

# 09

## Q2 REPORT



## KEY FIGURES (UNAUDITED)

|   |              | APR-JUN 2009 | JAN-MAR 2009 | APR-JUN 2008 | YTD 2009 | YTD 2008 |
|---|--------------|--------------|--------------|--------------|----------|----------|
| Operating revenue                               | NOK mill     | 5 160        | 5 259        | 6 528        | 10 419   | 12 797   |
| Gross operating earnings *)                     | NOK mill     | 568          | 504          | 601          | 1 071    | 1 089    |
| Gross operating margin *)                       | %            | 11.0         | 9.6          | 9.2          | 10.3     | 8.5      |
| Gross operating earnings after depreciation **) | NOK mill     | (98)         | (149)        | (35)         | (246)    | (267)    |
| Operating earnings                              | NOK mill     | (153)        | (1 374)      | 1 269        | (1 528)  | 279      |
| Profit/loss before income taxes                 | NOK mill     | (77)         | (1 500)      | 996          | (1 576)  | (112)    |
| Net profit/loss for the period                  | NOK mill     | (538)        | (1 111)      | 695          | (1 649)  | (271)    |
| Earnings per share                              | NOK          | (1.85)       | (5.73)       | 3.74         | (7.58)   | (1.32)   |
| Return on capital employed                      | %            | (0.4)        | (0.6)        | (0.1)        | (0.9)    | (1.0)    |
| Net cash flow from operating activities         | NOK mill     | (293)        | 723          | 295          | 430      | 1 127    |
| Cash flow per share                             | NOK          | (1.55)       | 3.82         | 1.56         | 2.26     | 5.95     |
| Total assets                                    | NOK mill     | 37 847       | 38 845       | 43 447       | 37 847   | 43 447   |
| Net interest bearing debt                       | NOK mill     | 12 236       | 12 925       | 15 678       | 12 236   | 15 678   |
| Gearing (net interest bearing debt / equity)    |              | 1.02         | 1.08         | 1.07         | 1.02     | 1.07     |
| Production                                      | 1 000 tonnes | 969          | 985          | 1 517        | 1 954    | 2 986    |
| Deliveries                                      | 1 000 tonnes | 948          | 924          | 1 502        | 1 872    | 2 944    |

\*) Operating earnings before depreciation, restructuring expenses, other gains and losses and impairments.

\*\*\*) Operating earnings before restructuring expenses, other gains and losses and impairments.



# REPORT OF THE BOARD OF DIRECTORS - SECOND QUARTER 2009 AND FIRST HALF 2009

- // Second quarter 2009: Gross operating earnings NOK 568 million (NOK 504 million in the first quarter of 2009, and NOK 496 million on a comparable basis in the second quarter of 2008). The result is still weak, but somewhat improved compared with the first quarter, mainly because of lower costs.
- // Decision to indefinitely idle PM 2 at Norske Skog Parenco, further measures to reduce costs and redistribution of production between the European mills. Expected full year effect of NOK 600-700 million from 2010 onwards.
- // Several important loan transactions were executed during the quarter, and profits of NOK 247 million were realised from the repurchase of several bond loans.
- // Entered into agreement to sell Norske Skog's stake in Shanghai Norske Skog Potential Paper in China.
- // Svein Rennemo has been elected new deputy chair of the board.

## INCOME STATEMENT

|   |          | APR-JUN 2009 | JAN-MAR 2009 | APR-JUN 2008 | JAN-JUN 2009 | JAN-JUN 2008 |
|---|----------|--------------|--------------|--------------|--------------|--------------|
| Operating revenue   | NOK mill | 5 160        | 5 259        | 6 528        | 10 419       | 12 797       |
| Gross operating earnings *)                                 | NOK mill | 568          | 504          | 601          | 1 071        | 1 089        |
| Gross operating earnings after depreciation**)              | NOK mill | (98)         | (149)        | (35)         | (246)        | (267)        |
| Operating earnings  | NOK mill | (153)        | (1 374)      | 1 269        | (1 528)      | 279          |
| Profit/loss before income taxes                             | NOK mill | (77)         | (1 500)      | 996          | (1 576)      | (112)        |
| Net profit/loss for the period                              | NOK mill | (538)        | (1 111)      | 695          | (1 649)      | (271)        |
| Comparable gross operating earnings ***)                    | NOK mill | 568          | 504          | 496          | 1 071        | 901          |
| Comparable gross operating earnings after depreciation ***) | NOK mill | (98)         | (149)        | (73)         | (246)        | (259)        |

\*) Operating earnings before depreciation, restructuring costs, other gains and losses and impairments.

\*\*\*) Operating earnings before restructuring costs, other gains and losses and impairments.

\*\*\*\*) Operating profit/loss excluding the activities in South Korea.

## COMPARABILITY

There have been no changes to the corporate structure from the first quarter to the second quarter of 2009, and these two quarters are thus comparable. In 2008, Norske Skog sold two mills in South Korea, and the results from these units have been included up to and including the second quarter of 2008. In order to compare with the second quarter and first half of 2008, the table above and the tables for the newsprint segment and geographic region Asia which are presented in relevant sections of this report refer to numbers on a comparable level, meaning that the South Korean operations have been excluded. Norske Skog closed two paper machines in Europe in the second quarter of 2008, but the volume from these machines was to a certain degree transferred to other mills. Due to this, the comparable numbers have not been adjusted to reflect these closings.

GROUP COMMENT -  
UNDERLYING  
OPERATIONS**Second quarter 2009 compared with first quarter 2009**

Second quarter results in 2009 were still weak, although there was an increase of NOK 64 million in the gross operating earnings compared with the first quarter of 2009. A comparison of the two quarters shows that the average price level measured in NOK accounted for approximately NOK 100 million lower earnings for the second quarter, however this was offset by cost improvements and other circumstances which in total contributed positively by approximately NOK 160 million. Changes in the currency exchange rates have in total had little effect on the earnings development in the second quarter of 2009. There were no significant changes in the market conditions, significant downtime was taken in the second quarter as well. Total production volume for the second quarter of 2009 was 969 000 tonnes, which is two per cent lower than the previous quarter, and corresponds to an average capacity utilization of 75%. Total deliveries in the second

quarter of 2009 amounted to 948 000 tonnes, an increase of 2.6 per cent from the first quarter. As for the individual regions within newsprint, earnings increased in Europe, Asia and Australasia, while results in South America were weaker. Results for magazine paper were also weaker.

**Second quarter 2009 compared with second quarter 2008**

Excluding two units in South Korea which were disposed of, gross operating earnings increased by NOK 72 million, in spite of comparable volumes being 25 per cent lower. The improvement in earnings is caused mainly by lower costs and a weaker NOK in the second quarter of 2009 than in the second quarter of 2008.

**First half 2009 compared with first half 2008**

On a comparable basis, the gross operating earnings increased by NOK 170 million. In the first half of 2009, the volumes were about 25 per cent lower than for the same period in 2008. However, similar to the developments for the quarters as described above, the reduction in volumes has been more than offset by lower costs and a weaker NOK.

## SPECIAL ITEMS IN THE OPERATING EARNINGS UNDER IFRS

|                        |          | APR-JUN 2009 | JAN-MAR 2009 | APR-JUN 2008 | JAN-JUN 2009 | JAN-JUN 2008 |
|------------------------|----------|--------------|--------------|--------------|--------------|--------------|
| Restructuring expenses | NOK mill | (277)        | (1)          | 0            | (278)        | (198)        |
| Other gains and losses | NOK mill | 872          | (1 225)      | 1 336        | (353)        | 2 031        |
| Impairments            | NOK mill | (651)        | 0            | (32)         | (651)        | (1 286)      |

“Restructuring expenses” of NOK 277 million in the second quarter of 2009 relate to allocations for severance pay, etc. in connection with the idling of PM 2 at Norske Skog Parenco and workforce reductions at Norske Skog Follum. The amount recorded in the first half of 2008 relates to similar allocations in connection with the decision to close paper machines.

“Other gains and losses” in the second quarter of 2009 mainly relate to value increases in Norwegian long-term power contracts, while the previous quarter saw a decrease in the value of the power portfolio. The numbers for last year are also mainly related to changes in the value in the power portfolio. In addition, allocations were made in connection

with the termination of an investment project at Norske Skog Pisa in Brazil.

Write-downs totalling NOK 651 million were carried out in the second quarter of 2009. These consist of NOK 314 million in connection with the sale of Norske Skog’s shares in Shanghai Norske Skog Potential Paper (SNP) in China, NOK 485 million as write-down of PM 2 at Norske Skog Parenco in the Netherlands, NOK 224 million as write-down of Norske Skog Walsum in Germany, NOK 200 million as write down of Norske Skog Hebei in China, offset by NOK 572 million as a reversal of a previous write-down of Norske Skog Saugbrugs in Norway. An agreement was made to sell Norske Skog’s 56 per cent stake in SNP, and the accounting

loss will be posted as a write-down in the second quarter. The transaction is expected to be finalised in the third quarter. The Parenco write-down is based on the decision to idle PM 2. The write-downs at Hebei and Walsum are based on lower price expectations in the models used for the calculations. As for Saugbrugs, the mill was written down in the fourth quarter of 2007 in connection with the value of the Norwegian power contracts being included in the balance sheet. Subsequent calculations have shown significantly higher values in Saugbrugs, and the final part of the 2007 write-down amount has been reversed.

The 2008 write-downs applied to paper machines the group decided to close.

## SPECIFICATION FINANCIAL ITEMS

|   |          | APR-JUN 2009 | JAN-MAR 2009 | APR-JUN 2008 | JAN-JUN 2009 | JAN-JUN 2008 |
|---|----------|--------------|--------------|--------------|--------------|--------------|
| Net interest costs  | NOK mill | (209)        | (283)        | (270)        | (492)        | (561)        |
| Realised/unrealised gains/losses on interest rate derivatives | NOK mill | 129          | (211)        | 59           | (81)         | 100          |
| Realised/unrealised gains/losses on currency                  | NOK mill | (38)         | 383          | (20)         | 345          | 154          |
| Gain buy-back of bonds  | NOK mill | 247          | 7            | 0            | 254          | 0            |
| Other financial items   | NOK mill | (60)         | (39)         | (45)         | (99)         | (86)         |
| Total financial items   | NOK mill | 69           | (143)        | (275)        | (73)         | (393)        |

Interest costs in the second quarter of 2009 were reduced compared with the previous quarter. This is mainly caused by a weaker USD which results in a lower interest cost measured in NOK. In the second quarter the value of the portfolio of interest rate instruments increased, partly due to the recording of a hedging reserve as income in the balance sheet.

Gains on bonds are mainly related to the redemption of bonds in a USD denomina-

ted bond loan maturing in 2011, as well as a Norwegian bond loan maturing in 2012. The profits will not affect the cash flow from operations, but will appear in the cash flow statement as a reduction of net interest bearing debt.

**Tax costs**

Tax costs in the second quarter of 2009 were negative NOK 461 million, while there was a positive tax cost of NOK 389 million in the

previous quarter. There is a negative pre-tax result of NOK 77 million in the second quarter, but for tax calculation purposes, this must be adjusted upwards for write-downs in connection with the sale of shares in Shanghai Norske Skog Potential Paper and for write-downs at three other plants, as well as the majority of the restructuring allocations. These write-downs and allocations do not qualify for the calculation of deferred tax assets under IFRS regulations.

## CASH FLOW (KEY FIGURES)

|   |          | APR-JUN 2009 | JAN-MAR 2009 | APR-JUN 2008 | AKK 2009 | AKK 2008 |
|---|----------|--------------|--------------|--------------|----------|----------|
| Gross operating earnings                    | NOK mill | 568          | 504          | 601          | 1 071    | 1 089    |
| Change in working capital and adjustments*) | NOK mill | (76)         | (48)         | 146          | (123)    | 448      |
| Cash from net financial items               | NOK mill | (737)        | 303          | (422)        | (434)    | (357)    |
| Taxes paid                                  | NOK mill | (48)         | (36)         | (30)         | (84)     | (55)     |
| Net cash flow from operating activities     | NOK mill | (293)        | 723          | 295          | 430      | 1 127    |
| Investments in operational fixed assets     | NOK mill | (196)        | (79)         | (272)        | (275)    | (662)    |

\*) Consists of items with no cash effect included in gross operating earnings, and items with cash effect included in restructuring costs and other gains and losses.

Net cash flow from operations, after paid financial items and taxes paid, was negative in the second quarter of 2009. This quarter, large financial disbursements have been made, resulting from scheduled interest payments on several of Norske Skog's loans. In the second

quarter of 2009, interest payments amounted to approximately NOK 550 million, compared with approximately NOK 75 million the previous quarter. As mentioned above, gains on repurchase of bonds have not been included in this item in the cash flow statement. In

the first quarter of 2009 there was a positive cash flow from financial items, mainly generated from termination of interest swaps and low interest payments.

## BALANCE SHEET

|                                     |          | 30 JUN 2009 | 31 MAR 2009 | 31 DEC 2008 | 30 JUN 2008 |
|-------------------------------------|----------|-------------|-------------|-------------|-------------|
| Non-current assets                  | NOK mill | 23 127      | 24 088      | 26 980      | 22 556      |
| Cash and cash equivalents           | NOK mill | 4 821       | 5 307       | 6 036       | 1 993       |
| Other current assets                | NOK mill | 9 898       | 9 451       | 12 175      | 18 898      |
| Total assets                        | NOK mill | 37 847      | 38 845      | 45 191      | 43 447      |
| Equity including minority interests | NOK mill | 12 074      | 12 156      | 13 632      | 14 867      |
| Non-current liabilities             | NOK mill | 20 390      | 20 209      | 23 277      | 20 706      |
| Current liabilities                 | NOK mill | 5 382       | 6 481       | 8 282       | 7 874       |
| Net interest-bearing debt           | NOK mill | 12 236      | 12 925      | 14 047      | 15 678      |

Total assets have been reduced by about NOK 1 billion from the end of the preceding quarter. The main reason is that depreciation and impairments are significantly higher than the investments. This is, to a certain degree, offset by the increased value of the group's power portfolio. There are no significant currency effects in the balance sheet compared with the end of the preceding quarter. Compared with 31 December 2008, assets have been reduced by about NOK 7.3 billion. In addition to the circumstances described above, there has during this time period been a significant strengthening of the NOK which has reduced the company's assets outside Norway. The translation effect also reduces debt calculated in NOK, so that the effect on the group's equity is marginal.

Equity has been reduced by NOK 103 million during the second quarter of 2009, and equity per share was NOK 63.44 as of 30 June 2009. A more detailed description of the changes in equity is provided later in this report.

As per 30 June 2009, net interest-bearing debt was approximately NOK 12.2 billion, and gearing (net interest-bearing debt to equity) was 1.02. A hedging reserve (deferred income) of NOK 531 million has not been included in the calculation of these key figures. This reserve is reported as interest-bearing long-term debt, but is actually as a reserve which was created when hedges were terminated in 2009, and will be reported as income and distributed across the remaining terms of the loans. This is further described in a sepa-

rate note to the accounts.

The average remaining term of the interest bearing debt was 5.7 years as per 30 June 2009. Loans falling due in the remainder of 2009 amount to approximately NOK 1.4 billion, of which NOK 425 million relates to a Norwegian bond loan. The amount of interest bearing debt due in 2010 is insignificant. During the first half of 2009, several important loan transactions were carried out. These are described in a separate section later in the board of directors' report. As per 30 June 2009, Norske Skog had liquid assets totalling about NOK 4.8 billion.

The rating company Standard and Poor's changed its credit rating of Norske Skog in May, from BB- to B+, still with "Negative Outlook". The rating company Moody's gives a B2 credit rating, with "Stable Outlook".

## SEGMENT INFORMATION

## Newsprint total - Key figures

|   |              | APR-JUN 2009 | JAN-MAR 2009 | APR-JUN 2008 | JAN-JUN 2009 | JAN-JUN 2008 |
|---|--------------|--------------|--------------|--------------|--------------|--------------|
| Operating revenue                           | NOK mill     | 3 518        | 3 329        | 4 659        | 6 846        | 9 086        |
| Gross operating earnings                    | NOK mill     | 512          | 345          | 525          | 857          | 928          |
| Gross operating earnings after depreciation | NOK mill     | 15           | (138)        | 9            | (123)        | (184)        |
| Gross operating margin                      | %            | 14.5         | 10.4         | 11.3         | 12.5         | 10.2         |
| Production                                  | 1 000 tonnes | 719          | 736          | 1 182        | 1 455        | 2 314        |
| Deliveries                                  | 1 000 tonnes | 722          | 662          | 1 177        | 1 383        | 2 320        |
| Production / capacity                       | %            | 76           | 78           | 95           | 77           | 92           |
| Comparable gross operating earnings *)      | NOK mill     | 512          | 345          | 420          | 857          | 740          |
| Comparable production *)                    | 1 000 tonnes | 719          | 736          | 933          | 1 455        | 1 819        |
| Comparable deliveries *)                    | 1 000 tonnes | 722          | 662          | 939          | 1 383        | 1 834        |

\*) Excluding South Korea for all periods

The second quarter 2009 gross operating earnings in the main segment newsprint improved by NOK 167 million compared with the first quarter. The improvement relates to all geographic sub-segments, with the exception of South America, and is mainly due to lower

costs. Equally, there is an improvement compared with the second quarter of 2008 (excluding South Korea), despite significantly lower volumes. The improvement is due to lower costs and a weaker NOK.

The market conditions for newsprint have not

changed significantly throughout the second quarter. In the first half of 2009, worldwide demand has been 17 per cent lower than in the first half of 2008.

## Newsprint Europe - Key figures

|   |              | APR-JUN 2009 | JAN-MAR 2009 | APR-JUN 2008 | JAN-JUN 2009 | JAN-JUN 2008 |
|---|--------------|--------------|--------------|--------------|--------------|--------------|
| Operating revenue                           | NOK mill     | 1 615        | 1 575        | 1 942        | 3 190        | 3 765        |
| Gross operating earnings                    | NOK mill     | 260          | 204          | 175          | 464          | 345          |
| Gross operating earnings after depreciation | NOK mill     | 41           | (7)          | (19)         | 34           | (55)         |
| Gross operating margin                      | %            | 16.1         | 13.0         | 9.0          | 14.5         | 9.2          |
| Production                                  | 1 000 tonnes | 351          | 379          | 512          | 729          | 992          |
| Deliveries                                  | 1 000 tonnes | 356          | 347          | 505          | 703          | 975          |
| Production / capacity                       | %            | 71           | 76           | 94           | 74           | 90           |

The second quarter 2009 gross operating earnings remained weak, although there was a NOK 56 million improvement from the previous quarter. Average price measured in NOK is nearly unchanged, but there has been a positive cost development. Weak demand caused low utilisation of capacity in the second quarter.

It is important to note that Norske Skog Steti and PM 2 at Norske Skog Follum were

included in the accounts until the end of the second quarter of 2008. These two units had production and sales volumes of just over 100,000 tonnes in the first half of 2008, but part of this was transferred to other units in connection with the closings.

As previously mentioned in the report, there are plans to indefinitely idle PM 2 at Norske Skog Parenco. This should allow for significant savings in fixed costs.

In the first half of 2009, demand for standard newsprint in Europe was about 13 per cent lower than in the same period in 2008. Looking at Western Europe specifically, the market balance has been negatively influenced by higher volumes from Eastern Europe, while North American imports have been somewhat reduced compared to last year.

## Newsprint Asia - Key figures

|   |              | APR-JUN 2009 | JAN-MAR 2009 | APR-JUN 2008 | JAN-JUN 2009 | JAN-JUN 2008 |
|---|--------------|--------------|--------------|--------------|--------------|--------------|
| Operating revenue                           | NOK mill     | 387          | 330          | 1 275        | 717          | 2 541        |
| Gross operating earnings                    | NOK mill     | 0            | (42)         | 134          | (42)         | 223          |
| Gross operating earnings after depreciation | NOK mill     | (59)         | (103)        | 15           | (162)        | (80)         |
| Gross operating margin                      | %            | 0.0          | (12.7)       | 10.5         | (5.8)        | 8.8          |
| Production                                  | 1 000 tonnes | 107          | 94           | 388          | 201          | 760          |
| Deliveries                                  | 1 000 tonnes | 117          | 88           | 379          | 205          | 763          |
| Production / capacity                       | %            | 71           | 62           | 96           | 67           | 94           |
| Comparable gross operating earnings *)      | NOK mill     | 0            | (42)         | 29           | (42)         | 35           |
| Comparable production *)                    | 1 000 tonnes | 107          | 94           | 139          | 201          | 265          |
| Comparable deliveries *)                    | 1 000 tonnes | 117          | 88           | 141          | 205          | 277          |

\*) Excluding South Korea for all periods

In the second quarter of 2009, gross operating earnings remained very weak, reflecting low volumes and low price levels. Volumes increased somewhat compared to the first quarter of 2009, but the low capacity utilization continued in the second quarter due to down time,

primarily at Norske Skog Hebei. Shanghai Norske Skog Potential Paper, with an annual capacity of 145 000 tonnes, will not be included in the accounts from the third quarter of 2009, as there is an agreement to sell Norske Skog's shares in the company.

In January –May 2009, the demand for newsprint was approximately 17 per cent lower than for the corresponding period the previous year. Continued low prices must be expected in most Asian countries.

REPORT OF THE BOARD OF DIRECTORS - SECOND QUARTER 2009

**Newsprint Australasia - Key figures**

|   |              | APR-JUN 2009 | JAN-MAR 2009 | APR-JUN 2008 | JAN-JUN 2009 | JAN-JUN 2008 |
|---|--------------|--------------|--------------|--------------|--------------|--------------|
| Operating revenue                           | NOK mill     | 836          | 713          | 977          | 1 549        | 1 929        |
| Gross operating earnings                    | NOK mill     | 168          | 104          | 167          | 271          | 306          |
| Gross operating earnings after depreciation | NOK mill     | (11)         | (63)         | (5)          | (74)         | (40)         |
| Gross operating margin                      | %            | 20.1         | 14.5         | 17.0         | 17.5         | 15.9         |
| Production                                  | 1 000 tonnes | 206          | 195          | 212          | 400          | 418          |
| Deliveries                                  | 1 000 tonnes | 189          | 173          | 222          | 362          | 441          |
| Production / capacity                       | %            | 93           | 88           | 97           | 91           | 95           |

Second quarter 2009 gross operating earnings increased significantly compared to the first quarter. This is due to somewhat higher volumes, favourable cost development and positive translation effects from a stronger AUD

against the NOK. As of 1 July, a seven per cent price increase has been implemented in Australia under the long-term delivery agreements. This will apply to about 60 per cent of the produced tonnage in the region, but the

increase in sales income will be significantly offset by lower prices on export tonnage.

Compared with 2008, the demand for standard newsprint was approximately 16 per cent lower in the first half of 2009.

**Newsprint South America - Key Figures**

|   |              | APR-JUN 2009 | JAN-MAR 2009 | APR-JUN 2008 | JAN-JUN 2009 | JAN-JUN 2008 |
|---|--------------|--------------|--------------|--------------|--------------|--------------|
| Operating revenue                           | NOK mill     | 329          | 315          | 295          | 645          | 564          |
| Gross operating earnings                    | NOK mill     | 75           | 87           | 35           | 162          | 37           |
| Gross operating earnings after depreciation | NOK mill     | 36           | 45           | 5            | 81           | (24)         |
| Gross operating margin                      | %            | 22.9         | 27.6         | 11.9         | 25.2         | 6.6          |
| Production                                  | 1 000 tonnes | 56           | 68           | 70           | 124          | 143          |
| Deliveries                                  | 1 000 tonnes | 59           | 54           | 71           | 113          | 139          |
| Production / capacity                       | %            | 72           | 87           | 90           | 80           | 92           |

The South American gross operating earnings are down somewhat compared to the previous quarter, mainly caused by production limitations at Norske Skog Pisa. Price levels

converted to NOK remain high, but there is significant pressure on prices due to developments in North America.

Estimated demand in South America is

more than 20 per cent lower in the first half of 2009 than for the corresponding period in 2008.

**Magazine paper - Key figures**

|   |              | APR-JUN 2009 | JAN-MAR 2009 | APR-JUN 2008 | JAN-JUN 2009 | JAN-JUN 2008 |
|---|--------------|--------------|--------------|--------------|--------------|--------------|
| Operating revenue                           | NOK mill     | 1 387        | 1 603        | 1 642        | 2 991        | 3 157        |
| Gross operating earnings                    | NOK mill     | 125          | 201          | 130          | 327          | 284          |
| Gross operating earnings after depreciation | NOK mill     | (31)         | 43           | 22           | 12           | 64           |
| Gross operating margin                      | %            | 9.0          | 12.6         | 7.9          | 10.9         | 9.0          |
| Production                                  | 1 000 tonnes | 250          | 249          | 335          | 499          | 672          |
| Deliveries                                  | 1 000 tonnes | 226          | 262          | 325          | 488          | 624          |
| Production / capacity                       | %            | 71           | 71           | 96           | 71           | 97           |

Second quarter 2009 results are weak, and influenced by continued low capacity utilization. There is a negative effect of a weaker USD in the quarter, as well as lower prices on lightweight coated magazine paper (LWC).

In line with newsprint market developments, the market conditions for magazine paper have been very weak so far in 2009. SC (uncoated magazine paper) is experiencing drop in demand to a larger extent than coated

magazine paper. Comparing the first half of 2009 with 2008, the drop in demand for the two paper grades is nine per cent and 27 per cent for uncoated and coated magazine paper respectively.



## REPORT OF THE BOARD OF DIRECTORS - SECOND QUARTER 2009

### Energy - Key figures

|   |          | APR-JUN 2009 | JAN-MAR 2009 | APR-JUN 2008 | JAN-JUN 2009 | JAN-JUN 2008 |
|---|----------|--------------|--------------|--------------|--------------|--------------|
| Operating revenue                           | NOK mill | 445          | 449          | 289          | 893          | 708          |
| Gross operating earnings                    | NOK mill | (8)          | 10           | (16)         | 2            | (21)         |
| Gross operating earnings after depreciation | NOK mill | (8)          | 10           | (16)         | 2            | (21)         |
| Operating earnings                          | NOK mill | 878          | (1 350)      | 1 316        | (472)        | 2 297        |

The ordinary activities of the segment consist primarily of the purchase and sale of energy to the Norwegian mills. For accounting purposes, purchase of energy in Norway is recognised as a cost of materials in the segment, with resale at contract prices to the Norwegian mills. The remaining sales are sales to external parties. The sale of surplus energy following the shutdown of Follum PM 2 is included in these external sales. The lower second quarter results are mainly related to lower spot pri-

ces in Norway. In addition, a minor loss on a gas contract at Norske Skog Parengo (in connection with the shutdown of PM 2) has been recorded as an expense.

Operating earnings under IFRS in the energy segment include changes in the value of energy contracts and embedded derivatives. The contracts are included in the balance sheet in accordance with IAS 39 (Financial instruments – Recognition and measurement), which means that the value is made up

of the difference between the assumed market price and the contract price over the contract period, discounted to present value. The value may fluctuate substantially from quarter to quarter due to changes in future energy prices, and it is also influenced by currency, price indices and discounting rates. A substantial part of the amount recorded in the balance sheet relates to Norway and Brazil.

### Other activities - Key figures

|   |          | APR-JUN 2009 | JAN-MAR 2009 | APR-JUN 2008 | JAN-JUN 2009 | JAN-JUN 2008 |
|---|----------|--------------|--------------|--------------|--------------|--------------|
| Operating revenue                           | NOK mill | 487          | 567          | 941          | 1 053        | 1 864        |
| Gross operating earnings                    | NOK mill | (61)         | (53)         | (38)         | (114)        | (102)        |
| Gross operating earnings after depreciation | NOK mill | (74)         | (64)         | (50)         | (137)        | (127)        |

Other operations include unallocated group costs as well as trading activities in salvaged paper, etc.

## HEALTH AND SAFETY

The H-value (lost time injuries per million working hours) was 2.0 for the 12-month period from 1 July 2008 to 30 June 2009. This is unchanged from the previous 12-month period. Seven of the production facilities had zero lost time injuries in the last period.

At Norske Skog Hebei in China there was a fatal accident in May during the unloading of recovered paper. The deceased person was employed by a company transporting recovered paper to the mill.

## EVENTS IN THE FIRST HALF OF 2009, UP TO PRESENTATION OF THE ACCOUNTS FOR THE SECOND QUARTER

### New measures to improve profitability

In June, the Norske Skog board of directors decided to implement a number of cost cutting measures in order to deal with reduced global demand for newsprint and magazine paper. The main initiatives include shutting down one of the two paper mills at Parenco in the Netherlands, reducing the workforce at Norske Skog Follum in Norway, significant cost reductions in all of the group's units and redistribution of production between the European plants. The measures are expected to improve the company's results by about NOK 230 million during the second half of 2009, and a full year effect from 2010 of NOK 600-700 million. Non-recurring costs in connection with write-downs and allocations for severance pay, etc are described in other sections of the quarterly report.

PM 2 at Norske Skog Parenco in the Netherlands was temporarily closed in April this year. There are no plans to restart the machine, which has a production capacity of 225 000 tonnes annually. A downsizing process has been started, based on operation of just one machine. The workforce at Norske Skog Parenco will be reduced by 170-200 people as a result of the idling.

A downsizing process to reduce the workforce at Norske Skog Follum from 420 to 340 employees will be carried out during 2009. Downsizing processes will also be implemented at the group's other units. It is estimated that the total effect of the measures will reduce the number of employees by about 600 persons, which is equivalent to nine per cent of the global workforce. Employee representatives and local management are already involved in the ongoing processes. Costs at the Norske Skog head office are to be reduced by 20 per cent compared to 2008 levels, in the form of workforce cuts and other cost-reduction measures.

A study is currently underway regarding construction of a new bleaching plant at Norske Skog Skogn, one of the group's most cost-effective facilities. A new bleaching plant would further expand the mill's range of products and competitiveness. It is estimated that such an investment would amount to about NOK 100 million. If the project is completed, 160 000 tonnes of the capacity at Norske Skog Skogn could be converted from standard newsprint to improved newsprint, and distribution of production between the mills in Europe become more optimal.

In order to improve Norske Skog's cash flow, the board has decided to reduce the group's total investment level to about NOK 600 million for 2009.

### Financial transactions

In light of the current weak profitability, it is of great importance to maintain and improve the company's financial flexibility. Consequently, several important loan transactions have been conducted so far in 2009.

In March the full drawdown of a EUR 400 million committed credit facility was made, the facility falls due in 2012. The amount, combined with part of the cash balance, was used to prepay a bank loan which was due in 2010.

At the end of March, Norske Skog made an offer to the investors in a USD bond loan maturing in October 2011, aiming to repurchase up to USD 150 million (par value). The offer resulted in Norske Skog repurchasing USD 77.3 million (par value) of the bonds at a price of 75 per cent.

In April, Innovation Norway extended a loan commitment of NOK 250 million and the loan was paid out in June. The total term of the loan is 12 years, the first two years without installments, and is linked to the financing of development projects at Norske Skog Skogn. The projects will be implemented to improve competitiveness at the mill by reducing energy consumption and enhancing quality.

At the end of June, Norske Skog issued a new 5-year bond loan of NOK 580 million at a fixed interest rate and NOK 170 million at a floating interest rate. Interest coupon on the fixed interest loan is 15.5 per cent, and margin on the floating rate loan is 1,150 basis points above NIBOR. In connection with this transaction, Norske Skog repurchased NOK 237 million (par value) of a bond loan due in 2012 at a price of 83 per cent.

The repurchasing of bonds has generated a total profit of NOK 254 million during the first half of 2009. Most of the profit relates to the above-mentioned transactions, however several smaller holdings have also been repurchased. At the end of the second quarter of 2009, Norske Skog has a total of NOK 11 255 million in outstanding bond loans, distributed as follows: NOK 2 005 million in Norwegian bond loans, NOK 4 805 million in USD denominated bond loans and NOK 4 448 million in a EUR denominated bond loan. As of 30.06.2009, the cash balance was approximately NOK 4.8 billion, which is sufficient to cover all debt maturing up to and including 2011.

### Sale of businesses

An agreement regarding the sale of Norske Skog's 56 per cent stake in the newsprint mill Shanghai Norske Skog Potential Paper (SNP) in China has been entered into. The transaction is expected to be finalised during the third quarter. Potential Industries, who already owns 34 per cent of the mill, will take over all of Norske Skog's shares in SNP. All debts and other commitments remain with SNP, thus, the sale reduces Norske Skog's gross interest bearing debt by approximately NOK 150 million. Had Norske Skog continued to be an owner of the mill, the group would have had to inject additional capital to maintain operations at SNP. The sale entails an accounting loss for Norske Skog, which will be recorded by minus NOK 314 million in the accounts for the second quarter of 2009, and by NOK 60 million from positive translation differences in the accounts for the third quarter of 2009. The NOK 60 million amount has already been included in the group's equity, but according to the congruence principle in the general accounting principles, it must also be included in the income statement when the asset is sold.

## Risks

Norske Skog conducts a continuous and in-depth assessment of operational and financial risk factors. The most important operational risks are related to prices and sales volumes for newsprint and magazine paper, as well as the prices for important input factors such as timber, recovered paper and energy.

The financial risk management mainly comprises currency, interest and liquidity risk. The annual report for 2008 provides a comprehensive description of risks and risk management.

## Closely related parties

Some of the company's shareholders are forest owners who deliver wood to the company's mills in Norway. All transactions with closely related parties take place at regular market terms. No board members receive remuneration for their work for the company from other parties than the company.

## Governing bodies

Election of new members to the corporate assembly and election committee took place during the general meeting on 23 April. The following are now shareholder-elected members of the corporate assembly: Tom Ruud (Chair), Helge Evju (Deputy Chair), Emil Aubert, Ann Kristin Brautaset, Thorleif Enger, Ove Gusevik, Even Mengshoel, Tom Rathke, Christian Ramberg, Torbjørn R. Skjerve, Otto Søberg and Karen Helene Ulltveit-Moe.

The following are shareholder-elected deputy members: Svein Haare, Ole H. Bakke, Kjersti Narum and Uta Stoltenberg.

Following the election among the employees in Norway, these are the employee-elected representatives in the corporate assembly: Trond Andersen, Harald Bjerger, Trond Bjørken, Erik Josephson, Freddy Solibråten and Stig A. Stene. These are the employee-elected observers: Kjetil Bakkan, Marianne Grønvold and Jan Magnar Hansen. The term of office for the employee-elected officials is two years.

The general meeting re-elected Norske Skog's election committee

consisting of Tom Ruud (Chair), Ole H. Bakke, Henrik A. Christensen and Otto Søberg.

In January 2009, chairman of the board Kim Wahl announced that he would not seek re-election, and the corporate assembly elected Eivind Reiten as new chairman at the meeting on 23 April. Eivind Reiten was president of Hydro from 2001 until the end of March 2009. Reiten has also previously been a board member in Norske Skog, from 1995 to 2000.

The board's deputy chair, Øystein Stray Spetalen, withdrew from the board after Union AS sold their shares at the beginning of June. In the corporate assembly meeting on 23 June, Svein Rennemo was elected new deputy chair, and the number of board members was reduced from 10 to 9. The board of directors now consists of Eivind Reiten (chair), Svein Rennemo (deputy chair), Halvor Bjørken, Wenche Holen, and Ingrid Wiik as members elected by the shareholders, and Stein Roar Eriksen, Paul Kristiansen and Inge Myrlund as employee-elected members.

## Shares

On 30 June 2009, the foreign ownership share constituted 30 per cent, compared with 34 per cent on 31 March 2009, and 40.5 per cent at the beginning of the year. A total of 256 million Norske Skog shares were traded during the first half of 2009.

## Outlook for the second half of 2009

The board emphasises that there is significant uncertainty with regard to the outlook.

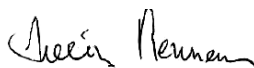
There are no sure signs of any immediate improvement in the market, and production curtailments will still be necessary. In Australia a price increase of seven per cent was implemented from 1 July for all long-term supply contracts. In several other markets there is price pressure as a result of low demand. A modest positive effect is expected from the measures initiated to reduce the costs.

Lysaker, 5 August 2009

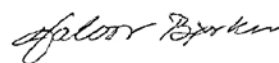
The Board of Directors of Norske Skogindustrier ASA



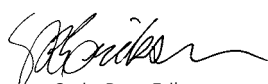
Eivind Reiten  
Chair



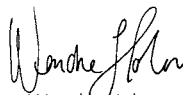
Svein Rennemo  
Deputy chair



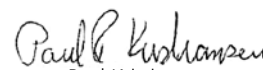
Halvor Bjørken  
Board member



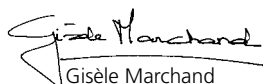
Stein-Roar Eriksen  
Board member



Wenche Holen  
Board member



Paul Kristiansen  
Board member



Giséle Marchand  
Board member



Inge Myrlund  
Board member



Ingrid Wiik  
Board member



Christian Rønning-Tønnesen  
President and CEO

# THE WORLD OF NORSKE SKOG



- ① Norske Skog Skogn, Norway
- ② Norske Skog Saugbrugs, Norway
- ③ Norske Skog Follum, Norway
- ④ Norske Skog Golbey, France
- ⑤ Norske Skog Bruck, Austria
- ⑥ Norske Skog Walsum, Germany
- ⑦ Norske Skog Parenco, The Netherlands
- ⑧ SNP Shanghai, China
- ⑨ Norske Skog Hebei, China
- ⑩ Norske Skog Singburi, Thailand
- ⑪ Norske Skog Tasman, New Zealand
- ⑫ Norske Skog Albury, Australia
- ⑬ Norske Skog Boyer, Australia
- ⑭ Norske Skog Pisa, Brazil
- ⑮ Norske Skog BioBio, Chile



INTERIM FINANCIAL STATEMENTS - SECOND QUARTER 2009

INCOME STATEMENT

| NOK MILLION  | APR-JUN 2009 | JAN-MAR 2009   | APR-JUN 2008 | YTD 2009       | YTD 2008      |
|--|--------------|----------------|--------------|----------------|---------------|
| <b>Operating revenue</b>                           | <b>5 160</b> | <b>5 259</b>   | <b>6 528</b> | <b>10 419</b>  | <b>12 797</b> |
| Distribution costs                                 | (424)        | (419)          | (600)        | (843)          | (1 179)       |
| Cost of materials                                  | (2 938)      | (3 149)        | (3 961)      | (6 087)        | (7 874)       |
| Change in inventories                              | 22           | 134            | 44           | 156            | 165           |
| Employee benefit expenses                          | (789)        | (809)          | (884)        | (1 598)        | (1 758)       |
| Other operating expenses                           | (462)        | (513)          | (528)        | (976)          | (1 062)       |
| <b>Gross operating earnings</b>                    | <b>568</b>   | <b>504</b>     | <b>601</b>   | <b>1 071</b>   | <b>1 089</b>  |
| Depreciation                                       | (666)        | (652)          | (636)        | (1 318)        | (1 357)       |
| <b>Gross operating earnings after depreciation</b> | <b>(98)</b>  | <b>(149)</b>   | <b>(35)</b>  | <b>(246)</b>   | <b>(267)</b>  |
| Restructuring expenses                             | (277)        | (1)            | 0            | (278)          | (198)         |
| Other gains and losses                             | 872          | (1 225)        | 1 336        | (353)          | 2 031         |
| Impairments  | (651)        | 0              | (32)         | (651)          | (1 286)       |
| <b>Operating earnings</b>                          | <b>(153)</b> | <b>(1 374)</b> | <b>1 269</b> | <b>(1 528)</b> | <b>279</b>    |
| Share of profit in associated companies            | 7            | 17             | 3            | 25             | 1             |
| Financial items                                    | 69           | (143)          | (275)        | (73)           | (393)         |
| <b>Profit/loss before income taxes</b>             | <b>(77)</b>  | <b>(1 500)</b> | <b>996</b>   | <b>(1 576)</b> | <b>(112)</b>  |
| Income taxes                                       | (461)        | 389            | (301)        | (72)           | (159)         |
| <b>Net profit/loss for the period</b>              | <b>(538)</b> | <b>(1 111)</b> | <b>695</b>   | <b>(1 649)</b> | <b>(271)</b>  |
| Attributable to equity holders of the company      | (352)        | (1 086)        | 706          | (1 438)        | (250)         |
| Attributable to minority interests                 | (186)        | (25)           | (11)         | (211)          | (21)          |
| Earnings per share                                 | (1.85)       | (5.73)         | 3.74         | (7.58)         | (1.32)        |

STATEMENT OF COMPREHENSIVE INCOME

| NOK MILLION  | APR-JUN 2009 | JAN-MAR 2009   | APR-JUN 2008 | YTD 2009       | YTD 2008     |
|--|--------------|----------------|--------------|----------------|--------------|
| <b>Net profit/loss for the period</b>                          | <b>(538)</b> | <b>(1 111)</b> | <b>695</b>   | <b>(1 649)</b> | <b>(271)</b> |
| <b>Other comprehensive income:</b>                             |              |                |              |                |              |
| Currency translation differences                               | 623          | (1 448)        | (99)         | (825)          | (865)        |
| Tax expense on translation differences                         | 0            | (15)           | 11           | (15)           | 14           |
| Hedge of net investment in foreign operations                  | (118)        | 1 177          | (18)         | 1 060          | 172          |
| Tax expense on net investment hedge                            | (30)         | (11)           | (14)         | (40)           | (16)         |
| Cash flow hedge  | 0            | 44             | 38           | 44             | 22           |
| Reclassification to income statement, divestment of operations | 0            | (115)          | 0            | (115)          | 0            |
| Other items  | (1)          | 0              | 2            | (1)            | (15)         |
| Tax expense on other items                                     | (18)         | 0              | 0            | (18)           | 0            |
| <b>Other comprehensive income after taxes</b>                  | <b>456</b>   | <b>(367)</b>   | <b>(80)</b>  | <b>90</b>      | <b>(688)</b> |
| Other comprehensive income for the year before taxes           | 504          | (341)          | (77)         | 163            | (686)        |
| Tax expense on other comprehensive income                      | (48)         | (26)           | (3)          | (73)           | (2)          |
| <b>Other comprehensive income after taxes</b>                  | <b>456</b>   | <b>(367)</b>   | <b>(80)</b>  | <b>90</b>      | <b>(688)</b> |
| <b>Comprehensive income after taxes</b>                        | <b>(82)</b>  | <b>(1 477)</b> | <b>615</b>   | <b>(1 559)</b> | <b>(959)</b> |
| Comprehensive income attributable to:                          |              |                |              |                |              |
| Equity holders of the company                                  | 112          | (1 441)        | 623          | (1 329)        | (932)        |
| Minority interests   | (194)        | (36)           | (8)          | (230)          | (27)         |

INTERIM FINANCIAL STATEMENTS - SECOND QUARTER 2009

BALANCE SHEET

| NOK MILLION                              | NOTE | 30 JUN 2009   | 31 MAR 2009   | 31 DEC 2008   | 30 JUN 2008   |
|--|------|---------------|---------------|---------------|---------------|
| Deferred tax asset                       |      | 115           | 102           | 73            | 8             |
| Other intangible assets                  |      | 281           | 284           | 287           | 189           |
| Property, plant and equipment            |      | 22 191        | 23 086        | 25 139        | 21 646        |
| Investment in associated companies       |      | 265           | 262           | 295           | 224           |
| Other non-current assets                 |      | 276           | 354           | 1 186         | 489           |
| <b>Total non-current assets</b>          |      | <b>23 127</b> | <b>24 088</b> | <b>26 980</b> | <b>22 556</b> |
| Inventories                              |      | 2 585         | 2 653         | 2 703         | 2 610         |
| Receivables                              |      | 2 958         | 3 138         | 3 885         | 3 120         |
| Cash and cash equivalents                | 3    | 4 821         | 5 307         | 6 036         | 1 993         |
| Other current assets                     |      | 4 355         | 3 661         | 5 587         | 13 168        |
| <b>Total current assets</b>              |      | <b>14 719</b> | <b>14 758</b> | <b>18 211</b> | <b>20 891</b> |
| <b>Total assets</b>                      |      | <b>37 847</b> | <b>38 845</b> | <b>45 191</b> | <b>43 447</b> |
| Paid-in equity                           |      | 12 302        | 12 302        | 12 310        | 12 310        |
| Retained earnings and other reserves     |      | (267)         | (379)         | 1 052         | 2 334         |
| Minority interests                       |      | 39            | 233           | 269           | 223           |
| <b>Total equity</b>                      |      | <b>12 074</b> | <b>12 156</b> | <b>13 632</b> | <b>14 867</b> |
| Pension obligations                      |      | 630           | 608           | 644           | 483           |
| Deferred tax liability                   |      | 1 565         | 1 140         | 1 588         | 1 922         |
| Interest-bearing non-current liabilities | 3    | 15 995        | 16 312        | 18 820        | 16 618        |
| Other non-current liabilities            |      | 2 199         | 2 148         | 2 226         | 1 682         |
| <b>Total non-current liabilities</b>     |      | <b>20 390</b> | <b>20 209</b> | <b>23 277</b> | <b>20 706</b> |
| Interest-bearing current liabilities     | 3    | 1 596         | 2 010         | 2 339         | 1 005         |
| Trade and other payables                 |      | 3 417         | 4 046         | 4 999         | 4 127         |
| Tax payable                              |      | 58            | 71            | 89            | 84            |
| Other current liabilities                |      | 311           | 354           | 855           | 2 658         |
| <b>Total current liabilities</b>         |      | <b>5 382</b>  | <b>6 481</b>  | <b>8 282</b>  | <b>7 874</b>  |
| <b>Total liabilities</b>                 |      | <b>25 772</b> | <b>26 689</b> | <b>31 559</b> | <b>28 580</b> |
| <b>Total equity and liabilities</b>      |      | <b>37 847</b> | <b>38 845</b> | <b>45 191</b> | <b>43 447</b> |

CASH FLOW STATEMENT

| NOK MILLION  | APR-JUN 2009 | JAN-MAR 2009 | APR-JUN 2008 | YTD 2009       | YTD 2008     |
|--|--------------|--------------|--------------|----------------|--------------|
| Cash generated from operations   | 5 269        | 5 809        | 6 609        | 11 078         | 12 941       |
| Cash used in operations  | (4 777)      | (5 353)      | (5 863)      | (10 130)       | (11 403)     |
| Cash from net financial items  | (737)        | 303          | (422)        | (434)          | (357)        |
| Taxes paid   | (48)         | (36)         | (30)         | (84)           | (55)         |
| <b>Net cash flow from operating activities <sup>1)</sup></b>                   | <b>(293)</b> | <b>723</b>   | <b>295</b>   | <b>430</b>     | <b>1 127</b> |
| Investments in operational fixed assets  | (196)        | (79)         | (272)        | (275)          | (662)        |
| Sales of operational fixed assets  | 7            | 4            | 36           | 11             | 141          |
| Dividend received  | 68           | 0            | 0            | 68             | 0            |
| Acquisition of shares in companies   | 0            | (2)          | (127)        | (2)            | (127)        |
| Sale of shares in companies  | 1            | 21           | 0            | 22             | 0            |
| <b>Net cash flow from investing activities</b>                                 | <b>(120)</b> | <b>(56)</b>  | <b>(363)</b> | <b>(176)</b>   | <b>(648)</b> |
| New loans raised   | 957          | 3 790        | 440          | 4 747          | 1 023        |
| Repayments of loans  | (1 003)      | (4 731)      | (425)        | (5 734)        | (1 269)      |
| Dividend paid  | 0            | 0            | 0            | 0              | 0            |
| Purchase/sale of treasury shares   | 0            | (1)          | 12           | (1)            | (3)          |
| New equity   | 0            | 0            | 0            | 0              | 0            |
| <b>Net cash flow from financing activities</b>                                 | <b>(46)</b>  | <b>(942)</b> | <b>27</b>    | <b>(988)</b>   | <b>(249)</b> |
| Foreign currency effects on cash and cash equivalents                          | (27)         | (613)        | (6)          | (640)          | (22)         |
| <b>Total change in cash and cash equivalents</b>                               | <b>(486)</b> | <b>(888)</b> | <b>(48)</b>  | <b>(1 374)</b> | <b>207</b>   |
| <b><sup>1) Reconciliation of net cash flow from operating activities</sup></b> |              |              |              |                |              |
| Gross operating earnings   | 568          | 504          | 601          | 1 071          | 1 089        |
| Restructuring expenses   | (277)        | (1)          | 0            | (278)          | (198)        |
| Change in working capital  | 206          | (60)         | 117          | 146            | 721          |
| Other items in operating earnings with/(without) cash effects                  | (5)          | 13           | 29           | 9              | (75)         |
| Cash from net financial items  | (737)        | 303          | (422)        | (434)          | (357)        |
| Taxes paid   | (48)         | (36)         | (30)         | (84)           | (55)         |
| <b>Net cash flow from operating activities</b>                                 | <b>(293)</b> | <b>723</b>   | <b>295</b>   | <b>430</b>     | <b>1 127</b> |

INTERIM FINANCIAL STATEMENTS - SECOND QUARTER 2009

STATEMENT OF CHANGES IN GROUP EQUITY

| NOK MILLION                         | SHARE CAPITAL<br>AND OTHER<br>PAID-IN EQUITY | RETAINED<br>EARNINGS | HEDGE<br>ACCOUNTING | OTHER<br>EQUITY<br>RESERVES | MINORITY<br>INTERESTS | TOTAL         |
|-------------------------------------|--|----------------------|---------------------|-----------------------------|-----------------------|---------------|
| <b>Equity 1 January 2008</b>        | <b>12 310</b>                                | <b>3 354</b>         | <b>1 305</b>        | <b>(1 377)</b>              | <b>365</b>            | <b>15 957</b> |
| Comprehensive income for the period | 0  | (972)                | 172                 | (765)                       | (9)                   | (1 574)       |
| Dividend paid                       | 0  | 0                    | 0                   | 0                           | 0                     | 0             |
| Change in holding of own shares     | (13)   | 0                    | 0                   | 7                           | 0                     | (6)           |
| Change in ownership in subsidiaries | 0  | 0                    | 0                   | 0                           | 0                     | 0             |
| <b>Equity 31 March 2008</b>         | <b>12 297</b>                                | <b>2 382</b>         | <b>1 478</b>        | <b>(2 136)</b>              | <b>356</b>            | <b>14 378</b> |
| Comprehensive income for the period | 0  | 707                  | 6                   | (80)                        | (18)                  | 615           |
| Dividend paid                       | 0  | 0                    | 0                   | 0                           | (2)                   | (2)           |
| Change in holding of own shares     | 13   | 0                    | 0                   | (8)                         | 0                     | 5             |
| Change in ownership in subsidiaries | 0  | 0                    | 0                   | (15)                        | (113)                 | (128)         |
| <b>Equity 30 June 2008</b>          | <b>12 310</b>                                | <b>3 089</b>         | <b>1 484</b>        | <b>(2 239)</b>              | <b>223</b>            | <b>14 867</b> |
| Comprehensive income for the period | 0  | (2 468)              | (2 819)             | 4 005                       | 38                    | (1 244)       |
| Dividend paid                       | 0  | 0                    | 0                   | 0                           | 0                     | 0             |
| Change in holding of own shares     | 0  | 0                    | 0                   | 0                           | 0                     | 0             |
| Change in ownership in subsidiaries | 0  | 0                    | 0                   | 0                           | 8                     | 8             |
| <b>Equity 31 December 2008</b>      | <b>12 310</b>                                | <b>621</b>           | <b>(1 335)</b>      | <b>1 766</b>                | <b>269</b>            | <b>13 632</b> |
| Comprehensive income for the period | 0  | (1 086)              | 1 211               | (1 566)                     | (36)                  | (1 477)       |
| Dividend paid                       | 0  | 0                    | 0                   | 0                           | 0                     | 0             |
| Change in holding of own shares     | (8)  | 0                    | 0                   | 9                           | 0                     | 1             |
| Change in ownership in subsidiaries | 0  | 0                    | 0                   | 0                           | 0                     | 0             |
| <b>Equity 31 March 2009</b>         | <b>12 302</b>                                | <b>(465)</b>         | <b>(124)</b>        | <b>209</b>                  | <b>233</b>            | <b>12 156</b> |
| Comprehensive income for the period | 0  | (370)                | (147)               | 629                         | (194)                 | (82)          |
| Dividend paid                       | 0  | 0                    | 0                   | 0                           | 0                     | 0             |
| Change in holding of own shares     | 0  | 0                    | 0                   | 0                           | 0                     | 0             |
| Change in ownership in subsidiaries | 0  | 0                    | 0                   | 0                           | 0                     | 0             |
| <b>Equity 30 June 2009</b>          | <b>12 302</b>                                | <b>(835)</b>         | <b>(272)</b>        | <b>839</b>                  | <b>39</b>             | <b>12 074</b> |

NOTES TO THE INTERIM FINANCIAL STATEMENTS

1. ACCOUNTING POLICIES

The interim financial statements of Norske Skog have been prepared in accordance with IAS 34 Interim Financial Reporting.

The accounting policies applied in the preparation of the interim financial statements are consistent with those applied in the preparation of the annual financial statements for the year ended 31 December 2008, except for the impact of the changes which are described below.

**IAS 1 (revised) Presentation of Financial Statements**

The revised standard is mandatory for annual periods beginning on or after 1 January 2009. The changes to IAS 1 do not have an impact on the reported results or financial position of the group, but require a number of changes relating to presentation and disclosure in the financial statements. The presentation of items of income and expenses in the statement of changes in group equity (non-owner changes in equity) is now prohibited, and such changes must be presented separately from

owner changes in equity. All non-owner changes in equity are required to be shown in a performance statement (the statement of comprehensive income).

Entities can choose whether to present one performance statement (the statement of comprehensive income) or two statements (the income statement and statement of comprehensive income). Norske Skog has elected to present two statements. The interim financial statements have been prepared under the revised disclosure requirements.

**Other amendments to existing standards and interpretations**

There are a number of other amendments to existing standards and interpretations which are mandatory for the first time for annual periods beginning on or after 1 January 2009. However, none of these currently have a material impact on the group's accounting policies or financial statements.



INTERIM FINANCIAL STATEMENTS - SECOND QUARTER 2009

2. OPERATING SEGMENTS

IASB issued IFRS 8 Operating Segments in November 2006. The standard replaces IAS 14 Segment Reporting and is mandatory for accounting periods beginning on or after 1 January 2009. Norske Skog implemented IFRS 8 in the first quarter of 2008.

Under IFRS 8 the activities in the group are divided into three operating segments: Newsprint, Magazine paper and Energy. The Newsprint segment is further divided into four geographical regions: Europe, Australasia, Asia and South America. Activities in the group that do not fall into any of the three operating segments are

presented under Other activities and encompass corporate functions, investments in non-production related properties, trading and sorting of recovered paper, purchase and sale of wood and the group's bio fuel project.

Recognition, measurement and classification applied in the segment reporting are consistent with the group's accounting principles described in Note 2 to the annual accounts for the year ended 31 December 2008.

OPERATING REVENUE AND EXPENSES PER OPERATING SEGMENT

| APR-JUN 2009                                       | NEWSPRINT      | MAGAZINE PAPER | ENERGY     | OTHER ACTIVITIES | ELIMINATIONS | NORSKE SKOG GROUP |
|--|----------------|----------------|------------|------------------|--------------|-------------------|
| <b>Operating revenue</b>                           | <b>3 518</b>   | <b>1 387</b>   | <b>445</b> | <b>487</b>       | <b>(676)</b> | <b>5 160</b>      |
| Distribution costs                                 | (267)          | (133)          | 0          | (25)             | 0            | (424)             |
| Cost of materials                                  | (1 918)        | (776)          | (453)      | (339)            | 548          | (2 938)           |
| Change in inventories                              | (50)           | 71             | 0          | 1                | 0            | 22                |
| Employee benefit expenses                          | (453)          | (266)          | 0          | (69)             | 0            | (789)             |
| Other operating expenses                           | (318)          | (157)          | (1)        | (115)            | 128          | (462)             |
| <b>Gross operating earnings</b>                    | <b>512</b>     | <b>125</b>     | <b>(8)</b> | <b>(61)</b>      | <b>0</b>     | <b>568</b>        |
| Depreciation                                       | (497)          | (156)          | 0          | (13)             | 0            | (666)             |
| <b>Gross operating earnings after depreciation</b> | <b>15</b>      | <b>(31)</b>    | <b>(8)</b> | <b>(74)</b>      | <b>0</b>     | <b>(98)</b>       |
| Restructuring expenses                             | (261)          | (16)           | 0          | 0                | 0            | (277)             |
| Other gains and losses                             | (17)           | 0              | 886        | 2                | 0            | 872               |
| Impairments  | (999)          | 348            | 0          | 0                | 0            | (651)             |
| <b>Operating earnings</b>                          | <b>(1 261)</b> | <b>301</b>     | <b>878</b> | <b>(71)</b>      | <b>0</b>     | <b>(153)</b>      |

| JAN-JUN 2009                                       | NEWSPRINT      | MAGAZINE PAPER | ENERGY       | OTHER ACTIVITIES | ELIMINATIONS   | NORSKE SKOG GROUP |
|--|----------------|----------------|--------------|------------------|----------------|-------------------|
| <b>Operating revenue</b>                           | <b>6 846</b>   | <b>2 991</b>   | <b>893</b>   | <b>1 053</b>     | <b>(1 364)</b> | <b>10 419</b>     |
| Distribution costs                                 | (521)          | (278)          | 0            | (44)             | 0              | (843)             |
| Cost of materials                                  | (4 021)        | (1 561)        | (890)        | (750)            | 1 134          | (6 087)           |
| Change in inventories                              | 149            | 5              | 0            | 2                | 0              | 156               |
| Employee benefit expenses                          | (916)          | (517)          | 0            | (164)            | 0              | (1 598)           |
| Other operating expenses                           | (680)          | (313)          | (2)          | (211)            | 230            | (976)             |
| <b>Gross operating earnings</b>                    | <b>857</b>     | <b>327</b>     | <b>2</b>     | <b>(114)</b>     | <b>0</b>       | <b>1 071</b>      |
| Depreciation                                       | (979)          | (315)          | 0            | (23)             | 0              | (1 318)           |
| <b>Gross operating earnings after depreciation</b> | <b>(123)</b>   | <b>12</b>      | <b>2</b>     | <b>(137)</b>     | <b>0</b>       | <b>(246)</b>      |
| Restructuring expenses                             | (262)          | (16)           | 0            | 0                | 0              | (278)             |
| Other gains and losses                             | 109            | 0              | (474)        | 12               | 0              | (353)             |
| Impairments  | (999)          | 348            | 0            | 0                | 0              | (651)             |
| <b>Operating earnings</b>                          | <b>(1 274)</b> | <b>344</b>     | <b>(472)</b> | <b>(126)</b>     | <b>0</b>       | <b>(1 528)</b>    |

| JAN-JUN 2008                                       | NEWSPRINT      | MAGAZINE PAPER | ENERGY       | OTHER ACTIVITIES | ELIMINATIONS   | NORSKE SKOG GROUP |
|--|----------------|----------------|--------------|------------------|----------------|-------------------|
| <b>Operating revenue</b>                           | <b>9 086</b>   | <b>3 157</b>   | <b>708</b>   | <b>1 864</b>     | <b>(2 018)</b> | <b>12 797</b>     |
| Distribution costs                                 | (801)          | (323)          | 0            | (55)             | 0              | (1 179)           |
| Cost of materials                                  | (5 438)        | (1 981)        | (728)        | (1 517)          | 1 790          | (7 874)           |
| Change in inventories                              | (40)           | 218            | 0            | (14)             | 0              | 165               |
| Employee benefit expenses                          | (1 083)        | (491)          | 0            | (184)            | 0              | (1 758)           |
| Other operating expenses                           | (797)          | (296)          | 0            | (197)            | 227            | (1 062)           |
| <b>Gross operating earnings</b>                    | <b>928</b>     | <b>284</b>     | <b>(21)</b>  | <b>(102)</b>     | <b>0</b>       | <b>1 089</b>      |
| Depreciation                                       | (1 112)        | (220)          | 0            | (25)             | 0              | (1 357)           |
| <b>Gross operating earnings after depreciation</b> | <b>(184)</b>   | <b>64</b>      | <b>(21)</b>  | <b>(127)</b>     | <b>0</b>       | <b>(267)</b>      |
| Restructuring expenses                             | (180)          | 0              | 0            | (18)             | 0              | (198)             |
| Other gains and losses                             | (287)          | (1)            | 2 318        | 1                | 0              | 2 031             |
| Impairments  | (1 293)        | 0              | 0            | 7                | 0              | (1 286)           |
| <b>Operating earnings</b>                          | <b>(1 945)</b> | <b>63</b>      | <b>2 297</b> | <b>(136)</b>     | <b>0</b>       | <b>279</b>        |

INTERIM FINANCIAL STATEMENTS - SECOND QUARTER 2009

NEWSPRINT

|  | APR-JUN 2009   | JAN-MAR 2009 | APR-JUN 2008 | YTD 2009       | YTD 2008       |
|--|----------------|--------------|--------------|----------------|----------------|
| <b>INCOME STATEMENT</b>                            |                |              |              |                |                |
| <b>Operating revenue</b>                           | <b>3 518</b>   | <b>3 329</b> | <b>4 659</b> | <b>6 846</b>   | <b>9 086</b>   |
| Distribution costs                                 | (267)          | (255)        | (410)        | (521)          | (801)          |
| Cost of materials                                  | (1 918)        | (2 103)      | (2 791)      | (4 021)        | (5 438)        |
| Change in inventories                              | (50)           | 199          | 1            | 149            | (40)           |
| Employee benefit expenses                          | (453)          | (463)        | (538)        | (916)          | (1 083)        |
| Other operating expenses                           | (318)          | (362)        | (395)        | (680)          | (797)          |
| <b>Gross operating earnings</b>                    | <b>512</b>     | <b>345</b>   | <b>525</b>   | <b>857</b>     | <b>928</b>     |
| Depreciation                                       | (497)          | (483)        | (516)        | (979)          | (1 112)        |
| <b>Gross operating earnings after depreciation</b> | <b>15</b>      | <b>(138)</b> | <b>9</b>     | <b>(123)</b>   | <b>(184)</b>   |
| Restructuring expenses                             | (261)          | (1)          | 0            | (262)          | (180)          |
| Other gains and losses                             | (17)           | 126          | 1            | 109            | (287)          |
| Impairments  | (999)          | 0            | (32)         | (999)          | (1 293)        |
| <b>Operating earnings</b>                          | <b>(1 261)</b> | <b>(13)</b>  | <b>(22)</b>  | <b>(1 274)</b> | <b>(1 945)</b> |
| <b>KEY FIGURES</b>                                 |                |              |              |                |                |
| Gross operating margin (%)                         | 14.5           | 10.4         | 11.3         | 12.5           | 10.2           |
| Production / capacity                              | 76             | 78           | 95           | 77             | 92             |
| <b>OPERATING REVENUE PER REGION</b>                |                |              |              |                |                |
| Europe   | 1 615          | 1 575        | 1 942        | 3 190          | 3 765          |
| Asia   | 387            | 330          | 1 275        | 717            | 2 541          |
| Australasia  | 836            | 713          | 977          | 1 549          | 1 929          |
| South America                                      | 329            | 315          | 295          | 645            | 564            |
| Sales offices and other activities                 | 1 197          | 1 113        | 1 471        | 2 310          | 2 726          |
| Eliminations                                       | (848)          | (717)        | (1 300)      | (1 565)        | (2 440)        |
| <b>Total</b>                                       | <b>3 518</b>   | <b>3 329</b> | <b>4 659</b> | <b>6 846</b>   | <b>9 086</b>   |
| <b>GROSS OPERATING EARNINGS PER REGION</b>         |                |              |              |                |                |
| Europe   | 260            | 204          | 175          | 464            | 345            |
| Asia   | 0              | (42)         | 134          | (42)           | 223            |
| Australasia  | 168            | 104          | 167          | 271            | 306            |
| South America                                      | 75             | 87           | 35           | 162            | 37             |
| Sales offices and other activities                 | 9              | (8)          | 15           | 1              | 17             |
| Eliminations                                       | 0              | 0            | 0            | 0              | 0              |
| <b>Total</b>                                       | <b>512</b>     | <b>345</b>   | <b>525</b>   | <b>857</b>     | <b>928</b>     |
| <b>PRODUCTION PER REGION</b>                       |                |              |              |                |                |
| Europe   | 351            | 379          | 512          | 729            | 992            |
| Asia   | 107            | 94           | 388          | 201            | 760            |
| Australasia  | 206            | 195          | 212          | 400            | 418            |
| South America                                      | 56             | 68           | 70           | 124            | 143            |
| <b>Total</b>                                       | <b>719</b>     | <b>736</b>   | <b>1 182</b> | <b>1 455</b>   | <b>2 314</b>   |
| <b>DELIVERIES PER REGION</b>                       |                |              |              |                |                |
| Europe   | 356            | 347          | 505          | 703            | 975            |
| Asia   | 117            | 88           | 379          | 205            | 763            |
| Australasia  | 189            | 173          | 222          | 362            | 441            |
| South America                                      | 59             | 54           | 71           | 113            | 139            |
| <b>Total</b>                                       | <b>722</b>     | <b>662</b>   | <b>1 177</b> | <b>1 383</b>   | <b>2 320</b>   |

INTERIM FINANCIAL STATEMENTS - SECOND QUARTER 2009

MAGAZINE PAPER

|  | APR-JUN 2009 | JAN-MAR 2009 | APR-JUN 2008 | YTD 2009     | YTD 2008     |
|--|--------------|--------------|--------------|--------------|--------------|
| <b>INCOME STATEMENT</b>                            |              |              |              |              |              |
| <b>Operating revenue</b>                           | <b>1 387</b> | <b>1 603</b> | <b>1 642</b> | <b>2 991</b> | <b>3 157</b> |
| Distribution costs                                 | (133)        | (145)        | (163)        | (278)        | (323)        |
| Cost of materials                                  | (776)        | (784)        | (988)        | (1 561)      | (1 981)      |
| Change in inventories                              | 71           | (66)         | 46           | 5            | 218          |
| Employee benefit expenses                          | (266)        | (251)        | (255)        | (517)        | (491)        |
| Other operating expenses                           | (157)        | (157)        | (153)        | (313)        | (296)        |
| <b>Gross operating earnings</b>                    | <b>125</b>   | <b>201</b>   | <b>130</b>   | <b>327</b>   | <b>284</b>   |
| Depreciation                                       | (156)        | (159)        | (108)        | (315)        | (220)        |
| <b>Gross operating earnings after depreciation</b> | <b>(31)</b>  | <b>43</b>    | <b>22</b>    | <b>12</b>    | <b>64</b>    |
| Restructuring expenses                             | (16)         | 0            | 0            | (16)         | 0            |
| Other gains and losses                             | 0            | 0            | 4            | 0            | (1)          |
| Impairments  | 348          | 0            | 0            | 348          | 0            |
| <b>Operating earnings</b>                          | <b>301</b>   | <b>43</b>    | <b>25</b>    | <b>344</b>   | <b>63</b>    |
| <b>KEY FIGURES</b>                                 |              |              |              |              |              |
| Gross operating margin (%)                         | 9.0          | 12.6         | 7.9          | 10.9         | 9.0          |
| Production / capacity                              | 71           | 71           | 96           | 71           | 97           |
| <b>PRODUCTION AND DELIVERIES</b>                   |              |              |              |              |              |
| Production   | 250          | 249          | 335          | 499          | 672          |
| Deliveries   | 226          | 262          | 325          | 488          | 624          |

ENERGY

|  | APR-JUN 2009 | JAN-MAR 2009   | APR-JUN 2008 | YTD 2009     | YTD 2008     |
|--|--------------|----------------|--------------|--------------|--------------|
| <b>INCOME STATEMENT</b>                            |              |                |              |              |              |
| <b>Operating revenue</b>                           | <b>445</b>   | <b>449</b>     | <b>289</b>   | <b>893</b>   | <b>708</b>   |
| Distribution costs                                 | 0            | 0              | 0            | 0            | 0            |
| Cost of materials                                  | (453)        | (437)          | (305)        | (890)        | (728)        |
| Change in inventories                              | 0            | 0              | 0            | 0            | 0            |
| Employee benefit expenses                          | 0            | 0              | 0            | 0            | 0            |
| Other operating expenses                           | (1)          | (1)            | 0            | (2)          | 0            |
| <b>Gross operating earnings</b>                    | <b>(8)</b>   | <b>10</b>      | <b>(16)</b>  | <b>2</b>     | <b>(21)</b>  |
| Depreciation                                       | 0            | 0              | 0            | 0            | 0            |
| <b>Gross operating earnings after depreciation</b> | <b>(8)</b>   | <b>10</b>      | <b>(16)</b>  | <b>2</b>     | <b>(21)</b>  |
| Restructuring expenses                             | 0            | 0              | 0            | 0            | 0            |
| Other gains and losses                             | 886          | (1 360)        | 1 332        | (474)        | 2 318        |
| Impairments  | 0            | 0              | 0            | 0            | 0            |
| <b>Operating earnings</b>                          | <b>878</b>   | <b>(1 350)</b> | <b>1 316</b> | <b>(472)</b> | <b>2 297</b> |

INTERIM FINANCIAL STATEMENTS - SECOND QUARTER 2009

OTHER ACTIVITIES

|  | APR-JUN 2009 | JAN-MAR 2009 | APR-JUN 2008 | YTD 2009     | YTD 2008     |
|--|--------------|--------------|--------------|--------------|--------------|
| <b>INCOME STATEMENT</b>                            |              |              |              |              |              |
| <b>Operating revenue</b>                           | <b>487</b>   | <b>567</b>   | <b>941</b>   | <b>1 053</b> | <b>1 864</b> |
| Distribution costs                                 | (25)         | (20)         | (26)         | (44)         | (55)         |
| Cost of materials                                  | (339)        | (410)        | (768)        | (750)        | (1 517)      |
| Change in inventories                              | 1            | 0            | (2)          | 2            | (14)         |
| Employee benefit expenses                          | (69)         | (95)         | (91)         | (164)        | (184)        |
| Other operating expenses                           | (115)        | (96)         | (92)         | (211)        | (197)        |
| <b>Gross operating earnings</b>                    | <b>(61)</b>  | <b>(53)</b>  | <b>(38)</b>  | <b>(114)</b> | <b>(102)</b> |
| Depreciation                                       | (13)         | (11)         | (12)         | (23)         | (25)         |
| <b>Gross operating earnings after depreciation</b> | <b>(74)</b>  | <b>(64)</b>  | <b>(50)</b>  | <b>(137)</b> | <b>(127)</b> |
| Restructuring expenses                             | 0            | 0            | 0            | 0            | (18)         |
| Other gains and losses                             | 2            | 9            | 0            | 12           | 1            |
| Impairments  | 0            | 0            | 0            | 0            | 7            |
| <b>Operating earnings</b>                          | <b>(71)</b>  | <b>(55)</b>  | <b>(50)</b>  | <b>(126)</b> | <b>(136)</b> |
| <b>OPERATING REVENUE</b>                           |              |              |              |              |              |
| Recovered paper                                    | 139          | 127          | 397          | 266          | 812          |
| Real estate activities                             | 4            | 3            | 8            | 7            | 14           |
| Bio fuel   | 0            | 0            | 0            | 0            | 0            |
| Corporate functions                                | 66           | 66           | 88           | 132          | 182          |
| Miscellaneous                                      | 291          | 382          | 458          | 673          | 883          |
| Eliminations                                       | (13)         | (11)         | (10)         | (25)         | (26)         |
| <b>Total</b>                                       | <b>487</b>   | <b>567</b>   | <b>941</b>   | <b>1 053</b> | <b>1 864</b> |
| <b>GROSS OPERATING EARNINGS</b>                    |              |              |              |              |              |
| Recovered paper                                    | 2            | 4            | 6            | 6            | 11           |
| Real estate activities                             | (1)          | (2)          | 3            | (2)          | 2            |
| Bio fuel   | (6)          | (5)          | 0            | (11)         | 0            |
| Corporate functions                                | (65)         | (52)         | (43)         | (117)        | (116)        |
| Miscellaneous                                      | 9            | 1            | (4)          | 10           | 0            |
| Eliminations                                       | 0            | 0            | 0            | 0            | 0            |
| <b>Total</b>                                       | <b>(61)</b>  | <b>(53)</b>  | <b>(38)</b>  | <b>(114)</b> | <b>(102)</b> |

3. INTEREST-BEARING DEBT

Norske Skog has recognised an item in the balance sheet as a result of the termination of a large part of the fair value hedge portfolio in the first half of 2009. A hedge reserve (deferred income) amounting to NOK 531 million is included in interest-bearing debt as at 30 June 2009. The corresponding figure as at 31 March 2009 was NOK 560 million and NOK 49 million as at 31 December 2008. The carrying amount

does not constitute any payment obligation for the group, but will be amortised in the income statement over the lifetime of the debt that has been hedged. The carrying amount is not included in net interest-bearing debt when calculating the gearing ratio as shown in the table below:

|  | 30 JUN 2009   |
|--|---------------|
| Interest-bearing non-current liabilities | 15 995        |
| Interest-bearing current liabilities     | 1 596         |
| - Hedge reserve                          | 531           |
| - Fair value hedge                       | 3             |
| - Cash and cash equivalents              | 4 821         |
| <b>= Net interest-bearing debt</b>       | <b>12 236</b> |
| Equity less minority interests           | 12 035        |
| <b>Gearing</b>                           | <b>1.02</b>   |

4. NORSKE SKOG GROUP – QUARTERLY FIGURES

|   | APR-JUN 2009 | JAN-MAR 2009   | OCT-DES 2008   | JUL-SEP 2008   | APR-JUN 2008 |
|---|--------------|----------------|----------------|----------------|--------------|
| <b>INCOME STATEMENT</b>                                 |              |                |                |                |              |
| <b>Operating revenue</b>                                | <b>5 160</b> | <b>5 259</b>   | <b>7 354</b>   | <b>6 317</b>   | <b>6 528</b> |
| Distribution costs                                      | (424)        | (419)          | (565)          | (597)          | (600)        |
| Cost of materials                                       | (2 938)      | (3 149)        | (4 068)        | (3 829)        | (3 961)      |
| Changes in inventories                                  | 22           | 134            | (396)          | 56             | 44           |
| Employee benefit expenses                               | (789)        | (809)          | (840)          | (783)          | (884)        |
| Other operating expenses                                | (462)        | (513)          | (564)          | (452)          | (528)        |
| <b>Gross operating earnings</b>                         | <b>568</b>   | <b>504</b>     | <b>922</b>     | <b>712</b>     | <b>601</b>   |
| Depreciation  | (666)        | (652)          | (665)          | (601)          | (636)        |
| <b>Gross operating earnings after depreciation</b>      | <b>(98)</b>  | <b>(149)</b>   | <b>256</b>     | <b>111</b>     | <b>(35)</b>  |
| Restructuring expenses                                  | (277)        | (1)            | (12)           | (11)           | 0            |
| Other gains and losses                                  | 872          | (1 225)        | (1 966)        | (567)          | 1 336        |
| Impairments   | (651)        | 0              | 502            | 0              | (32)         |
| <b>Operating earnings</b>                               | <b>(153)</b> | <b>(1 374)</b> | <b>(1 220)</b> | <b>(466)</b>   | <b>1 269</b> |
| Share of profit in associated companies                 | 7            | 17             | 26             | 3              | 3            |
| Financial items   | 69           | (143)          | (360)          | (649)          | (275)        |
| <b>Profit/loss before income taxes</b>                  | <b>(77)</b>  | <b>(1 500)</b> | <b>(1 553)</b> | <b>(1 113)</b> | <b>996</b>   |
| Income taxes  | (461)        | 389            | 271            | (98)           | (301)        |
| <b>Net profit/loss for the period</b>                   | <b>(538)</b> | <b>(1 111)</b> | <b>(1 282)</b> | <b>(1 212)</b> | <b>695</b>   |
| <b>OPERATING REVENUE PER SEGMENT</b>                    |              |                |                |                |              |
| Newsprint   | 3 518        | 3 329          | 4 754          | 4 093          | 4 659        |
| Magazine paper  | 1 387        | 1 603          | 2 232          | 1 856          | 1 642        |
| Energy  | 445          | 449            | 415            | 426            | 289          |
| Other activities  | 487          | 567            | 868            | 931            | 941          |
| Eliminations  | (676)        | (688)          | (914)          | (989)          | (1 004)      |
| <b>Total</b>  | <b>5 160</b> | <b>5 259</b>   | <b>7 354</b>   | <b>6 317</b>   | <b>6 528</b> |
| <b>GROSS OPERATING EARNINGS PER SEGMENT</b>             |              |                |                |                |              |
| Newsprint   | 512          | 345            | 643            | 531            | 525          |
| Magazine paper  | 125          | 201            | 331            | 201            | 130          |
| Energy  | (8)          | 10             | 18             | 40             | (16)         |
| Other activities  | (61)         | (53)           | (69)           | (60)           | (38)         |
| Eliminations  | 0            | 0              | 0              | 0              | 0            |
| <b>Total</b>  | <b>568</b>   | <b>504</b>     | <b>922</b>     | <b>712</b>     | <b>601</b>   |
| <b>SHARE OF OPERATING REVENUE FROM EXTERNAL PARTIES</b> |              |                |                |                |              |
| Newsprint   | 100%         | 100%           | 100%           | 100%           | 100%         |
| Magazine paper  | 100%         | 100%           | 100%           | 100%           | 100%         |
| Energy  | 39%          | 38%            | 50%            | 44%            | 14%          |
| Other activities  | 32%          | 32%            | 30%            | 23%            | 23%          |

5. NON-CURRENT ASSETS HELD FOR SALE

The group has agreed to sell its 56 per cent stake in the newsprint mill Shanghai Norske Skog Potential Paper (SNP) to Potential Industries. SNP has a yearly newsprint production capacity of 145 000 tonnes. Actual production volume in the first six months of 2009 was 56 000 tonnes and operating revenue from the entity amounted to NOK 217 million in the same period. The activity has been recognised under operating segment Newsprint, region Asia.

The transaction is contingent upon approval from the Chinese authorities. Such approval is expected by the end of September this year. The operation is classified in accordance with IFRS 5 Non-current assets held for sale and discontinued operations as a discontinued operation at the end of the second quarter 2009. Assets and

liabilities included in the transaction are in accordance with the mentioned standard recognised at estimated selling price less cost of sales. This has resulted in an impairment of NOK 314 million in the second quarter.

Translation differences caused by translation of the income statement and the balance sheet from Chinese yuan (CNY) to Norwegian kroner are in accordance with IAS 21 The effects of changes in foreign exchange rates booked directly against the group's equity in Norske Skog's ownership period. The accumulated translation difference will be recorded in the financial statements when the sales transaction is finalised.

RESPONSIBILITY STATEMENT FROM THE BOARD OF DIRECTORS AND PRESIDENT/CEO

We confirm to the best of our knowledge that the condensed set of interim financial statements for the period 1 January to 30 June 2009 has been prepared in accordance with IAS 34 Interim Financial Reporting and gives a true and fair view of the Norske Skog group's assets, liabilities, financial position and the result taken as a whole. We also confirm to the best of our knowledge that the interim management report includes a fair review of important events that have occurred during the first six months of the financial year and their impact on the condensed set of interim financial statements, a description of the principal risks and uncertainties for the remaining six months of the financial year, and major related parties transactions.

Lysaker, 5 August 2009

The Board of Directors of Norske Skogindustrier ASA



Eivind Reiten  
Chair



Svein Rennemo  
Deputy chair



Halvor Bjørken  
Board member



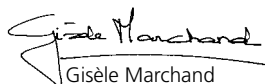
Stein-Roar Eriksen  
Board member



Wenche Holen  
Board member



Paul Kristiansen  
Board member



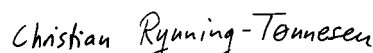
Gisèle Marchand  
Board member



Inge Myrland  
Board member



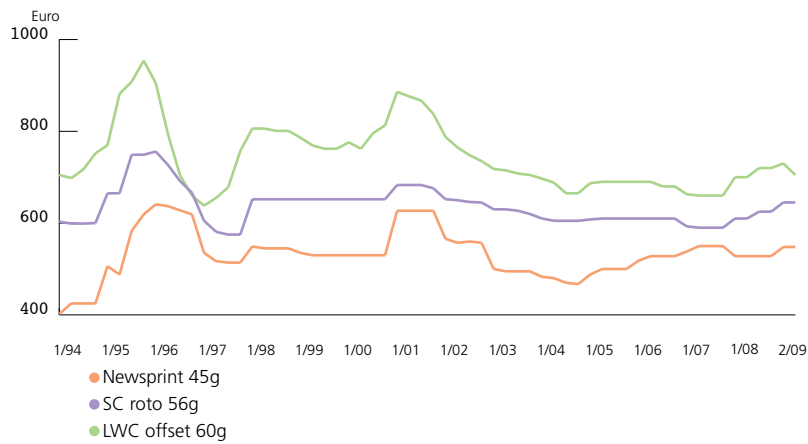
Ingrid Wiik  
Board member



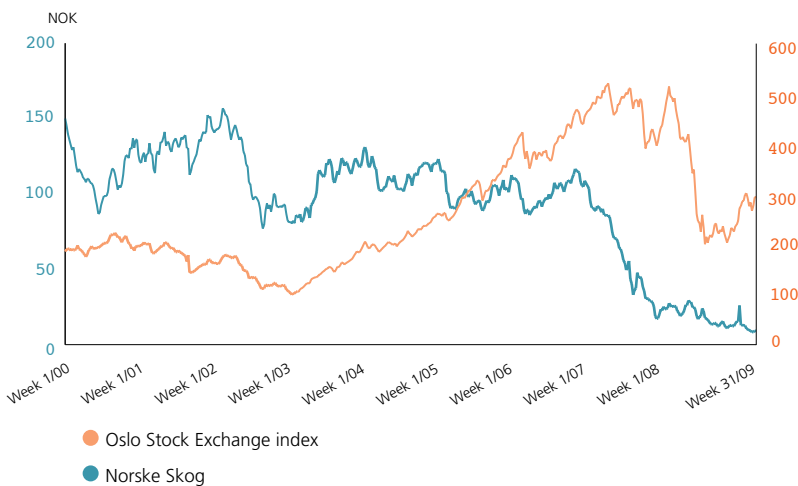
Christian Rønning-Tønnesen  
President and CEO

INTERIM FINANCIAL STATEMENTS - SECOND QUARTER 2009

PRICE DEVELOPMENT NEWSPRINT, SC, LWC - GERMANY

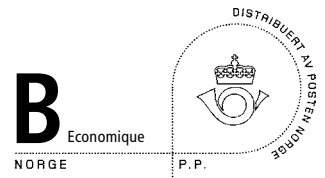


SHARE PRICE DEVELOPMENT 2000-2009



THE NORSKE SKOG SHARE

| KEY FIGURES        | JANUARY-JUNE 2009 |          |       |      | AT 05.08.2009      |                         |             |                        |
|--------------------|-------------------|----------|-------|------|--------------------|-------------------------|-------------|------------------------|
|                    | 02.01.09          | 30.06.09 | High  | Low  | Earnings per share | Booked equity per share | Share price | Market value NOK mill. |
| <b>Norske Skog</b> | 14,45             | 9,42     | 17,60 | 8,01 | -7,58              | 63,44                   | 9,70        | 1 840                  |



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