503,260	1.90	0	0.00	503,260	1.54	15
Namdal Skogeierforening, Namsos	466,584	1.76	18,854	0.31	485,438	1.49	16
Norsk Hydro Pensjonskasse, Oslo	440,500	1.66	25,000	0.41	465,500	1.43	17
State Street Bank & Trust Co., USA	344,679	1.30	113,429	1.86	458,108	1.40	18
Nidarå Tømmersalgslag, Arendal	444,996	1.68	0	0.00	444,996	1.36	19
Agder Skogeigarlag, Kristiansand S.	383,593	1.44	57,211	0.94	440,804	1.35	20
Orkla ASA, Oslo	97,300	0.37	243,000	3.99	340,300	1.04	21
Total principal shareholders	17,414,134	65.57	2,097,126	34.47	19,511,260	59.78	
Total number of shares	26,556,726	100.00	6,084,329	100.00	32,641,055	100.00	

*) Of shares registered under Chase Manhattan Bank NA., Templeton International Inc. Florida owns 2,930,120 A-shares

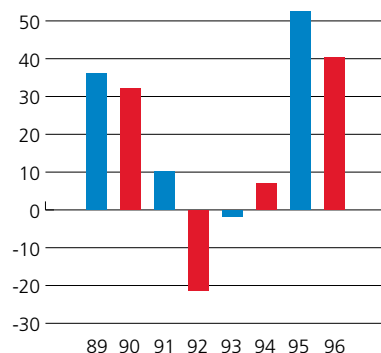
Foreign shareholders 31.12.	6,272,903	24	913,735	15	7,186,638	22
Forest owners' associations	9,668,880	36	285,247	5	9,954,127	30.5
Others Norway	10,614,943	40	4,885,347	80	15,500,290	47.5

Key figures related to shares

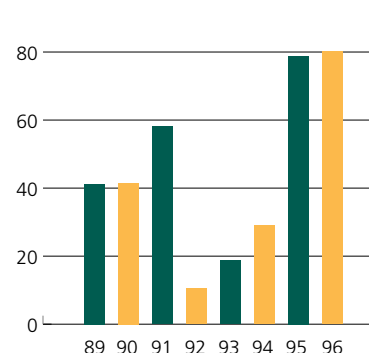
		1996	1995	1994	1993	1992	1991	1990	1989
Nominal value per share (NOK)		20	20	20	20	20	20	20	20
Average number of shares excluding shares held in treasury (1,000)		32,617	32,430	29,794	26,259	24,251	24,174	24,121	22,286
Average number of shares after full conversion excluding shares held in treasury (1,000)		38,695	38,508	36,241	32,791	31,399	29,922	26,509	23,388
Dividend per share (NOK)		7.00	6.00	1.50	1.00	0.00	2.00	3.00	3.00
Price earnings ratio *)		5.28	3.54	27.77	-	-	9.63	3.96	4.61
Payout ratio (%)		17.3	11.5	21.7	-	-	19.6	9.4	8.3
Number of shares 31.12. (1,000)	A-share	26,557	26,531	26,199	23,684	21,826	21,826	21,825	21,825
	B-share	6,084	6,084	5,561	2,631	2,425	2,425	2,425	2,425
	Total	32,641	32,615	31,760	26,315	24,251	24,251	24,250	24,250
Share prices high (A-restricted)		214.00	233.00	203.50	175.50	127.50	173.00	185.00	186.00
Share prices low (A-restricted)		174.50	170.00	140.00	65.00	45.00	73.00	103.00	109.00
Trading volume (Oslo Børs)	1,000	25,600	28,000	26,192	25,619	30,190	19,571	10,010	16,560
Share prices 31.12	A-restricted	213.00	185.50	192.00	174.00	71.00	96.00	125.00	-
	A free	-	-	190.00	176.00	76.00	97.50	135.00	166.00
	B-share	194.50	175.50	184.00	175.00	68.00	95.00	119.00	-
Number of shareholders 31.12.	A-restricted	17,456	17,285	17,222	16,907	16,824	17,067	17,561	-
	A free	-	-	-	16,106	15,936	16,224	16,811	17,524
	B-share	14,271	14,605	14,950	15,384	15,196	17,502	16,192	-
	Total	18,070	17,710	17,503	17,552	17,379	17,501	17,854	17,524
Number of foreign shareholders 31.12.	A-restricted				0	0	0	0	0
	A free	154	179	164	139	108	100	91	116
	B-share	92	127	130	80	98	91	105	-
	Total	177	231	222	162	142	112	137	116
Foreign ownership 31.12.	A-restricted	23.6 %	14.2 %	15.9 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %
	A free				42.7 %	17.0 %	11.7 %	25.1 %	13.7 %
	B-share	15.2 %	41.4 %	60.8 %	58.4 %	63.2 %	54.4 %	7.6 %	-
	Total	22.0 %	19.3 %	24.7 %	18.6 %	11.7 %	8.9 %	8.3 %	13.7 %
Market value (NOK mill.)		6,900.0	6,000.0	5,983.0	4,597.0	1,750.9	2,376.6	3,089.5	4,037.0

*) Price-earnings ratio = Share price 31.12 : Net earnings per share after tax

Net earnings per share after tax
NOK



Cash flow per share after tax
NOK



Statistics

Production

Area Paper			1996	1995	1994	1993	1992	1991	1990	1989
Newsprint	1)	1,000 tonnes	1,107	1,051	816	821	748	767	787	778
SC magazine paper		1,000 tonnes	458	523	430	336	199	242	241	220
LWC magazine paper	2)	1,000 tonnes	178	-	-	-	-	-	-	-
Fluting		1,000 tonnes	62	80	79	65	74	77	79	79
Kraft Paper		1,000 tonnes	29	31	32	28	29	32	31	31
Woodfree pr./wr.		1,000 tonnes	0	0	0	16	52	69	72	68

Area Fibre

Sulphate pulp		1,000 tonnes	326	356	341	295	322	305	300	322
CTMP		1,000 tonnes	60	89	83	70	52	62	71	78
Dissolving pulp		1,000 tonnes	0	0	0	0	0	35	50	75

Area Building Materials

Sawn timber	3)	1,000 m ³	557	497	491	476	476	467	488	499
Particle board	4)	1,000 m ³	347	334	244	228	213	206	225	210
Parquet flooring and laminates		1,000 m ²	3,724	3,695	2,960	2,337	1,996	1,498	1,579	1,792
Fibre building board		1,000 tonnes	0	0	11	9	9	10	11	12

1) Includes Skogn and Follum from 1989, and also Golbey from 1995 and Bruck from 1996.

2) Concerning Bruck from 1996.

3) Includes Telemarksbruket from 1996.

4) Includes Agnes from 1995.

Personnel as of 31.12.

	1996	1995	1994	1993	1992	1991	1990	1989
Area Paper	3,386	2,799	2,505	2,518	2,748	3,291	3,742	3,740
Area Fibre	521	532	518	509	527	719	748	731
Area Building Materials	1,862	1,681	1,597	1,568	1,602	1,755	1,846	1,969
Administration	196	181	138	144	139	139	129	96
Total	5,965	5,193	4,758	4,739	5,016	5,904	6,465	6,536

Photo: Claas Delabonn



Kjell Erik Åslie, who works on the sawline at Våler Skurlag, is seen here at the operating panel.

Capital and competence our basis for the future

Photo: Anne Norseth



The good result which Norske Skog achieved in 1996 helps to strengthen the Group's basis for further expansion. Our position in printing paper has been reinforced. Internationalisation has been taken further. At the same time, our financial freedom of action has been maintained. This conforms with a fundamental attitude within Norske Skog: In prosperous times one must build up resources which will provide strength during periods when economic activity is slow and competition is keen.

Norske Skog's strategic development plan envisages a considerable increase in activity. The Group is developing its production units in Norway through upgrades and expansion. We want to strengthen our positions on the European market, and we must establish a market bridgehead in South East Asia.

Norske Skog focuses, above all, on capital and competence as important factors enabling the Group to achieve its goals. We must be competitive in the markets for risk capital, and must - in the widest sense - have the kind of quality in our organization needed to meet the challenges which we face.

To be able to compete for the capital resources which the Group needs to develop further, the company must create value for its owners. At the end of 1996 the market value of the company's shares was NOK 6.9 billion, while at the end of 1989 it was NOK 4.0 billion. For the years 1989-96, dividend payments will total NOK 700 million. During the same period, shareholders have paid in about NOK 800 million in new share capital. When one allows for return on dividends paid, there is an approximate balance in the money flow between the owners and the company in this period. But at the same time, the value of the company has increased by about 75%.

This development reflects the fact that Norske Skog's average profitability, for a considerable period, has been one of the highest in the industry. We are, nevertheless, aiming higher now, and have set 15% as our target for return on equity throughout a cycle. This is an ambitious goal, and one which can only be achieved through strict cost management and careful evaluation and timing of investments.

The restructuring now taking place in the international forest industry involves concentration within large international groups which focus on a limited number of core areas, and on global marketing. As a consequence, companies must grow in both quality and capacity, over time, if they are to remain competitive. This can be achieved through acquisitions, and the construction of new production facilities. In any case, a relatively high level of investment will be needed. Given the size of individual projects, timing is important, in relation to economic cycles and markets. Norske Skog is working on several development projects which will require substantial amounts of capital.

Dividend policy is an important factor in creating value for shareholders. It is our goal that the dividend, throughout a cycle, should equal 15-25% of the profit. In the longer term, it is our ambition to increase the pay-out ratio. The Board proposes a dividend of NOK 7 per share for 1996. This is NOK 1 more than in 1995 and represents a pay-out ratio of 17.3% - in a year of high profit.

Value for shareholders must not be the concern only of top management. In Norske Skog we want the entire organization to feel the same way. In 1996 all employees in Norway were offered the opportunity to buy shares at a discount of 20% on the market price. Just over 20% of our employees accepted the offer, and in all 25,675 shares were purchased.

The liberalisation of world trade leads to larger and more international markets. Combined with technological developments, these trends are the primary forces driving the strong increase in productivity in the world's forest industry. Calls for sustainable development, with significantly increased emphasis on safety and environmental considerations, represent new challenges for us all.

Norske Skog is a technology-dependent company which earns its income in a global competitive economy. Our ability to develop and utilize new technological solutions just as efficiently as our competitors is crucial to the Group's competitiveness. Results will depend on our employees' skills and know-how, the quality of management throughout the organization, and the ability to evolve and exploit internal and external networks. We must build up and develop the Group's "social capital".

Norske Skog's competitive challenges thus face the organization with a number of key requirements, such as

- a higher degree of flexibility and mobility*
- the ability to see resource and competence development in a Group perspective*
- concentration on selected, strategic areas of competence, and the development of necessary, appropriate expert and broadly-based skills and know-how*
- effective and correct utilization of new technology.*

Norske Skog's strategic development plan will, in particular, demand a strengthening of capacity and proficiency within the area of international business development. This specially applies in the early phase - that is, when plans concerning acquisitions, new projects, co-operation or establishment in markets are being worked on, before a decision is taken. It would be natural to organize this work as a project, and draw on expertise from relevant circles within the Group.

Increased activity in Europe and South East Asia will require a strengthening of Group functions. In the same way, we shall need to develop and strengthen our management proficiency and capacity concerning international conditions and our knowledge and ability regarding restructuring and development of the organization.

We must be prepared for a tougher market - both from the business standpoint and as regards attracting and retaining strategically important skills and know-how. Investment in skills development is a necessary investment, which will strengthen our ability to pursue development work and ensure further growth and development in existing organizations.

To meet the Group's supplementary requirements for competence it is necessary to ensure relevant and well-managed recruitment and development of staff. A programme has, therefore, been initiated which aims to create increased proficiency within strategic areas. The Group's paper and pulp companies have been allocated resources to enable them to undertake a more closely-defined programme intended to build up the necessary capacity, in the light of the challenges they face.

By creating value for its owners, and by making Norske Skog into a company which attracts great proficiency, management ability and capital, the Group has a sound basis for its further development. In this way we shall also succeed in attaining Norske Skog's goal: To be an international forest industry group which competes with the best.



*The paper rolls must be labelled and arranged in the correct order, so that the right customer will get the right product.
Loading foreman Bjørn Olsen working on the quay at Norske Skog Skogn.*

Photo: Glenn Røkeberg



Record profit for Area Paper in 1996.
But the supply situation deteriorated during the year,
and production curtailments became necessary.

The area paper

includes the newsprint mills Norske Skog Skogn, Norske Skog Follum, Hønefoss, and Norske Skog Golbey in France, as well as Norske Skog Saugbrugs, Halden, which makes SC magazine paper, and Norske Skog Bruck, Austria, which produces LWC magazine paper and newsprint. The area also includes Norske Skog Hurum, which makes special paper, and the affiliated company A/S Union (Union Co.), which co-operates in timber procurement and in the sale and distribution of newsprint.

Market conditions

After a very good year in 1995, printing paper suppliers faced a deteriorating situation in 1996, and production cutbacks - some of which were quite significant - became necessary.

Demand for newsprint in Western Europe declined somewhat in 1996, partly owing to inventory reductions and other cost-cutting measures by customers, and partly because of weak economic growth. Deliveries by West European producers to Western Europe declined by no less than 8% in 1996, however, reflecting increased imports from Canada and Russia. Norske Skog increased its share of the West European market to 12%, following its acquisition of Bruck, in Austria, and its take-over of the rest of Norske Skog Golbey in France. West European producers increased their exports from Europe by 20%. Total consumption in the US declined by 2.5% in 1996. Towards the end of the year, the situation improved significantly. Newsprint prices rose somewhat at the start of 1996, were stable through the first half-year, but then declined somewhat in the second half-year.

Demand for magazine paper was weak in 1996, due to inventory reductions and other cost-cutting measures by customers, coupled with switching to wood-free paper because of the small difference in price between wood-free and wood-containing paper. Deliveries of magazine paper (SC and LWC) declined by 4% and 11%, respectively, in Western Europe during 1996.

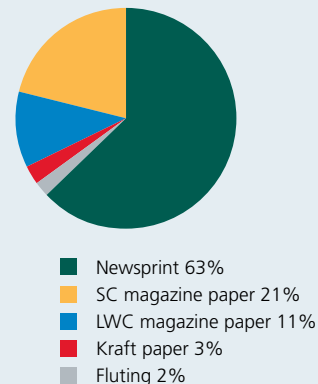
Towards the end of the year, demand revived strongly. A similar trend occurred in the US. Norske Skog's market share in Western Europe was 12% for SC and 3% for LWC. LWC prices fell steeply at the start of 1996, but were relatively stable for the rest of the year. An upturn in prices is expected in 1997. At the start of 1996 prices of SC rose somewhat, but they began to fall in the second half-year. At the turn of the year 1996/97 they declined further.

Production

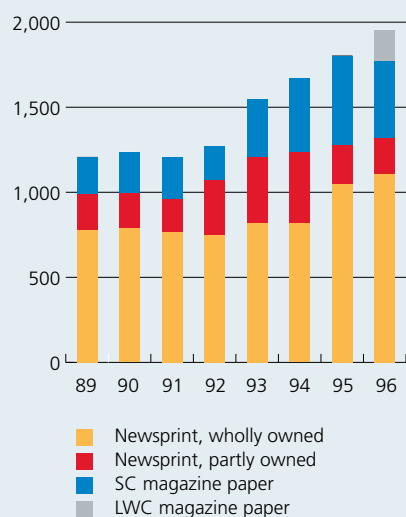
Lower demand for all paper products made it necessary to limit output at all our mills. Total paper production at Norske Skog's mills in Norway (including Union), France and Austria was 2,041,200 tonnes in 1996, which is an increase of 7% from 1995. Output of newsprint rose by 3% to 1,314,100 tonnes. The increase was due to the take-over of Norske Skog Bruck on 01.01.1996. The excellent productivity of Norsk Skog Saugbrugs' new PM 6 continued in 1996.

Productivity at the newsprint mills was good in 1996, particularly at Norske Skog Golbey and Norske Skog Skogn, both of which set productivity records. Norske Skog Follum achieved good productivity on PM 1, but there were problems with the two other machines; on one of them there were production stoppages, while the other machine producing special paper had quality problems.

Breakdown of operating revenue 1996



Production publication paper 1,000 tonnes



Investments

Owing to the weak market, several investment projects have been delayed, and consequently investments in 1996 were smaller than planned.

At Norske Skog Skogn work has started on the construction of a new biological waste water treatment plant and biofuel boiler, at a total investment cost of nearly NOK 300 million. At Norske Skog Follum, investments are spread among many smaller projects. The most important investments at Golbey in 1996 concerned improvement to the drying section, as well as studies in connection with the mill's PM 2.

The new biofuel boiler at Norske Skog Saugbrugs was put into operation in 1996, with good results. It has helped to further reduce the use of fossil fuels.

Sande Paper Mill was sold, during the year, to Sande Paper Mill Holding AS, which acquired the mill from 03.01.1997.

Personnel, organization and the work environment

The organization of Area Paper has now 3,386 employees. Bruck, with 542 employees, was acquired as of 01.01.1996.

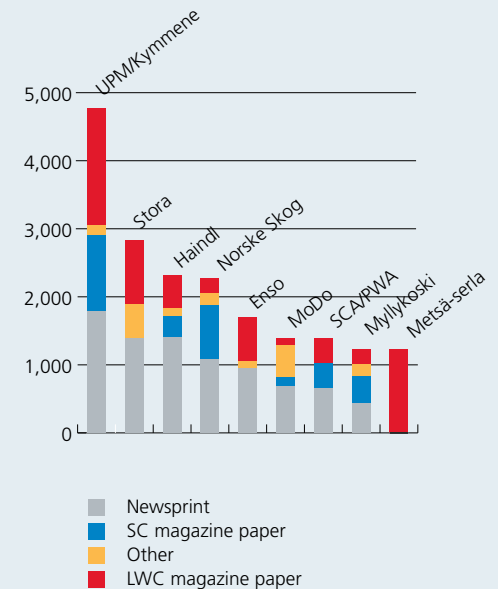
No temporary lay-offs were implemented during 1996 at any of the Group's newsprint or magazine paper mills.

The training and skills programmes at the various plants are going ahead according to plan, and are being continued in 1997. The number of injuries resulting in lost time work showed a very satisfactory decline at Norske Skog Skogn and Norske Skog Saugbrugs. Absence due to illness has been relatively high, but stable, at most of the mills.

The phasing-in of Bruck into Norske Skog's organization has gone ahead as planned, and Norske Skog Sales took over the marketing of LWC in the spring of 1996.

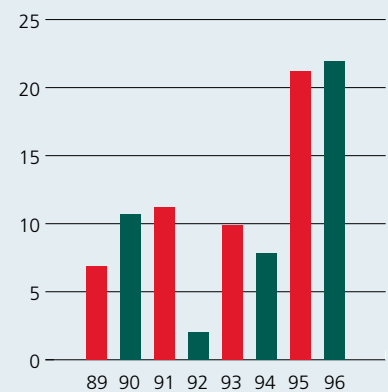
Publication paper producers in Europe. Capacities 1996

1,000 tonnes



Operating margin

%



Area Paper		1996	1995
Operating revenue	NOK million	9,493	8,066
Operating expenses	NOK million	6,563	5,777
Depreciation	NOK million	852	581
Operating profit	NOK million	2,078	1,708
Operating margin	%	21,9	21.2
<hr/>			
Total assets	NOK million	11,191	10,085
-Current assets	NOK million	2,273	2,555
-Fixed assets	NOK million	8,918	7,530
Total profitability	%	19,9	23.1
Export share	%	90	90
Number of employees		3,386	2,799



Photo: Norske Skog Golbey



Photo: Kunzfoto

Checking water quality at Norske Skog Bruck. From left, Gerold Thek and Herbert Dretnik; Thek, a student specialising in energy and the environment, has a vacation job at the mill, while Dretnik is employed in the energy department.

Stephane Ferry, Norske Skog Golbey, checks the newsprint quality - technology can never completely replace human experience.

Ole Stensrud, responsible for operation of the effluent treatment plant at Norske Skog Saugbrugs, checks conditions in the biosludge plant. Photo left.

Environment

In 1996, discharges from all our newsprint mills except one were below the limits set by the SFT (State Pollution Inspectorate). The exception was Norske Skog Follum, which had a problem with sludge dewatering. However, at the end of the year the Follum discharges were below the SFT limits.

The new biological waste water treatment plant at Norske Skog Skogn will be put into operation towards the end of 1997. All of the Group's printing paper mills will then have been converted to biological treatment of process water.

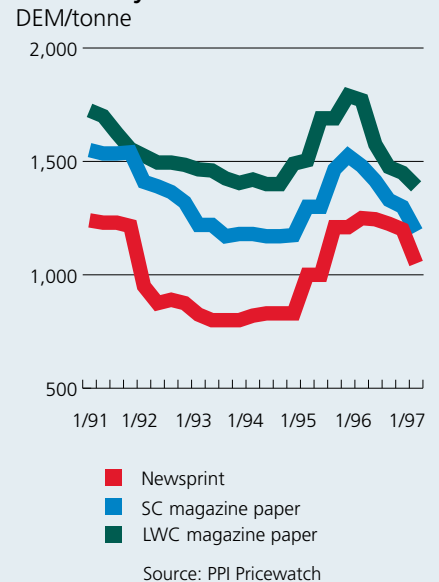
Future prospects

Consumption of printing paper is closely linked to economic developments generally, and it is expected that demand will increase as the economy improves during the coming period. While the US market for newsprint appears to have reached a certain degree of maturity, there is room for further growth in Western Europe and for a significant increase in Central/

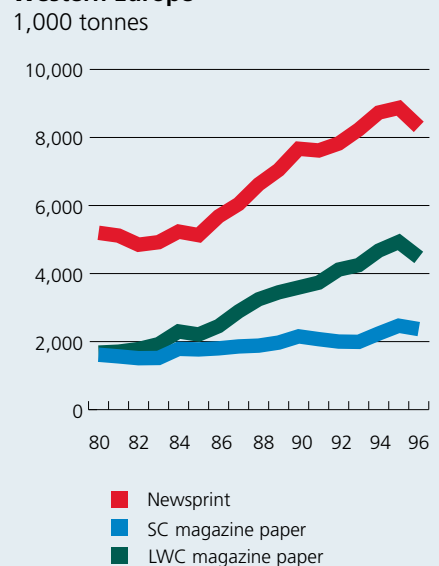
Eastern Europe, as well as in Asia. Publishers in Europe are investing and working very hard to renew and strengthen the position of newspapers as a cost-effective and competitive medium. Great progress is being achieved in improving both the product quality and the customer satisfaction. Demand for magazine paper is also expected to grow in the coming period, owing to marked growth in direct advertising and specialist publications in Western Europe.

Following the strong growth in capacity that occurred in Western Europe in the 1980's and early in the 1990's, the rise in capacity during the latter half of the 1990's is expected to be smaller than the growth in demand. It is probable, however, that the market for wood-containing printing paper in Western Europe will not improve significantly. This is due to increased imports from Canada and Russia, coupled with the fact that marked growth in capacity for newsprint and coated wood-free paper in Asia will limit the need for imports to that part of the world.

Publication paper price development in Germany



Demand for publication paper in Western Europe



Production

Newsprint		1996	1995
Norske Skog Skogn	tonnes	483,500	496,100
Norske Skog Follum	tonnes	298,500	327,300
Norske Skog Golbey	tonnes	223,200	228,000
Norske Skog Bruck	tonnes	101,800	
Total	tonnes	1,107,000	1,051,400
Union	tonnes	207,100	224,200
Total newsprint incl, Union	tonnes	1,314,100	1,275,600

Magazine Paper

Norske Skog Saugbrugs	tonnes	458,300	522,700
Norske Skog Bruck	tonnes	178,000	
Total magazine paper	tonnes	636,300	522,700
Total publication paper	tonnes	1,950,400	1,798,300

Special grades

Fluting, Sande Paper Mill	tonnes	61,900	79,700
Kraft paper, Norske Skog Hurum	tonnes	28,900	30,900
Total special grades	tonnes	90,800	110,600

Total all paper grades	tonnes	2,041,200	1,908,900
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Technician Kjell Torp, Norske Skog Tofte, by the barking drum in the debarking plant.

Photo: Glenn Røkeberg

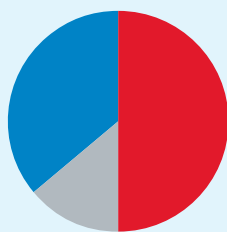


Dramatic pulp price decline
- production reductions needed.
Reduced capacity utilization
likely in 1997, too.

Area fibre

Weak order inflow at the end of 1995, owing to inventory reduction by pulp buyers, continued during the first quarter of 1996. This led to a marked increase in producers' inventories of pulp, and at the end of the first quarter, NORSCAN stocks had reached 2.5 million tonnes. At the same time, the price fell to USD 500/tonne, from a level of around USD 1,000/tonne in October 1995. Increased demand in South East Asia, and satisfactory order inflow to fine paper producers, led to a marked increase in deliveries during the second quarter. This was maintained throughout the whole of 1996. The price rose somewhat during the summer, but was largely unchanged during the second half-year. At the end of 1996 the price was about USD 560/tonne for bleached long-fibre sulphate pulp and ECU 420/tonne for eucalyptus pulp.

Breakdown of operating revenue 1996



- Long-fibre sulphate pulp 50%
- Short-fibre sulphate pulp 36%
- CTMP pulp 14%

Pulp stocks in the NORSCAN area increased towards the end of 1996 and at the end of the year they stood at 1.9 million tonnes. Production curtailments had to be made in 1996 in order to keep stocks down, particularly during the first half-year. Capacity for market pulp rose during the year by about 1 million tonnes to 35.6 million tonnes, and is expected to rise by a further 1 million tonnes during 1997.

The market trend was poorer for CTMP pulp than for sulphate pulp, owing to the large growth in capacity during 1995. Several Canadian mills were started up again after having been closed down for some years. Sizeable production reductions were therefore implemented, during the year, to keep stocks down.

Production

Norske Skog Tofte produced 326,300 tonnes of sulphate pulp in 1996. This is 29,400 tonnes less than in 1995. Short-fibre pulp accounted for 135,400 tonnes of the total. In 1996, the mill produced 10,700 tonnes of TCF pulp. Tofte stopped production several times during the year, to keep inventories under control.

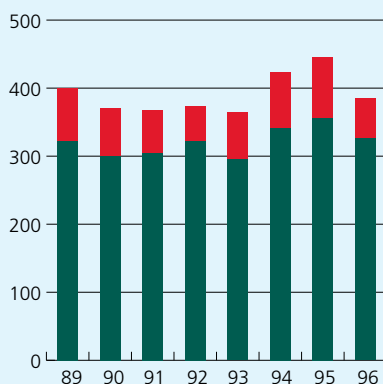
Norske Skog Folla produced 60,400 tonnes of CTMP pulp in 1996 - 28,700 tonnes less than in 1995. Here, too, production cuts were necessary in order to limit inventory growth.

Investments

Several investments were made at Norske Skog Tofte during 1996; they included, rebuilding of the

Production of pulp

1,000 tonnes

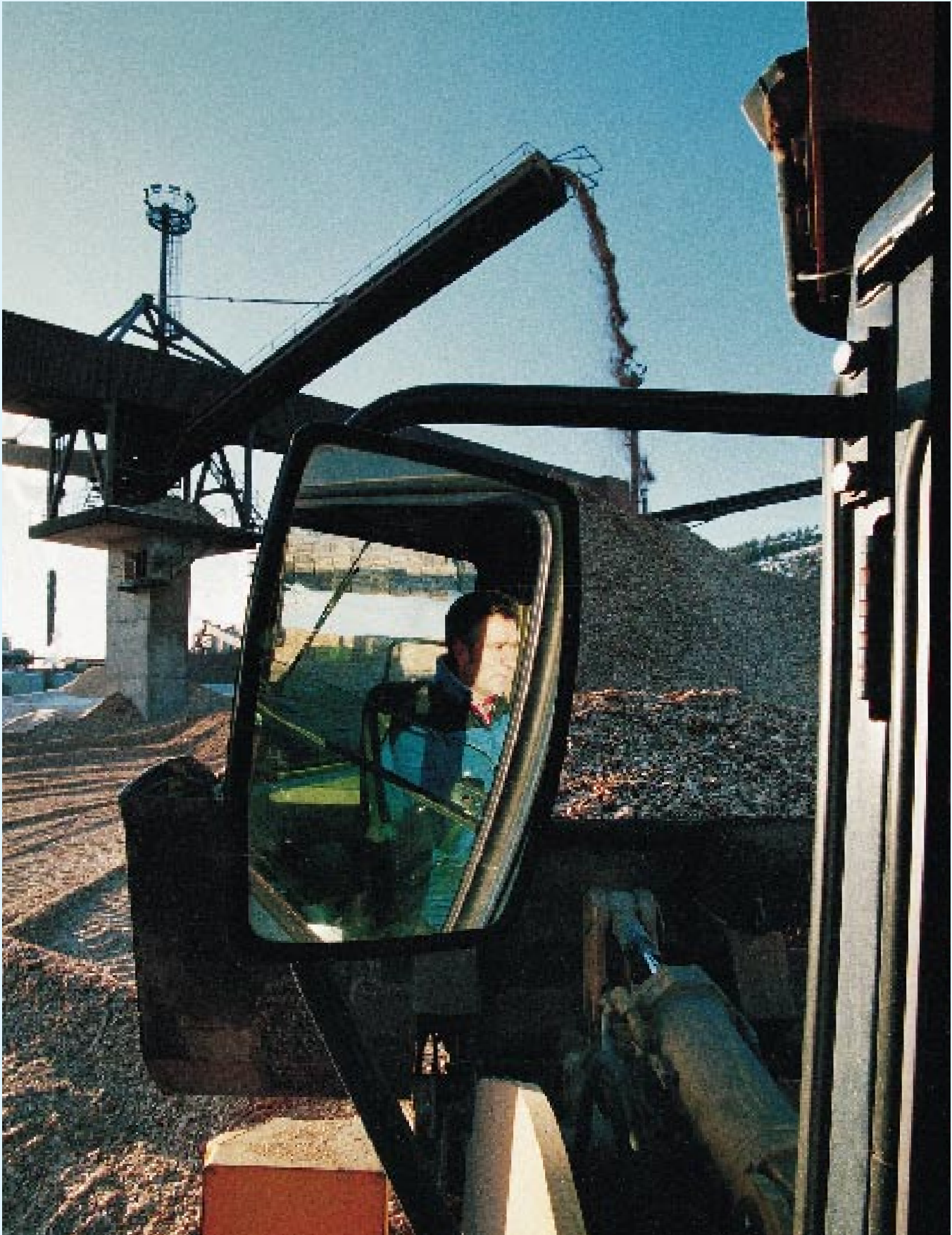


- Chemical pulp
- CTMP pulp

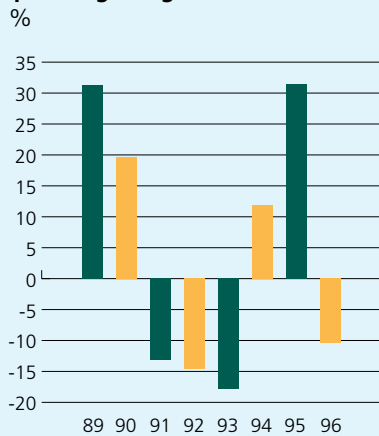
Area Fibre		1996	1995
Operating revenue	NOK million	1,222	2,171
Operating costs	NOK million	1,228	1,373
Depreciation	NOK million	121	116
Operating result	NOK million	- 127	682
Net operating margin	%	- 10,4	31,4
Total assets		NOK million	1,249
-Current assets	NOK million	358	461
-Fixed assets	NOK million	891	937
Total profitability	%	- 9,5	50,5
Export share	%	67	68
Number of employees		521	532

At Norske Skog Tofte wood is chopped into chips before being processed. Machine operator Terje Jacobsen is seen here working on a chip pile.

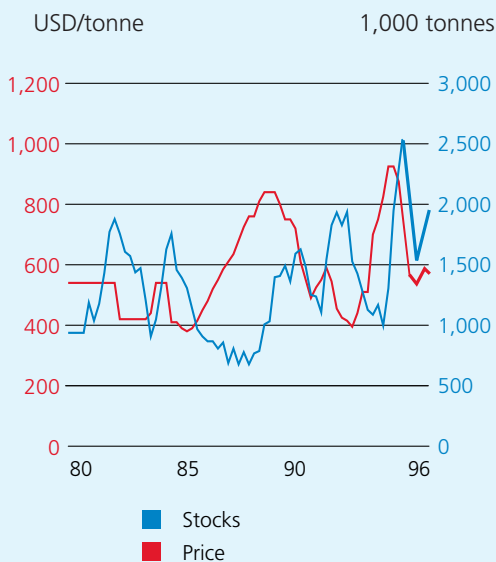
Photo: Oleann Røkeberg



Operating margin



List price bleached long-fibre pulp/ Norscan stocks



Norscan = Producer stocks in Scandinavia and North America

Production

	1996	1995
Long-fibre sulphate pulp, Tofte tonnes	190,900	214,900
Short-fibre sulphate pulp, Tofte tonnes	135,400	140,800
Total sulphate pulp tonnes	326,300	355,700
CTMP pulp, Folla tonnes	60,400	89,100

pin chip digester in order to increase output, improve quality and reduce discharges, and also replacement of the of the chemical recovery's control systems.

At Norske Skog Folla, the new biological waste water treatment plant was put into operation, with good results. In 1996 only minor investments were undertaken.

Personnel, organization and the working environment

At Norske Skog Tofte, systematic efforts are continuing to streamline the company's organization and boost employee skills. The number of jobs was cut during 1996 by 10, to 397.

This work will continue to receive priority during the coming years. At Folla CTMP the number of jobs was cut by four, to 85, in 1996. The companies' training and skills programmes are going ahead according to plan. Tofte has focused strongly on promoting teamwork, and a teamwork training course was attended by most of the employees during 1996. It will be completed in 1997.

The number of injuries resulting in time off work showed a satisfactory decline at Norske Skog Tofte, but rose at Norske Skog Folla. In both cases the number of injuries remains too high, and improvements in this area have high priority.

Long-term absentees due to illness at Norske Skog Tofte were high during 1996, and rehabilitation measures will continue in focus during 1997.

Environment

Both Norske Skog Tofte and Norske Skog Folla kept well within all discharge limits in 1996. Tofte's discharges to water are among the very lowest in the pulp industry. Efforts will continue during 1997 to reduce emissions of odorous gases from the mill.

Future prospects

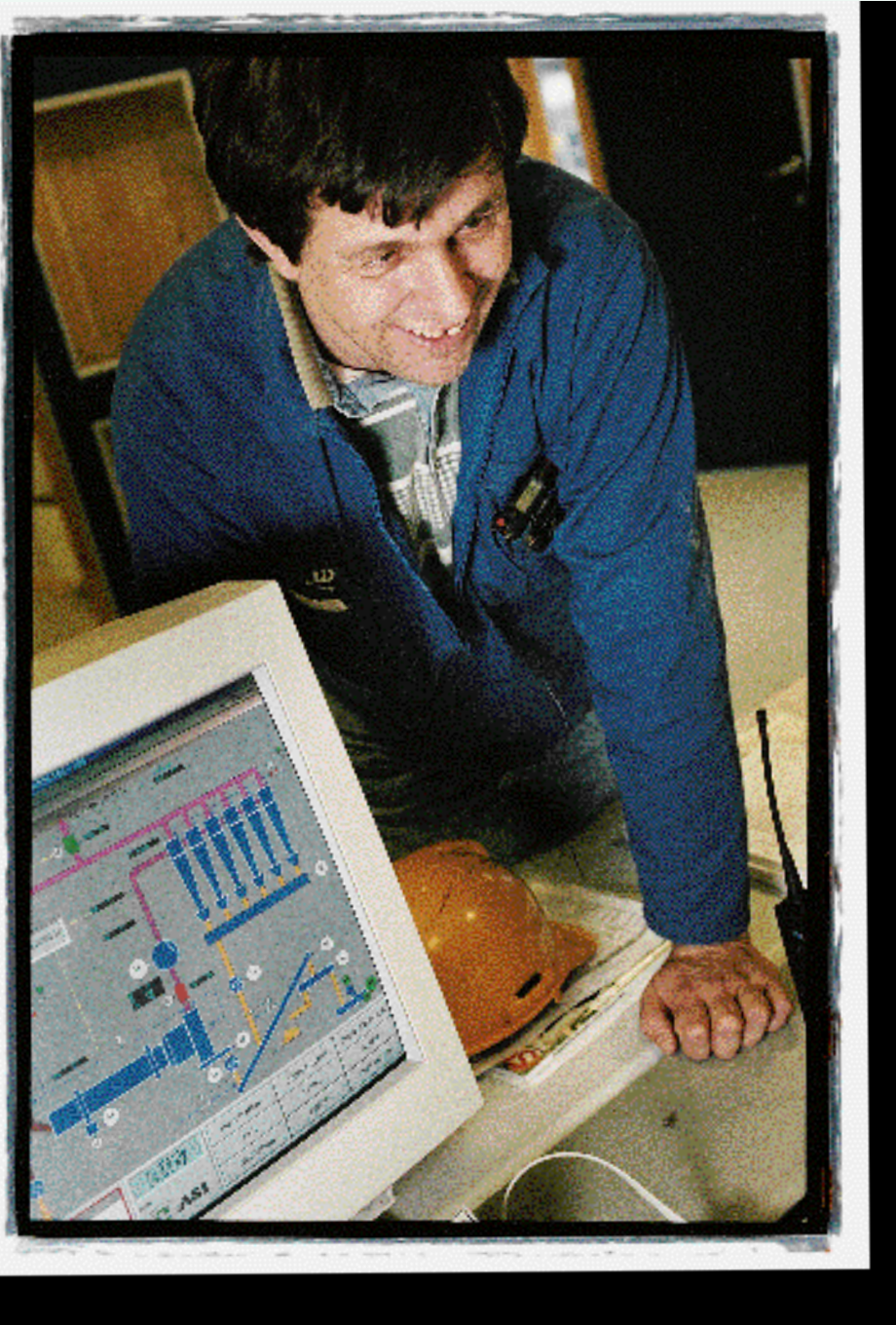
The growth in capacity for chemical pulp will, during the next few years, about equal the expected growth in demand. The new capacity will primarily come on the short-fibre side, in South East Asia. The tendency of paper manufacturers to use a larger proportion of short-fibre pulp is expected to continue, and market balance is expected to be about the same for long-fibre as for short-fibre pulp.

Some regulation of production will remain necessary in 1997 to keep the inventory situation under control. Given continued good demand for fine paper, a price increase is expected in the second half of 1997.

The market for CTMP will continue to be affected by excess capacity, and regulation of production will be needed to keep stocks under control in 1997, too.

Bjørn Roar Jahnsen is normally maintenance manager at the Braskereidfoss particle board mill, but has been working as a training manager in connection with the building of the new facility. Seen here in the control room of its drying machine.

Photo: Glenn Reikeberg



Weakmarkets

for sawn timber in 1996, but improvement towards the end of the year. The new particle board production line at Braskereidfoss started production in January/February 1997.

Area building

materials were, with effect from 31.12.1995, separated from the parent company and is now a 100% owned subsidiary, Norske Skog Bygg AS. The four product areas were established as separate limited companies. Norske Skog Trelast AS comprises these sawmills: Van Severen, Namsos, Østerdalsbruket, Koppang, Våler Skurlag, Våler, Langmoen Tre, Brumunddal, Numedal Bruk, Flesberg, Soknabruket, Ringerike, Telemarksbruket, Bø, as well as eight units concerned with further processing and trade in timber and building materials. Norske Skog Plater AS includes the particle board mills at Braskereidfoss, at Kvam and at Stavern, as well as the production of I-beams at Grubhei. Langmoen Parkett AS has its production facility at Brumunddal, while Fibo-Trespo AS makes laminated board products at Lyngdal.

Sawn timber

Markets and production

1996 was a poor year for Norske Skog Trelast, although output once again broke previous records. It reached 557,000 m³ - up by 60,000 m³ from 1995. About 50% of the increase is attributable to Telemarksbruket, which became part of the company from 01.01.1996, and 50% to higher output at the other units.

Export sales declined by 3%, and the export share was 26%. Germany remains the company's largest market. The Japanese market is the one showing strongest growth, and it looks to be very interesting during the next few years.

On the Norwegian market, building product groups have further strengthened their position, and are now the dominant customer group.

The price decline on international sawn timber markets continued from 1995 into 1996. The imbalance between supply and demand depressed prices further, even though output in key producer countries was gradually reduced. Low harvesting kept raw material costs at a high level, creating a squeeze on margins.

Sawn timber production in the Nordic area is also affected by the pulp industry's demand for chips, and the reduced requirement for chips favourably affected the supply/demand balance for sawn timber during the sum-

mer of 1996. Moreover, during the autumn, the shortage of timber for sawmills made itself strongly felt throughout the whole Nordic area. The market picture thus changed, with prices - particularly for spruce products - showing a favourable trend during the fourth quarter of 1996.

Owing to the imbalance between output capacity and the available supplies of raw materials, Norwegian sawmills had to resume imports of sawmill timber from Russia and the Baltic during autumn 1996.

Investments

A total of NOK 46 million was invested at Norske Skog's sawmills during 1996. The most important projects were the modernisation of the boiler plants at Sokna, Våler and Langmoen Tre. The market is becoming more demanding as regards drying quality. Upgrading kilning and heating plants, and increasing their capacity, will therefore be a priority area during the next few years.

Personnel and organization

Following the takeover of Telemarksbruket, with its 33 employees, the number of employees now stands at 843. The increase of 38 from the previous year must be seen in the context of the takeover, coupled with changes in operating methods.

There were no temporary lay-offs during the year.

Absence due to illness, and the accident injury rate, are still too high. There was a tragic fatal accident at Langmoen Tre in October, when an operative was killed while measuring timber.

In December 1996 an agreement of intent was concluded with HedAlm Bygg AS concerning the sale of Lundby Bruk (31 employees), with takeover effective from 01.04.1997. Coupled with changed shift arrangements, this will reduce the number of employees by a minimum of 50 persons during 1997.

Future prospects

The markets in 1997 seem definitely to have improved, compared with 1996. However, the currency situation at the start of the year is having a negative impact on developments. The Norwegian krone has appreciated strongly vis à vis both the SEK and the DEM, which are by far the most important sawn timber currencies. It is, however, the long-term consequences which are most interesting. Confronted with relatively high raw material costs, owing to imbalance in the log market, and weakened competitiveness, owing to currency changes, the companies face major challenges. There is a need for both productivity improvements and cost-cutting measures, combined with the development of products which can stand a high level of costs.



Marketing secretary Gro Eidsaae, Fibo-Trespo, checks that the Alloc laminate flooring in an Oslo fitness centre has been properly laid.

Board

Markets and production

From the market viewpoint, 1996 as a whole was a good year for Norske Skog Plater. Consumption of particle boards in Norway increased by about 5% to about 255,000 m³. Market share was about 56%.

Export sales once again broke previous records, totalling 169,700 m³. After rather weak market conditions during the first half-year, the level of activity rose significantly during the final months of the year. Total consumption in the main markets - Sweden, Denmark and England - was on a level with the previous year. Export sales of foiled boards to Eastern Europe developed well.

Except for the smallest production line at Agnes, there was full capacity utilization at all the particle board mills, and output at the Braskereidfoss mill broke previous records. Total production reached 346,800 m³.

Investments, personnel and organization

At Braskereidfoss, installation of a completely new particle board production line was completed. The new line, which had an investment budget of

NOK 325 million, was ready for use at the turn of the year. It is planned to be in normal operation during first quarter 1997. Investments apart from this concerned only minor maintenance work.

Organizational conditions were stable throughout the year. There were no temporary lay-offs, and no accidents involving serious injury to personnel. Absence due to illness again declined somewhat in 1996.

The most important skills enhancement project during the year was a training programme in connection with the new technology at Braskereidfoss. About 50 employees have participated in a comprehensive programme budgeted to cost about NOK 6 million.

Future prospects

Satisfactory activity is expected in all our main markets during the first half of 1997. There is some uncertainty regarding the outlook for the second half-year.

Norske Skog Plater has achieved good profitability during the past few years, and in 1996, too, it attained a satisfactory economic result.

The greatest challenge in 1997 is to get the new production line at Braskereidfoss up to normal operation as rapidly as possible. Owing to necessary extraordinary costs connected with the start-up process, profitability is expected to be somewhat weaker in 1997.

Langmoen Parkett

Markets and production

During the first half-year, the market was affected by considerable excess capacity. The long, cold winter in Central Europe also dampened demand. Prices declined on several European markets, and many producers moved to limit output. In the second half-year market balance improved. Demand revived, and prices stabilised.

In Norway, demand was good throughout the whole year, and Langmoen Parkett boosted its market share. The company saw sales in Germany decline. This was offset by favourable developments on several other export markets. Total sales increased slightly,

Area Building materials		1996	1995
Operating revenue	NOK million	2,579	2,333
Operating expenses	NOK million	2,421	2,123
Depreciation	NOK million	131	114
Operating profit	NOK million	27	96
Operating margin	%	1,0	4,1
Total assets		2,313	1,503
-Current assets		684	674
-Fixed assets		1,629	829
Total profitability	%	2,8	7,9
Export share	%	33	37
Number of employees		1,862	1,681

but the export share shrank to 66%.

Owing to high inventories of finished goods, production was cut back early in the year. Output in 1996 was lower than in the previous year, because operations were adapted to a more moderate market trend. The supply of raw materials was satisfactory.

Investments and development projects

The level of investment was high. A start was made on the total renovation of the boiler house. In addition, the packing and sorting line was upgraded and large sums were spent on IT projects.

One project carried out during the year aimed at making it possible to employ the Alloc locking system on parquet flooring.

Personnel and organization

The year saw a small decline, to 266, in the number of employees. Absence due to illness, as well as the number of injuries, was lower than a year earlier.

A new joint sales and marketing organization for parquet and laminated flooring was established on 01.10.1996. Plans are in hand to merge the rest of Langmoen Parkett AS with the flooring activity of its sister company, Fibo-Trespo AS.

Future prospects

The market for the company's products is expected to develop favourably. Langmoen Parkett is winning a place in more and more new markets. The company is working on several interesting development projects.

Fibo-Trespo AS

Markets and production

Total turnover in 1996 was up 5% relative to prior year. The export share amounted to about 37%.

Both domestic and export sales rose, compared with 1995. The US is the largest export market, while in Sweden and Germany the trend was weaker than in the previous year. In Norway developments were positive as regards all customer groups and products.

Output of laminated products reached 2.5 million m², compared with 2.3 million m² in 1995.

Start-up of the first Alloc line took longer than expected. Production capacity is being increased during the winter, and the Alloc product will be launched on selected export markets during the first half of 1997.

Investments

Investments during the year totalled NOK 110 million, mainly in equipment to increase flooring production capacity.

Personnel and organization

In May and June about 60 employees were temporarily laid off, partly owing to start-up problems with the Alloc line. During the second half-year the workforce was increased by 44 employees, both to boost marketing efforts and to increase production.

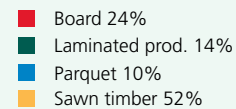
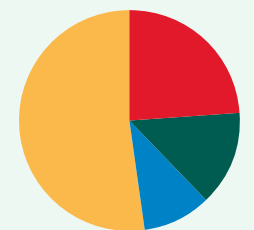
Absence due to illness increased by 0.1% to 5.9%. Long-term, rather than short-term, illness accounted for most of the absences.

A joint sales and marketing organization was created for parquet and laminated flooring, with effect from 01.10.1996. After the planned merger of Langmoen Parkett AS/Fibo-Trespo AS, during the first half of 1997, products other than laminated flooring will be organised in a separate company.

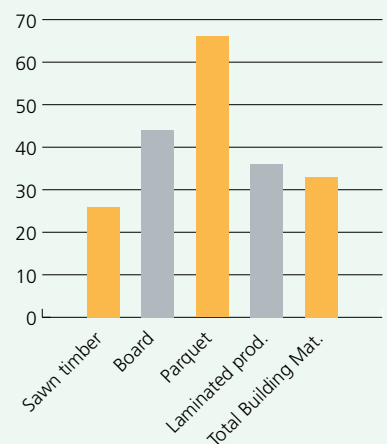
Future prospects

The launch of Alloc flooring on export markets is expected to increase operating revenue and improve profitability. Where the other products are concerned, volumes are expected to be about the same as in 1996.

Breakdown of operating revenue 1996



Export share building materials
% (of value)



Area Resources

This area includes the Group's forest properties, its hydro power stations, procurement of electric power, management of the Group's buildings and other properties in Norway, and Norsk Virke AS, which is responsible for purchases of round timber, sawmill chips and waste paper.

Timber

Norsk Virke AS is responsible for supplies of pulpwood and chips to the Group's pulp and paper mills in Norway, and Union. Norske Skog Saugbrugs has to date been supplied by Østfoldtømmer ANS. Norsk Virke is also responsible for supplying sawmill timber to the sawmills Van Severen, Soknabruket, Numedal Bruk, Telemarksbruket and to Hen, for raw material supplies to the particle board mills and for the purchase of waste paper via AWA AS.

Norsk Virke bought about 5.2 million cubic metres of round timber and chips and about 20,000 tonnes of waste paper in 1996. The import share of this was about 1.3 million cubic metres.

Of total imports, eucalyptus for Tofte and birchwood for Sande Paper Mill accounted for about 0.5 million cubic metres. Sweden was the largest supplier of coniferous timber imports.

In 1996, Norske Virke concluded agreements concerning sustainable forestry with seven forest owner associations. The agreements ensure that no timber is supplied to Norske Skog from areas defined by the responsible authorities as potentially conservation-worthy. They also include clauses requiring that the forests from which the timber comes should be operated in accordance with the principles of sustainable forestry. Norsk Virke is stepping up its environmental efforts in 1997, and aims to conclude similar agreements with all its suppliers during the year.

During 1997 Norsk Virke will also take over responsibility for timber supplies to Norske Skog Saugbrugs and to the sawn timber firms Våler Skurlag, Østerdalsbruket and Langmoen Tre. This means

that all timber supplies to our Norwegian units will be made via Norsk Virke.

Forests

Total area of Norske Skog's forests is 180,000 hectares, of which 81,000 hectares is productive forest.

Operation of the forests in 1996 went as planned. Operating conditions during the winter season were stable and better than for many years. A total of 87,650 cubic metres was harvested.

Registration of forest resources and areas of special environmental interest in the Group's forests in Nord-Trøndelag county were started in the summer of 1996 and will be completed in 1997/98. Similar recent records exist regarding the Group's other forests.

Considerable efforts were made to develop employee skills and know-how in 1996. As part of a new programme, an initial group of employees qualified for technical certificates in forestry work during the year. Within the sector, several courses were held - attended both by our own employees and by hired contractors.

Energy

Norske Skog is one of the largest buyers of electric power in Norway. The Group's total consumption at its plants in Norway was 4,416 GWh. Norske Skog also accounts for about a quarter of Norwegian production and consumption of bio-energy, and is by far the largest in this field. The Group is planning to increase its activity in this area. Of total thermal energy consumption amounting to 4,735 GWh, 58% came from biofuels. Of the rest, 23% came from recycled electricity, 3% from spot market power and 16% from oil. In 1996 capacity for biofuel increased by 80 MW following the installation of new boilers at Norske Skog Saugbrugs and the new particle board mill at Braskereidfoss.

Production at Norske Skog's own hydro power

stations in 1996 was 356 GWh. This is 50 GWh less than normal annual production. Nationally, run-off to reservoirs was exceptionally low, mainly owing to sparse snow in the mountains. The authorities prepared crisis plans, and warned that power rationing might be necessary. Large imports, reduced consumption by households and substantial precipitation in October contributed to normalise the situation, making it possible to avoid power rationing. Norske Skog had secured a large part of its 1996 power requirements through contracts, and was not negatively affected by the high prices on the short-term power market.

The high spot market prices, and the authorities' handling of the power situation, has increased uncertainty regarding long-term power supply agreements. Industry is not getting power supplies in the market at internationally competitive prices. Despite the fact that there was unused capacity on existing cables, through which power could have been imported, Norske Skog was unable to take advantage of offers of reasonably-priced electricity from the Continent. The import of electricity needs to be reorganised.

Properties

Norske Skog has concluded an agreement with Statsbygg (the body in charge of State property) to buy a former farm property in the area of Oslo's Fornebu airport. The property, Oxenøen Bruk, will become the site of new office accommodation for the Group's Corporate Centre. There is scope for enlarging the Centre. Building work is planned to start in autumn 1997 and the new offices are scheduled for completion in 1998.

Raw material purchases

	Round timber and chips m ³	Waste paper tonnes
Norsk Virke, from Norway	3.9 million	20,000
Norsk Virke, imports	1.3 million	
Other Norwegian suppliers	0.7 million	
Other imports	0.3 million	
Mills outside Norway	0.4 million	273,000
	6.6 million	293,000

Research and development

Research and development within Norske Skog is carried out partly by the Group's central R & D unit, Norske Skog Teknikk, and partly at the Group's individual mills.

Norske Skog Teknikk was established in 1989 and comprises sections covering fibre, paper, process control and the environment. Its activities are largely concerned with the qualities and characteristics of the Group's products. In 1996 a new section, for mechanical pulp, was created. This marks a significant strengthening of the Group's expertise as regards the production of mechanical pulp and the characteristics of this pulp, which is the main raw material in the Group's paper products.

The systematic development of modern laboratories at a number of the Group's pulp, paper and building materials mills is continuing. During 1996 the laboratory at Norske Skog Tofte was modernised and upgraded. At the same

time, a stock of modern instruments and equipment is being built up. Today, Norske Skog Teknikk has advanced technological equipment enabling it to produce, analyse and characterize chemical and mechanical pulp, as well as paper and building products.

An example of this is the so-called TAPIO analyser, a machine which has been specially developed to reveal possible irregularities in paper caused by variations in the production process. This is an invaluable tool for attaining the level of quality now required of Norske Skog's paper products. The section also has image analysis equipment, used - among other things - to evaluate print quality in newspapers and magazines.

From Norske Skog Teknikk's laboratory at Norske Skog Saugbrugs: Jorunn Strømsborg uses a microscope to study the surface of a paper sample.

The most important projects in 1996 comprised

- development of paper products for PM 7 at Norske Skog Follum and PM 5 at Norske Skog Saugbrugs,
- recyclability of old newspapers and magazines,
- techniques for closing water systems at pulp and paper mills,
- a new locking system - Alloc - for laminated flooring.



Photo: Kjell Svein Stenmarch

The TAPIO analyser is a special device for revealing possible variations in quality in the finished products of paper machines.

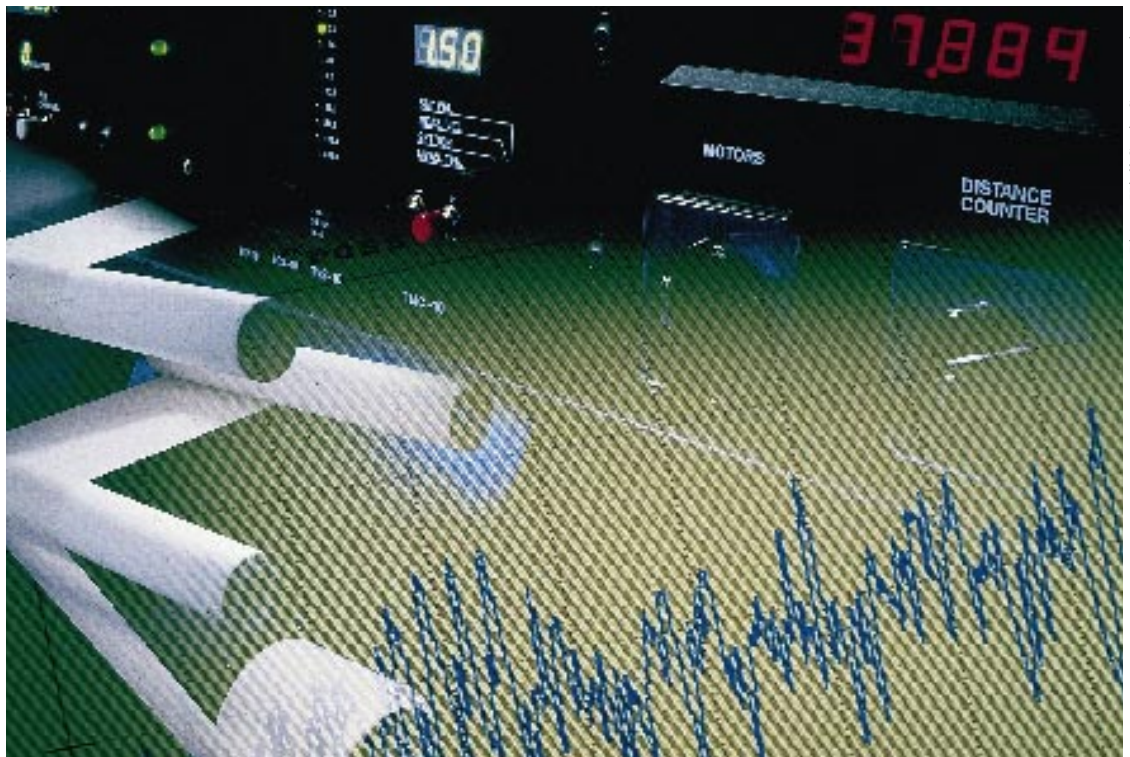


Photo: Kjell Svein Stenmarch

Corporate Assembly

Nominated by the shareholders

Egil Molteberg, Ås, chairman (4)
Karl Stalleland, Grimstad,
vice chairman
Bjørn Asp, Steinkjer
Bjørn Blakstad, Sørum (148)
Kjell Brandtsegg, Steinkjer (3.257)
Trygve Bruvik, Bergen
Einar Gjems, Rena (100)
Tellef Harstveit, Åmli
Pål Haugstad, Ringebru (56)
Idar Kreutzer, Oslo
Ola R. Kristiansen, Halden (378)
Borger A. Lenth, Koppang (54)
Tore Lindholt, Skjetten
Johan Olaf Melø, Kvelde
Torstein Opdahl, Namnå (99)
Dieter Oswald, Bø i Telemark (60)
Per Stamnes, Hønefoss (110)
Kjell Stendahl, Spillum (60)
Ola Stomsvik, Meisingset (27)
Dag Tørvold, Skien

Deputy members

1. Lars W. Grøholt, Hov (1)
2. Kurt Jessen Johansson,
Mosjøen (169)
3. Arne Bakken, Trysil (4)
4. Anders Garberg, Buvika
5. Per Kjelstad, Sande in Sunnfjord
6. Gudbrand Kvaal, Oslo

Nominated by the employees

Rolf Bråthen, Follum (50)
Steinar Voldseth, Skogn
Kåre Walseng, Skogn
Roger Harstad Olsen, Hurum (25)
Sverre Abrahamsen, Fibo-Trespo
Ruth Bekkeli, Våler (41)
Torbjørn Dybsand, Langmoen
Alfred Isaksen, Saugbrugs (30)
Roy Eilertsen, Saugbrugs
Knut Arne Thorsen, Van Severen

Deputy members

Kjell Runar Evju, Follum
Kjetil Bakkan, Skogn (25)
Villy Nikolaisen, Skogn
Rune Nordhagen, Tofte (25)
Odd Kåre Dahlen, Numedal
Terje Nybo, Braskereidfoss
Jarl Kurud, Langmoen
Connie I. Abelsen, Saugbrugs (25)
Anders Brunborg, Saugbrugs (91)
Odd Vidar Vandbakk, Folla (25)

Observers from the employees

Ole Petter Løbben, Follum
Olav Svendsen, Hurum
Arne Fredrik Hansen, Hurum (85)
Ove Magne Anseth, Braskereidfoss
Nils Jørgen Engseth, Langmoen (55)

Deputy Observers

Iver Engebretsen, Follum
Eivind Syverstad, Sande (25)
Kjell Torp, Tofte (25)
Jostein Bråthen, Braskereidfoss
May Kvissellien, Langmoen

Board of Directors

Lage Westerbø, Aurdal, chairman
(256)
Jon R. Gundersen, Oslo,
vice chairman (283)
Roy Borgersen, Tofte (130)
John Frøseth, Støren (88)
Jan Reinås, Bærum (525)
Eivind Reiten, Oslo
Arne Rødø, Van Severen
Arnt Saelor, Fibo-Trespo (91)
Halvard Sæther, Lillehammer

Deputy members by the employees

Ole Ellingsrud, Braskereidfoss (50)
Tom Helland, Braskereidfoss (25)

Observer

Kjell Hansen, Follum

Deputy observer

Kåre Leira, Skogn (117)

(Number of shares owned in parantheses)

Auditors

Arthur Andersen & Co., Oslo



Photo: Glenn Røkeberg

From left: Roy Borgersen, Egil Molteberg (Chairman of Corporate Assembly), Jan Reinås, Kjell Hansen, Lage Westerbø (Chairman of the Board), Eivind Reiten, Jon R. Gundersen, Arnt Saelor, Halvard Sæther, Arne Rødø, John Frøseth.

Executive Staff as of February 1, 1997

Photo: Glenn Røkeberg



1 Jan Reinås - President and Chief Executive Officer (525)

2 Omund Revhaug - Executive Vice President Corporate Development (25)

3 Jan Kildal - Executive Vice President and CFO (25)

4 Bjørn-Frode Jacobsen - Vice President Human Resources (25)

5 Knut Kringstad - Senior Vice President R&D (25)*

6 Rolf Løvstrøm - Vice President Public Affairs (25)

7 Claes-Inge Isacson - Senior Vice President Area Pulp and Magazine paper (25)

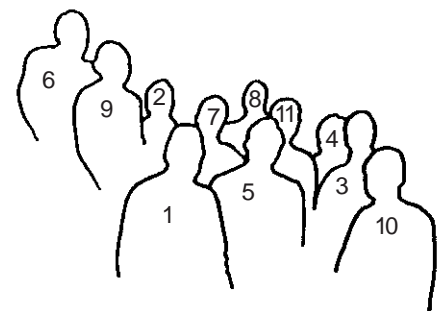
8 Lorents Mørkved - Senior Vice President Area Newsprint (1.847)**

9 Vidar Lerstad - Managing Director Norske Skog Sales (75)

10 Thor H. Lobben - Senior Vice President Corporate Resources (304)

11 Sverre A. Larssen - Senior Vice President Area Building Materials (1.326)

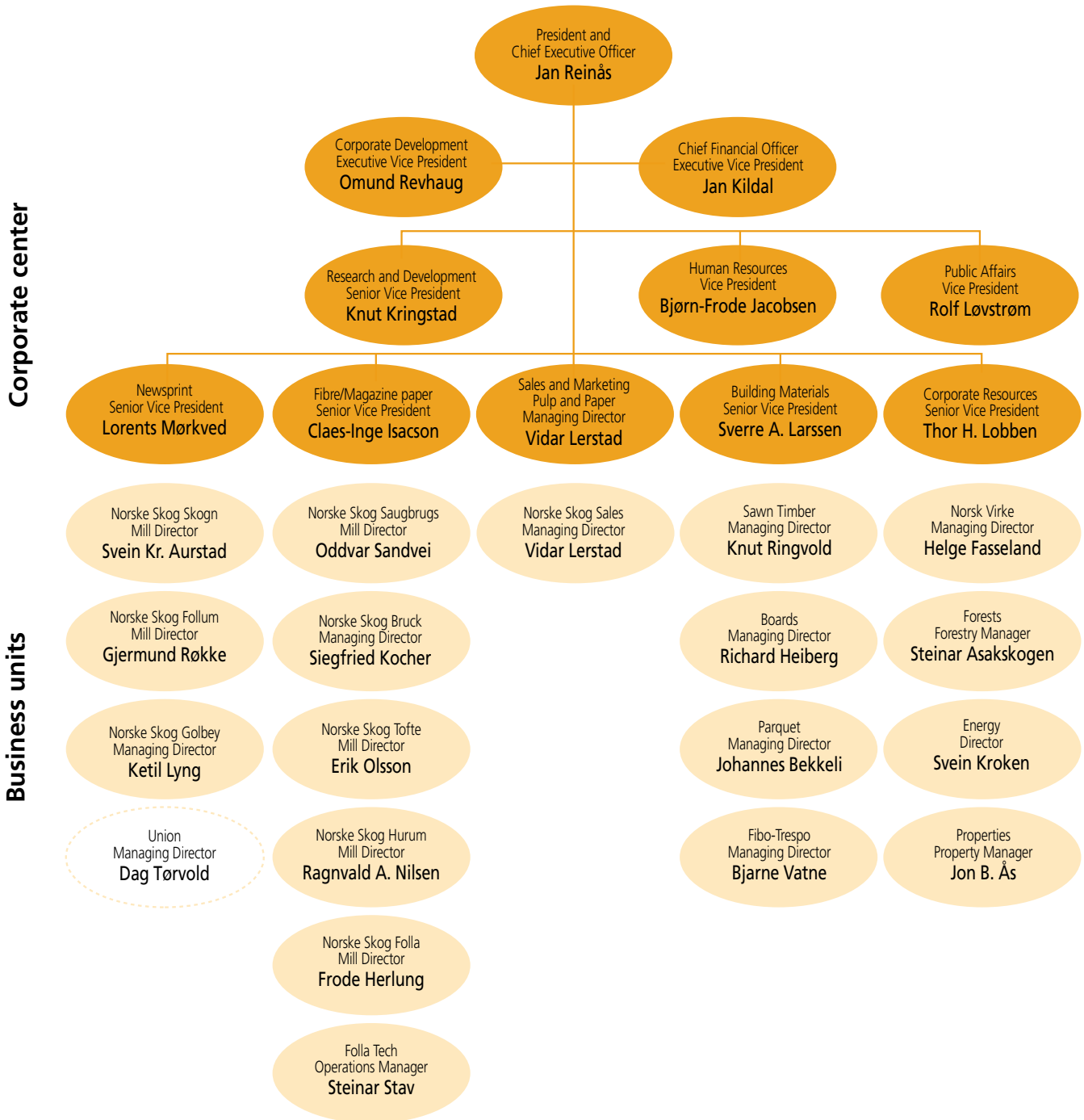
(Number of shares owned in parantheses)



* Jan Oksum (182) takes over from 01.03.1997.

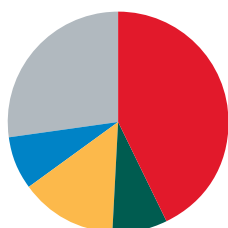
** Dag Tørvold is taking over, under an agreement still to be finalised.

Organization structure



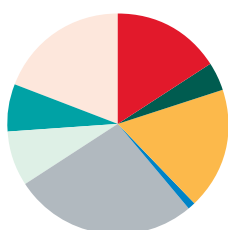
Socio-Economic Accounts

Distribution of value added resulting from Norske Skog's own activity



Employees	43%
Lenders	8%
Central and local government	14%
Owners	8%
The Company	27%

Distribution of employment at Norske Skog



Østfold	16%
Oslo/Akershus	4%
Hedmark	18%
Oppland	1%
Buskerud	27%
Vestfold	8%
Vest-Agder	7%
Nord-Trøndelag	19%

Value added in Norway 1996

Out of total consolidated operating revenues of NOK 13,265 million in 1996, the domestic operating revenues for Norske Skog reached NOK 10,449 million. Export revenues made up the majority of this figure, amounting to NOK 7,677 million. Domestic sales provided NOK 2,690 million in operating revenues, whereas other income totalled NOK 83 million.

Value added is a product of the Group's revenue, less the value of purchased goods and services, and less depreciation. The resulting figure is the value which is distributed between the company's owners, lenders and employees.

Total domestic value added for 1996 as a result of the Group's activities (NOK mill.)

Net operating revenue	10,449
- Purchase of goods and services (domestic and abroad)	- 6,803
- Depreciation	- 668
= Creation of value by the business units	2,978

The creation of value in the Group benefits the employees, the public sector, the owners and the enterprise itself. For 1996 the total values created in Norway are distributed as follows:

Distribution of the Group's value creation in 1996 (NOK mill.)

Employees	1,293
Lenders *	240
State/local government	423
Owners **	228
The company	794
	2,978

* Lenders: Net financial costs domestic.

** Owners: Dividend

Of the total value creation in Norway of NOK 2.98 billion, NOK 1.29 billion benefits the employees of the Group in terms of wages and social costs (less

employer tax). The remaining amount is distributed to lenders as net financial costs to the Group, to the State as social security contributions and annual taxes, and to the owners as dividend.

Employment

In total the Group employed 5,965 people as of December 31, 1996. With overseas employees numbering 1,000, the total number of employees in Norway is thus 4,965 as of December 31, 1996.

The distribution of employees between the regions in Norway is as follows:

Regional distribution of employees in Norway

	Number of full-time employees
Østfold	805
Oslo/Akershus	205
Hedmark	904
Oppland	74
Buskerud	1,296
Vestfold	413
Vest-Agder	328
Nord-Trøndelag	930
Nordland	10
Total	4,965

Indirect employment

The indirect employment in forestry, the transport sector and the energy sector, as well as other industries which deliver goods and services to Norske Skog, was estimated in the Group's annual report for 1995.

Based on the assumption that the indirect employment effect of each NOK, spent on purchases from these industries, is 2% less than for 1995, and that the portion of purchased goods and services from abroad remains as in 1995, the indirect domestic employment as a result of Norske Skog's activities can be estimated at about 10,500 man years.

Given the assumption outlined above, the total employment effect of Norske Skog's activities in Norway will amount to about 15,500 man years for 1996.

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This is Norske Skog

Norske Skog's goal is to continue its development as an international forest industry group, with long-term profitability and competitiveness equalling those of the best in this industry. Norske Skog is a leading Norwegian industrial company which focuses on these core areas: printing paper, bleached sulphate pulp and wood-based building materials. In 1996, 78% of Norske Skog's operating revenue came from markets outside Norway.

In printing paper, Norske Skog is one of the world's leading producers, with total capacity of nearly 2.3 million tonnes - about 25% of it within the EU. The global market for printing paper is about 50 million tonnes. Norske Skog is the fourth largest manufacturer of printing paper in Europe and the world's fifth largest producer of newsprint. Printing paper accounts for about 70% of the Group's operating revenue.

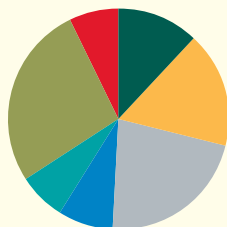
The Group's capacity of market pulp amounts to about 455,000 tonnes. Norske Skog Tofte is Northern Europe's only manufacturer of eucalyptus pulp. The global market for pulp amounts to over 30 million tonnes.

Norske Skog Bygg AS is the country's largest producer of building materials. Its main products are sawn timber, board for the building and furniture industries, and flooring products. The Group is one of the largest Nordic suppliers of sawn timber and board.

Since it was established in 1962 Norske Skog has grown rapidly - through mergers with other companies in 1972 and 1989, and through major investments in new plant, both in Norway and abroad. Since 1990 the Group has increased its printing paper capacity by 1 million tonnes or just over 70%.

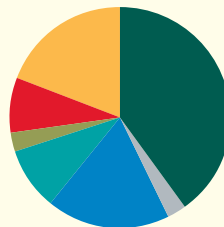
Norske Skog has a sound financial basis, with assets totalling NOK 16,623 million, and an equity to assets ratio of 46%. The company has about 18,000 shareholders, and is quoted on the Oslo Stock Exchange and on SEAQ (Stock Exchange Automatic Quotation System) in London. The stake held by foreign shareholders stood at 22% at the end of last year.

Operating revenue per market



- UK 12%
- Germany 17%
- France 7%
- Norway 22%
- Other Europe 27%
- USA 7%
- Rest of world 8%

Operating revenue per product



- Newsprint 40%
- SC magazine paper 19%
- LWC magazine paper 8%
- Other 3%
- Special grades 3%
- Pulp 9%
- Building Materials 18%

Total use of energy in Norway



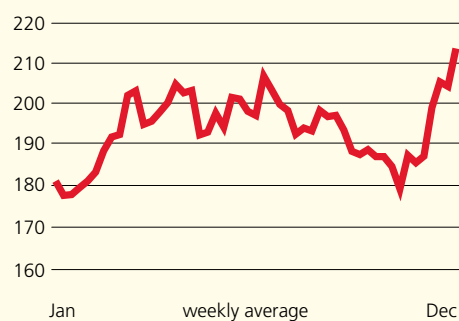
- Electricity 50%
- Oil/gas 8%
- Recycled 12%
- Bio-energy 30%

Main financial figures

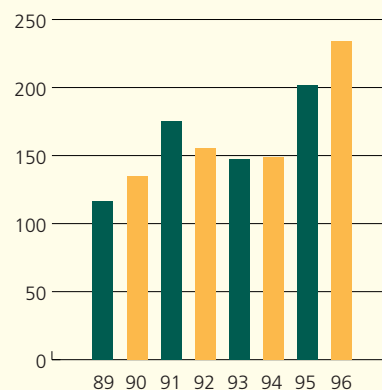
	1996	1995	1994	1993	1992	1991	1990	1989
Profit and loss account (NOK mill.)								
Operating revenue	13,265	12,548	9,170	7,338	7,557	8,640	9,879	9,248
Operating profit	1,916	2,500	732	299	-47	500	1,128	1,001
Profit for the year	1,317	1,699	206	-47	-516	246	773	802
Main financial figures (NOK mill.)								
Cash flow from operating activities	2,616	2,555	866	492	256	1,405	1,001	918
Depreciation	1,132	832	616	552	575	553	548	487
Investments in operational fixed assets	1,053	926	565	1,127	2,220	1,190	1,001	1,373
Net interest-bearing debt/equity	0.63	0.61	0.67	1.13	1.07	0.49	0.65	0.63
Profitability								
Return on assets % *)	14.1	21.4	7.1	5.0	0.4	8.0	15.0	17.0
Return on equity % *)	18.6	30.1	4.8	-1.2	-12.8	6.5	25.3	33.4
Shares and shareholder structure								
Net earnings per share after tax *)	40.38	52.39	6.91	-1.79	-21.28	10.18	32.05	35.99
Net earnings per share fully diluted *)	35.89	45.99	6.91	1.68	-13.03	11.30	30.25	34.59
Equity per share	233.91	200.67	148.84	146.72	155.42	175.95	135.52	116.61

*) See definitions page 35.

**Share price development 1996
(A-shares)**
NOK



Equity per share
NOK/year



Main figures per Area

		1996	1995	1994	1993	1992	1991	1990	1989
Area Paper									
Operating revenue	NOK million	9,493	8,066	5,831	4,731	4,773	5,855	6,733	5,768
Operating profit	NOK million	2,078	1,708	454	469	95	656	721	398
Operating margin	%	21.9	21.2	7.8	9.9	2.0	11.2	10.7	6.9

Area Fibre

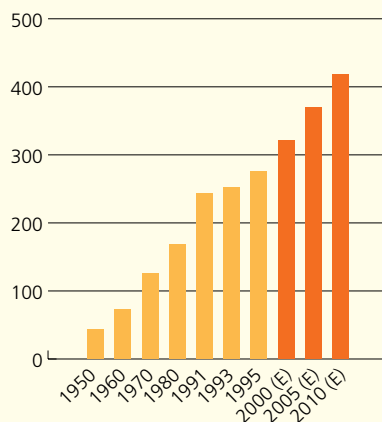
Operating revenue	NOK million	1,222	2,171	1,498	1,052	1,202	1,247	1,709	2,025
Operating profit	NOK million	-127	682	178	-187	-176	-164	327	615
Operating margin	%	-10.4	31.4	11.9	-17.8	-14.6	-13.2	19.1	30.4

Area Building Materials

Operating revenue	NOK million	2,579	2,333	2,048	1,704	1,688	1,725	1,960	1,911
Operating profit	NOK million	27	96	146	85	64	9	107	93
Operating margin	%	1.0	4.1	7.1	5.0	3.8	0.5	5.5	4.9

World consumption of paper and paperboard

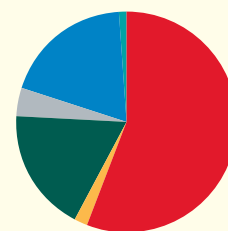
Mill. tonnes



Source: Jaakko Pöyry

Breakdown of flooring market, Western Europe

Total 1,730 mill. m²



- Carpets 56%
- PVC/Linoleum 18%
- Hardwood flooring 4%
- Ceramics/tiles 19%
- Laminated flooring 2%
- Other 1%

Norske Skog

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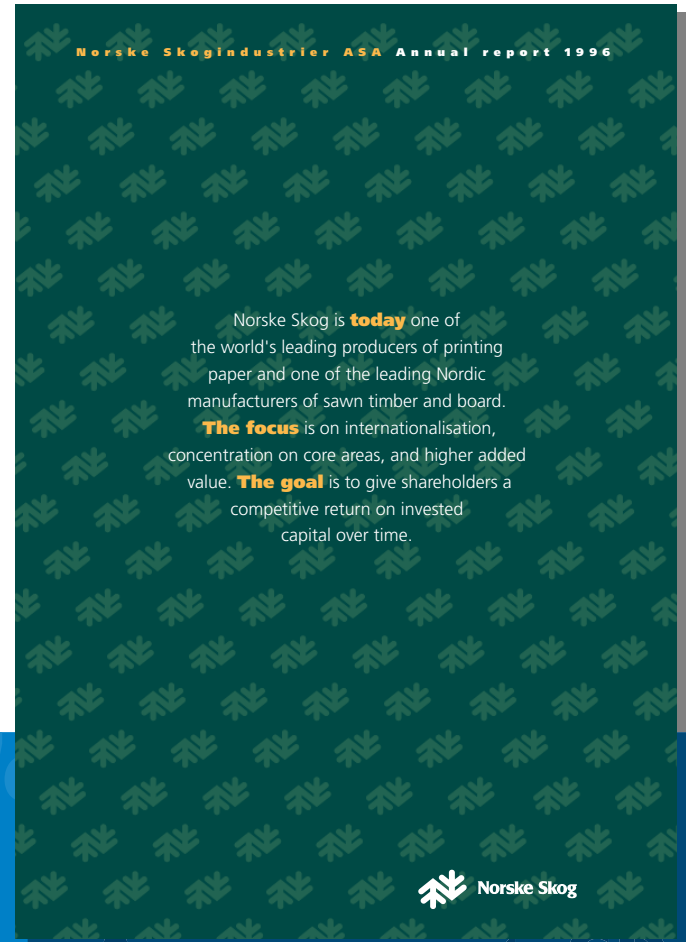
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Arssrapport CD

HUGIN

<http://hugin.sol.no>

industry

Bank /insurance

Industry

Shipping