Annual report 1999

Norske Skogindustrier ASA

Norske Skog is an international pulp and paper group with production in Norway, France, Austria, the Czech Republic, Thailand, Korea, and China. The Group is one of the world's leading suppliers of publication paper, its largest product area. Norske Skog has about 6,300 employees and 20,000 shareholders. In 1999 the Group had an operating revenue of NOK 18,054 million and a profit before taxes of NOK 1,825 million.

Norske Skog

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Shareholders' General Meeting

The ordinary General Meeting will be held on Wednesday May 3, 2000 at 13 o'clock at Rica Sjølyst Konferanse-senter, Drammensveien 154, Oslo.

Financial information 2000

Shareholders General Meeting May 3.
Shares will be listed ex-dividend May 4.

Payment of dividend to shareholders who are listed in the company's register of shareholders as of May 3, May 19.

Publication of quarterly results 2000:

First quarter	May 3
Second quarter	August 24
Third quarter	November 2

Additional information on the Internet

Additional financial information concerning Norske Skog may be found on the Internet
http://www.norske-skog.com
For example:

- All result reports
- Press releases
- Presentations to the stock market
- Basic information about the Group's organisation, management and activity
- Information about mills, products, markets, environmental questions and research
- Links to other relevant sources

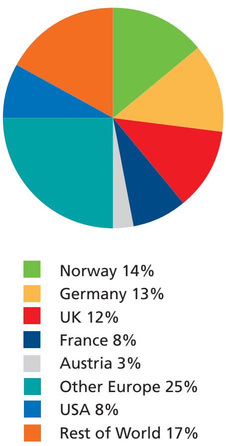
Main financial figures

(NOK million)

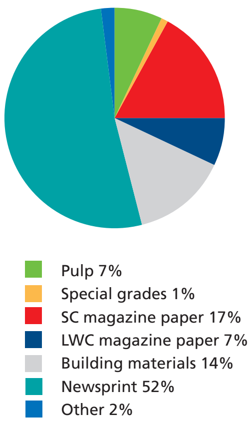
1. Profit and loss account	**1999**	1998	1997	1996	1995	1994	1993	1992	1991	1990
Operating revenue	**18,054**	14,908	13,312	13,265	12,548	9,170	7,338	7,557	8,640	9,879
Operating profit	**2,129**	1,780	1,083	1,916	2,500	732	299	-47	500	1,128
Profit for the year	**1,300**	1,020	590	1,317	1,699	206	-47	-516	246	773
2. Main financial figures										
Cash flow from operating activities	**2,162**	2,859	1,615	2,616	2,555	866	492	256	1,405	1,001
Depreciation and write-downs	**1,689**	1,323	1,140	1,132	832	616	552	575	553	548
Investments in operational fixed assets	**1,154**	3,983	1,814	1,053	926	565	1,127	2,220	1,190	1,001
Gearing	**0.65**	0.71	0.45	0.63	0.61	0.67	1.13	1.07	0.49	0.65
3. Profitability										
Return on assets % [1]	**9.2**	9.4	7.0	13.2	21.4	7.1	5.0	0.4	8.0	15.0
Return on equity % [1]	**12.0**	10.7	7.0	18.5	30.1	4.8	-1.2	-12.8	6.5	25.2
4. Shares and shareholder structure										
Net earnings per share after tax [1] NOK	**32.71**	26.68	16.40	40.38	52.39	6.91	-1.79	-21.28	10.18	32.05
Net earnings per share fully diluted [1] NOK	**32.71**	26.68	16.40	35.89	45.99	6.91	1.68	-13.03	11.30	30.25
Equity per share NOK	**289.21**	262.46	238.75	235.62	200.67	148.84	146.72	155.42	175.95	135.52

[1] See definitions page 40

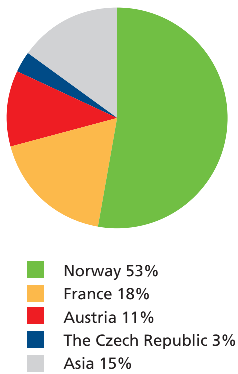
Corporate operating revenue by market



Corporate operating revenue by product



Capacity printing paper by country



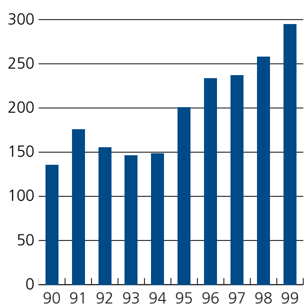
Main figures per Area

(NOK million)

	1999	1998	1997	1996	1995	1994	1993	1992	1991	1990
Newsprint										
Operating revenue	**7,541**	6,414	5,672	5,445	5,049	3,837	3,251	3,574	4,189	4,982
Operating profit	**932**	1,192	761	1,371	987	358	419	51	434	573
Operating margin %	**12.4**	18.6	13.4	25.2	19.5	9.3	12.9	1.4	10.4	11.5
Magazine paper										
Operating revenue	**4,561**	4,125	3,612	4,048	3,017	1,994	1,480	1,199	1,666	1,751
Operating profit	**877**	754	373	707	721	96	50	44	222	148
Operating margin %	**19.2**	18.3	10.3	17.5	23.9	4.8	3.4	3.7	13.3	8.5
Asia										
Operating revenue	**1,988**	485	-	-	-	-	-	-	-	-
Operating profit	**336**	61	-	-	-	-	-	-	-	-
Operating margin %	**16.9**	12.6	-	-	-	-	-	-	-	-
Area Fibre										
Operating revenue	**1,578**	1,425	1,376	1,222	2,171	1,498	1,052	1,202	1,247	1,709
Operating profit	**92**	-28	49	-127	682	178	-187	-176	-164	327
Operating margin %	**5.8**	-2.0	3.6	-10.4	31.4	11.9	-17.8	-14.6	-13.2	19.1
Forestia										
Operating revenue	**1,866**	1,944	1,964	2,001	1,780	1,581	1,316	1,337	1,411	1,624
Operating profit	**-36**	4	19	3	35	83	23	17	8	92
Operating margin %	**-1.9**	0.2	1.0	0.1	2.0	5.2	1.7	1.3	0.6	5.7
Flooring										
Operating revenue	**688**	668	703	577	553	467	388	351	314	336
Operating profit	**-19**	-67	-35	24	61	63	62	47	1	15
Operating margin %	**-2.8**	-10.0	-5.0	4.2	11.0	13.5	16.0	13.4	0.3	4.5

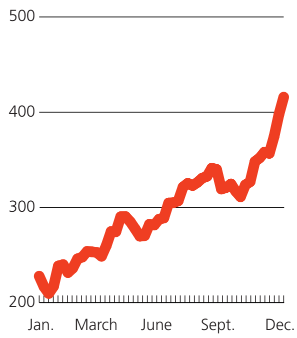
Equity per share

NOK



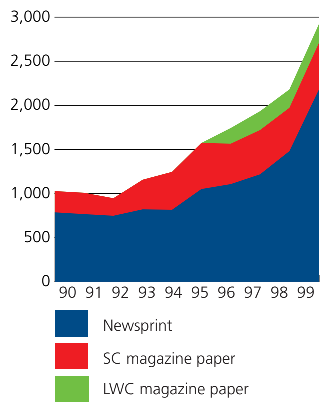
Share price development 1999

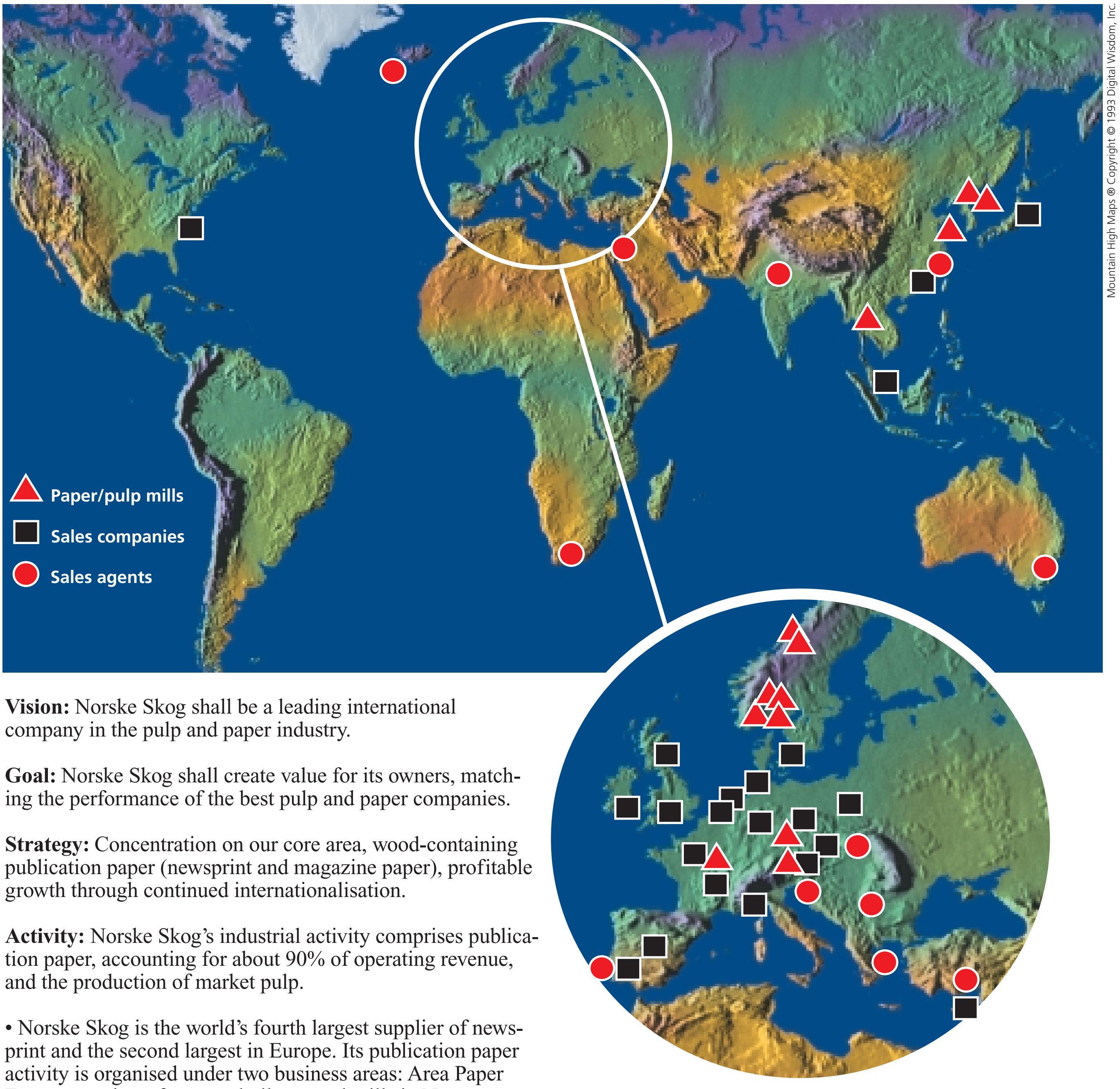
NOK



Publication paper production 1990-99

1,000 tonnes





Vision: Norske Skog shall be a leading international company in the pulp and paper industry.

Goal: Norske Skog shall create value for its owners, matching the performance of the best pulp and paper companies.

Strategy: Concentration on our core area, wood-containing publication paper (newsprint and magazine paper), profitable growth through continued internationalisation.

Activity: Norske Skog's industrial activity comprises publication paper, accounting for about 90% of operating revenue, and the production of market pulp.

• Norske Skog is the world's fourth largest supplier of newsprint and the second largest in Europe. Its publication paper activity is organised under two business areas: Area Paper Europe consists of seven wholly-owned mills in Norway, France, Austria and the Czech Republic. Four partly-owned companies in China, Korea and Thailand comprise Area International. Total capacity is 2.5 million tonnes of newsprint and 800,000 tonnes of magazine paper.

• Total world demand for paper is expected to rise from 300 million tonnes today, to over 420 million tonnes in 2010. This corresponds to an average growth rate of 2.8% per year. For newsprint, growth of nearly 2% per year is foreseen, for magazine paper, 2-3.5% per year.

• Demand for publication paper is affected by the economic activity in the market, and printed media advertising revenue. Demand for newsprint is growing most rapidly in Asia and Latin America, somewhat more slowly in western Europe.

The US is a mature market, with weak or stagnating growth. Where magazine paper is concerned, the most marked rise in demand is for shiny, so-called coated grades.

Area Fibre includes two mills with a total capacity of 480,000 tonnes of market pulp, in a market totalling about 35 million tonnes, and a small mill making special paper.

Norske Skog has a sound financial basis, with total assets of NOK 24,914 million and an equity capital ratio of 47.1%.

During 1999 the group increased its publication paper capacity by just over one million tonnes, and 20 units outside its core area were transferred to new owners.

Corporate Management

- ***President and Chief Executive Officer*** Jan Reinås
  - ***Executive Vice President, Chief Financial Officer*** Jan Kildal
  - ***Executive Vice President, Corporate development*** Jan A. Oksum
  - ***Senior Vice President, Resources Policy and Environment*** Thor H. Lobben
  - ***Senior Vice President, Human Resources*** Dag Tørvold

Business Areas

- ***Paper Europe*** Claes-Inge Isacson
  - ***Commercial*** Inger Marie Gulvik Holten
  - ***Supply*** Helge Fasseland
  - ***Norske Skog Research*** Georg Carlberg
  - ***Norske Skog Skogn*** Svein Kr. Aurstad
  - ***Norske Skog Golbey*** Ketil Lyng
  - ***Norske Skog Follum*** Gjermund Røkke
  - ***Norske Skog Štětí*** Terje Krogstad
  - ***Norske Skog Union*** Rune Laurantsen
  - ***Norske Skog Bruck*** Jarle Dragvik
  - ***Norske Skog Saugbrugs*** Erik Olsson
- ***International*** Vidar Lerstad
  - ***Pan Asia Paper Company Ltd***
- ***Fibre*** Oddvar Sandvei
  - ***Sales/Market*** Bjørn Staubo
  - ***Norske Skog Tofte*** Stein Altern
  - ***Norske Skog Folla*** Egil Kjeldstad
  - ***Union Geithus*** Hans S. Berget
- ***Other activities*** Martin Dombestein
  - Power Production, Forest, Real Estate Martin Dombestein
  - ***Forestia Plater AS*** Richard Heiberg
  - ***Norske Skog Flooring AS**** Bengt Rasin

*) Intended to be transferred to new owners during the first half of 2000

January:
- The new newsprint machine (PM 2) at Norske Skog Golbey starts production. Capacity 330,000 tonnes/year, project period 20 months, investment NOK 2.8 billion.

February:
- Pan Asia Paper Company Ltd (Pan Asia) formally established. With a total capacity of just over 1.4 million tonnes of newsprint and other publication paper, Pan Asia is the largest newsprint producer in Asia outside Japan. Norske Skog's ownership stake is 33%.
- Norske Skog and A/S Union start talks about a merger. Norske Skog has an ownership stake in Union amounting to 48.1% of vote-entitled capital, and 57.6% of total share capital.

March:
- Industrikraft Midt-Norge DA, in which Norske Skog owns 30%, files an application for permission to build a combined heat and power plant at Skogn, capacity 6 TWh/year of electricity and 1 TWh/year of heat.

April:
- Launch of an ecological pilot project, involving Norske Skog, 8,900 Norwegian forest owners, Germany's Axel Springer Verlag (newspapers and magazines) and Otto Versand (mail order catalogues).

May:
- The general meetings of Norske Skog and Union approve merger. Union's operating revenue in 1998 was NOK 1.2 billion, its capacity for publication paper 240,000 tonnes.

June:
- Norske Skog wins the Farmand prize for the year's best annual report.
- Subsidiary Norske Skog Flooring transfers Langmoen Parkett to the Kährs group, in the Skanska concern.

July:
- Finland's president Martti Ahtisaari makes CEO Jan Reinås a Commander of the Order of the Lion of Finland, for his many years of cooperation with Finnish business and industry.

August:
- The company's Board finalises Norske Skog's strategy for the coming years. Key concepts are profitable growth, concentration on wood-containing publication paper, and internationalisation.
- Property company Union Eiendomsutvikling AS is transferred to new owners.
- Ivar Thun, Norske Skog Štětí, receives the group's HES prize.

September:
- The group introduces a new organisational structure, with great emphasis on business areas' total profit responsibility, and clearer boundaries between operation and group development.
- Norske Skog receives an award from the Aesthetic Council of Bærum municipality for its new corporate centre at Oxenøen. The new centre is described as setting an example for the further development of the Fornebu area – formerly the site of Oslo's main airport.

October:
- The group's Board decides that Forestia AS' sawn timber business should be merged with Moelven Industrier ASA's sawn timber and further processing activities. The new company will be one of the largest in its sector in Europe, with a capacity of 1.7 million m^3 of sawn timber.
- Fibo-Trespo AS is transferred to new owners.

November:
- Norske Skog decides to transfer its ownership stake of 31.4% in Norske Gjenvinning ASA to new owners.

December:
- It is decided to transfer to new owners Norske Skog Hurum, which makes special grades of paper.
- Norske Skog and Klabin (Industrias Klabin de Papel e Cellulose S.A), in Brazil, sign a letter of intent which gives Norske Skog a 50% ownership stake in Klabin's newsprint production. Norske Skog starts to plan a new paper machine in Brazil.
- Norske Skog concludes a letter of intent concerning the sale of Norske Skog Flooring AS.

Impact of the changes
In 1999, Norske Skog made major changes in its organisational structure, portfolio of companies and business systems. In 2000 priority is being given to achieving the maximum effect of these changes through a sharper focus on the core area, efficient operation and improved capital productivity.

Agreement with Klabin
In February, a final agreement between Norske Skog and the Brazilian company Klabin was signed. A major challenge during 2000 will be to implement the agreement, plan the building of a new newsprint machine in Brazil, and establish a position in the South American newsprint market.

Health and safety
Our systematic, foresighted health and safety programme has yielded satisfactory results and will be continued in 2000. Norske Skog's aim is that the H-factor (number of injuries leading to absence from work, per million hours worked) should this year be five or lower for all the group's companies, taken together.

THE BOARD OF DIRECTORS' REPORT FOR 1999

For Norske Skog, 1999 was a year marked by strong growth and major restructuring.

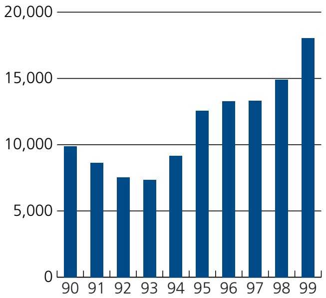
It is now a global group, with activities in Europe, Asia and South America. Profitability showed a satisfactory improvement, and the Group's financial position was further reinforced in 1999.

Norske Skog has the strength to implement significant growth.

IN NORWAY NORSKE SKOG HAS FOUR PUBLICATION PAPER MILLS WITH CAPACITY TOTALLING 1.8 MILLION TONNES

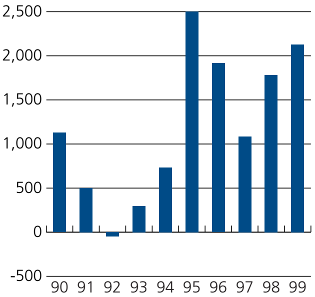
Consolidated operating revenue

NOK mill.



Consolidated operating profit

NOK mill.



1999 – growth and restructuring

1999 was a year marked by strong growth and major restructuring within Norske Skog. The participation in Pan Asia gave the Group new capacity amounting to nearly 500,000 tonnes publication paper in a large, growing market. The cooperation with Klabin in Brazil gives Norske Skog a position in a region where demand for newsprint is growing strongly. The start-up of MP 2 at Norske Skog Golbey, and the merger with Union, strengthened the group's position as a supplier of wood-containing publication paper in Europe. Forestia's sawn timber activity has been incorporated in a larger, powerful unit through the agreement with Moelven Industrier ASA. Flooring production is, in its entirety, being transferred to new owners during the first half of 2000. Altogether, the restructuring creates a more concentrated company, with wood-containing publication paper accounting for 90% of its sales. Norske Skog is now a global concern, with activities in Europe, Asia and South America. The ambitions for the Group's development during the latter half of the 1990's have been fulfilled. Norske Skog's A shares reached all-time high on December 27, 1999, when they were traded at NOK 425 per share.

Successful growth and a good market for publication paper helped boost ordinary pre-tax profit from NOK 1,417 million in 1998 to NOK 1,825 million in 1999. The Board proposes a dividend of NOK 11.00 (8.50), corresponding to 33.6% (31.9%) of ordinary profit. The return on capital employed was 11% (11.7%). Norske Skog's financial position was further strengthened during 1999, and equity capital increased to NOK 11,727 million. Equity capital ratio now stands at 47.1%, and during the period 1994-99 it has fluctuated in the range 40-52%. The Group's goal is a minimum of 40%.

The value of Norske Skog's A shares increased during 1999 – including dividend – by 92%. Stock exchange value doubled, to NOK 16,300 million, and on December 31, 1999 equalled 139% of booked equity capital, against 83% at the end of the previous year. During the past six years, the total value increase for shareholders has averaged 12.4% per year.

The Board and administration have, through a comprehensive review of Norske Skog's strategy, set the agenda for the Group's development until 2005. Norske Skog's primary goal is to create value for its owners. This is a condition for further growth and development in order to become a leading international company in the field of wood-containing publication paper. The main strategy is concentration on the core area, profitable growth internationally and continuous improvement of our competitive ability. Norske Skog has the financial strength to implement significant growth.

Profit and dividend

Norske Skog's operating revenues increased in 1999 by 21% to NOK 18,054 million (NOK 14,908 million). Of this, NOK 7,092 million, or 39%, came from activities outside Norway. Of operating income from activities in Norway, exports accounted for NOK 8,256 million, or 75%. Favourable economic developments in Europe, north America and Asia, created the conditions for satisfactory, rising demand for publication paper. Most of the increase in operating revenue was due to PM 2 at Norske Skog Golbey, and to the consolidation of Union and of the company's 33% share of Pan Asia's operating revenue.

Operating profit reached NOK 2,129 million (NOK 1,780 million), a rise of 19.6% from 1998. This gives an operating margin of 11.8% (11.9%). Newsprint prices fell somewhat on certain markets at the start of the year. Prices of coated (LWC) magazine paper were weak during the first half year. This was almost offset by a strong market for uncoated (SC) magazine paper, satisfactory operating results in Pan Asia, and the profit effect of the improvement programme Norske Skog 2000.

Operating profit before tax was NOK 1,825 million (NOK 1,417 million). Cash flow from operations was NOK 2,162 million (NOK 2,859 million). Earnings per share, after tax, was NOK 32.71 (NOK 26.68). Total return on assets for the Group reached 9.2% (9.4%), while return on equity was 12% (10.7%).

Net financial items, at minus NOK 149 million (minus NOK 429 million) include a profit of NOK 68 million from the sale of Union Eiendomsutvikling AS. Total net interest was minus NOK 544 million (minus NOK 255 million). A large proportion of the Group's operating revenue is earned in foreign currencies. This exposure is hedged by borrowing or the use of currency hedging instruments. A stronger Norwegian krone meant a hedging gain of NOK 336 million as of December 31, 1999, but currency movements had a negative impact on operating revenue, in terms of Norwegian kroner.

The sum of NOK 150 million has been set aside to cover losses in connection with the transfer of the sawn timber activities of our subsidiary Forestia AS, and similarly, NOK 30 million has been set aside in connection with the disposal of Norske Skog Flooring. For the year as a whole, sales of activities and shares had a negative effect of NOK 59 million on profit before tax.

Tax costs for the year were NOK 499 million (NOK 387 million), corresponding to 27.3% of operating profit before tax.

The profit for the year was NOK 1,300 million (NOK 1,020 million).

The Board proposes a dividend of NOK 11.00, compared with NOK 8.50 for 1998.

Investments and financial developments

Norske Skog's ordinary investments in new plant and equipment during 1999 reached NOK 1,154 million, corresponding to 68% of annual depreciation. This is less than in 1998. Strategic investments mainly concerned the final work on Norske Skog Golbey's PM2, and the de-inking plant at Norske Skog Skogn. Significant maintenance work on Norske Skog Skogn's PM 1 has been expensed.

Total assets stood at NOK 24,914 million on December 31, 1999 (NOK 24,249 million).

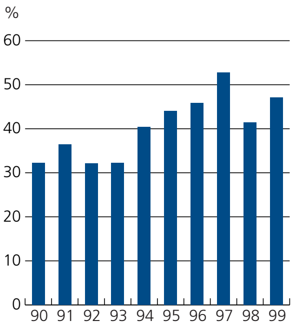
Norske Skog's equity capital rose during 1999 by 16.9% to NOK 11,727 million. Equity capital ratio increased during the year from 41.4% to 47.1%, and the conditions exist for continued expansion and operation. In connection with the Union merger, 3,170,662 new B shares were issued.

The Group's net interest-bearing debt was NOK 7,618 million as of December 31, 1999 (NOK 7,082 million). Cash flow from operations was to a great extent used to amortise loans. The loan portfolio includes a mix of floating and fixed interest terms. Interest rate risk is hedged by employing securities or off balance sheet hedging instruments. Average net interest rate on borrowing in 1999 was 6.5%. Of interest-bearing debt, 34% was in NOK and the rest in foreign currency, primarily USD and EUR. The ratio of net interest-bearing debt to equity was 0.65. The Group's target figure is 1.0 or less.

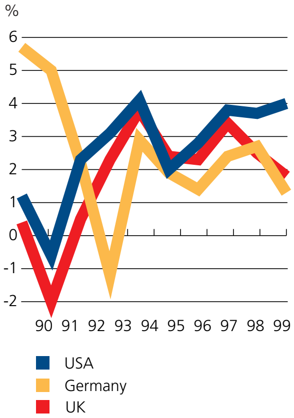
At the end of 1999 liquid assets stood at NOK 803 million (NOK 2,312 million). The decline reflects a build-up of liquidity at the turn of the previous year, ahead of expenditure relating to Norske Skog Golbey's PM 2, and the Group's involvement in Pan Asia. Unutilised drawing rights totalled NOK 7,000 million at the year's end.

Disposal of activities outside the Group's core area will take full effect in 2000 and will help increase capital productivity considerably.

Equity to assets ratio



Growth per year in gross domestic product (GDP)



Strategy, structure and organisation

The starting point for Norske Skog's further development is the Group's significant competence and good strategic position in wood-containing publication paper. Norske Skog shall create value for its owners, matching the performance of the best paper and pulp companies.

The paper and pulp industry is a fragmented sector and its consolidation will continue. This means that Norske Skog must continue to grow, in order to be able to give its owners a competitive return. In addition to its present activities, Norske Skog will build positions in growth areas on other continents, and lay the foundation for value creation in the longer term.

Since 1995, Norske Skog has bought a number of companies. Norske Skog Bruck, in Austria, has since it was taken over on January 1, 1996 achieved earnings which have come well up to expectations. Moreover, the acquisition completed Norske Skog's product range in the field of publication paper. With the purchase of Norske Skog Štětí in the Czech Republic, in November 1997, the Group entered eastern Europe, where demand for newsprint is expected to grow relatively strongly. Norske Skog now has a strong position in this market, and it has been possible to increase output at the mill by nearly 20%. Through its involvement in Pan Asia, since New Year 1999, Norske Skog has become part owner of the largest newsprint manufacturer in Asia, outside Japan. The mills in China, Korea and Thailand achieved good operating results in 1999. Demand for newsprint in this region is expected to continue growing satisfactorily. Norske Skog has had a very good return on the investments in its Asian ventures since 1998.

After the running-in of PM 2 at Golbey, the group has a capacity of over 800,000 tonnes of newsprint and 230,000 tonnes of coated (LWC) magazine paper on the Continent, giving it a strong position in a good market. These restructuring moves have strengthened the Group's concentration on publication paper, and its international profile. In 2000, publication paper will account for 90% of Norske Skog's operating revenue, and it will have 50% of its capacity in Norway and 50% abroad. In 1995, the corresponding shares were 60% and 10%, respectively. Reaping the maximum benefit from the changes in 1999 will be one of our first priorities in 2000.

The organisation and management systems were changed in 1999, and adapted to the company's structural development following the sale of activities and the increased concentration on publication paper. The new organisation is divided into three business areas.

The joint venture Pan Asia Paper Company Ltd. (Pan Asia), in which Norske Skog has an ownership stake of 33%, has been included in the Group accounts by way of proportional consolidation, with effect from January 1, 1999. Pan Asia has capacity of 1.4 million tonnes of newsprint and other publication paper at four mills in China, Korea and Thailand.

The new newsprint machine at Norske Skog Golbey (PM 2) was started up at New Year 1999. The machine's capacity is 330,000 tonnes, and it boosts the mill's total capacity to 600,000 tonnes.

Union, which until now has been treated as an associated company, has – following the merger – been consolidated in the Group accounts with effect from May 5, 1999. Union has a capacity of 240,000 tonnes of newsprint and other publication paper.

In December 1999 Norske Skog and the Brazilian firm Klabin (Industrias Klabin de Papel e Celulose S.A) concluded a letter of intent under which the two companies have established a joint firm, Norske Skog Klabin, in which they have equal ownership stakes. This company will run Klabin's existing newsprint production in Brazil, with an annual capacity of 130,000 tonnes, from one paper machine. Norske Skog has begun planning work on a new newsprint machine, which will replace existing capacity when Klabin converts the first one to make other products. The agreement is an initial, important step towards establishing a leading position in Latin America, which is a rapidly-growing market for publication paper. In Brazil alone, newsprint consumption totals about 700,000 tonnes. The country's own output is about 300,000 tonnes, while the rest is imported, primarily from north America. A final agreement is expected to be signed during the first quarter of 2000.

Together these new activities, including 33% of Pan Asia, represent operating revenue of NOK 3,700 million, and a capacity for publication paper of 1,050,000 tonnes – to a great extent in new, modern mills. The paper machines at the mills in Golbey and Asia have an average age of about six years.

In 1999 a total of 20 units, with low return and activity outside our core area – publication paper – were transferred to new owners. The sawn timber business of Forestia AS, with 13 units involved in the production and further processing of sawn timber, were transferred to a wholly-owned subsidiary of Moelven Industrier ASA as of January 1, 2000. Following settlement in shares, Norske Skog has an ownership stake of 22% in Moelven Industrier ASA.

In another development, Langmoen Parkett, part of Norske Skog Flooring AS, was taken over by new owners as of June 29, 1999. Where the remaining part of Flooring is concerned, an agreement has been reached on ownership transfer in the first half of 2000. Union Eiendomsutvikling AS was sold as of August 20, 1999, and Fibo-Trespo AS and the marketing firm Respatex Ltd., in London, was transferred to new owners as of October 25, 1999. Norske Skog Hurum, which produces special grades of paper, was transferred to new owners as of February 2, 2000. In addition, it was decided in November 1999 to sell the Group's ownership stake of 31.4% in Norsk Gjenvinning.

These activities have annual operating revenue of nearly NOK 2,000 million, and a balance sheet total of NOK 1,137 million.

Stable ownership structure

There were small changes in Norske Skog's shareholder structure in 1999. Norwegian forest owners' associations own a total of 36.7% of A shares. Companies connected with the Holta family, in Skien, own 5.1%, the National Insurance Fund 4.8%, and Storebrand Liv og Skade 4% of the total number of shares. The proportion held by foreign investors was 20.9% at the end of 1999 (22.3%).

Shares in the paper and pulp industry showed a strong trend on the stock exchanges of western Europe and north America in 1999. Norske Skog's A shares reached all-time high on December 27, 1999, at NOK 425 per share. During 1999 A shares rose by 88% from NOK 222 to NOK 418, while B shares rose by 76% from NOK 191 to NOK 337 at the end of the year. The overall index of the Oslo Stock Exchange increased by 45% in 1999. In 1999 a total of 23.2 million Norske Skog shares were traded, corresponding to 58% of the average number of shares, excluding shares held by the Group itself.

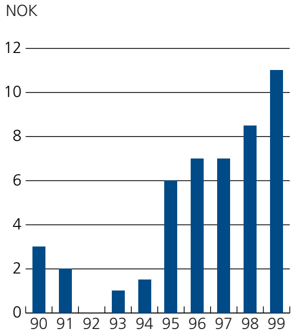
Including dividend, the value of a Norske Skog A share rose by 92% during 1999, while that of a B share rose by 81%.

The RISK figure as of January 1, 1999 was set at NOK 9.07, while the figure as of January 1, 2000 is calculated to be about NOK 9.00.

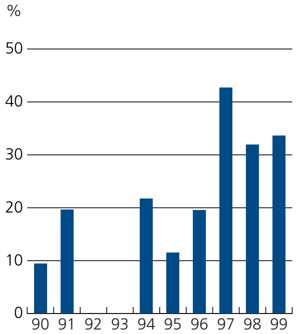
During the annual sale of shares to Norske Skog's employees in Norway and abroad, in March 1999, 1,770 employees bought 49,953 shares. Plans are being made to expand the share purchase programme for employees.

In connection with the merger with Union, Norske Skog also acquired Union's holding of Norske Skog shares. Partly because of this, the company's holding of its own shares on December 31, 1999 amounted to 2% of total share capital.

Dividend 1990-1999



Pay-out ratio 1990-1999



In the merger with Union, settlement was made through a private placement of new Norske Skog shares. This increased share capital from NOK 764.2 million as of December 31, 1998 to NOK 827.6 million at the end of 1999, comprising 28,795,560 A shares and 12,586,219 B shares.

Area Paper Europe

The business area Paper Europe comprises Norske Skog's seven newsprint and magazine paper mills in Europe, and is represented by sales offices in 17 countries in Europe and north America. Lively economic activity in the main west European markets meant increased advertising revenue and more pages per issue for newspapers and magazines. In eastern Europe, too – apart from Russia – publication paper did well.

Demand for publication paper is expected to grow, in both the shorter and longer term. At the turn of the year, markets for the area's products showed good balance between supply and demand, and relatively high capacity utilisation.

The running-in of Norske Skog Golbey's PM 2, the development of new information systems and major maintainance on PM 1, at Norske Skog Skogn, put an extra heavy burden on the operating profit for newsprint.

Newsprint

Operating profit for the area newsprint was NOK 932 million (NOK 1,192 million) and operating revenue was NOK 7,541 million (NOK 6,414 million).

The newsprint activity achieved an operating margin of 12.4% (18.6%). Newsprint prices declined somewhat, on certain markets, during the first quarter. The stronger Norwegian krone had a negative impact on the operating revenue of the mills in Norway.

Total demand for newsprint in western Europe rose by 2.8% from 1998. Canadian and Russian suppliers were more active in the area, owing to over-capacity on their home markets. Combined with new capacity, this made it necessary to implement production curbs.

Demand for newsprint in the US rose by 2.3% in 1999, but there is still imbalance between supply and demand on the north American market.

At the turn of the year there was still good demand for newsprint, and high capacity utilisation.

Since April 1995 newsprint manufacturers in Europe have been the subject of investigations by the EU Commission to ascertain whether conditions in the sector have violated the EU's rules of competition. Norske Skog, too, has received the Commission's preliminary report on this subject. Norske Skog has replied to this report, and consideration of its reply will form part of the Commission's further work.

Magazine paper

Area magazine paper achieved an operating profit in 1999 of NOK 877 million (NOK 754 million) and operating revenue was NOK 4,561 million (NOK 4,125 million). Operating margin was 19.2% (18.3%).

Demand for uncoated (SC) magazine paper was stable and satisfactory throughout 1999. Deliveries to Europe rose by 5% compared with 1998. This meant high capacity utilisation and stable prices. Deliveries to overseas markets declined in 1999 owing to increased capacity in north America and continued weak demand in Asia. At the turn of the year the order situation for uncoated magazine paper was still satisfactory.

Prices of coated (LWC) magazine paper fell 5-6% during the first half year, owing to over capacity and low prices for fine paper. Lower deliveries to both Europe and overseas markets made it necessary to curb production. Towards the end of the year, the order position improved significantly, and prices climbed back to where they had been at the start of 1999.

Area International

The business area International comprises Norske Skog's one third ownership stake in the newsprint firm Pan Asia Paper Company Ltd (Pan Asia).

In 1999, Norske Skog's share of Pan Asia's operating profit was NOK 336 million, and its share of operating revenue was NOK 1,988 million. This gives an operating margin of 16.9%. The net profit from Pan Asia is strongly affected by high interest costs, but the Asian venture increases Norske Skog's earnings per share, even after subtracting the estimated cost of the equity capital invested.

Economic trends in Asia were generally favourable throughout the whole of 1999. This led to an immediate rise in demand for newsprint in several countries. Higher consumption within the region reduced the need to export to more distant markets, while imports from overseas areas declined during the year.

Towards the end of 1999 market balance in the Pacific area had improved so much that it became possible to raise prices, but at the same time prices of waste paper and energy have risen. Continued stabilisation of the Asian economy will maintain the favourable trend for publication paper.

Norske Skog Klabin, in Brazil – once it has been established - will form part of Area International.

Area Fibre

The business area Fibre comprises two mills making market pulp, with a total capacity of 480,000 tonnes, and a small mill making special paper. Norske Skog Hurum was transferred to new owners February 2, 2000.

The area's operating profit in 1999 was NOK 92 million (minus NOK 28 million) and its operating revenue NOK 1,578 million (NOK 1,425 million), giving an operating margin of 5.8% (minus 2.0%).

At the start of 1999 the pulp market was very weak, but it improved gradually during the year. NORSCAN inventories stood at 1.7 million tonnes at the turn of the year 1998/99, but fell more rapidly than expected and were 1.2 million tonnes at the end of the year. The price of bleached long fibre sulphate pulp rose from USD 460/tonne, at the start of the year, to USD 600/tonne in December 1999.

The trend reflects rising demand, the shutdown of capacity in north America, and production curbs.

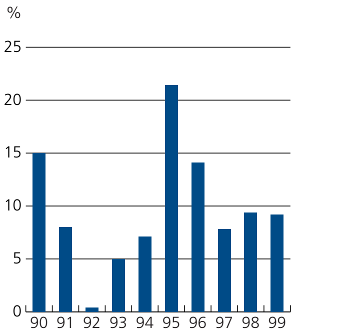
Chemithermomechanical pulp (CTMP) also achieved significant price increases during the year.

Other activity

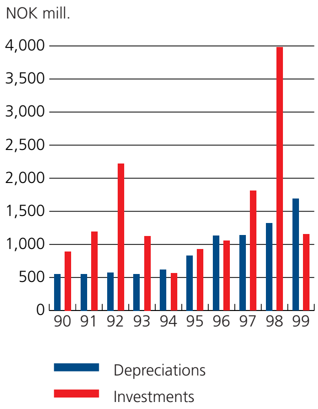
Forestia AS had an operating result of minus NOK 36 million in 1999 (NOK 4 million), and operating revenue of NOK 1,866 million (NOK 1,944 million). Operating margin was minus 1.9% (0.2%). The result was poor because of strong competition and low prices for sawn timber. The markets for particle board were stable. The sawn timber business of Forestia AS has been sold, with effect, for accounting purposes, from January 1, 2000.

Norske Skog Flooring AS had an operating result of minus NOK 19 million (minus NOK 67 million) and operating revenue of NOK 688 million (NOK 668 million). Operating margin was minus 2.8% (minus 10%). The result reflects pressure on prices for flooring products and costs connected with the company's restructuring. The trend during the year, however, was favourable. Langmoen Parkett was sold as of June 29, 1999 and it has been decided to sell the rest of the company's activity with effect from April 2000.

Return on total assets 1990-1999



Operational investments and depreciations 1989-1999



Environment

Norske Skog's environmental strategy is to support the sustainable development of the environment and natural resources. The Group's focus on the environment covers the whole life cycle of its products, from the procurement and use of raw materials to recycling and waste treatment. Most important, from an environmental viewpoint, are policies connected with raw material and energy use, recycling, transport and discharges from production processes.

Through the Living Forest project, Norske Skog has helped create a system for the certification of sustainable forestry in Norway. This is important in relation to the demands and expectations of the market. Certification has now been implemented in more than half of Norwegian forestry, including Norske Skog's own forests. Norske Skog's goal is that all the wood for its mills should come from sustainable forestry. In 1999 Norske Skog's purchases of round wood and chips for its European mills totalled 8 million m^3. Use of waste paper is increasing strongly, and purchases for our mills in Europe totalled 587,000 tonnes in 1999. Norske Skog is Europe's second largest consumer of newspapers and magazines as raw material.

The forest industry sector is transport intensive. The environment is affected, among other things, by emissions of climate gases from the use of engine fuels. Norske Skog's goal is to improve transport efficiency from both an economic and an environmental viewpoint. An important measure in Norway would be to increase the road system's ability to take heavy loads, so that the number of shipments could be reduced.

Together with timber and waste paper, energy is the most important input factor in our processes. Norske Skog's mills are working actively to save energy, and to exploit our own production waste as biofuel. In 1999 more than 90% of organic waste was utilised as energy, and combined with recovery of energy from production processes, it accounted for 77% of our total consumption of heat energy. The goal is that all organic waste should be utilised, either as energy or for other purposes. The use of organic waste as fuel reduced the need for fossil fuels, and thus emissions of climate gases.

The environmental impact of the Group's processes has primarily been connected with discharges to water, particularly of organic material, which affects the quality of recipient water if discharges are excessive. During the 1990's, Norske Skog has done much to reduce these discharges to environmentally acceptable levels. During the 1990's, discharges of organic material were reduced by 82%.

There were no events at Norske Skog's mills during 1999 which had serious negative effects on the environment.

1999 saw the completion of a five-year project which has studied the possibility of closing the water systems in the Group's paper mills. The results of this will be carried further in projects aimed at reducing consumption of water, cutting discharges and energy requirements, and they will form the basis of further work aimed at achieving closed water systems.

Environmental investments at Norske Skog's mills totalled NOK 38 million in 1999.

Norske Skog will also be publishing a separate Environmental Report for 1999.

Health and safety
Systematic preventative efforts have yielded satisfactory results in the company's health and safety programmes. The number of injuries causing absence from work, per million hours worked (H-factor), declined from 16 to 13. Norske Skog Folla had its first year without injuries, and Norske Skog Skogn recorded more than a million hours worked, without injuries leading to absence. Several of the Group's mills already have H-factors of less than 5, which was set as the target for 2000. Absence due to illness, as a percentage of time worked, was 5.7 (5.2), but there is considerable variation in results from one mill to another.

A management document has been prepared which lays down the main guidelines for activity in this area. The Group's planning process includes central and local plans of action for health and safety. Among other things this includes the launch of a course entitled "HES management in Norske Skog/Systematic HES work".

Personnel
At the end of 1999 Norske Skog had 6,315 people (exclusive employees in Pan Asia) on its payroll (6,823). Of these, 1,459 (2,138) were employed in activities outside Norway. The merger with Union increased the number of employees by well 400. The transfers of Forestia's sawn timber business, Norske Skog Flooring, Fibo-Trespo and Norske Skog Hurum concern just over 1,500 employees. Wages and social costs in 1999 totalled NOK 2,811 million (NOK 2,203 million).

For many employees a major event in 1999 was the introduction of new fully-integrated computer systems, covering sales, logistics and accounts. This made new demands on the individual employee's ability to cooperate and to utilise more standardised working routines. At the same time, more and more units are implementing their own programmes aimed at boosting productivity by increasing the efficiency of work processes (Norske Skog Operational Standard), and their own projects concerning organisational development. These activities will continue.

The incentive programme designed to stimulate the attainment of the Group's goals was extended in 1999. The established bonus system was expanded to cover more managers, based on individual agreements. In addition an option programme was introduced for a limited number of managers, with allocation of options worth up to NOK 600,000. The general employee share purchase programme, applying to all employees, was expanded. In addition, some units have bonus systems which apply to all employees.

Activity was high in Norske Skog during 1999, as regards both operation and improvement projects. At the same time, significant changes were made in the Group's structure and organisation. The Board thanks all employees for their valuable contributions to Norske Skog's development in 1999, as in previous years.

Corporate assembly and Board
At a meeting of the company's Corporate Assembly on May 5, 1999 Kåre Leira and Stig Johansen were elected members of the Board. They replace Kjell Hansen and Gisle Hegstad.

Future prospects
At the start of 2000 there was satisfactory demand for publication paper on all main markets. The level of economic activity in Europe, north America and Asia will to a great extent influence developments during the coming period.
There are now few newsprint machines under construction around the world, but new capacity has been added in France and Germany. During the fourth quarter newsprint prices in north America rose, and Asian markets continue to improve. In magazine paper, new capacity is on the way, but is not expected to have any significant effect on the market during the current year.

The trend in the pulp market is favourable, and earnings in this area are expected to show a marked improvement.

It is expected that 2000 will see satisfactory utilisation of publication paper capacity and high output of market pulp.

Together, this will help Norske Skog to achieve a result, in 2000, which is expected to be at least on a level with 1999.

Application of profit
Norske Skogindustrier ASA made a profit for the year of NOK 847 million.

It is proposed to apply the profit as follows:

To other consolidated equity	NOK 401 million
Dividend to shareholders	NOK 446 million
Total applied	NOK 847 million

In addition it is proposed a group contribution of NOK 73 million.

Lysaker, February 8, 2000

Lage Westerbø
Chairman

Jon R. Gundersen
Vice Chairman

Roy Eilertsen

John Frøseth

Stig Johansen

Kåre Leira

Eivind Reiten

Halvard Sæther

Jan Reinås

ACCOUNTS 1999

Successful growth and a good market for publication paper helped increase ordinary pre-tax profit from NOK 1,417 million in 1998 to NOK 1,825 million in 1999. The Board proposes that the dividend be increased from NOK 8.50 per share for 1998 to NOK 11.00 for 1999. Norske Skog's equity capital increased by 17% in 1999 to NOK 11,727 million.

NORSKE SKOG GOLBEY, IN FRANCE, SUCCESSFULLY STARTED UP ITS SECOND PAPER MACHINE IN 1999

Profit and Loss Account

NOK million	Notes	**1999**	1998	1997
Operating revenue	1	**18,054**	14,908	13,312
Cost of materials	2	**7,311**	6,061	6,121
Wages, salaries and personnel expenses	3,4	**2,811**	2,203	1,961
Other operating expenses	5	**4,114**	3,541	3,007
Ordinary depreciation and write-downs	18	**1,689**	1,323	1,140
Operating expenses		**15,925**	13,128	12,229
Operating profit		**2,129**	1,780	1,083
Share of profit in affiliated companies	14	**25**	66	22
Net financial expenses	6	**-149**	-429	-455
Other items	8	**-180**	0	0
Operating profit before tax		**1,825**	1,417	650
Tax on ordinary result	7	**-499**	-387	-62
Ordinary result		**1,326**	1,030	588
Minority interests		**-26**	-10	2
Profit for the year		**1,300**	1,020	590
Net earnings per share / Net earnings per share fully diluted		**32.71**	26.68	16.40

Statement of Cash Flow

	Notes	**1999**	1998	1997
Cash flow from operating activities				
Cash generated from operation		**17,622**	14,506	13,169
Cash used in operation		**-14,487**	-11,325	-10,920
Financial revenue received and financial expenses paid		**-633**	-222	-324
Tax paid		**-340**	-100	-310
Net cash flow from operating activities	9	**2,162**	2,859	1,615
Cash flow from investment activities				
Investments in operational fixed assets		**-1,154**	-3,983	-1,814
Adjustment for investments with deferred cash-effect		**-547**	487	219
Sales of operational fixed assets		**237**	64	44
Net cash used for acquisitions of companies		**-448**	-583	-90
Net financial investments		**202**	-36	20
Net cash flow from investment activities		**-1,710**	-4,051	-1,621
Cash flow from financial activities				
Net change in long-term debt		**-1,680**	3,442	-1,606
Net change in short-term debt		**200**	-690	485
Dividend paid		**-314**	-267	-228
Converted bonds [1)]		**0**	0	1,106
Net cash flow from financial activities		**-1,794**	2,485	-243
Total change in liquid assets [2)]		**-1,342**	1,293	-249
Liquid assets as at January 1 [3)]		**2,145**	1,019	1,102
Liquid assets as at December 31		**803**	2,312	853

1) Converted bonds has no cash-effect. The same amount is included in repayment of debt.
2) Liquid assets consists of cash, bank deposits and short-term placements
3) Liquid assets at January 1 are adjusted for liquid assets in companies aquired during the year

Balance Sheet at 31.12.

NOK million	Notes	1999	1998	1997
Assets				
Operational fixed assets	18	**18,426**	16,776	12,079
Other long-term receivables	17	**322**	279	226
Shares in other companies and partnerships	15,16	**80**	80	79
Shares in affiliated companies	14	**0**	451	394
Securities and long-term financial assets		**402**	810	699
Fixed assets		**18,828**	17,586	12,778
Stocks	13	**1,906**	1,780	1,507
Other short-term receivables		**326**	561	315
Accounts receivable	12	**3,051**	2,010	1,840
Short-term investments	11	**257**	944	551
Cash and bank deposits	10	**546**	1,368	302
Current assets		**6,086**	6,663	4,515
Total assets		**24,914**	24,249	17,293

Liabilities and shareholders' equity

Share capital		**811**	764	764
Other consolidated equity	23	**10,748**	9,120	8,300
Minority interests		**168**	145	59
Shareholders' equity	23	**11,727**	10,029	9,123
Deferred tax	7	**567**	425	350
Other long-term debt		**332**	447	243
Senior interest bearing long-term debt	21	**7,902**	8,556	4,256
Pension obligations	4	**220**	136	98
Long-term liabilities		**9,021**	9,564	4,947
Interest bearing short-term liabilities	20	**520**	803	742
Other short-term liabilities	19	**3,646**	3,853	2,481
Current liabilities		**4,166**	4,656	3,223
Total liabilities and shareholders' equity		**24,914**	24,249	17,293
Mortgages	24	**1,446**	440	67

Lysaker, February 8, 2000

Lage Westerbø
Chairman

Jon R. Gundersen
Vice Chairman

Roy Eilertsen

John Frøseth

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Kåre Leira

Eivind Reiten

Halvard Sæther

Jan Reinås

Changes in accounting principles in 1999.

The new accounting act was implemented as of January 1, 1999. Due to the new legislation, the accounting principle for long term receivables and long term debt in foreign currency has been changed from a portfolio principle to the use of the year end exchange rate. The impact of the change has a positive effect on equity of NOK 35 million as of December 31, 1998, and equity has been adjusted to reflect this. In 1998 the accounting principle for long term receivables and long term debt in foreign currency was changed from assessing each currency separately, to assessing all currencies under one as a portfolio. The effect of this was presented as an extraordinary item of NOK 62 million in the accounts for 1998. Since the comparable figures for 1998 are presented according to the new accounting principle, there is no extraordinary item shown, and the financial items are improved with NOK 62 million. Apart from this, the new accounting act has not lead to material changes in the Group's profit or equity. The presentation of the balance sheet is significantly changed due to the new legislation. Historical figures are adjusted, so the figures in the profit and loss statement and the balance sheet are comparable.

Comparability

1999

The joint venture Pan Asia Paper Company Ltd (Pan Asia), owned 1/3 by Norske Skog, is proportionally consolidated in business area Asia according to proportionate consolidation from January 1, with operating revenues of NOK 1.900 million and total assets of NOK 4.000 million. Norske Skog paper mills in Thailand and Korea are included in Pan Asia from February 2. They are included in the consolidated accounts in business area Asia until then.

Norske Skogindustrier ASA's merger with A/S Union is carried through in the accounts from May 5, 1999. Norske Skog's share of ownership before the merger was 57.6%, and Union was included in the accounts as an affiliated company. The merger was handled as a stepwise acquisition. The units from Union are included in business area Newsprint with operating revenues of NOK 840 million and total assets of NOK 1,060 million. Langmoen Parkett was sold on June 29, and Fibo Trespo was sold on October 25. These companies were prior to the date of sale included in business area Flooring with operating revenues of NOK 275 million and total assets of 180 million.

1998

Norske Skog Singburi in Thailand is included in the consolidated accounts as of September 1. Norske Skog Chongwon in Korea is included as of July 1. These companies are incorporated in business area Asia with NOK 485 million in operating revenues and NOK 2,800 million in total assets.

1997

Sande Paper Mill AS, which in 1996 was included in the business area Magazine Paper with NOK 183 million in operating revenues and NOK 156 million in total assets, was transferred to new owners with effect from January 3. Acquisition of Hedalm Trelast was implemented with effect for the accounts as of July 1, and is incorporated in business area Forestia with NOK 118 million in operating revenues and NOK 214 million in total assets. Norske Skog Štětí is included in the consolidated accounts as of November 1, and is incorporated in business area Newsprint with NOK 55 million in operating revenues and NOK 342 million in total assets.

Consolidated accounts

The consolidated accounts show the activities of the parent company, Norske Skogindustrier ASA, and its subsidiaries as one financial unit. Intercompany sales and accounts are eliminated in the consolidated accounts. Gains arising from transactions between group companies are eliminated.

Companies in which Norske Skog has a controlling interest are included fully in the consolidated accounts. In the case of subsidiaries that are not wholly owned, minority interests are deducted and are shown as separate items in the profit and loss account and balance sheet. Shares in subsidiaries are eliminated according to the purchase method. This means that the cost of acquisition of the shares is allocated to the subsidiary's assets and liabilities, which are entered in the consolidated accounts at the fair value at the time of purchase. Cost of acquisition in excess of the fair value of identifiable assets and liabilities is entered as goodwill in the balance sheet.

The equity method is used for affiliates. Affiliates are those companies in which Norske Skog has a substantial, but not a controlling interest. The equity method means that the Group's share of the affiliate's profit and loss is shown on a separate line in the profit and loss account, while its share of the affiliate's equity, adjusted for excess/lesser values, is classified as a fixed asset in the balance sheet.

Interests in joint ventures are accounted for using proportionate consolidation. The share of income, expenses, assets and liabilities is recognised line by line the consolidated accounts.

For consolidation of foreign subsidiaries that are regarded as an integral part of the parent company's activities, monetary items are translated at the year-end exchange rate. Non-monetary items are translated at the rate on the transaction date. Profit and loss account items are translated at the average exchange rate for the year, except for cost of materials and depreciation, which are translated at the rate on the transaction date. The translation difference is shown in the profit and loss account as a financial item. For independent foreign subsidiaries balance sheet items are translated at the year-end exchange rate. Profit and loss items are translated at the average exchange rate for the year. The translation difference is entered as an adjustment to consolidated equity.

Operating revenues

All sales are recognised as revenues from the time of delivery. Operating revenues are gross operating revenues less commissions, rebates and other direct reductions in price.

Classifications in balance sheet

Assets and liabilities linked with the flow of goods are classified as current assets and liabilities. Other assets are entered under fixed assets when the company intends them for continued use or ownership. Debts that fall due for payment later than one year after the balance sheet date are entered as long term debts. Other assets and liabilities are classified as current assets and current liabilities.

Assets and liabilities in foreign currencies

Unhedged assets and liabilities in foreign currencies are translated into NOK at the year-end exchange rate. Balance sheet items in foreign currencies that are hedged by financial instruments are entered at the hedging exchange rate. Balance sheet items in foreign currencies that hedge against each other are entered at the year-end exchange rate.

Financial instruments

Treatment of financial instruments for accounting purposes follows the intentions underlying the contracts. At the time a contract is made, it is defined either as a hedging or as a trading contract.

The various types of financial instruments used for hedging interest risks are assessed as separate portfolios. These are assessed at cost price or market value, whichever is the lower. In cases where the contracts made are classified as hedging transactions, revenues and costs are accrued and classified in the same way as the underlying balance sheet items.

Financial instruments in foreign currencies that are not classified as hedging for accounting purposes are assessed at market value.

Premiums paid or received that relate to options maturing after the year-end closing date are accrued over the life of the options.

Shares, bonds, certificates, bills etc.

Shares, bonds and certificates classified as current assets and regarded as part of a trading portfolio are valued at market value.

Other shares, bonds and certificates classified as current assets are managed as a uniform whole and are assessed jointly as a portfolio. Unrealised losses are set off against unrealised gains. Net unrealised losses on the portfolio are entered as expenses under financial items. Net unrealised gains are entered as financial revenue within the limits of unrealised losses expensed earlier.

Shares classified as fixed assets that are not attributed to affiliated companies are strategic investments where the Group cannot be said to have any significant influence. These share holdings are valued at cost price, or possibly the real value when a drop in value is not of a permanent nature.

Stocks in hand

Raw materials and other purchased goods are valued at purchase cost according to the FIFO principle. Finished goods are valued at production cost, which includes raw materials, energy, direct wages and a share of indirect costs, including ordinary maintenance and depreciation. The net selling value at the future selling date will be used if that is lower.

Fixed assets and depreciation

Acquisition cost for tangible assets having a permanent value are capitalised as assets in the balance sheet. Spare parts are capitalised with the asset to which they pertain. For major investments with a long production time, interest is capitalised as part of the acquisition cost. Expenditure to increase capacity or improve quality that represents a future increase in earnings is capitalised in the balance sheet. Maintenance costs are expensed as an operating cost.

Ordinary depreciation is calculated from the time use of the tangible asset commences and is calculated on the basis of the economic life of the asset according to the following system: computer equipment 3 - 5 years; means of transport 5 - 10 years; fixtures and fittings 10 years; machinery 10 - 20 years; buildings 10 - 25 years, factory buildings 25 - 33 years; goodwill and other intangible assets 5 - 20 years.
No depreciation is charged for plant under construction.

Research & Development

Research and development costs are expensed as operating costs.

Leasing

Leasing contracts are assessed as financial or operational leasing after a specific assessment is made of each contract. Tangible assets in leasing contracts that are regarded as financial leasing are capitalised in the balance sheet and depreciation is charged as for ordinary tangible assets. The amortisation part of the leasing obligation is entered as long-term debt. The amount of debt is reduced by the rental paid after deduction of the calculated interest cost.

Pension costs and obligations

Pension obligations are calculated as the discounted value of the future pension benefits deemed to have accrued at year-end, based on the employees earning pension rights steadily throughout the working period. Funds belonging to the pension scheme are assessed at their actual value and are entered net against pension obligations in the balance sheet. Each individual pension plan is assessed separately, but the value of over-financing in the one plan and under-financing in another is entered net in the balance sheet, provided that pension scheme funds are transferable between the plans. Net pension scheme funds are entered as long-term receivables and net pension obligations as long-term debt. Pension obligations and pension scheme funds are calculated on the basis of financial and actuarial assumptions as explained in note 4.

Net pension costs for the period are included in "wages and other personnel costs" and consist of the present value of pension earned in the year, interest cost on the pension obligation, anticipated returns on pension scheme funds, the effect entered in the profit and loss account for changes in estimates and pension plans, the change entered in the profit and loss account for difference between actual and anticipated returns, and accrued payroll tax.

The effect of changes in estimates and pension plans and the difference between actual and anticipated returns are accrued over the remaining pension-earning period or expected life when the cumulated effect exceeds 10% of whichever is highest of the pension scheme funds or the pension obligations.

Bond loans

This liability item is reduced by holdings of the company's own bonds. Value above/below par is expensed when purchasing own bonds.

Taxes

The tax cost consists of payable tax and the change in deferred tax. Payable tax is calculated on the basis of the taxable profit and the change in deferred tax is calculated on the basis of the year's change in temporary differences.

Deferred tax in the balance sheet is calculated on the basis of temporary differences between timing for corporate and tax accounting and losses that can be carried forward at the end of the financial year. Tax-reducing temporary differences and losses to be carried forward are set off against tax-increasing temporary differences reversed during the same period. Full provision is made according to the debt method without discounting to present value.

All figures shown as NOK million unless otherwise stated.

1. Business areas

1999	Newsprint	Magazine-paper	Asia	Fibre	Forestia	Flooring	Staff/elim.	Consoli-dated
Operating revenue:								
Norway	812	71	0	420	1,191	171	41	2,706
Rest of Europe	5,734	3,080	0	1,121	657	376	90	11,058
Rest of World	995	1,410	1,988	37	18	141	-299	4,290
Total operating revenue	7,541	4,561	1,988	1,578	1,866	688	-168	18,054
Operating expenses	5,875	3,292	1,485	1,372	1,775	629	-192	14,236
Ordinary depreciation	734	392	167	114	127	78	77	1,689
Operating profit	932	877	336	92	-36	-19	-53	2,129
Current assets	2,219	1,318	631	353	305	189	267	5,282
Fixed assets	8,333	4,042	3,520	997	804	259	471	18,426
Non-interest bearing debt	1,269	543	236	105	148	99	1,246	3,646
Investments	626	189	53	54	99	55	78	1,154
Employees	2,927	1,238	889	440	1,216	252	249	7,211
Export share (%)	89	98	100	73	36	75	-	85
1998								
Operating revenue:								
Norway	602	137	0	440	1,299	275	58	2,811
Rest of Europe	4,696	2,694	0	967	634	323	94	9,408
Rest of World	1,115	1,294	485	18	11	70	-304	2,689
Total operating revenue	6,414	4,125	485	1,425	1,944	668	-153	14,908
Operating expenses	4,687	2,932	393	1,346	1,816	680	-48	11,805
Ordinary depreciation	535	439	31	107	124	54	32	1,323
Operating profit	1,192	754	61	-28	4	-67	-136	1,780
Current assets	2,079	771	206	369	501	276	149	4,351
Fixed assets	7,589	4,437	2,085	1,063	858	331	413	16,776
Non-interest bearing debt	1,948	278	101	118	215	105	1,088	3,853
Investments	2,841	594	2	276	78	38	154	3,983
Employees	2,352	1,278	680	449	1,276	574	214	6,823
Export share (%)	91	97	100	69	33	59	-	81
1997								
Operating revenue:								
Norway	637	205	-	498	1,358	308	89	3,095
Rest of Europe	3,859	1,952	-	863	592	294	275	7,835
Rest of World	1,176	1,455	-	15	14	101	-379	2,382
Total operating revenue	5,672	3,612	-	1,376	1,964	703	-15	13,312
Operating expenses	4,463	2,830	-	1,227	1,831	689	49	11,089
Ordinary depreciation	448	409	-	100	114	49	20	1,140
Operating profit	761	373	-	49	19	-35	-84	1,083
Current assets	1,248	1,215	-	336	505	215	143	3,662
Fixed assets	5,298	4,291	-	895	903	403	289	12,079
Non-interest bearing debt	892	419	-	88	227	101	754	2 481
Investments	1,133	201	-	111	126	191	52	1,814
Employees	2,177	1,259	-	468	1,342	476	264	5,986
Export share (%)	89	94	-	64	31	56	-	77

2. Consumption of raw materials

	1999	1998	1997
Raw materials and purchased goods	**7,395**	6,124	6,073
Change in stock of finished goods	**-84**	-63	48
Total	**7,311**	6,061	6,121

3. Wages, salaries and personnel expenses

	1999	1998	1997
Wages, salaries incl. holiday allowance	**2,269**	1,703	1,575
National insurance and pensions	**542**	500	386
Total	**2,811**	2,203	1,961

The salary paid to the President and CEO amounted to NOK 2,293,973 and perquisites such as company car, loans etc. totalized NOK 243,053. The President and CEO has a wage guarantee scheme for up to three years. The other members of the Executive Staff have a wage guarantee scheme for up to one and a half year.

Remuneration of the Corporate Assembly and Board members amounted to NOK 603,250 and NOK 1,111,250 respectively.

The audit fee for Norske Skogindustrier ASA amounted to NOK 1,800,000. Other audit fees amounted to NOK 143,000.

As of December 1999 a share option scheme has been introduced for the Executive Staff and a small number of other people in leading positions. This scheme allows the participants to buy a number of A shares at a stipulated rate of NOK 375 in the time period from October 1, 2002 until December 31, 2002. Under this agreement, the participants may purchase a total of 76,610 shares.

As of 1998 a bonus scheme has been introduced for the Group Management, as well as for the Mill Managers at the paper and pulp mills. The bonus is linked to the Group's return on total assets.

4. Pension costs and pension obligation

Norske Skogindustrier ASA, with subsidiaries, has collective benefit retirement plans for its employees with a life insurance company. The retirement plans for the Group are uniform. The main conditions are 30 years' service, a pension amounting to 65% of pensionable earnings on January 1, of the year the employee reaches 67 years, plus disablement, spouse and childrens' pension. All plan benefits are coordinated with expected social security benefits. The pension level is reduced to 60% from the pensioner's 75th birthday. As of January 1, 1999 the pension arrangements covered 7,454 members, of whom 4,663 were working and 2,791 were pensioners.

In addition to the benefit obligations covered through insurance arrangements, the Group has uninsured benefit obligations. These include obligations concerning former owners of subsidiaries, and pensions of top management and Board members, totalling 167 persons. The uninsured benefit obligations also include estimated future obligations connected with the AFP- arrangement (involving a possible future reduction of the pension age), and obligations concerning foreign subsidiaries. Obligations relating to top management pensions are partly insured through a supplementary retirement plan with life insurance company.

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

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

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

%	1999	1998	1997
Discount rate	**5.5**	5.5	5.5
Expected return on plan assets	**6.5**	6.5	6.5
Salary adjustment	**3.0**	3.0	3.0
Soc. security increase/inflation	**2.0**	2.0	2.0
Pension increase	**1.6**	1.6	1.6

Net periodic pension cost	1999	1998	1997
Benefits earned during the year	**84**	55	51
Interest cost on prior period benefit	**68**	53	49
Expected return on plan assets	**-75**	-60	-56
Periodic employer tax	**12**	6	2
Expensed portion of changes AFP-plan	**3**	3	3
Expensed portion of differences in estimates	**7**	4	3
Net periodic pension cost	**99**	61	52

Status of the pension plans reconciled to the consolidated balance sheet

	Plan assets exceed PBO			PBO exceed plan assets		
	31.12.99	31.12.98	31.12.97	**31.12.99**	31.12.98	31.12.97
Projected Benefit Obligations (PBO)	**-943**	-718	-637	**-471**	-398	-384
Plan assets at fair value	**1,046**	837	746	**168**	153	181
Plan assets in excess of / less than PBO (-)	**103**	119	109	**-303**	-245	-203
Unamortized changes in AFP-plans	**0**	0	0	**41**	54	57
Differences in estimates not taken into income/expenses	**93**	-15	25	**56**	61	51
Net plan assets / pension obligations (-)	**196**	104	134	**-206**	-130	-95
Accural employer tax	**0**	4	7	**-14**	-6	-3
Plan assets / pension obligations (-) in the balance sheet	**196**	108	141	**-220**	-136	-98

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

For 1999 return on plan assets of NOK 75 million is estimated. The difference between the booked return and the estimated return in 1998 is treated as an estimate difference.

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

5. Other operating expenses

	1999	1998	1997
Distribution costs	**1,296**	1,167	1,101
Packaging	**197**	178	166
Maintenance materials	**711**	509	494
Contract services	**388**	229	194
Marketing costs	**80**	72	64
Administration costs	**665**	681	587
Losses on bad debt *)	**16**	12	20
Other	**761**	693	381
Total	**4,114**	3,541	3,007

*) Losses on bad debts are included as follows:

	1999	1998	1997
Amount written off during the year	**10**	19	10
Received amounts previously written off	**-1**	-1	-2
Changes in bad debt reserves	**7**	-6	12
Total	**16**	12	20

6. Net financial expenses

	1999	1998	1997
Dividends received	**4**	3	2
Interest revenue	**98**	102	89
Profit on securities	**0**	0	2
Realised and unrealised profit on foreign currency hedging	**336**	0	0
Other financial income	**77**	232	121
Total financial revenue	**515**	337	214
Interest expenses	**642**	357	285
Loss on shares and related foreign exchange contracts	**6**	42	0
Realised and unrealised loss on foreign currency hedging	**0**	302	362
Other financial expenses	**16**	65	22
Total financial expenses	**664**	766	669
Net financial expenses	**-149**	-429	-455

7. Taxes

Due to introduction of new rules for taxation of power plants in 1997 fiscal value on power plants was increased and deferred tax reduced with 65 million NOK.

Tax expenses

	1999	1998	1997
Taxes payable			
Norway	**-330**	-257	-108
Foreign countries	**-102**	-71	-16
Total	**-432**	-328	-124
Change in deferred tax			
Norway	**104**	-38	46
Effect of change taxation rules	**0**	0	65
Foreign countries	**-171**	-21	-49
Total	**-67**	-59	62
Total tax expenses	**-499**	-387	-62

Deferred tax

A specification of temporary differences, losses to be brought forward and deferred tax at the end of the year is shown below.

Deferred tax	1999	1998	1997
Total short-term items	**8**	2	-23
Total long-term items	**3,917**	3,115	2,557
Taxable losses to be brought forward *)	**-1,581**	-1,250	-1,053
Total temporary differences and losses to be brought forward	**2,344**	1,867	1,481
Deferred tax	**567**	425	350

*) Taxable losses to be brought forward related to our subsidiaries in France and Austria amount to NOK 1,436 million. The rest of losses to be brought forward expires in 2002 (NOK 20 million) and in 2005 (NOK 125 million).

	1999	1998	1997
Deferred tax advantage			
Unsecured pension obligations	**0**	0	55
Deferred tax advantage (see note 17)	**0**	0	15

8. Other items

The amount is a provision for losses related to the sale of the subsidiary Forestia AS NOK 150 million, and the subsidiary Norske Skog Flooring AS, NOK 30 million. These subsidiaries had an operating revenue of NOK 2,100 million i 1999 and total assets of NOK 1,800 million.

9. Net cash flow from operations

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

	1999	1998	1997
Operating profit before tax	**1,825**	1,417	650
Ordinary depreciation and write-downs	**1,689**	1,323	1,140
Share of profit in affiliated companies	**-25**	-66	-22
Taxes paid	**-340**	-100	-310
Changes in short-term not interest bearing receivables*	**-258**	-338	-118
Changes in stocks*	**27**	-203	52
Changes in short-term not interest bearing liabilities*	**-161**	1,261	223
Adjustments for changes in working capital without cash-effect	**-595**	-435	0
Net cash flow from operating activities	**2,162**	2,859	1,615

*) Changes in balance sheet items are not directly comparable to changes in the consolidated balance sheet page 17, due to acquisitions and sales of companies during the year.

10. Cash and bank deposits

Restricted deposits covering employer taxes and sundry guarantees amount to NOK 25 million in 1999, compared to NOK 21 million in 1998 and NOK 14 million in 1997.

11. Short-term investments

	1999	1998	1997
Government bonds	**28**	106	90
Bank/Insurance	**44**	441	105
Other Financial institutions	**72**	247	258
Industry/Commerce/Shipping	**85**	0	0
Total bonds	**229**	794	453
Commercial papers	**28**	150	98
Total	**257**	944	551

Net unrealised losses in the portfolio at year end 1999 were NOK 27 million. Corresponding figure for year end 1998 was unrealised losses of NOK 30 million and 1997 unrealised losses of NOK 5 million.

Own bonds held in treasury have been deducted from the bond portfolio.

12. Accounts receivable

	1999	1998	1997
Accounts receivable	**3,119**	2,092	1,931
Provisions for bad debts	**-68**	-82	-91
Total	**3,051**	2,010	1,840

13. Stocks

	1999	1998	1997
Raw materials	**760**	805	640
Work in progress	**85**	58	60
Finished goods	**1,061**	917	807
Total	**1,906**	1,780	1,507

14. Affiliated companies

In the consolidated accounts, shares in affiliated companies are included according to the equity method. Share of profit is reported after correction of dividend from affiliated companies and the Group`s share of the dividends payable by Norske Skog to Union.

Company	Ownership %	Book value 31.12.98	Bought shares	Share of profit for the year	Dividend/ other equity corrections	Book value 31.12.99
Union	57,6	420	-427	17	-10	0
Norsk Gjenvinning	31,4	31	-39	8	0	0
Total		451	-466	25	-10	0

Share of profit from A/S Union is included until the merger, and share of profit in Norsk Gjenvinning AS is included until the point of sale.

15. Shares

Shares included as financial assets Shares owned by the parent company	Currency	Share capital (1,000)	Number of shares	Total nominal value (1,000)	Book value (NOK 1,000)
Bio-Varme AS	NOK	15,000	30	3,000	3,000
Adresseavisen AS	NOK	31,300	12,015	240	1,511
Norsk Avfallshandtering AS	NOK	131,400	300	3,000	3,000
Stangeskovene	NOK	20,300	726	3,630	13,443
Sikon Øst ASA	NOK	50,000	10,000	1,000	2,000
Camfore AB	SEK	3,200	179,700	359	13,014
Other shares, each with book value less than NOK 1 million					1,539
Total					37,507

Shares owned by the parent company	
Other shares	22,812
Total	60,319

Shares in subsidiaries

Shares in Norwegian subsidiaries owned by the parent company	Currency	Share capital (1,000)	Number of shares	Total nominal value (1,000)	Ownership %	Book value (NOK 1,000)
Nornews AS, Lysaker	NOK	50	1,000	50	100.0	50
Norske Treindustrier AS, Lysaker	NOK	50	50	50	100.0	50
Lysaker Invest AS, Lysaker	NOK	29,140	291,400	29,140	100.0	29,140
Forestia AS, Braskereidfoss	NOK	300,000	300,000	300,000	100.0	261,000
Norske Skog Sales AS, Lysaker	NOK	50	500	50	100.0	50
Norske Skog Bygg AS, Lysaker	NOK	5,000	50,000	5,000	100.0	5,000
Norsk Skog Supply AS, Drammen	NOK	4,000	400	4,000	100.0	4,000
Folla CTMP AS, Follafoss	NOK	10,000	100,000	10,000	100.0	0
Norske Skog Flooring Holding AS, Lysaker	NOK	200,000	1,000	200,000	100.0	200,000
Union Geithus AS, Geithus	NOK	1,000	1,000	1,000	100.0	0
Embretsfoss AS, Skien	NOK	1,000	1,000	1,000	100.0	32,214
Union Paper & Co AS, Skien	NOK	500	500	500	100.0	500
Forestia Plater AS, Braskereidfoss	NOK	100	10,000	100	100.0	100
Service - og Utmarksenteret AS, Trones	NOK	605	500	500	82.6	500
Total						532,604

Shares in foreign subsidiaries owned by the parent company	Currency	Share capital (1,000)	Number of shares	Nominal value (1,000)	Ownership %	Book value (NOK 1,000)
Norske Skog Golbey S.A., Golbey	FRF	3,087,370	3,087,370	3,087,370	100.0	3,376,242
Pan Asia Paper Company Ltd., Singapore	USD	600,000	600,000	200,000	33.3	1,549,417
Norske Skog Bruck GmbH, Bruck	ATS	25,000	25	25,000	100.0	165,917
Norske Skog Štětí a.s., Štětí	CZK	883,100	8,600	883,100	100.0	190,359
Norske Skog Østerreich GmbH, Graz	ATS	2,000	1	2,000	100.0	1,292
Markproject Ltd., London	GBP	300	50,000	300	100.0	3,105
Norske Skog Deutschland GmbH, Wiesbaden	DEM	1,450	1,450	1,450	100.0	6,275
Norske Skog (UK) Ltd., London	GBP	100	10,000	100	100.0	2
Norske Skog Holland B.V., Amsterdam	NLG	100	200	100	100.0	400
Norske Skog Belgium S.A., Brussels	BEC	19,375	19,375	19,375	100.0	3,234
Nornews Produtos Florestais LDA, Lisbon	PTE	400	400	400	100.0	17
Norske Skog Espana S.A., Madrid	ESP	15,000	150	15,000	100.0	3,606
Norske Skog (Irland) Ltd., Dublin	IEP	2	20	2	100.0	22
Norske Skog (Schweiz) AG, Zurich	CHF	25	25	25	100.0	193
Norske Skog Danmark ApS, Værløse	DKK	30	30	30	100.0	25
Norske Skog Italia s.r.l., Milan	ITL	20,000	19	19,000	95.0	84
Norske Skog France S.A.R.L., Paris	FRF	50	500	50	100.0	7,939
Norske Skog Japan Co. Ltd., Tokyo	JPY	2,000	20	2,000	100.0	94
Norske Skog (USA) Inc., Southport	USD	2	200	2	100.0	8
Norske Skog AB, Järpen	SEK	50	500	50	100.0	58

Shares in foreign subsidiaries owned by the parent company	Currency	Share capital (1,000)	Number of shares	Nominal value (1,000)	Owner--ship %	Book value (NOK 1,000)
Norske Skog (Cypros) Ltd., Paphos	CYP	1	1,000	1	100.0	2
Norske Skog South East Asia Pte Ltd., Singapore	SGD	20	20,000	20	100.0	69
Norske Skog Asia Pacific Pte Ltd., Singapore	SGD	100	100,000	100	100.0	441
AB Lee Bruk, Töckfors	SEK	150	1,500	150	100.0	11,089
Norske Skog Hong Kong Ltd., Hong Kong	HKD	10	10,000	10	100.0	8
Norske Skog Czech Republic & Slovakia. S.r.o. Štětí	CZK	400	1	400	100.0	112
Norske Skog Polska Sp. Z.o.o., Warzaw	PLS	50	1	50	100.0	110
Norske Skog Hungary, Budapest	HUF	3,000	1	3,000	100.0	110
Norske Skog Logistics, Antwerp	BEF	2,500	2,500	2,500	100.0	540
Munkedalen Mezs Sia, Munkedal	SEK	1,000	10,000	1,000	100.0	12,610
Total						5,333,380
Total shares owned by the parent company						5,903,491

Shares in Norwegian subsidiaries owned by consolidated companies	Currency	Share capital (1,000)	Number of shares	Total nominal value (1,000)	Owner-ship %
Telemarksbruket AS, Bø i Telemark	NOK	2,240	22,400	2,240	100.0
Norske Skog Flooring AS, Lyngdal	NOK	32,000	32,000	32,000	100.0
Norske Skog Flooring (USA) AS, Lysaker	NOK	50	500	50	100.0
Shares in foreign subsidiaries owned by consolidated companies					
Polak & van Berg B.V., Amsterdam	NLG	120	240	120	100.0
Amstelpoort B.V., Amsterdam	NLG	10	20	10	100.0
Norske Skog Italia s.r.l., Milan	ITL	20,000	1	1,000	5.0
Norske Skog Flooring AB, Hälsingborg	SEK	200	2,000	200	100.0
Norske Skog Flooring GmbH, Weiterstadt	DEM	800	8	800	100.0
Norske Skog Flooring (UK) Ltd., Buckinghamshire	GBP	15	15,000	15	100.0
Norske Skog Flooring (USA) Inc., Racine	USD	1	1,000	1	100.0
Norske Skog Flooring (USA) Real Property, Racine	USD	1	1,000	1	100.0
Fjellman Press i Mariestad AB, Mariestad	SEK	2,500	1,000	2,500	89.0
Norske Skog Publicationspapier GmbH, Bruck	ATS	380,000	1	380,000	100.0
Paper Back Buro-Altpapier GmbH, Bruck	ATS	500	1	500	100.0

16. Shares in partnerships

Shares in partnerships owned by the parent company	Owner-ship %	Partnership capital paid (NOK 1,000)	Partnership capital not paid	Share of profit (NOK 1,000)	Book value (NOK 1,000)
Industrikraft Midt-Norge DA	30	18,481	0	-18,264	217
Total owned by the company		18,481	0	-18,264	217
Shares in partnerships owned by consolidated companies					
Telemarksbruket KS	66	10,900	0	0	0
Nornews Express ANS	55	936	0	5,451	19,883
Total		11,836	0	5,451	19,883

17. Other long-term receivables

	1999	1998	1997
Loans to employees	**35**	21	11
Sundry long-term receivables	**91**	150	59
Pension plan assets	**196**	108	141
Deferred tax advantage	**0**	0	15
Total	**322**	279	226

Loans to members of the Board and associated parties under the Accounting Act § 7-32 represents:

NOK	Loan
Jan Reinås	1,897,167
Jan Kildal	1,645,167
Thor H. Lobben	800,000
Jan Oksum	2,000,000
Dag Tørvold	2,300,000

Some of the loans are according to agreement free of interest and repayment.

18. Operational fixed assets

	Goodwill and other exclusive rights	Buildings and real property	Machinery and plant	Ships	Fixtures and fittings, tools, office machinery	Plant under con-struction	Total
Acquisition cost							
Acquisition cost 31.12.1998	738	5,393	18,277	21	363	3,329	28,121
Addition, new companies	99	935	4,609	0	45	76	5,764
Addition 1999 at cost	37	84	331	0	50	646	1,148
Capitalized interest 1999	0	0	0	0	0	6	6
Sales 1999 at cost	-381	-480	-1,771	0	-43	0	-2,675
Transferred from plant under construction	-20	815	2,633	2	18	-3,352	96
Acquisition cost 31.12.1999	473	6,747	24,079	23	433	705	32,460
Revaluation							
Revaluation 31.12.1998	0	131	30	0	0	0	161
Addition/Sales in 1999 at cost	0	12	12	0	0	0	24
Revaluation 31.12.1998	0	143	42	0	0	0	185
Write-downs							
Accumulated write-downs 31.12.1998	0	29	143	0	0	0	172
Accumulated write-downs new companies	0	0	0	0	0	0	0
Write-downs 1999	0	0	235	0	2	0	237
Reversal of write-downs 1999	0	0	0	0	0	0	0
Accumulated write-downs 31.12.1999	0	29	378	0	2	0	409
Depreciation							
Accumulated ordinary depreciation 31.12.1998	320	1,734	9,036	21	212	11	11,334
Accumulated depreciation new companies	1	198	1,104	0	17	0	1,320
Ordinary depreciation 1999	44	269	1,269	0	52	-10	1,624
Depreciation on revaluation 1999	0	4	4	0	0	0	8
Depreciation on fixed assets sold in 1999	-246	-32	-185	0	-13	0	-476
Accumulated ordinary depreciation 31.12.1999	119	2,173	11,228	21	268	1	13,810
Book value							
Book value 31.12.1998	418	3,761	9,128	0	151	3,318	16,776
Book value 31.12.1999	354	4,688	12,515	2	163	704	18,426

Goodwill specification on each acquisition	Year	Depreciation plan/year [1]	Depreciation 1999	Rest book value 31.12.1999
Golbey	1995	20	6	78
Bruck	1996	10	2	8
Forestia	1997	10	7	43
Pan Asia	1999	20	4	125
Union	1999	20	1	25

[1] Depreciation plan for goodwill is set according to expected economic life.

Operational fixed assets - acquisition and disposals over the last 5 years		Goodwill and other exclusive rights	Buildings and real property	Machinery and plant	Ships	Fixtures, fittings, tools, office machinery	Plant under construction	Total
1995	Acquisition	23	97	618	0	0	188	926
	Disposals	0	13	7	0	0	0	20
1996	Acquisition	10	121	467	0	0	455	1,053
	Disposals	0	7	14	0	0	0	21
1997	Acquisition	76	160	516	0	0	1,062	1,814
	Disposals	0	82	10	0	0	0	92
1998	Acquisition	10	265	631	0	0	3,077	3,983
	Disposals	0	52	12	0	0	0	64
1999	Acquisition	37	84	331	0	50	652	1,154
	Disposals	0	53	179	0	5	0	237
Total 5 years	Acquisition	156	727	2,563	0	50	5,434	8,930
	Disposals	0	207	222	0	5	0	434

19. Short-term liabilities

	1999	1998	1997
Public dues and holiday allowances	**315**	300	244
Accounts payable	**1,288**	2,010	1,144
Sundry interest-free short debt	**479**	351	362
Provisions for dividend	**446**	325	267
Accrued expenses	**612**	529	326
Taxes payable	**506**	338	138
Total	**3,646**	3,853	2,481

20. Other short-term liabilities

	1999	1998	1997
Short-term bank debt	**520**	803	742

21. Senior interest bearing long-term debt

	1999	1998	1997
Senior long-term debt in NOK	**2,883**	3,486	1,486
Senior long-term debt in foreign currencies	**5,019**	5,070	2,770
Total	**7,902**	8,556	4,256

Bonds

Holdings of the company's own bonds at year-end amount to NOK 190 million nominal. These are deducted from interest-bearing debt in NOK.

In the course of 1999 Norske Skogindustrier ASA has drawn a further NOK 55 million of the bonds issued in 1996 with final maturity in 2006. The frame of the loan is NOK 1,500 million, of which NOK 1,045 million has been drawn.

Senior interest bearing long-term debt by currency

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

	Amount in foreign currency (million) 31.12.99	Booked exchange rates 31.12.99	NOK million 31.12.99	Average interest (%) 31.12.99
EUR	379	8.0765	3,059	4.00
KRW	125,655	0.0071	892	9.50
GBP	9	12.9910	114	6.00
USD	118	8.0395	947	9.50
Set-off			7	
Total debt in foreign currencies in NOK			5,019	
Total senior long-term debt in NOK			2,883	6.10
Total long-term debt			7,902	

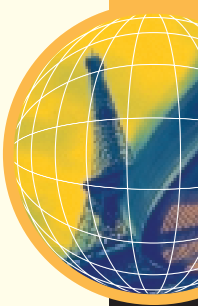
Repayment of debt

The company's long-term debt as at December 31,1999 matures as follows.

	Debt banks	Bonds	Total
2000	1,175	0	1,175
2001	493	944	1,437
2002	750	0	750
2003	650	0	650
2004	298	53	351
2005	497	0	497
2006	167	1,045	1,212
After 2006	2,350	0	2,350
Total	6,380	2,042	8,422

In December 1998 Norske Skogindustrier ASA signed a 7-year committed drawing rights agreement for USD 450 million. Withdrawals from this facility can be made in various currencies and at floating interest rates. Lenders are Norwegian and international banks. In addition Norske Skogindustrier ASA has an existing committed drawing rights facility for USD 470 million that comes to maturity in 2004 and is partly unused. At year-end Norske Skogindustrier ASA had altogether USD 870 million in unused drawing rights.

The market value of the Group's long-term fixed-interest debt as at 31/12-1998 was NOK 24 million higher than the book value. Negative mortgage pledges were given when raising some long-term, unsecured loans. Furthermore some of the loan contracts contain requirements to certain financial ratios relating to solvency and liquidity. These requirements are satisfied.



22. Foreign exchange and interest off-balance instruments

Foreign exchange risk

Bank deposits, receivables, long-term placements and cash flows in foreign currencies are protected partly by borrowing in foreign currencies and partly by various financial instruments outside the balance sheet. For the most part the Group uses forward exchanges contracts and options for hedging purposes.

Interest risks

To achieve effective management of the interest structure the Group aims to maintain a good balance between its interest-bearing assets and liabilities. Interest transactions outside the balance sheet are also employed.

Foreign exchange contracts

Currency	Purchase contracts equivalent to NOK million	Sales contracts equivalent to NOK million
CHF	0	196
DKK	0	119
GBP	0	1,303
JPY	0	73
SEK	0	117
USD	0	2,182
GRD	0	106
CZK	94	0
EUR	1,432	0
Total	1,526	4,096

Currency options

Net premium on unmatured options amounted to 4 million at year-end. For options with terms of more than one year premiums are accrued after the maturity date for the option.

Forward rate agreements (FRA)

Currency	Net purchase/ sales(-) in million	Period
GBP	-13	3 months
NOK	250	3 months

On sale of interest futures, the Group will profit from a lower interest rate. As at December 31, 1999 there is an unrealised gain of NOK 0.3 million in the FRA portfolio. The corresponding figure for 1998 was gain NOK 0.2 million.

Interest rate swaps

Currency	Million	Receives	Pays	Maturity
NOK	50	Fixed	Floating	2001
NOK	50	Fixed	Floating	2003
NOK	55	Fixed	Floating	2006
EUR	10	Fixed	Floating	2014
GBP	6	Floating	Fixed	2014

If the interest rate is reduced, the Group will profit from receiving fixed interest and paying floating interest. As at December 31, 1999 there is an unrealised gain of NOK 0.5 million in the portfolio. The corresponding figure for December 31, 1998 was an unrealised loss of NOK 3 million and December 31, 1997 gain NOK 17 million.

23. Shareholders' equity

Other consolidated equity	**1999**	1998	1997
Share premium reserve	**2,802**	2,198	2,198
Other equity			
Norske Skogindustrier ASA	**5,857**	5,650	5,227
Other consolidated equity	**2,089**	1,272	875
Total other equity	**10,748**	9,120	8,300

Shareholders' equity			
Shareholders' equity 01.01.	**9,884**	9,064	7,635
Effect of new accounting act	**0**	35	0
Profit for the year	**1,300**	1,020	590
Share issues	**667**	0	0
Converted bonds	**0**	0	1,106
Provisions for dividend	**-446**	-325	-267
Holding of own shares	**-110**	0	0
Translation difference	**264**	90	0
Shareholders' equity 31.12.	**11,559**	9,884	9,064
Minority interests	**168**	145	59
Total shareholder equity 31.12.	**11,727**	10,029	9,123

24. Mortgages

The following loans are secured by mortgages 31.12.	**1999**	1998	1997
Mortgage loan	**1,446**	440	67

Book value of assets securing this debt as at 31.12.			
Machinery	**1,854**	563	64
Buildings	**300**	275	29
Forest, land and other real estate	**196**	0	0
Operating fixed assets	**2,350**	838	93
Stocks/receivables	**0**	0	88
Total	**2,350**	838	181

25. Environment

Environmental investments totalling NOK 38 million were capitalised in 1999. This compares with NOK 426 million for 1998 and NOK 344 million for 1997.

Norske Skog invested a total of more than NOK 2.2 billion in environmental improvement measures during the 1990's. The largest investments were in modern, high-grade effluent treatment plants, and plants for utilising our own waste for energy purposes, at several mills. The most important investments in the environmental area have now been made, and consequently the level of investments in 1999 was much lower than in the preceding years. The largest single investment in 1999 – costing nearly NOK 14 million – concerned measures to boost energy recovery at Norske Skog Saugbrugs.

The investment in a new de-inking plant at Norske Skog Skogn has not been classified as an environmental investment. The plant will be started up in the summer of 2000, and in 1999 it accounted for investments of over NOK 300 million.

26. Other commitments

Norske Skog has made a cash deficiency support commitment relating to a USD 120 million loan in the joint venture Pan Asia Paper Company Ltd owned 1/3 by Norske Skog. If Pan Asia is unable to fulfil its commitments under the loan agreement, Norske Skog is under certain conditions committed to support Pan Asia with a subordinated loan to cover any due payment.

In 1998 Norske Skog concluded a leasing transaction with American investors whereby Norske Skog leases out PM 5 and PM 6 at Saugbrug and then leases them back. The present value of the cost of leasing back amounts to approximately NOK 4,000 million and is irrevocably deposited in favour of the American investor. Although this sum has been deposited, Norske Skog is not exonerated from liability for payment. On the other hand the credit risk is extremely small because the money is deposited in a bank that has AA rating. Should its rating drop below AA at any future time, Norske Skog is entitled to move the deposit to another bank. Deposited rental costs and prepaid rental earnings are entered net in the balance sheet. If Norske Skog is unable to perform the leasing agreement it is under obligation to recompense investor for any losses. Investor's loss will vary over the term of the lease and will at most amount to NOK 700 million. The possibility of Norske Skog being unable to perform the contract is extremely unlikely. The contract could only be broken off as the result of extraordinary circumstances in the nature of force majeure.

Profit and Loss Account

NOK million	Notes	**1999**	1998	1997
Operating revenue	2	**8,988**	7,971	7,262
Costs of materials		**3,560**	3,038	3,048
Wages, salaries and personnel expenses	5	**1,244**	1,037	958
Other operating expenses	3	**2,119**	1,899	1,843
Ordinary depreciation	7	**710**	673	563
Operating expenses		**7,633**	6,647	6,412
Operating profit		**1,355**	1,324	850
Financial revenue		**274**	460	220
Financial expenses		**-469**	-617	-499
Financial items, net		**-195**	-157	-279
Profit before taxes		**1,160**	1,167	571
Taxes	6	**-313**	-272	-39
Profit for the year		**847**	895	532
Application of profit for the year :				
Group contribution 1)		**-**	-151	-171
Allocated to other equity		**-401**	-419	-94
Dividend to shareholders		**-446**	-325	-267
Total		**-847**	-895	-532

1) Group contribution of NOK 73 million in 1999 have not been deducted in shareholders' equity according to the new accounting act.

Statement of Cash Flow

NOK million	Notes	**1999**	1998	1997
Cash flow from operating activities				
Cash generated from operations		**8,711**	8,855	7,120
Cash used in operations		**-6,966**	-6,454	-5,631
Financial revenue received		**206**	460	220
Financial expenses paid		**-654**	-617	-499
Taxes paid		**-285**	-79	-290
Net cash flow from operating activities	4	**1,012**	2,165	920
Cash flow from investment activities				
Investments in operational fixed assets	7	**-747**	-1,315	-717
Sales of operational fixed assets	7	**39**	45	74
New intercompany receivables		**1,410**	-1,462	-760
Net financial investments		**-308**	-1,540	-76
Net cash flow from investment activities		**394**	-4,272	-1,479
Cash flow from financial activities				
Net changes of long-term debt		**-1,751**	1,382	-1,013
Net changes of short-term debt		**0**	1,898	505
Dividend paid		**-325**	-267	-228
Converted bonds		**0**	0	1,106
Net cash flow from financial activities		**-2,076**	3,013	370
Total change in liquid assets		**-670**	906	-189
Liquid assets as at January 1 [1)]		**1,597**	608	797
Liquid assets as at December 31		**927**	1,514	608

[1)] Liquid assets at January 1, are adjusted for liquid assets in merger companies during the year.

Balance Sheet at 31.12.

Assets NOK million	Notes	1999	1998	1997
Operational fixed assets	7	**7,581**	6,585	5,951
Intercompany receivables		**1,894**	2,963	1,501
Deferred tax advantage	6	**0**	0	8
Other long-term assets		**59**	113	49
Pension plan assets	5	**178**	95	111
Partnerships		**0**	3	28
Shares in other companies		**38**	93	91
Shares in subsidiaries		**5,918**	4,123	2,624
Securities and long-term financial assets		**8,087**	7,390	4,412
Fixed assets		**15,668**	13,975	10,363
Finished goods		**554**	467	413
Raw materials and work in progress		**366**	340	288
Stocks		**920**	807	701
Intercompany receivables		**197**	9	1,100
Other receivables		**60**	217	235
Provision for bad debts		**-29**	-19	-45
Accounts receivables		**1,336**	865	868
Receivables		**1,564**	1,072	2,158
Commercial papers		**20**	25	90
Bonds		**229**	795	454
Cash and bank deposits		**678**	694	64
Liquid assets		**927**	1,514	608
Current assets		**3,411**	3,393	3,467
Total assets		**19,079**	17,368	13,830
Liabilities and shareholders' equity				
Paid-in capital:				
Share capital		**827**	764	764
Own shares		**-16**	0	0
Share premium reserve		**2,802**	2,198	2,198
Retained earnings:				
Other equity		**5,857**	5,650	5,231
Shareholders' equity	9	**9,470**	8,612	8,193
Deferred tax	6	**689**	559	574
Mortgage loans		**1,436**	1,382	3
Senior long-term debt		**3,737**	5,040	3,139
Pension obligations	5	**83**	36	29
Long-term liabilities		**5,945**	7,017	3,745
Other short-term liabilities		**2,326**	614	1,066
Accounts payable		**372**	353	312
Public dues and holiday allowance		**246**	184	129
Provisions for dividend		**446**	325	267
Taxes payable		**274**	263	118
Current liabilities		**3,664**	1,739	1,892
Total liabilities and shareholders' equity		**19,079**	17,368	13,830
Mortgages		**0**	0	3
Guarantees	8	**837**	1,224	1,330

Lysaker, February 8, 2000

Lage Westerbø
Chairman

Jon R. Gundersen
Vice Chairman

Roy Eilertsen

John Frøseth

Stig Johansen

Kåre Leira

Eivind Reiten

Halvard Sæther

Jan Reinås

1. Accounting principles

The company's accounting principles are the same as those of the consolidated accounts, which are described on page 18 and 19. The company's notes are similar to the consolidated notes. For investments in subsidiaries, affiliates and joint ventures the parent company has used the cost method. Only those notes which are different, are shown below.

2. Operating revenue

The figures include ordinary revenue from sale of goods to companies within the Group amounting to NOK 1,037 million. Additionally, administration fee and income from rent to the subsidiaries amounted to NOK 167 million. All intercompany deliveries, intercompany profits and intercompany debts are eliminated in the consolidated accounts.

3. Other operating expenses

Losses on bad debts amounting to NOK 7 million are included in the figures.

4. Net cash flow from operations

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

	1999	1998	1997
Profit before taxes	**1,160**	1,167	571
Ordinary depreciations	**710**	673	563
Taxes paid	**-285**	-79	-290
Changes in short-term receivables	**-237**	1,069	108
Changes in stocks	**2**	-106	43
Changes in current liabilities	**-338**	-559	-75
Net cash flow from operating activities	**1,012**	2,165	920

5. Pension costs and pension liabilities

Net periodic pension cost	**1999**	1998	1997
Benefit earned during the year	**46**	36	33
Interest costs on prior period benefit	**55**	40	34
Expected return on plan assets	**-64**	-51	-41
Periodic employer tax	**8**	3	1
Expensed portion of changes of AFP	**2**	2	2
Expensed portion of differences in estimates	**5**	2	1
Net periodic pension cost	**52**	32	30

Status of the pension plans reconciled to the consolidated balance sheet

	Pension assets exceed PBO			PBO exceed plan assets		
	31.12.99	31.12.98	31.12.97	**31.12.99**	31.12.98	31.12.97
Projected Benefit Obligations (PBO)	**-911**	-713	-592	**-165**	-82	-87
Plan assets at fair value	**1,013**	812	662	**26**	27	22
Plan assets in excess of/less than PBO (-)	**102**	99	70	**-139**	-55	-65
Changed AFP plan	**0**	0	0	**26**	28	30
Unrecognized gain (-)/loss on plan assets	**74**	-9	35	**36**	-7	8
Net plan assets/pension obligations (-)	**176**	90	105	**-77**	-34	-27
Employer tax accruals	**2**	5	6	**-6**	-2	-2
Pension assets/pension obligations (-) in the balance sheet	**178**	95	111	**-83**	-36	-29

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

6. Taxes

Due to introduction of new rules for taxation of power plants in 1997 fiscal value on power plants was increased and deferred tax reduced with NOK 65 million.

Taxation basis

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

	1999	1998	1997
Profit before taxes	**1,160**	1,167	571
Permanent differences	**-33**	-39	-9
Group contribution	**-73**	-151	-171
Change of temporary differences	**69**	-63	-6
Basis for taxation this year	**1,123**	914	385

Tax expenses			
Taxes payable	**-308**	-250	-102
Correction Group contribution	**-20**	0	0
Booked tax payable	**-328**	-250	-102
Change in deferred tax	**15**	-22	-2
Effect from changed tax-rules	**0**	0	65
Total tax expenses	**-313**	-272	-39

Deferred tax

A spesification of temporary differences and deferred tax at the end of the year is shown below (taxation rate 28%).

Deferred tax	**1999**	1998	1997
Reserve in accounts receivable	**-44**	-39	-44
Reserve in stocks	**130**	105	88
Other short-term items	**-85**	-38	-34
Total short-term items	**1**	28	10
Accelerated depreciation	**2,002**	1,809	1,857
Allocated capital gains	**149**	81	67
Pension plan assets	**178**	95	111
Pension obligations	**-83**	-39	0
Other long-term items	**213**	23	5
Total long-term items	**2,459**	1,969	2,040
Total temporary differences	**2,460**	1,997	2,050
Deferred tax	**689**	559	574

Deferred tax advantage			
Uncovered pension obligations	**0**	0	-30
Deferred tax advantage	**0**	0	8

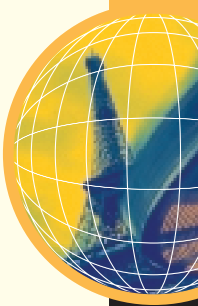
7. Operational fixed assets

	Goodwill and other exclusive rights	Buildings and real property	Machinery and plant	Ships	Fixtures and fittings, tools, office machinery	Plant under con-struction	Total
Acquisition cost 31.12.1998	7	2,959	9,840	21	169	176	13,172
Addition from merger	25	289	1,642	0	8	5	1,969
Addition 1999 at cost	0	35	86	0	28	592	741
Capitalized interest 1999	0	0	0	0	0	6	6
Sales 1999 at cost	0	-9	-33	0	-1	0	-43
Reclassification	0	9	184	2	14	-209	0
Acquisition cost 31.12.1999	32	3,283	11,719	23	218	570	15,845
Revaluation							
Revaluation 31.12.1998	0	87	0	0	0	0	87
Addition from merger	0	1	13	0	0	0	14
Revaluation 31.12.1999	0	88	13	0	0	0	101
Depreciation							
Accumulated ordinary depreciation 31.12.1998	5	999	5,542	21	107	0	6,674
Accumulated from merger	0	169	846	0	5	0	1,020
Ordinary depreciation 1999	2	121	553	0	30	0	706
Depreciation on revaluation 1999	0	4	0	0	0	0	4
Depreciation on fixed assets sold 1999	0	0	-39	0	0	0	-39
Accumulated ordinary depreciation 31.12.1999	7	1,293	6,902	21	142	0	8,365
Book value							
Book value 31.12.1998	2	2,047	4,298	0	62	176	6,585
Book value 31.12.1999	25	2,078	4,830	2	76	570	7,581

Goodwill spesification on each acquisition	Year	Depreciation plan [1]	Depreciation 1999	Book value 31.12.1999
Norske Skog Golbey	1995	5	1	0
Union	1999	20	1	25

[1] Depreciation plan for goodwill is set according to expected economic life.

Operational fixed assets - acquisition and disposals over the last 5 years		Goodwill and other exclusive rights	Buildings and real property	Machinery and plant	Ships	Fixtures, fittings, tools, office machinery	Plant under construction	Total
1995	Acquisition	10	62	527	0	0	162	761
	Disposal	4	73	199	0	0	28	304
1996	Acquisition	0	29	230	0	0	211	470
	Disposal	0	7	6	0	0	0	13
1997	Acquisition	1	127	170	0	0	419	717
	Disposal	0	69	5	0	0	0	74
1998	Acquisition	0	243	454	0	0	618	1,315
	Disposal	0	42	3	0	0	0	45
1999	Acquisition	0	35	86	0	28	598	747
	Disposal	0	33	6	0	0	0	39
Total 5 years	Acquisition	11	496	1,467	0	28	2,008	4,010
	Disposal	4	224	219	0	0	28	475



8. Guarantees

Norske Skog has made a cash deficiency support commitment relating to a USD 120 million loan in the joint venture Pan Asia Paper Company Ltd owned 1/3 by Norske Skog. If Pan Asia is unable to fulfil its commitments under the loan agreement, Norske Skog is under certain conditions committed to support Pan Asia with a subordinated loan to cover any due payment.

The company has guaranteed debt for its subsidiaries for a total of NOK 837 million.

9. Shareholders' equity

	Share capital	Share premium reserve	Other equity	Total
Shareholders' equity 31.12.1998	764	2,198	5,650	8,612
Share issues	63	604	0	667
Effect of merger	0	0	-100	-100
Own shareholding	-16	0	-94	-110
Profit for the year	0	0	847	847
Provisions for dividend	0	0	-446	-446
Shareholders' equity 31.12.1999*	811	2,802	5,857	9,470

* Free equity is NOK 5,832 million at 31.12.1999.

At the year end 1999 the share capital was divided into 41,381,779 shares, each at face value NOK 20. The number of B shares are 12,586,219 and do not have voting rights. Own shareholding were 833,137 A shares and 182 B shares.

Principal shareholders	Ownership in % of total shares
Chase Manhattan Bank NA	9.5
Viken Skogeierforening	8.2
Folketrygdfondet	4.8
State Street Bank & Trust Co.	4.2
Storebrand Liv- og Skadeforsikring	4.0
Mjøsen Skogeierforening	3.1
Skogeierforeninga Nord	3.0
Telemark Tømmersalgslag	2.8
Glommen Skog/Fond	2.6
KLP Forsikring	2.4
Rederiaksjeselskapet Henneseid	2.3
Nedre Glommen Skogeierforening	2.2
Gjensidige Forsikring	2.2
Vital Forsikring	1.7
Havlide A/S	1.6
DnB Investor	1.6
K-fondene	1.6
Nidarå Tømmersalslag	1.2
Agder Skogeigarlag	1.1
Storebrand Spar	1.1

Shareholders in Board of Directors	Number of shares
Lage Westerbø	439
Jon R. Gundersen	283
John Frøseth	188
Stig Johansen	69
Kåre Leira	148
Gisle Hegstad	5

Shareholders in Corporate Assembly	Number of shares
Ivar B. Korsbakken	27
Emil Aubert	824
Halvor Bjørken	100
Bjørn Blakstad	898
Helge Evju	5
Lars Wilhelm Grøholt	101
Per Helge Haugdal	327
Pål Haugstad	66
Ola R. Kristiansen	413
Dieter Oswald	7
Per Stamnes	110
Lars Veum	150
Rolf Bråthen	117
Bjørn Olav Hanssen	41
Ingvar Lurud	105
Olav Kristiansen	51
Connie I. Abelsen	50
Per Kristian Dahl	50

Shareholder in President and Executive Staff	Number of shares	Options
Jan Reinås	575	3,860
Jan Kildal	1,648	3,860
Jan A. Oksum	367	3,860
Dag Tørvold	426	3,220
Thor H. Lobben	515	3,220
Claes-Inge Isacson	1,919	3,860
Vidar Lerstad	244	3,220
Oddvar Sandvei	296	3,220

Translation from Norwegian Auditors' Report for 1999

To the Annual Shareholders' Meeting of Norske Skogindustrier ASA

We have audited the annual financial statements of Norske Skogindustrier ASA as of December 31, 1999, showing a profit of NOK 847 million for the parent company and a profit of NOK 1,300 million for the group. We have also audited the information in the directors' report concerning the financial statements, the going concern assumption, and the proposal for the appropriation of the profit. The financial statements comprise the balance sheet, the statements of income and cash flows, the accompanying notes and the consolidated accounts. These financial statements are the responsibility of the Company's Board of Directors and President and Chief Executive Officer. Our responsibility is to express an opinion on these financial statements and on other information according to the requirements of the Norwegian Act on Auditing and Auditors.

We have conducted our audit in accordance with the Norwegian Act on Auditing and auditing standards and practices generally accepted in Norway. Those standards and practices require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. To the extent required by law and auditing standards an audit also comprises a review of the management of the Company's financial affairs and its accounting and internal control systems. We believe that our audit provides a reasonable basis for our opinion.

In our opinion,

- the financial statements have been prepared in accordance with law and regulations and present the financial position of the Company and of the Group as of December 31, 1999, and the results of its operations and its cash flows for the year then ended, in accordance with accounting standards, principles and practices generally accepted in Norway
- the Company's management has fulfilled its obligation in respect of registration and documentation of accounting information as required by law and accounting standards, principles and practices generally accepted in Norway
- the information in the directors' report concerning the financial statements, the going concern assumption, and the proposal for the appropriation of the profit is consistent with the financial statements and comply with law and regulations.

ARTHUR ANDERSEN & CO.

Henning Strøm (sig)
State Authorised Public Accountant (Norway)

Oslo, February 8, 2000

The Corporate Assembly's statement

The Corporate Assembly's statement to the General Meeting

The Corporate Assembly recommends that the General Meeting approves the profit and loss statement and balance sheet for 1999 for Norske Skogindustrier ASA and the Group as proposed by the Board and agrees with the Board's proposal for the appropriation of the profit.

Lysaker, March 1, 2000

Ivar B. Korsbakken
Corporate Assembly Chairman

ANALYTIC INFORMATION

The value of Norske Skog's A shares rose during 1999 – including dividend – by 92%. The Group's Stock Exchange value doubled, to NOK 16,300 million, and at the end of the year stood at 139% of booked equity capital, compared with 83% a year earlier. During the past six years, the total increase in value for shareholders has averaged 12.4% per year.

IN ASIA, NORSKE SKOG IS INVOLVED IN THE PRODUCTION OF NEWSPRINT IN KOREA, CHINA AND THAILAND

Production capacity

Paper			Capacities:
Newsprint / other publication paper Europe:			
Norske Skog Skogn	Levanger, Norway		560,000 tonnes
Norske Skog Follum	Ringerike, Norway		385,000 tonnes
Norske Skog Union	Skien, Norway		240,000 tonnes
Norske Skog Golbey	Golbey, France		590,000 tonnes
Norske Skog Bruck	Steiermark, Austria		120,000 tonnes
Norske Skog Štětí	Czech Republic		110,000 tonnes
Total newsprint / other publication paper Europe			**2,005,000 tonnes**
Newsprint / other publication paper Asia:			
Pan Asia Paper Co, Chonju	Chonju, Korea	1,000,000 tonnes	
Pan Asia Paper Co, Chongwon	Chongwon, Korea	180,000 tonnes	
Pan Asia Paper Co, SHP	Shanghai, China	135,000 tonnes	
Pan Asia Paper Co, Thailand	Singburi, Thailand	120,000 tonnes	
Total newsprint / other publication paper Asia		**1,435,000 tonnes**	*) **480,000 tonnes**
Total printing paper			**) **2,485,000 tonnes**
SC magazine paper:			
Norske Skog Saugbrugs	Halden, Norway		550,000 tonnes
LWC magazine paper:			
Norske Skog Bruck	Steiermark, Austria		230,000 tonnes
Total magazine paper			**780,000 tonnes**
Total publication paper			**3,265,000 tonnes**
Special grades:			
Union Geithus	Modum, Norway		17,000 tonnes
Total capacity paper			**3,282,000 tonnes**
Fibre			
Norske Skog Tofte (sulphate pulp)	Hurum, Norway		380,000 tonnes
Norske Skog Folla (chemi-thermomechanical pulp)	Verran, Norway		100,000 tonnes
Total capacity market pulp			**480,000 tonnes**
Resources			
Total area land			180,000 hectares
Of which productiv forest area			81,000 hectares
Mean installed power capacity			1,100 GWh

*) Norske Skog owns 1/3 of Pan Asia
**) Assuming that a final agreement is signed, there will be an additional 65,000 tonnes from the 50% stake in Norske Skog Klabin

Production

Paper		**1999**	1998	1997	1996	1995	1994	1993	1992	1991	1990
Newsprint	1,000 t	**2,175**	1,481	1,218	1,107	1,051	816	821	748	767	787
SC magazine paper	1,000 t	**528**	491	502	458	523	430	336	199	242	241
LWC magazine paper	1,000 t	**215**	209	214	178	-	-	-	-	-	-
Kraft paper	1,000 t	**30**	27	29	29	31	32	28	29	32	31
Pulp											
Sulphate pulp	1,000 t	**362**	353	340	326	356	341	295	322	305	300
CTMP-pulp	1,000 t	**88**	86	64	60	89	83	70	52	62	71
Building materials											
Sawn timber	1,000 m^3	**672**	685	654	557	497	491	476	476	467	488
Particle board	1,000 m^3	**392**	400	368	347	334	244	228	213	206	225
Parquet and laminated products	1,000 m^2	**3,528**	3,507	3,529	3,724	3,695	2,960	2,337	1,996	1,498	1,579

Key events in Norske Skog 1989-1998

1989
• Merger Norske Skogindustrier A/S, A/S Follum Fabrikker and Tofte Industrier A/S, as of October 13.
• The merged company took over Saugbrugsforeningen with effect from July 1.

1990
• Norske Skog acquired 49% of the FRF 900 million share capital of Papeteries de Golbey S.A. The company decided March 21, to build a new newsprint mill at Golbey. Total investment budget NOK 3.4 billion.
• Norske Skog decided December 18, to build a new paper machine to make SC magazine paper at Norske Skog Saugbrugs, Halden – total investment budget NOK 3 billion.

1991
• During the year the Group sold the packaging companies Guru Papp A/S, Kartopapp A/S and Dalwell AB, as well as F.Beyer's wholesaling and printing activity and book and stationery retail business.
• Operations were wound up at Norske Skog Saugbrugs' pulp mill.

1992
• The new newsprint machine (PM 1) at Norske Skog Golbey started production in January – capacity 255,000 tonnes/year.
• Empire Fine Papers Ltd., a fine paper mill in England, was transferred to new owners.

1993
• The new magazine paper machine (PM 6) at Norske Skog Saugbrugs started production in February, increasing the mill's capacity to 540,000 tonnes/year.
• Sarpsborg Finpapir, Olaf Norlis Bokhandel (50% ownership stake) and Ad.Jacobsen (stationery trade) were transferred to new owners.

1994
• Jan Reinås succeeded Arnfinn Hofstad as President and CEO (April).

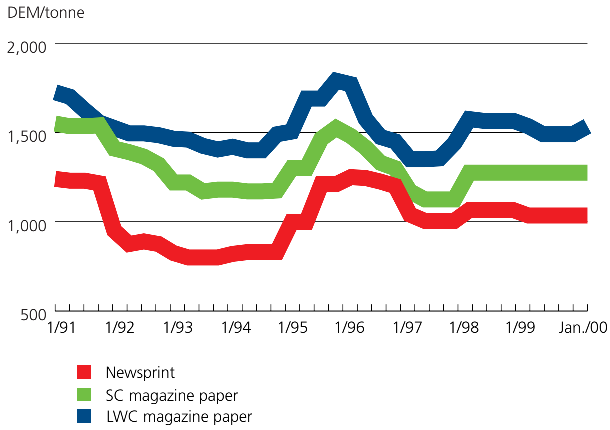
1995
• Agnes A.S., a particle board mill, was acquired in March.
• Norske Skog acquired 51% of the shares in Papeteries de Golbey S.A., so that the newsprint mill became a wholly-owned subsidiary, consolidated in the Group accounts from April 1.

1996
• Norske Skog acquired, with effect from January 1, the Bruck publication paper mill in Austria, with a capacity of 220,000 tonnes of LWC magazine paper and 115,000 tonnes of newsprint.

1997
• Norske Skog transferred Sande Paper Mill A/S (fluting) to new owners, as of January 3.
• The particle board mill at Braskereidfoss started up a new production line in the first quarter.
• Norske Skog decided on April 16, to expand the Norske Skog Golbey newsprint mill by adding a second paper machine with capacity of 335,000 tonnes – investment budget NOK 2.8 billion.
• Norske Skog acquired from November 1, the ROTO newsprint mill (Norske Skog Štětí) in the Czech Republic, with capacity of 100,000 tonnes.
• For the first time, Norske Skog produced more than 2 million tonnes of publication paper.

1998
• Norske Skog acquired a newsprint mill in Korea, with effect for accounting purposes from July 1, – capacity 180,000 tonnes/year.
• Norske Skog acquired a newsprint mill in Thailand, with effect for accounting purposes from September 1, – capacity 120,000 tonnes/year.
• Norske Skog concluded on July 6, a letter of intent with Abitibi Consolidated, Canada, and Hansol Paper Co., Korea, to form a company which would secure a leading position in newsprint and other publication paper in Asia.
• Norske Skog Golbey carried out a successful test run of the new newsprint machine (PM 2) on December 21 – increases the mill's capacity to nearly 600,000 tonnes/year.
• Norske Skog, Abitibi Consolidated and Hansol Paper concluded on December 22, a final agreement to create Pan Asia Paper Company, with a total capacity of more than 1.4 million tonnes of newsprint. Norske Skog's total publication paper capacity was thereby increased to 3.2 million tonnes.

Price development – publication paper in Germany



Source: PPI Pricewatch

Main financial figures

Profit and loss account (NOK million)	Def.	1999	1998	1997	1996	1995	1994	1993	1992	1991	1990
Operating revenue		**18,054**	14,908	13,312	13,265	12,548	9,170	7,338	7,557	8,640	9,879
Gross operating profit	1	**3,818**	3,103	2,223	3,136	3,332	1,348	851	728	1,183	1,676
Operating profit		**2,129**	1,780	1,083	1,916	2,500	732	299	-47	500	1,128
Profit before financial expenses	2	**2,252**	1,948	1,194	2,076	2,850	843	589	49	877	1,502
Profit before taxes		**1,825**	1,417	650	1,732	2,336	333	4	-659	478	957
Profit for the year		**1,300**	1,020	590	1,317	1,699	206	-47	-516	246	773

Balance sheet (NOK million)										
Current assets	**6,086**	6,663	4,515	4,592	4,618	4,333	4,261	3,816	5,690	4,835
Fixed assets	**18,828**	17,586	12,778	12,031	10,246	7,377	7,694	7,917	6,042	5,380
Total assets	**24,914**	24,249	17,293	16,623	14,864	11,710	11,955	11,733	11,732	10,215
Current liabilities	**4,166**	4,656	3,223	3,754	3,337	2,043	1,958	2,535	2,077	2,418
Long-term liabilities	**9,021**	9,564	4,947	5,178	4,981	4,936	6,133	5,413	5,368	3,139
Untaxed reserves	**-**	-	-	-	-	-	-	-	-	3,379
Shareholders' equity incl. minority interests	**11,727**	10,029	9,123	7,691	6,546	4,731	3,864	3,785	4,287	1,279
Total liabilities and shareholders' equity	**24,914**	24,249	17,293	16,623	14,864	11,710	11,955	11,733	11,732	10,215
Net interest bearing debt	**7,618**	7,082	4,145	4,827	4,006	3,170	4,366	4,050	2,101	831

Profitability											
Gross operating margin %	3	**21.1**	20.8	16.7	23.6	26.6	14.7	11.6	9.6	13.7	17.0
Net operating margin %	4	**11.8**	11.9	8.1	14.4	19.9	8.0	4.1	-0.6	5.8	11.4
Net profit margin %	5	**7.2**	6.8	4.4	9.9	13.5	2.2	-0.6	-6.8	2.9	7.8
Return on assets %	6	**9.2**	9.4	7.0	13.2	21.4	7.1	5.0	0.4	8.0	15.0
Return on equity % *)	7	**12.0**	10.7	7.0	18.5	30.1	4.8	-1.2	-12.8	6.5	25.2
Equity ratio % *)	8	**47.1**	41.4	52.8	46.3	44.0	40.4	32.3	32.2	36.5	32.4
Net interest-bearing debt/Equity		**0.65**	0.71	0.45	0.63	0.61	0.67	1.13	1.07	0.49	0.65
Return on capital employed %	9, 15	**11.0**	11.7	8.4	15.9	25.4	8.3	3.4	-0.6	7.2	17.9
Net earnings per share after tax (NOK)	10	**32.71**	26.68	16.40	40.38	52.39	6.91	-1.79	-21.28	10.18	32.05
Net earnings per share fully diluted (NOK)	10	**32.71**	26.68	16.40	35.89	45.99	6.91	1.68	-13.03	11.30	30.25
Cash flow per share after tax (NOK)	11	**54.39**	74.82	44.89	80.20	78.79	29.07	18.74	10.56	58.12	41.50
Cash flow per share after full conversion (NOK)	11	**54.39**	74.82	44.89	69.47	68.22	25.91	18.11	11.56	49.73	38.85

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

Liquidity											
Liquid assets (NOK million)	12	**803**	2,312	853	1,088	1,010	1,499	1,716	1,433	3,081	1,879
Cash flow (NOK million)	13	**2,162**	2,859	1,615	2,616	2,555	866	492	256	1,405	1,001
Current ratio	14	**1.46**	1.43	1.40	1.22	1.38	2.12	2.18	1.51	2.74	2.00

Definitions main financial figures:

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

*) When calculating financial ratios per share after full conversion net earnings and cash flow are rectified by interest expenses on subordinated convertible bonds.

Sensitivity

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

NOK million	1% change
Price	
Newsprint	95
Magazine paper	40
Pulp	20
Particle board	5

NOK million	1% change
Input factors	
Wood	25
Recycled paper	10
Energy	15

Management of currency and interest rate risks

In the management of the Group's currency and interest rate exposure, the goal is to minimise risks, in accordance with given guidelines. Comprehensive internal supervisory routines have been established to ensure that financial management observes external and internal guidelines.

Currency risk

Currency rate fluctuations expose Norske Skog to both direct and indirect economic risk. The direct risk (basic risk) reflects the fact that a large part of the Group's operating revenue is in foreign currencies, while a significantly lower share of its costs is in such currencies. Although this risk has diminished, as a percentage of operating revenue / operating costs, absolute currency exposure, measured in NOK, has risen somewhat as a result of growth during the year. The largest exposures are against EUR, USD and GBP.

The basic risk per currency is calculated as 12 months' future net cash flow per currency (rolling). Allowance is made for the fact that market pulp is invoiced in local European currencies, while prices are agreed in USD. On a 12-month horizon, 75% of the currency risk on pulp is calculated as a USD risk. The basic risk is estimated by the individual business units, and consolidated to a net exposure per currency. At all times, 50-100% of that aggregate exposure should be hedged. The company's involvement in Asia is managed as a separate company and is therefore excluded from the basic risk. Hedging takes place either by drawing on a balance sheet loan in foreign currency, or by the use of hedging instruments such as forward contracts and options. The effect of hedging deals is shown in the Group accounts under financial items. Such currency losses or gains will to a greater or lesser extent have counterpart items in the form of increased or reduced future net operating revenue. The size of the counterpart item will depend mainly on what proportion of the exposure has been hedged.

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

Interest rate risk

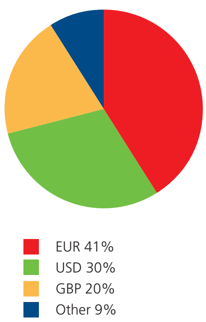
Norske Skog is normally a net borrower, and is therefore exposed to risk connected to changes in interest rate levels. During an upswing, interest rates will normally be higher than during a recession. In the same way, Norske Skog's results are higher in an upswing than in a downturn. Consequently, Norske Skog can handle higher interest costs during the former, but needs to ensure low interest costs during the latter. It is therefore regarded as a reduction of risk to have floating interest rates, to the greatest possible extent, on net borrowing, although allowance is made for exploiting interest rate fluctuations by having a proportion of borrowing at fixed interest rates.

Today's loan portfolio consists of floating and fixed interest rate loans. The economic risk incorporated in the portfolio is measured in terms of interest rate sensitivity. The interest rate risk is hedged either by securities or off balance sheet hedging instruments. As a consequence of this strategy, Norske Skog has held long-term bonds to hedge the interest rate risk on long-term loans. Any losses or gains on the bond portfolio will have their counterpart items in an increase/decrease of the company's fixed interest rate debt, but such effects are not shown in the accounts, in accordance with present accounting rules.

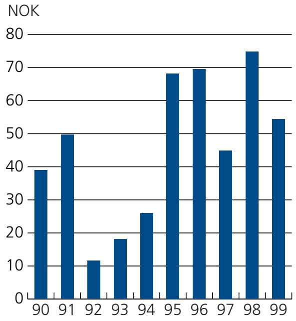
Net currency exposure

The Group's net currency exposure is at present around NOK 8.5 billion, made up as follows:

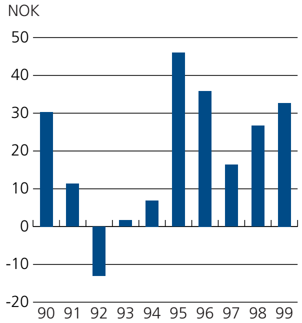
Net currency exposure



Cash flow per share - fully diluted



Earnings per share - fully diluted



Share prices 1999
(01.01.1999 = 100)

General remarks

The assets of an industrial group such as Norske Skog consist largely of factories and the appertaining operating capital in the form of stocks and receivables. The value of these assets is, in principle, equal to the discounted value of the future cash flows they will generate. The Group has, however, certain other assets which must be taken into account when valuing total assets, including the Group's liquid assets, which on 31.12.1999 amounted to NOK 794 million.

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

Forests

Norske Skog owns 81,000 hectares of productive forest, 17,000 hectares of which is in Sweden. Annual fellings during the next few years will be around 70,000 m^3.

The book value of the Group's forest properties is NOK 101 million. Of this, write-ups account for NOK 27 million.

Hydro power rights

Norske Skog owns power plants in Norway which, in a year with average precipitation, generate about 700 GWh of hydro power. Only a small part of this hydro power is subject to "hjemfall" (that is, due to revert to state ownership within a specified period).

In Austria Norske Skog owns a cogeneration plant with normal annual output of 400 GWh.

The book value of the Group's power plants and hydro power rights is NOK 468 million, of which write-ups account for NOK 57 million.

Ships

Norske Skog has a 55% ownership stake in two purpose-built paper-carrying vessels: "Nornews Express" and "Nornews Leader". These two ships carry newsprint for Norske Skog, under long-term contracts.

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

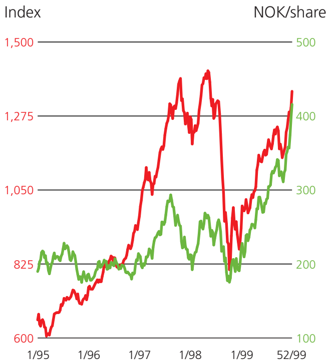
The book value of Norske Skog's 55% stakes in "Nornews Express" and "Nornews Leader" is NOK 20 million.

Shares and shareholders

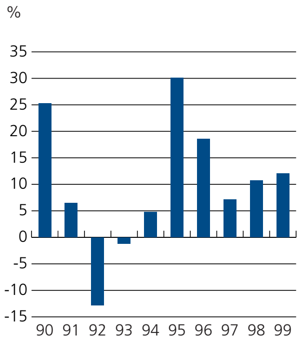
Paper and pulp industry shares performed well on west European and north American stock exchanges in 1999. The list price of Norske Skog's A shares reached all-time high on December 27, 1999, at NOK 425 per share. During 1999 a total of 23.2 million Norske Skog shares were traded, corresponding to 58% of the average number of shares, excluding those held by the Group itself.

The capacity of Norske Skog Bruck, Austria, is 350,000 tonnes of newsprint and magazine paper

Share price (A) and Oslo Stock Exchange index development 1995-1999



Return on equity 1990-1999



Shareholder policy

Primary goal: Norske Skog shall create value for its owners matching the performance of the best paper and pulp companies.

The forest industry is a sector traditionally subject to fluctuations in earnings, while requiring significant amounts of capital for continuous investment in machinery and plant. Norske Skog, moreover, is a company with definite ambitions to achieve growth – among other things, through acquisitions. To cope with cyclical swings and investment outlays a sound balance sheet is needed, marked by a high equity capital ratio and long-term financing.

Risk capital is a prerequisite for Norske Skog's further development. With this in mind, Norske Skog has defined its primary goal as follows: Norske Skog shall create value for its owners matching the performance of the best paper and pulp companies.

Norske Skog will achieve this by paying dividends and by creating the conditions for an increase in the shares' value over the longer term.

It is Norske Skog's goal to pay a dividend which gives shareholders about a third of the Group's profit, throughout an economic cycle. The aim will be to even out dividend payments during the cycle.

Values for shareholders

Norske Skog's new strategy, adopted in autumn 1999, contains several important points aimed straight towards building values for shareholders:

- Norske Skog shall grow and have a global business operation.
Profitable growth is one of the most important prerequisites if the price of the company's shares is to reflect the value of its assets. Size makes Norske Skog more attractive to large investors, and size makes it easier for us to participate actively in the consolidation of this sector.

- Norske Skog shall contribute to balance and stability in the market.
This means that the needs of the market shall be the determining factor both in decisions to build new capacity, and in utilisation of existing capacity. It is a fact that in the past the sector has invested too much, and at the same time, and that this has created over capacity and large deficits, during certain periods.

- Norske Skog shall pursue a policy of wise spending.
This means, among other things, that capital shall be tied up only where this is strategically important to the Group's core area, and it is a clear goal that productivity increases should be achieved through smaller investments than in the past. The aim of Norske Skog's profitability programme is that the Group should meet its targets for return on capital during a cycle. Both profit increases and capital reduction form important parts of this programme, as well as the extraction of synergies and the introduction of operating standards. Over time, cash flow shall become a key management parameter.

- Norske Skog shall be a low-cost producer.
This means that Norske Skog shall utilise the most cost-efficient input factors in each production area. The Group shall strive to produce and supply each product at the lowest cost in each market, and the units that prove most competitive shall be further developed.

Dividend for 1999

Norske Skog has increased dividend levels over the past few years. Its dividend policy is that pay-out should equal one third of profit, as an average over a business cycle. Moreover, the dividend should be evened out throughout the cycle. The Board proposes a dividend of NOK 11.00 per share for 1999, against NOK 8.50 per share for 1998. This gives a pay-out ratio of 33.6% for 1999, and 35.7% as a weighted average over the past three years. Based on share prices at the end of last year, the dividend provides a yield of 2.6% on A shares and 3.3% on B shares.

Investor relations

Providing the Norwegian and international financial market with information has high priority in Norske Skog. The aim is to increase knowledge about the company and understanding of the industry. This will build up the confidence needed to interest investors in Norske Skog, and the company should be correctly priced in the share market.

Issuing relevant and timely information is an important part of keeping the investment market informed. Below is Norske Skog's financial calendar for the year 2000:

Preliminary report 1999 – February 8, 2000
Annual report and accounts 1999 – April 2000
Shareholders' General Meeting 2000 – May 3
1st quarter 2000 – May 3
2nd quarter 2000 – August 24
3rd quarter 2000 – November 2

Norske Skog has a home page on the Internet which is very well visited. On the home page may be found Norske Skog's annual and interim reports, press releases, presentations, general information about the company and share-related information. In 1999 Norske Skog won a prize for the best home page of any stock-exchange listed company in Norway. Norske Skog also won a prize for the best Norwegian annual report, in the large company class.

Investors are increasingly interested in companies which operate in accordance with sustainable principles. In 1999 Norske Skog won an award for the best environmental report in industry in Norway, and Norske Skog is included as one of five Norwegian companies in the Dow Jones Global Sustainability Index.

As well as publishing printed and electronic information, Norske Skog holds regular presentations for the Norwegian and international financial market. In other connections, presentations are arranged at the company's various mills, and people from Norske Skog give lectures at international conferences and seminars. In 1999 such arrangements took place in Norway, England, Sweden, Germany, the US and Thailand. Information activity has grown strongly during recent years, particularly abroad.

A large number of Norwegian and foreign broking houses follow Norske Skog and publish analyses of the company. A list of these may be found on Norske Skog's home page.

Jarle Langfjæran is responsible for Norske Skog's investor relations.

Shares and share capital

As of December 31, 1999 the company's share capital was NOK 827,635,580, divided between 28,795,560 A shares and 12,586,219 B shares. Share capital increased in 1999 by NOK 63,413,240, in connection with the incorporation of Union. B shares are not vote-entitled. Otherwise, all shares have equal rights in the company, and there is no limit to the number of shares which may be held by foreigners.

After the merger with Union, Norske Skog holds 833,319 of its own shares. These will primarily be used for the annual share sale to employees, and in connection with the bonus and options programme.

Apart from the addition of some new shareholders when Union was merged with Norske Skog, ownership structure remained mainly stable during 1999. At the turn of the year, Norwegian forest owners' associations owned 36.7% of A shares and 27% of total share capital. On the same date, foreign investors held 27.6% of A shares and 20.9% of total share capital. The corresponding figure at the beginning of 1999 was 27.6% of A shares and 22.2% of total share capital. At present the Board has no authorisation to increase share capital. Since the General Meeting in 1998 the Board has been authorised to buy back up to 10% of outstanding shares. This authorisation is valid until the ordinary general meeting in May 2000, and the Board will seek to have it extended.

The Stock Exchange in 1999

Norske Skog shares performed strongly throughout 1999, with the price of A shares rising by 88% and that of B shares by 76%. In comparison, the Oslo Stock Exchange overall index rose by 45%. Share prices of other forest industry companies in the Nordic area also rose strongly. Those in north America saw their share prices rise too, but to a lesser degree than in the Nordic countries.

Share price movements:

Official prices, NOK (for tax assessment purposes)	A shares	B shares
31.12.1999	421.00	341.00
Price 30.12.1999	418.00	337.00
Price 30.12.1998	222.00	191.00
Highest price 1999	425.00	337.00
Lowest price 1999	204.00	171.50

Norske Skog's market capitalisation stood at NOK 16.3 billion as of December 30, 1999, which was twice as high as a year earlier.

Trading in Norske Skog shares
The company's shares are listed on the Oslo Stock Exchange. In addition, its B shares are listed on SEAQ (Stock Exchange Automatic Quotation System) in London.

During the year a total of 23.2 million Norske Skog shares were traded on the Oslo Stock Exchange. In relation to the average number of shares – 39.7 million (excluding shares owned by the company itself) – that represents a turnover ratio of 58%. In addition to the shares traded on the Oslo Stock Exchange, 4.4 million A shares and 1.5 million B shares were traded on SEAQ.

Adjustment of "RISK" figure
The in-going value of Norske Skog's shares is regulated as of January 1 each year by the so-called "RISK" figure (Regulering av Inngangsverdi med Skattlagt Kapital). This figure is connected with assessment of liability for tax on gains from share sales. In connection with the introduction of the RISK rules, alternative in-going values were also set for shares purchased before 1993. These are NOK 86.53 for Norske Skog's A shares and NOK 82.15 for the company's B shares. The RISK figures for Norske Skog are as follows:

	NOK/share
01.01.2000 (calculated)	9.00
01.01.1999	9.07
01.01.1998	0.35
01.01.1997	21.55
01.01.1996	35.15
01.01.1995	-0.67
01.01.1994	0.63
01.01.1993	-2.00

Share purchase programme and incentive system

In the space of a few years, Norske Skog has changed from being a traditional Norwegian industrial company to a company with extensive international business interests. This internationalisation has also affected the way in which Norske Skog pays its managers. During 1999 new incentive systems were introduced, and the general share purchase programme for employees is to be significantly expanded. All these moves aim at increasing employees' holdings of the company's shares, and the shares offered under the programme will either be taken from Norske Skog's holding of its own shares, or else purchased in the market.

Employees at all level within Norske Skog should be shareholders. In this way, all of them will participate in the Group's value creation, and over time this will be an advantageous way of saving. For several years Norske Skog has been selling shares to the Group's employees in Norway, and from and including 1999 it has begun selling them to employees at mills and sales offices outside Norway, too. The programme was previously limited by Norwegian taxation rules that allow the company to grant employees a tax-free discount. From and including the year 2000, it will be extended to allow share purchases to a value of up to 3/5 of "G" (a figure fixed annually by the tax authorities). This is the maximum which the company is allowed to lend, interest-free, to its employees. The shares will continue to be sold at a discount on their market value. Throughout the whole of the company's organisation, the annual share sales spotlight the role played by owners, and provide an insight into the share market. In 1999, 1,770 employees participated, including 276 employed outside Norway.
A total of 49,953 A shares were purchased. From and including the year 2000, the programme also includes shareholder elected members of the Board and Corporate Assembly.

From 1998 a bonus system was introduced applying to managers above a certain level in the Group organisation. The bonus is a part of individual employment contracts, and is linked to particular goals which must be achieved before it can be paid. Fifty per cent of any bonus payment shall be used to buy Norske Skog shares, which must be held for a certain time thereafter.

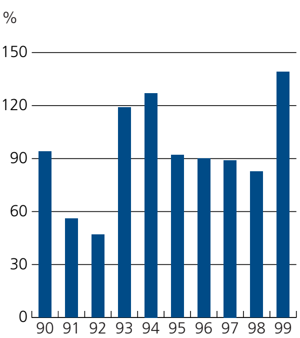
From and including December 1999 an option programme was introduced. Eligible to participate are the Group's management and a few other people in leading positions. The options entitle the holder to buy a number of A shares at a fixed price of NOK 375 per share during the period October 1, 2002 – December 31, 2002. The price was fixed based on the level as of December 15, 1999, when the Board approved the programme. Options for the CEO are allocated by the chairman of the Board, options for other employees are allocated by the CEO. This option allocation provides for purchases totalling 76,610 shares. The options have been allocated in three groups: 3,860 options have been allocated to 4 employees, 3,220 options to 16 employees and 1,930 options to 5 employees.

Principal shareholders as of December 31, 1999

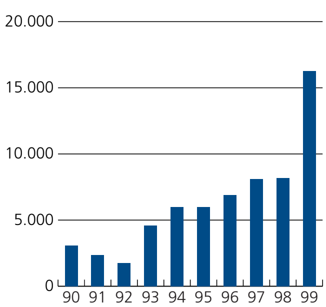
(> 1% ownership)

Name	A-shares Number	%	B-shares Number	%	Total Number	%
Chase Manhattan Bank NA, GBR	3,794,343	13.2	142,834	1.1	3,937,177	9.5
Viken Skogeierforening, Hønefoss	3,176,281	11.0	210,873	1.7	3,387,154	8.2
Folketrygdfondet, Oslo	1,190,522	4.1	812,000	6.5	2,002,522	4.8
State Street Bank & Trust Co, USA	1,483,929	5.2	242,953	1.9	1,726,882	4.2
Storebrand Liv- og Skadeforsikring, Oslo	54,283	0.2	1,592,172	12.7	1,646,455	4.0
Mjøsen Skogeierforening, Lillehammer	1,148,773	4.0	141,225	1.1	1,289,998	3.1
Skogeierforeninga Nord, Trondheim	1,200,641	4.2	21,346	0.2	1,221,987	3.0
Telemark Tømmersalgslag, Skien	1,132,683	3.9	9,858	0.1	1,142,541	2.8
Glommen Skog/Fond, Elverum	1,087,527	3.8	8,659	0.1	1,096,186	2.6
KLP Forsikring, Oslo	129,171	0.4	847,290	6.7	976,461	2.4
Rederiaksjeselskapet Henneseid, Skien	0	0.0	949,927	7.5	949,927	2.3
Nedre Glommen Skogeierforening, Ås	870,403	3.0	55,300	0.4	925,703	2.2
Gjensidige Forsikring, Oslo	181,359	0.6	711,192	5.7	892,551	2.2
Norske Skogindustrier ASA	833,137	2.9	182	0.0	833,319	2.0
Vital Forsikring, Bergen	505,613	1.8	195,100	1.6	700,713	1.7
Havlide A/S, Skien	220	0.0	678,474	5.4	678,694	1.6
DnB Investor, Oslo	211,009	0.7	451,606	3.6	662,615	1.6
K-fondene, Oslo	455,934	1.6	190,800	1.5	646,734	1.6
Nidarå Tømmersalslag, Arendal	503,237	1.7	2,125	0.0	505,362	1.2
Agder Skogeigarlag, Kristiansand S.	393,423	1.4	70,092	0.6	463,515	1.1
Storebrand Spar, Oslo	443,421	1.5	9,600	0.1	453,021	1.1
Total principal shareholders	18,795,909	65.3	7,343,608	58.3	26,139,517	63.2
Total number of shares	28,795,560	100.0	12,586,219	100.0	41,381,779	100.0

Market cap. as % of book value



Market cap. as of 31.12.



Shareholder structure

	Voting shares %	Total shares %
Forest owners' associations	37	27
Other Norwegian shareholders	35	52
Foreign holding	28	21
Total number of shares	28.8 mill.	41.4 mill.

Key figures related to shares

		1999	1998	1997	1996	1995	1994	1993	1992	1991	1990
Nominal value per share (NOK)		**20**	20	20	20	20	20	20	20	20	20
Average number of shares excluding shares held in treasury (1,000)		**39,747**	38,211	35,979	32,617	32,430	29,794	26,259	24,251	24,174	24,121
Average number of shares after full conversion excluding shares held in treasury (1,000)		**39,747**	38,211	35,979	38,695	38,508	36,241	32,791	31,399	29,922	26,509
Net earnings per share after tax (NOK)	1	**32.71**	26.68	16.40	40.38	52.39	6.91	-1.79	-21.28	10.18	32.05
Net earnings per share after full conversion a) (NOK)	1	**32.71**	26.68	16.40	35.90	45.99	7.70	1.68	-16.43	8.22	30.25
Cash flow per share after tax (NOK)	2	**54.39**	74.82	44.89	80.20	78.79	29.07	18.74	10.56	58.12	41.50
Cash flow per share after after full conversion a) (NOK)	2	**54.39**	74.82	44.89	69.47	68.22	25.91	18.11	11.56	49.73	38.85
Dividend per share (NOK)		**11.00**	8.50	7.00	7.00	6.00	1.50	1.00	0.00	2.00	3.00
Price earnings ratio (A shares)	3	**12.78**	8.32	13.05	5.28	3.54	27.77	-	-	9.63	3.96
Payout ratio (%)		**33.63**	31.90	42.70	19.50	11.50	21.70	-	-	19.60	9.40
Number of shares 31.12. (1,000)	A shares	**28,796**	28,796	28,796	26,557	26,531	26,199	23,684	21,826	21,826	21,825
	B shares	**12,586**	9,416	9,416	6,084	6,084	5,561	2,631	2,425	2,425	2,425
	Total	**41,382**	38,211	38,211	32,641	32,615	31,760	26,315	24,251	24,251	24,250
Share prices high (A restricted)		**425**	273	296	214.00	233	203.50	175.50	127.50	173	185
Share prices low (A restricted)		**204**	165	190	174.50	170	140	65	45	73	103
Trading volume (Oslo Stock Exchange) (1,000)		**23,212**	23,825	30,500	25,600	28,000	26,192	25,619	30,190	19,571	10,010
Share prices 31.12.	A restricted	**-**	-	-	-	-	192.00	174.00	71.00	96.00	125.00
	A free	**418.00**	222.00	214.00	213.00	185.50	190.00	176.00	76.00	97.50	135.00
	B shares	**337.00**	191.00	200.00	194.50	175.50	184.00	175.00	68.00	95.00	119.00
Number of shareholders 31.12.	A restricted	**-**	-	-	-	-	-	16,907	16,824	17,067	17,561
	A free	**17,900**	18,002	17,466	17,456	17,285	17,222	16,106	15,936	16,224	16,811
	B shares	**14,693**	13,746	13,796	14,271	14,605	14,950	15,384	15,196	17,502	16,192
	Total	**19,884**	18,753	18,075	18,070	17,710	17,503	17,552	17,379	17,501	17,854
Number of foreign shareholders 31.12.	A free	**483**	203	186	154	179	164	139	108	100	91
	B shares	**110**	88	97	92	127	130	80	98	91	105
	Total	**518**	222	208	177	231	222	162	142	112	137
Percentage of shares for foreign shareholders 31.12. (%)	A free	**27.6**	27.6	26.0	23.6	14.2	15.9	42.7	17.0	11.7	25.1
	B shares	**5.6**	6.0	8.3	15.2	41.4	60.8	58.4	63.2	54.4	7.6
	Total	**20.9**	22.3	21.6	22.0	19.3	24.7	18.6	11.7	8.9	8.3
Market cap. (NOK million)		**16,278**	8,191	8,100	6,900	6,000	5,983	4,597	1,751	2,377	3,090

1. Net earnings per share after tax=	Profit for the year : Average number of shares
2. Cash-flow per share after tax=	Cash flow : Average number of shares
3. Price earnings ratio=	Share price 31.12. : Net earnings per share after tax

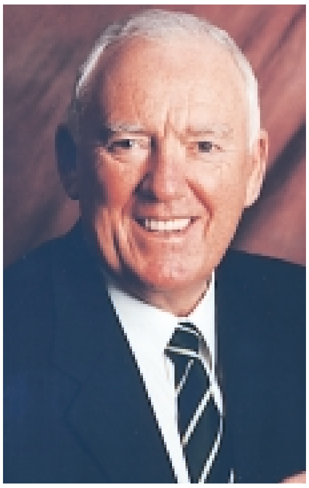
a) When calculating financial ratios per share after full conversion net earnings and cash flow are rectified by interest expenses on subordinated convertible bonds.

The share classes A-restricted and A free were combined at year-end 1994.

Administration's comments

Norske Skog globally enlarged its publication paper business in 1999, through its ownership stake of 33% in Pan Asia, by expanding Norske Skog Golbey, in France, through the addition of PM 2, and by a letter of intent with Klabin, in Brazil. At the same time, it disposed of 20 units whose activity lay outside the Group's core area.

In the Czech Republic, Norske Skog Štětí has given the Group a foothold in eastern Europe.



During the 1990's, Norske Skog has changed from a Norwegian company, with a relatively broad range of activities, to a European and global one, focused on the publication paper business. We have built a strong platform for further growth and value creation.

In 2000 Norske Skog will continue looking for business opportunities which strengthen its position in its core area, publication paper, and which will create and make visible values for its owners. This will involve continued internationalisation of its activity. It is in the global arena that market and development opportunities are to be found. With equity capital of nearly NOK 12 billion, and a clearly defined strategy as its basis, Norske Skog has the strength to undertake new, difficult tasks.

The Group's activities outside wood-containing publication paper have been secured new owners, or are in the process of doing so. We can thus concentrate our resources on our core activity.

In the near future we face a major challenge, in establishing ourselves and starting work in South America. Through the letter of intent with Klabin, Norske Skog is well placed to build a leading position in newsprint on that continent, too. It is very satisfying that Norske Skog has developed an organisation which has gradually won considerable experience in handling such business projects.

Norske Skog's seven publication paper mills in Europe, and the four partly-owned mills in Asia are to a large extent new, modern production units, or well modernised and specialised in products which they are well suited to making. With reasonably satisfactory market conditions, production of publication paper this year should reach well over 3 million tonnes.

In the course of a few years, the paper and pulp industry has moved from focusing on raw materials and production to being customer- and owner-oriented. Profitability can no longer be justified by the wish to be able to invest more, but must be regarded in the light of our owners' demand for a competitive return.

Norske Skog's primary goal is to give our owners a total return which at least matches that offered by our best competitors. This calls for new thinking by the organisation, in a number of areas.

Priorities, and the drive to implement them, will to some extent differ from those of the past. Management must be based on a continuous awareness of what creates values in the shorter and longer term. We shall do this in the knowledge that we are operating with more or less mature products and markets, that competition is coming from the electronic media, and that economic conditions will vary, over time.

We have a secure basis in wood-containing publication paper. This is a major global product, with an annual consumption of about 50 million tonnes. The sector has gradually become well consolidated, even on a global basis. We are aware of the challenges facing us, and have a clear and consistent strategy.

These circumstances should and must offer security to those investing their money in Norske Skog shares, and to those seeking challenges in a developing and demanding organisation.

Jan Reinås

Group administration 1999

During 1999 the Group's administration has focused on drawing up and implementing Norske Skog's new goals and the formulation of its strategy:
- further development of Norske Skog through participation in new publication paper ventures, and disposal of business outside our core area,
- the development, introduction and implementation of a new organisational structure,
- the development and introduction of new business systems in the fields of sales, distribution and accounting.

During 1999 extensive changes were made in Norske Skog's organisation and management systems, to bring these into line with the Group's structural development. The changes take account of the Group's global ambitions, and provide more distinct boundaries between operation, staffs and Group development. A programme aimed at increasing the efficiency of administrative functions is currently being put into effect. The goal is that increased efficiency shall achieve a 20% reduction in administrative costs at every level of the organisation. The introduction of new Group-wide IT systems has made possible new working methods and routines which are intended to help Norske Skog achieve this ambitious goal.

With effect from September 1, 1999, operational activities have been organised under three business areas, which have a total responsibility for all important questions affecting their ability to earn money and create value. Group functions such as research and development, procurement and logistics have been incorporated in the largest business area, Paper Europe. Activities not directly connected with the production of paper, such as forests, power plants and property, have been incorporated in a wholly-owned subsidiary. This is intended to make visible, and increase, the significant assets these resources represent.

The improvement programme "Norske Skog 2000" was continued in 1999, with results which on the whole met the goals announced when it was launched in the spring of 1998. Norske Skog 2000 has been an important incentive to the development of improvement processes. The greatest gains have been achieved in productivity and in reducing variable costs at the mills. The programme for improving productivity at the publication paper mills – Norske Skog Operational Standard – has achieved good results. A programme for more efficient procurement, and new organisation of this function, will be concluded in 2001. Higher capital productivity is an important part of Norske Skog's improvement efforts.

The amount of capital tied down is to be cut by reducing inventories, cash holdings and receivables and by disposing of activities earning a low return. Norske Skog will tie down capital only where it is strategically important to the Group's core activity.

Since 1997, Norske Skog has made major efforts to establish well-integrated system solutions adapted to its global activity. New, integrated systems covering production planning, sales, logistics and economic management have been adopted at the publication paper mills in Europe and at most of our sales offices. Investments in new information technology will, in the short term, increase the Group's IT-related costs significantly. The goal is, however, that these systems shall make a positive contribution to profit trends, through lower variable and fixed costs, less capital tied down in inventories and receivables, and even better service to customers.

To increase employees' IT skills, Norske Skog adopted a scheme in 1999 offering personal computers for use at home to all employees. A total of 2,121 employees accepted the offer, which the Group regards as a valuable investment in human resources.

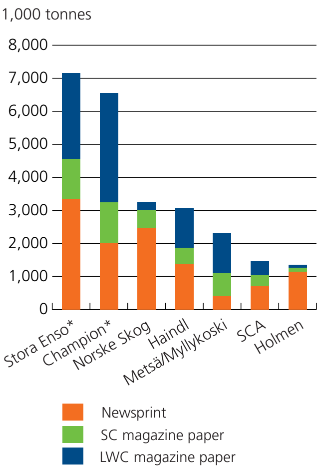
In 2000, Group management is concerned to exploit the opportunities for improvement in competitiveness and cost efficiency provided by the recent changes in Group structure, organisation and systems. The focus will be on increased capital productivity, the realisation of expected gains in connection with the use of information technology, and continued cost efficiency.

At the same time, there will be a sharper focus on Norske Skog's employees, who will be invited to review and discuss the Group's fundamental management principles and management basis, at several levels of the organisation. Health, Environment and Safety will also be given priority in 2000, so that the Group's goals – which envisage significant improvement in this area – can be achieved. Norske Skog has still some way to go before it can be satisfied with results here.

The Group is currently introducing an options and bonus programme for certain managers and key employees. This comes in addition to the well-functioning arrangements already in existence at several of the Group's mills. To further motivate employees, Norske Skog plans to further develop systems that will make part of salaries dependent on results.

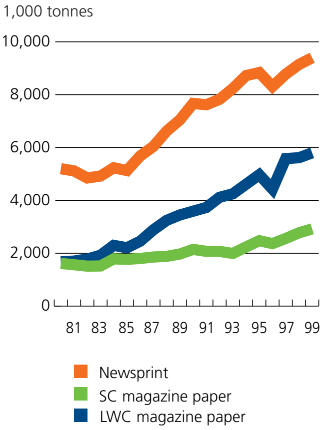
Good demand for

European producers of publication paper



*) Provided the announced mergers/ acquisitions are realized

Demand for publication paper in western Europe



Source: Cepiprint

Market conditions
There was generally good demand for publication paper in Europe in 1999. North American markets also showed a satisfactory trend.

Demand for newsprint in Europe was stimulated by the favourable trend of newspaper advertising revenue, and increased publication of Sunday and advertising supplements. After a 3-5% decline on certain markets, during the first quarter, price levels were maintained for the rest of the year. Capacity utilisation at the Group's newsprint mills in Europe was 93%, which is an acceptable level.

The imbalance on the north American market led to pressure on newsprint prices, but the situation improved in the second half year. Demand in the US rose by 2% in 1999, and capacity utilisation in the north American newsprint industry last year was 95%. Even after a price increase of USD 50 in the fourth quarter, prices at the New Year were still about 16% lower than in 1998.

For uncoated (SC) magazine paper the situation was satisfactory throughout the whole year, and deliveries to Europe rose by 6% from 1998. Exports of SC from Europe fell by 12%, compared with 1998. A larger share of US consumption was covered by north American production, after a new SC machine started operation in Canada in 1998. The market for SC in the US grew by 5.5% in 1999. Prices for SC were on the whole unchanged from 1998 and remained stable throughout the year. The strong British pound led to some downward adjustments of prices in the United Kingdom during the year.

Demand for coated (LWC) magazine paper was weak at the beginning of the year, and markedly below the level for the same period of 1998. From March onward, activity increased, and during the autumn demand became very satisfactory. For the year as a whole, deliveries were up by about 1% from 1998. LWC prices fell by 5-6% up to the summer, but by the end of the year - following high activity in the second half - they were back where they were at the start of 1999.

During 1999 a new sales and logistics system was introduced at our sales offices and at three paper mills. The remaining mills will begin using the system during 2000. It is based on SAP R 3, and will significantly improve sales and logistics, as well as increasing efficiency.

Production
Norske Skog's publication paper mills in Europe produced a total of 2,494,000 tonnes in 1999 – 9% higher than in 1998.

In newsprint, attention was centred on the start up of Norske Skog Golbey's PM 2. The start of operations was marked by a ceremony on April 30. After the usual running-in problems had been dealt with, the machine achieved stable operation and output. It is now working to a very ambitious trimming plan aimed at bringing it up to the expected performance level.

All our newsprint mills achieved productivity levels equal to, or better than, the previous year. Total newsprint output – excluding Golbey's PM 2 – was lower in 1999 than in 1998, owing to shutdowns for major maintenance, and adjustments to the market. Total production of newsprint in Paper Europe – including Norske Skog Union, from June 1 – was 1,700,000 tonnes, an increase of 25% from 1998.

Production of magazine paper reached 743,000 tonnes in 1999, a rise of 6% from the previous year. Norske Skog Saugbrugs set a new output record, and the mill's PM 6 set new records in both total volume, and productivity. Both Norske Skog Bruck and Norske Skog Saugbrugs achieved better productivity than in 1998.

Plant and investment
The PM 2 project at Golbey was completed on time and within budget. The start up of the new newspaper and magazine de-inking plant at Norske Skog Skogn is planned for the end of first-half 2000. Capacity of this facility will be 140,000 tonnes of recycled fibre. At Norske Skog Štětí a new wood handling plant was put into operation at the end of 1999.

publication paper

A number of projects have been implemented aimed at improving quality, increasing productivity and renewing older equipment:

• In the fourth quarter, Norske Skog's PM 1 was shut down for four weeks for major maintenance. This produced the expected results, and a definite improvement in quality has been achieved.

• An extensive rebuild of the newsprint machine at Norske Skog Bruck has yielded the expected improvement, with regard to both quality and operational stability.

• The coating part of Norske Skog Bruck's magazine paper machine was rebuilt during the first quarter. After some running-in problems, this new equipment is now meeting expectations, both as regards productivity and quality.

Personnel, organisation and the work environment

There were 3,981 employees on the Area Paper Europe payroll at the end of 1999; of these 1,317 were employed at units outside Norway. A year earlier, the corresponding figures for the units which now form part of Paper Europe were 3,308 and 1,327 respectively.

Paper Europe comprises all the Group's publication paper mills in Europe, Norske Skog Commercial, including the sales offices, and Norske Skog Logistics, in Antwerp. It also includes Norske Skog Supply and Norske Skog Research, which also serve other parts of the Group's organisation. The area has been operative since September 1, 1999. As a new business area, Paper Europe has used this initial period to establish routines and resources.

Owing to the relatively tight market for publication paper, it was possible to maintain full employment at all mills in 1999, and no employee layoffs were necessary.

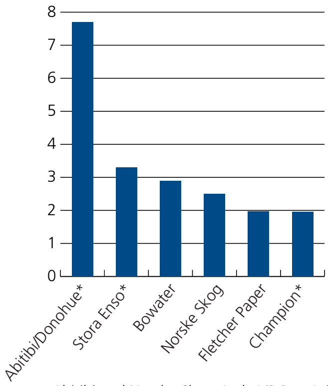
There was a very satisfactory trend in the number of injuries causing absence from work, and the H factor dropped from 16 in 1998 to 8 in 1999, taking all units together. Even so, at certain mills injury frequency is still too high. Norske Skog Skogn completed 362 days without injuries leading to absence. Ivar Thun, of Norske Skog Štětí, was awarded the HES prize for the year. Absence due to illness varies significantly from one unit to another, and in 1999 amounted to 5.2% of total time worked.

Area Newsprint		**1999**	1998	1997
Operating revenue	NOK million	**7,541**	6,414	5,672
Operating expenses	NOK million	**5,875**	4,687	4,463
Depreciation	NOK million	**734**	535	448
Operating profit	NOK million	**932**	1,192	761
Operatin margin	%	**12.4**	18.6	13.4
Non interest bearing current assets	NOK million	**2,219**	2,079	1,248
Operational fixed assets	NOK million	**8,333**	7,589	5,298
Non interest bearing short-term debt	NOK million	**1,269**	1,948	892
Export share	%	**89**	91	89

Area Magazine Paper		**1999**	1998	1997
Operating revenue	NOK million	**4,561**	4,125	3,612
Operating expenses	NOK million	**3,292**	2,932	2,830
Depreciation	NOK million	**392**	439	409
Operating profit	NOK million	**877**	754	373
Operatin margin	%	**19.2**	18.3	10.3
Non interest bearing current assets	NOK million	**1,318**	771	1,215
Operational fixed assets	NOK million	**4,042**	4,437	4,291
Non interest bearing short-term debt	NOK million	**543**	278	419
Export share	%	**98**	97	94

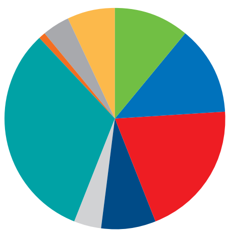
The largest producers of newsprint - world

Million tonnes



Abitibi and Norske Skog: Incl. 1/3 Pan Asia
*) Provided the announced mergers/ acquisitions are realized

Newsprint operating revenue by market



Magazine paper operating revenue by market

Environment

Apart from a few minor exceptions, all mills kept discharges within permitted limits in 1999. Improvements and optimalisation of the mills' water systems, combined with efforts to recycle fibre material in process discharges, is a continuous task.

Future prospects

Growth in demand for newsprint will probably slow somewhat in 2000, but virtually unchanged capacity will help improve market balance and boost capacity utilisation. The inventory situation is expected to be normal, and it is assumed that prices will show a slightly favourable trend during the year. In the US, market balance will be further improved if suppliers again increase their market shares in Asia.

At the beginning of 2000 the order position for magazine paper was very good. In Europe, new SC and LWC paper machines will be starting up during 2000-2001. Owing to the scrapping of older capacity, however, the net addition to capacity in 2000 will be relatively limited.

Mills:

Norske Skog Skogn,
mill manager Svein Kr. Aurstad
Norske Skog Follum,
mill manager Gjermund Røkke
Norske Skog Union,
mill manager Rune Laurantsen
Norske Skog Saugbrugs,
mill manager Erik Olsson
Norske Skog Golbey,
managing director Ketil Lyng
Norske Skog Bruck,
managing director Jarle Dragvik
Norske Skog Štětí,
managing director Terje Krogstad

Products:

Standard and improved newsprint; used for newspapers and to some extent catalogues, magazines and free sheets.

SC magazine paper; used mainly for magazines, but also for catalogues and free sheets.

LWC magazine paper; used for magazines, catalogues, free sheets and brochures.

Satisfactory supplies of wood and waste paper

Norske Skog Supply
Norske Skog supply was established with effect from September 1, 1999 as a part of Paper Europe, with responsibility for procurement of raw materials, energy and other input factors to the Group's mills in Europe. Supply also assists the areas Fibre and International, as required.

Wood
Purchases of round-wood and chips for Norske Skog's paper and pulp mills in Europe, and Forestia's sawmills and board business, totalled 8 million m^3 in 1999. Purchases for the mills in Norway totalled 7 million m^3, of which 5 million m^3 was for the paper and pulp mills. Imports of wood was 1.8 million m^3, accounting for 36% of total purchases.

Availability of wood has been satisfactory – both from local suppliers and from foreign markets. Fellings after the storms in Europe at the end of 1999 will provide a surplus of wood and affect prices on the central European market in 2000. This can further improve the scope for imports of round-wood and chips to Norway.

At the start of 2000 the proportion of certified timber coming from Norwegian suppliers was 52%. Norske Skog Supply was also certified in accordance with ISO 14001 from the same date.

Waste paper
Purchases of waste paper for Norske Skog's paper and pulp mills in 1999 totalled 587,000 tonnes. When Norske Skog Skogn's de-inking plant starts operation, from summer 2000, annual consumption of recycled newspaper and magazines by the Group's mills in Europe will be 900,000 tonnes.

Strong demand from the packaging industry, and large exports to Asia during the second half year, created instability in the European waste paper market, and some pressure for increased prices. Norske Skog has to a great extent managed to keep prices stable, through increased collection and long-term contracts with municipalities in several countries. The waste paper market in Europe will probably be unstable in 2000, too.
Norske Skog Supply has concluded a long-term agreement with Rekom AS, which is owned by inter -municipal waste collection companies in Norway. This ensures the supply of waste paper to Norske Skog Skogn.

Energy
Norske Skog's mills in Europe used 6,400 GWh of electricity and 5,900 GWh of thermal energy in 1999. The corresponding totals for the Group's activities in Norway were 5,200 GWh and 4,600 GWh. The Group's own power plants in Norway supplied 980 GWh, including 220 GWh from Norske Skog Tofte, while the rest came from contracts of varying duration, with Statkraft being the largest supplier.

The increase from 1998, in both consumption and production, mainly reflects Union's incorporation in the Group statistics from 1999. Bioenergy and heat recovery meet 90% of the Group's heat energy requirements.

Industrikraft Midt-Norge – in which Norske Skog has an ownership stake of 30% - has applied for permission to build a cogeneration plant that would be linked to the Skogn newsprint mill.

Norske Skog and Statoil have jointly built a plant at Brumunddal for the production of biopellets, made from waste from the parquet flooring factory there. The plant began operating in October. Its capacity is 8,000 tonnes per year.

Procurement
To ensure coordination and the greatest possible synergies in procurement, a project called Supply Management 2001 was launched at the start of 1999, as part of the Norske Skog 2000 programme. The project covers all types of goods and services, excluding purchases of electricity, wood and waste paper, and embraces all the Group's mills in Europe. Its target is to reduce costs of purchasing goods and services – on a permanent basis – by NOK 200 million a year. To date, the project has largely met its goals.

Raw material procurement Norske Skog 1999
(excluding activities outside Europe)

	Round-wood and chips (m^3)	Waste paper (tonnes)
Norske Skog Supply, from Norway	3,224,000	
Norske Skog Supply, import	1,800,000	
Other Norwegian deliveries	1,636,000	
Other imports	395,000	
Mills and divisions outside Norway	994,000	587,000
Total	8,049,000	587,000

Market-oriented research and development

Norske Skog Research shall help Norske Skog improve its competitiveness and profitability through market -oriented research, development and environmental programmes. In 1999 Norske Skog Research was transferred – for organisational purposes - to Paper Europe.

Work on runnability and printability has focused on the start up of new printing presses and on achieving the best possible performance from existing presses, both in Norway and abroad. Norske Skog also cooperates with the printers' other main suppliers. To reduce the number of breaks in the paper web during printing, new technology has been introduced which monitors the web tension in the printing presses.

To satisfy pulp customers' special requirements, product development work is being done on market pulp produced by Norske Skog Tofte and Norske Skog Folla. This work consists partly of internal process development and partly of experiments in customers' plants.

At Norske Skog Bruck, the coating facility at the magazine paper mill has been technologically upgraded, and a new coating slip has been developed to improve the paper's print characteristics. This work has reduced costs and improved product quality.
Norske Skog is now the second largest user of waste paper in Europe. The use of mechanical pulp together with DIP (de-inked pulp) can have a negative effect on process water and the runnability of the paper machine. An intensive development programme is currently being carried out to achieve the best possible runnability, and consequently productivity, of the Group's publication paper machines.

Efforts to improve the paper mills' energy budgets, by adopting pulp processes which use less electricity, have been taken further through improvements carried out on the rebuilt pulp plant at Norske Skog Follum. This facility accounts for about 30% of the mill's pulp production, and energy consumption here has been reduced by 400 kWh per tonne of pulp, providing an annual cost reduction of NOK 8 million.

To study the scope for producing paper without discharges of polluted process water, an evaluation was made of various technologies involving the internal treatment of process water and the destruction of residues. A mill totally without discharges to water is technically and economically very difficult to achieve, since the discharge water contains salts which create problems in evaporation and combustion, owing to salt deposits and corrosion. A possible alternative to a discharge-free mill would be that the discharge of organic material to water virtually ceases, and that discharges are limited to a small volume of water which contains salts. This study programme is continuing.

Satisfactory trend in Asia

Area International comprises Norske Skog's stake in Pan Asia Paper Company Limited (Pan Asia), and when Norske Skog Klabin, Brazil, has been established that will also be included in this business area.

During 1998 Norske Skog bought two newsprint mills in Asia – one in Korea and one in Thailand. With effect from February 2, 1999 these were incorporated in the joint venture Pan Asia, in which Norske Skog, Abitibi Consolidated, Canada, and Hansol, Korea, have ownership stakes of one third each. The company has its head office in Singapore, and mills in China, Korea and Thailand.

The letter of intent concluded in December 1999 with Industrias Klabin de Papel e Celulose S.A provides for the establishment of a 50/50 owned company, Norske Skog Klabin. This new venture will run Klabin's existing newsprint production in Brazil, amounting to 130,000 tonnes. Norske Skog has started planning a new newsprint machine in Brazil.

Market conditions

Norske Skog's establishment in Asia took place during a period in which the region's economy was undergoing a deep recession. Favourable economic developments in 1999 have led to increased demand for newsprint. Higher consumption within the region reduced the need for exports to more distant markets, while imports from overseas areas fell during the year.

At end-1999, Pan Asia's stocks of finished goods were lower than at any time since the start of the year. Continued economic stabilisation in Asia will maintain the favourable trend for publication paper.

Prices have on the whole been stable throughout the year, but were increased at the turn of the year. Price levels are still below those in north America.

Production

Norske Skog's one third share of Pan Asia's newsprint output amounts to 472,000 tonnes. Good demand resulted in high capacity utilisation. Operation at the mills has been satisfactory.

Plant and investment

No major investments were made in Pan Asia's mills during 1999. The total investments equal 32% of depreciation.

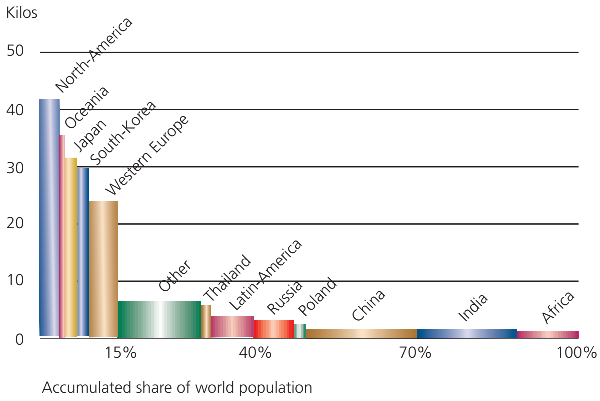
Personnel and the work environment

There were 2,663 people on the Pan Asia payroll at the end of 1999. Of these, 1,742 were employed at the two mills in Korea.

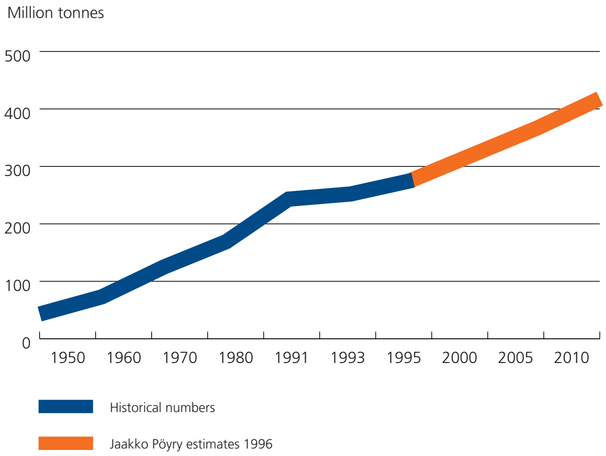
Future prospects

Demand continues strong at the start of 2000. Market trends are expected to remain favourable, with the possibility of somewhat higher prices during the year.

Newsprint consumption per capita (1997)

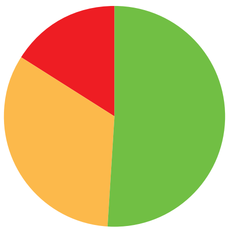


World consumption of paper and cardboard

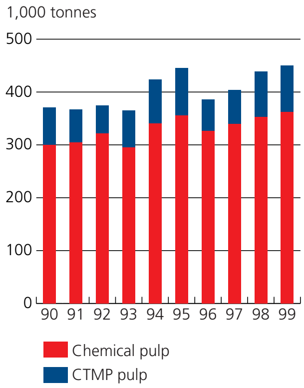


Record output at N

Area Fibre operating revenue by pulp qualities



Pulp production



Market conditions
At the start of 1999, the pulp market was very weak. NORSCAN inventories stood at about 1.7 million tonnes, and the price of bleached long fibre sulphate pulp had fallen to USD 460/tonne. During the first quarter, demand for pulp rose significantly, particularly in Asia. Inventories declined, month by month, throughout the whole of 1999, and at end-December they stood at 1.2 million tonnes.

Owing to new environmental regulations, pulp mills with a total capacity of one million tonnes were shut down in the US during 1999. The industry implemented significant production curbs at the beginning of the year. Combined with increased demand, this led to lower NORSCAN stocks and higher prices. Capacity utilisation in the pulp industry was 94% in 1999.

1999 saw cautious optimism among pulp suppliers, who emphasised that the trend of prices reflected actual demand on the market. This was in order to avoid a repetition of developments in 1995, when forced price increases rapidly led to a record level of USD 1000/tonne, before prices fell dramatically – in the space of a few months – to a new low. The price of bleached long fibre sulphate pulp rose, even so, by 30% during 1999 to USD 600 at the New Year. Short fibre pulp rose by 60% to EUR 580.

Demand has risen on most markets, and global deliveries of long fibre pulp in 1999 were 6.7% higher than in 1998, while the corresponding increase for short fibre pulp was 10.6%. The most marked increase took place in Asia, and China is now a larger buyer of pulp than Japan.

Balance between supply and demand on the CTMP market improved somewhat during the year, and capacity utilisation in the industry was higher than in 1998. The price of CTMP has followed the same trend as that of sulphate pulp.

Production and quality
Norske Skog Tofte set a new annual output record, producing 362,300 tonnes of bleached sulphate pulp in 1999 – 9,100 tonnes more than in 1998. Of this, 147,600 tonnes was short fibre pulp. Productivity increased gradually during the year, and in the fourth quarter was excellent. The quality of Tofte's products in 1999 was the best in the mill's history.

Norske Skog Folla produced 88,300 tonnes of CTMP in 1999, 2,700 tonnes more than in 1998. The special paper mills also achieved high output. Union Geithus AS set a new production record, and output at Norske Skog Hurum was well above the level of the previous year.

Investments
The "Tofte 400" investment programme, with a total budget of NOK 300 million, was completed in 1999. The main aim of investments in 1999 was to improve finished product quality and increase process plant capacity utilisation. These projects are expected to yield their full effect in 2000, when trimming of the equipment has been completed and the workforce has been well drilled in the new operating

Area Fibre		**1999**	1998	1997
Operating revenue	NOK million	**1,578**	1,425	1,376
Operating expenses	NOK million	**1,372**	1,346	1,227
Depreciation	NOK million	**114**	107	100
Operating profit	NOK million	**92**	-28	49
Operating margin	%	**5,8**	-2,0	3,6
Non interest bearing current assets	NOK million	**353**	369	336
Operational fixed assets	NOK million	**997**	1,063	895
Non interest bearing short-term debt	NOK million	**105**	118	88
Export share	%	**73**	69	64

orske Skog Tofte

procedures. Over a period of ten years the mill has also renewed all its process control systems.

At Norske Skog Folla, Norske Skog Hurum and Union Geithus AS, only minor investments were made.

Personnel and the work environment
There were 701 people on the Area Fibre payroll at the end of 1999, compared with 449 a year earlier. The rise reflects the incorporation in this area, from and including 1999, of Union Geithus AS and Norske Skog Hurum, with a total of 261 employees.

In cooperation with a local private secondary school, Norske Skog Tofte will establish a new course of study covering chemistry/process subjects, in autumn 2000. Aim of this move is to provide the mill with qualified process operators during the coming years.

About 200 employees at Norske Skog Tofte took a course in systematic HES measures during 1999. There were seven injuries leading to absence in 1999, giving an H factor of 10.7, the lowest in the mill's history. Norske Skog Tofte had no serious injuries to persons, fires or breakdowns in 1999. At Norske Skog Folla, the trend of injury statistics was very favourable, and in 1999 it was the only mill in the Group to achieve an H factor of 0 (no injuries leading to absence from work). Absence due to illness was 5.5% - the lowest level since 1994. The number of fires and near-fires was halved, in 1999, compared with previous years. Norske Skog Hurum also saw a decline in such injuries, and the H-factor there in 1999, at 5, was by far the best result the mill has ever achieved. Union Geithus AS still has a high level of injuries, and HES efforts will be intensified during 2000.

There were no layoffs at any of the mills during 1999.

Environment
All the mills in this area kept discharges within the permitted limits in 1999. At Norske Skog Tofte, environmental efforts have focused on reducing the mill's impact on the local environment, particularly as regards emissions to air. An application has been filed for a new emissions permit, based on a production volume of up to 420,000 tonnes/year.

Norske Skog Folla received EMAS ISO 14 001 certification in 1999.

Future prospects
Demand is expected to rise somewhat, thus creating satisfactory market balance in 2000. The pulp industry's basic problem in recent years has been – and still is – over-capacity. Further shutdowns of capacity are expected in north America, but at the same time most producers are upgrading their existing plant.

Norske Skog Hurum and Union Geithus AS have been defined as lying outside Norske Skog's strategic core area. Hurum was transferred to new owners February 1, 2000 and it is planned to sell Geithus in 2000.

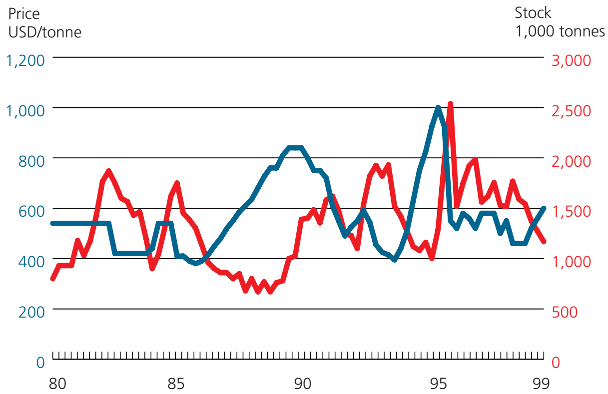
Mills:
Norske Skog Tofte,
mill manager Stein Altern
Norske Skog Folla,
mill manager Egil Kjeldstad
Union Geithus,
mill manager Hans Steinar Berget

Products:
Bleached long and short fibre sulphate pulp; used to give magazine paper necessary strength, as well as a raw material for fine paper, soft paper and special paper.

CTMP; used as raw material for cardboard, soft paper, writing and publication paper and for absorbent products.

Special paper; baking and sandwich paper.

List price bleached long fibred pulp / NORSCAN stocks 1980-1999



NORSCAN = Producers in the Nordic countries and North America.

Foresta AS

Building materials faced keen competition

Market conditions

Norwegian consumption of sawn timber and board declined by about 10% from 1998 to 1999. Activity improved in the second half year, and small price increases were implemented. Forestia increased its share of the sawn timber market, while its share of the market for particle board declined somewhat.

Consumption on international sawn timber markets showed a generally stable trend. Market balance for spruce products improved somewhat, and prices in EUR rose by about 8%. Pine products were under pressure throughout the year, and prices fell further.

There was a stable trend on export markets for particle board, but prices fell somewhat owing to increased output in Europe.

The share of production exported, in volume terms, stayed at 39% for sawn timber, and increased to 64% for particle board.

Production

Following some limited output cutbacks, total production of sawn timber in 1999 reached 672,000 m^3, compared with 681,000 m^3 in 1998. Certain sawmills achieved significant productivity growth.

Output of particle board totalled 392,000 m^3, against 400,000 m^3 in 1998. One production line at Forestia Agnes – with output of 40,000 m^3 in 1998 – was not in operation. Forestia Braskereidfoss increased production by 27,000 m^3. Forestia Kvam set a production record for the third year running.

In 1999, too, sawmill timber imports were necessary. The supply of raw materials to the particle board mills was satisfactory.

Investments

Investments totalled NOK 94 million, of which NOK 32 million was invested in the interior components centre at Forestia Langmoen.

Structural measures

After negotiations during autumn 1999 between Norske Skog and Moelven Industrier ASA, the latter took over Forestia's sawn timber business with effect from January 1, 2000. At the same time, Moelven is taking an ownership stake of 9.9% in Forestia Plater AS.

Personnel and the work environment

At the end of 1999 Forestia had 1,216 people on its payroll. That was 60 fewer than in 1998, mainly owing to winding up of some business, sales of activities and internal rationalisation.

Absence due to illness was 7.1%, a slight rise from 1998. Injury rates remain far too high, with an H factor of 31.

There were no layoffs at any of the mills in 1999.

Environment

Forestia received no new emission permits in 1999. It kept within the limits set by existing permits. Following a request from the SFT (Norwegian State Pollution Control Agency), Forestia Agnes submitted a report on dust emissions.

Forestia Kvam and Forestia Van Severen were certified in accordance with EMAS/ISO 14 001. Several other mills are preparing to be similarly certified.

Future prospects

Consumption of sawn timber and board in Norway is expected to rise in 2000. Export markets for spruce products show a favourable trend, while those for pine products are expected to remain weak.

Satisfactory activity is expected on the most important particle board markets, but central European manufacturers' increased capacity is putting pressure on prices.

Profitability is expected to develop satisfactorily in 2000, and there is much optimism about the prospects for the new company created by the merger of Forestia's sawn timber activities with Moelven's sawmill industry business.

Products:

Sawn timber for building and construction use, panelling and special grades, beams, components for the furniture industry.
Particle board for the building, furniture and interior products industries.

Forestia		**1999**	1998	1997
Operating revenue	NOK million	**1,866**	1,944	1,964
Operating expenses	NOK million	**1,775**	1,816	1,831
Depreciation	NOK million	**127**	124	114
Operating profit	NOK million	**-36**	4	19
Operating margin	%	**-1.9**	0.2	1.0
Non interest bearing current assets	NOK million	**305**	501	505
Operational fixed assets	NOK million	**804**	858	903
Non interest bearing short-term debt	NOK million	**148**	215	227
Export share	%	**36**	33	31

Norske Skog Flooring AS

New owners for flooring production

Norske Skog Flooring AS comprises flooring production at Lyngdal, following the transfer of Langmoen Parkett to new owners on June 29, 1999. In 1999 the company had an operating result of minus NOK 19 million, and operating revenue of NOK 688 million. Its workforce numbered 252.

Markets for hard flooring are growing strongly, but prices are under pressure because of large offerings by low price suppliers. Output of parquet and laminated products in 1999 totalled 3,528,000 m^2, compared with 3,507,000 m^2 in 1998.

During 1999 significant changes were made in the company's activity, apart from the sale of Langmoen Parkett. Its administration in Oslo was reduced and transferred to Lyngdal. In November it was decided to adjust output of laminated flooring to the market; this entails reducing the workforce by around 65 people by the end of the first half year 2000.

An agreement has been reached regarding the transfer of this business to new owners in the first half 2000.

Flooring		**1999**	1998	1997
Operating revenue	NOK million	**688**	668	703
Operating expenses	NOK million	**629**	680	689
Depreciation	NOK million	**78**	54	49
Operating profit	NOK million	**-19**	-67	-35
Operating margin	%	**-2.8**	-10.0	-5.0
Non interest bearing current assets	NOK million	**189**	276	215
Operational fixed assets	NOK million	**259**	331	403
Non interest bearing short-term debt	NOK million	**99**	105	101
Export share	%	**75**	59	56

Norske Skog Holding

Exploiting assets

Norske Skog Holding was established September 1, 1999 and comprises the Group's forests, properties and hydro power production, as well as its ownership stakes in small and medium-sized businesses outside Norske Skog's core area. The aim of setting up this company is to ensure satisfactory and efficient management, and to develop and spotlight the assets in these businesses. Holding is organised as four departments: Forests, electric power, property and Forestia Plater AS.

Forests

Forest land estates total 180,000 hectares, of which 81,000 hectares is productive forest. A total of 67,000 m^3 was harvested in 1999, against 75,000 m^3 in 1998. The decline reflects the adaptation of operating methods towards more sustainable forestry, and changed conditions for calculating the amount harvested annually. The aim is to maintain harvesting at a steady annual level, until the amount can again be increased.

As of December 31, 1999, the Group's forests were environmentally certified in accordance with NS-EN ISO 14 001 and Living Forest standards. The actual environmental certification system was adopted in May 1999. The certification showed that the operating organisation in the forests is very well informed about the system's biological standards, and how they should be implemented in practice.

Power plants

The Group's power plants are situated on the Skien, Begna, Halden and Lauvsnes river systems. Ample water flows resulted in output of 757 GWh – 67 GWh higher than mean annual output.

Norske Skog cooperated with Buskerud Kraftproduksjon, a generating utility, on a major project aimed at improving the way that water from the Embretsfoss falls is utilised. The electricity companies are talking to the oil and energy ministry about buying back from the state the rights to the Hofsfoss power plant, at Hønefoss.

Property

Norske Skog Holding's property business is primarily concerned with the management and development of properties not connected with production activity, and work is now in hand to define these. In future operations, it will be important to highlight and exploit the potential value of existing sites and buildings.

Comprehensive HES programme

Norske Skog's Health, Environment and Safety goals involve giving high priority to HES efforts as a whole, while aiming at achieving an H factor of less than five, for all units, before the end of 2000. Norske Skog has chosen the H factor as an indicator of all HES activities, and sees its rise or fall as a way of measuring the Group's overall success in this area.

With that as its starting point, Norske Skog is in the process of building up a shared HES culture based on the best standards in the Group and in the industry generally. By measuring and reporting on results internally, and comparing them with the levels achieved by other companies, Norske Skog intends to build up its skills and develop them into HES systems common to the Group.

Norske Skog's HES programme is a process that involves all employees. The spreading of skills and the building up of commitment are consequently two main elements in the Group's efforts in this field, where all employees have the same goal: to avoid loss of resources, human and material, one's own and other's.

The most important measures at Group level in 1999 were:

- Distribution of course material "HES management in Norske Skog – Systematic HES programme". This is a comprehensive material which is required reading for all the Group's managers, as well as being well suited for instructing all employees.

- Wide-ranging, systematic information via all internal channels.

- Preparation of a management document entitled "Health, Environment and Safety in Norske Skog", which lays down the guidelines for conducting HES programmes at the Group's individual units. This is an extension of, and supplement to, the Group's new overall strategy document, drawn up in 1999.

- The Group's Project Guide, now in preparation, devotes an important section to HES. The Project Guide is intended to provide clear guidelines for the implementation of all types of projects under the Group's auspices, and is based both on experience gained from our own projects, during recent years, and on external stimuli. For HES, too, the Guide defines clear requirements and goals that must be fulfilled by our own organisation, as well as by hired resources and suppliers/producers of goods and services.

- A network is being created within the Group by bringing together, from the various units, employees entrusted with the same kind of HES tasks, in order to raise and spread the skills of key people at the mills. This primarily applies to:
  - The company health service, and precautionary health programmes
  - Industrial protection and preparedness plans
  - Cooperation in basic training, management training and certification
  - HES personnel, safety managers, HES engineers and the chief safety representative
  - Common definitions and understanding of concepts with regard to reporting, registration and statistics.

Corporate Assembly

Nominated by the shareholders
Ivar B. Korsbakken, Oslo, chairman (27)

Karl Stalleland, Grimstad, vice chairman
Bjørn Asp, Steinkjer
Emil Aubert, Porsgrunn (824)
Ole H. Bakke, Trondheim
Halvor Bjørken, Verdal (100)
Bjørn Blakstad, Sørum (898)
Helge Evju, Skollenborg (5)
Einar Gjems, Rena
Lars Wilhelm Grøholt, Hov (101)
Per Helge Haugdal, Spillum (327)
Pål Haugstad, Ringebu (66)
Idar Kreutzer, Oslo
Ola R. Kristiansen, Halden (413)
Bjørn Kristoffersen, Oslo
Tore Lindholt, Skjetten
Dieter Oswald, Bø i Telemark (7)
Tom Ruud, Oslo
Per Stamnes, Hønefoss (110)
Lars Veum, Fyresdal (150)

Deputy members
1. Ann Kristin Brautaset, Oslo
2. Nils Angard, Notodden (15)
3. Espen Klitzing, Oslo
4. Are Nordgaard, Plassen (213)
5. Jens Nicolai Jenssen, Hommelvik (238)
6. Per Kjelstad, Sande i Sunnfjord

Nominated by the employees
Rolf Bråthen, Follum (117)
Steinar Voldseth, Skogn
Bjørn Olav Hanssen, Skogn (41)
Ingvar Lurud, Tofte (105)
Olav Kristiansen, Flooring Lyngdal (51)
Gunn Lillelid, Flooring Lyngdal
Jarl Kurud, Forestia Langmoen
Connie I. Abelsen, Saugbrugs (50)
Per Kristian Dahl, Saugbrugs (50)
Pål Olav Haugan, Forestia Van Severen

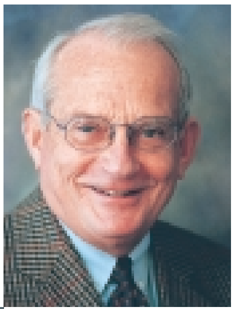
Deputy members
Vidar Nordby, Follum (50)
Kjetil Bakkan, Skogn (25)
Steinar Langåssve, Skogn
Ottar Florholmen, Tofte
Odd Henning Kalager, Forestia Sokna (134)
Per Einar Dybvik, Forestia Agnes
Jon G. Sundmyhr, Forestia Langmoen (63)
Trond Andersen, Saugbrugs
John Østenvig, Saugbrugs
Tormod Blomset, Folla (69)

Observers from the employees
Dagfinn Augdal, Follum
Trond Sværen, Tofte
Ove Magne Anseth, Forestia Braskereidfoss
Henrik Gundersen, Forestia Agnes
Anne F. Bekkevold, Forestia Langmoen

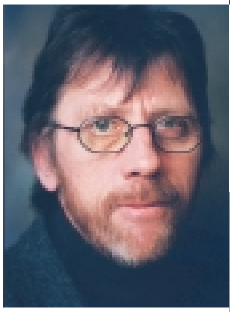
Deputy observers
Øyvind Smith, Follum (10)
Eva Nilsen, Tofte (188)
Hans Hagen, Forestia Kvam
Arvid Lie, Forestia Braskereidfoss
Ingmar Karlsen, Forestia Østerdalen (94)

(Number of shares owned in parantheses)

Lage Westerbø, Aurdal,
chairman
(439)



Jon R. Gundersen, Oslo,
vice chairman
(283)

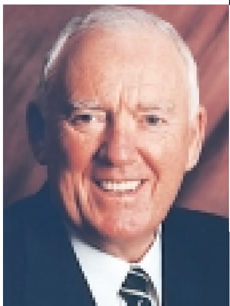


Roy Eilertsen,
Saugbrugs

John Frøseth,
Støren
(188)

Stig Johansen,
Forestia Braskereidfoss
(69)

Kåre Leira,
Skogn
(148)



Jan Reinås,
Bærum
(575)

Eivind Reiten,
Oslo

Halvard Sæther,
Lillehammer

Gisle Hegstad,
Tofte, observer
(5)

Deputy members by the employees
Kjell Hansen, Follum
Roger Harstad Olsen, Hurum
Arne Rødø, Forestia Van Severen

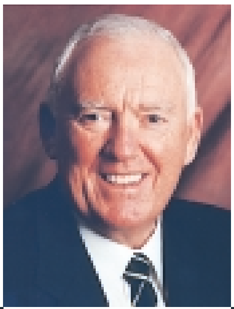
Observer
Gisle Hegstad, Tofte (5)

Deputy observer
Fred Lundberg, Saugbrugs (50)

Auditors
Arthur Andersen & Co., Oslo

(Number of shares owned in parantheses)

Executive Staff



President and Chief Executive Officer
Jan Reinås
(575)

Executive Vice President
Jan Kildal,
Chief Financial Officer
(1,648)

Executive Vice President
Jan A. Oksum,
Corporate development
(367)

Senior Vice President
Dag Tørvold,
Corporate services and
Human Resources
(426)

Senior Vice President
Thor H. Lobben,
Resource Policy and
environment
(515)

President
Claes-Inge Isacson,
Area Paper Europe
(1,919)

President
Vidar Lerstad,
Area International
(244)

President
Oddvar Sandvei,
Area Fibre (296)

(Number of shares owned in parantheses)

Raw material

Timber: General term for wood as a raw material. Primarily used as a general name for pulpwood and saw logs timber, but also of sawn timber as raw material for woodproducts factories.

Pulpwood: Logs suitable for the production of chemical or mechanical pulp.

Saw logs: Logs suitable for the production of timber.

Chips: Wood chopped into pieces 20-50 mm long, 4-5 mm thick and 15-20 mm wide, produced from round logs, or as a secondary product from the sawmills.

Waste paper: Used newspapers and magazines, waste paper from offices and printshops, used packaging.

Pulp

Cellulose: Organic substance which is the most important component of the cell walls in wood fibre; it accounts for roughly about 40%, while lignin makes up 30% and other substances the rest.

Lignin: Organic substance gluing the wood fibres together.

Mechanical pulp: A mixture of fibres having been separated through mechanical processing in refiners or grinders.

Refiner: A machine which makes mechanical pulp by pressing chips between rotating steel discs. The surface pattern of the discs helps separate the individual fibres in the wood.

Grinder: A machine which makes pulp from logs; the fibres in the wood are separated when the logs are pressed against a rotating grinding stone.

Thermo Mechanical Pulp (also called TMP): Mechanical pulp produced by refining chips that are pre-heated to 100-115 C. The high temperature softens the wood structure and helps separate the fibres, thus yielding longer and stronger fibres than are produced by grinding.

CTMP (Chemi-Thermo-Mechanical Pulp): Pulp produced in refiners where the raw material – chips – 67
67
is both pre
-heated and chemically impregnated.

Chemical pulp: A mixture of fibres having been separated through a chemical cooking process where substances other than cellulose are dissolved and removed.

Sulphate (kraft) pulp: Chemical pulp produced by cooking the wood chips with a solution consisting mainly of caustic soda and sodium sulphide in a digester. The term sulphate reflects the fact that sodium sulphate was traditionally used in the chemical recovery process.

Long fibre pulp: Chemical pulp produced from softwood timber such as spruce or pine.

Short fibre pulp: Chemical pulp produced from hardwood timber such as birch or eucalyptus.

DIP (deinked pulp): Recycled newspapers, magazines and other printed material which are chemically treated to remove the ink.

Bleaching: Removal or modification of the coloured components in the pulp, primarily lignin, to improve its brightness. Acting chemicals include chlorine dioxide and hydrogen peroxide, giving the pulp higher brightness.

Market pulp: Pulp delivered to external end-users. Most pulp is converted to paper in an integrated mill.

Paper

Coating: A process in which the paper sheet is given a thin coating of clay and other pigments, to give the sheet a good printing surface.

Basis weight (substance): The weight of the paper sheet per unit area, normally in grammes per square metre. In North America other units of measurement are used (lb per 3,000 square feet).

Wood containing paper (publication paper): General term for paper containing mainly mechanical pulp. The most common grades are newsprint, SC magazine paper and LWC magazine paper.

Newsprint: Paper for newspapers containing of up to 100% mechanical pulp and/or deinked pulp. Deinked pulp is increasingly used as a raw material for the production of newsprint.

SC (Super Calendered) magazine paper: Uncoated printing paper, mainly for magazines and catalogues, consisting of about 50% mechanical pulp, 20% chemical pulp and 30% clay. This paper is given a surface treatment (super calendered) to give it a smoother surface and better printing characteristics.

LWC (Light Weight Coated) magazine paper: Coated printing paper with a base sheet of mechanical and chemical pulp given a coating to improve its surface - used for magazines, catalogues and free sheets.

Fine paper: General term for writing and printing paper of high quality, made from bleached chemical pulp.

Sawn timber, board and parquet

Timber: Wood product for structural purposes and carpentry, or for further processing to other timber products. Used as a common name for sawn timber and planed timber.

Sawn timber: Materials produced straight from the log.

Planed timber: Timber planed on all surfaces.

Drying: Removal of moisture from the timber until the moisture content satisfies the requirement to what the timber shall be used for.

Kiln: Plant for artificial drying of timber with controlled climate conditions (temperature, air humidity and air velocity).

Particle board: A board produced by blending chips and glue and subjecting it to high temperature and pressure.

Other

Biological treatment: A method of cleansing waste water in which micro organisms convert dissolved organic material in the effluent to water, CO_2 and combustible sludge.

Boiler house: The section that produces the thermal energy (steam/hot air) required during the production process to give the finished products (pulp, paper, board, sawn timber) the desired dry matter content.

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