2010
Q2 REPORT

Norske Skog

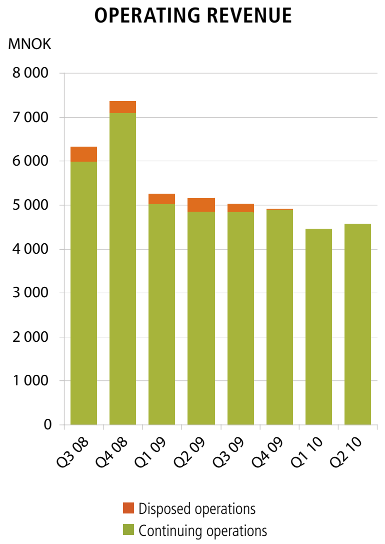
OUR BUSINESS

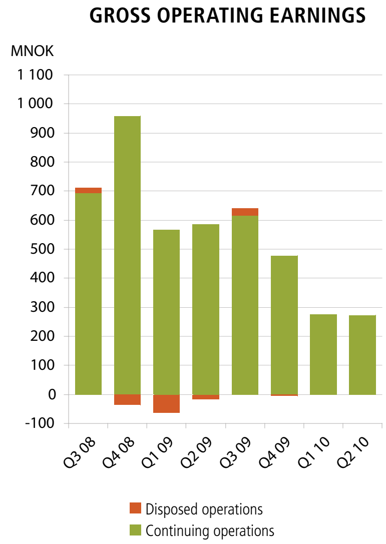
Norske Skog is a world leading producer of newsprint and magazine paper. The group has 14 fully and partly owned mills in 11 countries and an annual production capacity of 4.5 million tonnes. The group had 5 700 employees at the end of 2009.

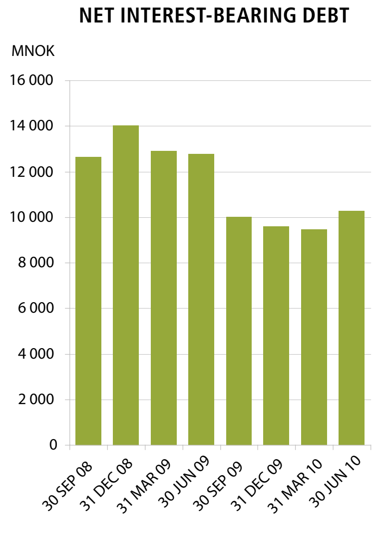
The parent company, Norske Skogindustrier ASA is incorporated in Norway and has its head office at Lysaker outside of Oslo. The company is listed on the Oslo Stock Exchange.

KEY FIGURES (UNAUDITED)

	APR-JUN 2010	JAN-MAR 2010	APR-JUN 2009	YTD 2010	YTD 2009
INCOME STATEMENT					
Operating revenue	4 577	4 455	5 160	9 031	10 419
Gross operating earnings	275	275	568	550	1 071
Operating earnings	(643)	(1 364)	(153)	(2 007)	(1 528)
Net profit/loss for the period	(874)	(1 153)	(538)	(2 027)	(1 649)
Earnings per share (NOK)	(4.60)	(6.04)	(1.85)	(10.63)	(7.58)
CASH FLOW					
Net cash flow from operating activities	(153)	101	(293)	(52)	430
Net cash flow from investing activities	(198)	(72)	(120)	(270)	(176)
Cash flow per share (NOK)	(0.81)	0.53	(1.55)	(0.27)	2.26
OPERATING MARGIN AND PROFITABILITY (%)					
Gross operating margin	6.0	6.2	11.0	6.1	10.3
Return on capital employed	(1.2)	(1.3)	(0.4)	(2.5)	(0.9)
Return on equity	(8.1)	(10.0)	(4.4)	(18.0)	(12.8)
Return on assets	(2.1)	(4.2)	(0.3)	(6.3)	(3.4)
PRODUCTION / DELIVERIES / CAPACITY UTILISATION					
Production (1 000 tonnes)	992	950	969	1 942	1 954
Deliveries (1 000 tonnes)	983	951	948	1 934	1 872
Production / capacity (%)	89	85	75	87	75
	30 JUN 2010	**31 MAR 2010**	**31 DEC 2009**	**30 SEP 2009**	**30 JUN 2009**
BALANCE SHEET					
Non-current assets	20 873	22 235	23 546	20 067	23 127
Current assets	9 674	9 336	9 609	15 335	14 719
Total assets	30 547	31 571	33 155	35 401	37 847
Equity	10 478	11 044	12 015	11 263	12 074
Net interest-bearing debt	10 299	9 465	9 595	10 017	12 236
Gearing (net interest-bearing debt / equity)	0.98	0.86	0.80	0.89	1.02







//Fra Norske Skog Follum

REPORT OF THE BOARD OF DIRECTORS

SECOND QUARTER AND FIRST HALF OF 2010

// Gross operating earnings NOK 275 million, no change from the previous quarter. Excluding one-off items recorded in the first quarter, the result in the second quarter shows a slight improvement

// Higher volumes and capacity utilisation in the second quarter of 2010 compared with both the previous quarter and the second quarter of 2009

// Net loss NOK 874 million, impacted by the sale of excess electricity and negative currency effects within financial items

// Entered into agreement for the sale of excess energy in Southern Norway

// Entered into new long-term sales contracts in Australasia

INCOME STATEMENT

		APR-JUN 2010	JAN-MAR 2010	APR-JUN 2009	YTD 2010	YTD 2009
Operating revenue	NOK mill	4 577	4 455	5 160	9 031	10 419
Gross operating earnings *)	NOK mill	275	275	568	550	1 071
Gross operating earnings after depreciation **)	NOK mill	(226)	(252)	(98)	(479)	(246)
Operating earnings	NOK mill	(643)	(1 364)	(153)	(2 007)	(1 528)
Profit/loss before income taxes	NOK mill	(1 176)	(1 606)	(77)	(2 782)	(1 576)
Net profit/loss for the period	NOK mill	(874)	(1 153)	(538)	(2 027)	(1 649)

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

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

COMPARABILITY

Norske Skog's total production capacity, calculated on an annual basis, was 4 483 000 tonnes in the second quarter of 2010. This is unchanged from the previous quarter, whilst the equivalent capacity was 5 188 000 tonnes in the second quarter of 2009. The decrease in relation to 2009 is due to the indefinite idling of PM 2 at Norske Skog Parenco in June 2009 and the sale of two mills in China with accounting impact from 1 July and 1 November 2009.

Gross operating earnings for the first quarter of 2010 included income of NOK 47 million which was a one-off item relating to changes in the regulations for Norwegian early retirement schemes. The amount was included in the income statement under employee benefit expenses and was allocated as follows: NOK 20 million to Newsprint Europe, NOK 23 million to Magazine paper and NOK 4 million to Other activities.

GROUP COMMENT - GROSS OPERATING EARNINGS

Second quarter 2010 compared with first quarter 2010

Gross operating earnings were NOK 275 million in the second quarter of 2010, the same as in the first quarter. When the one-off item mentioned in the previous section is excluded, there is a slight improvement within both newsprint and magazine paper. Costs of recovered paper and market pulp have increased from the first to the second quarter, but this is offset by slightly higher volumes and a weaker NOK. Capacity utilisation was 89 per cent in the second quarter of 2010, compared with 85 per cent in the previous quarter.

Second quarter 2010 compared with second quarter 2009

Gross operating earnings were NOK 293 million lower in the second quarter of 2010 compared with the second quarter of 2009. The main reasons for this are a sharp fall in prices in Europe from the beginning of 2010, higher prices for recovered paper and market pulp, and a stronger NOK. Both production and sales volumes are higher in 2010, however, despite the closure and sale of units in 2009. This has meant that capacity utilisation has increased considerably, from 75 per cent in the second quarter of 2009 to 89 per cent in the second quarter of 2010. The Newsprint outside Europe region and the segments Energy and Other activities all show an improvement in earnings.

First half 2010 compared with first half 2009

Gross operating earnings were NOK 521 million lower in the first half of 2010 than in the first half of 2009. The reasons for this are the same as those mentioned in the section above. Capacity utilisation increased from 75 per cent in the first half of 2009 to 87 per cent in the first half of 2010.

SPECIAL ITEMS IN THE OPERATING EARNINGS UNDER IFRS

		APR-JUN 2010	JAN-MAR 2010	APR-JUN 2009	YTD 2010	YTD 2009
Restructuring expenses	NOK mill	(9)	0	(277)	(9)	(278)
Other gains and losses	NOK mill	(412)	(913)	872	(1 326)	(353)
Impairments	NOK mill	6	(198)	(651)	(193)	(651)

Restructuring expenses in the second quarter of 2010 consist of severance pay in connection with the reorganisation of the sales organisation in Europe, less the reversal of some of the restructuring expenses provided for in previous periods in connection with redundancies at Norske Skog Tasman.

Other gains and losses in the second quarter consist of a loss before tax of NOK 382 million relating to the sale of excess energy in Southern Norway, while the remainder is mainly the negative change in value of the group's remaining energy portfolio. This income statement item has also in previous periods consisted to a large extent of changes in the value of the energy portfolio.

Reversed impairment in the second quarter of 2010 relates to a minor adjustment to the calculated property damage after the earthquake that hit Norske Skog Bio Bio. A corresponding adjustment of the insurance compensation is included in "Other gains and losses", so that the net effect of the property damage is a cost of NOK 10 million in the accounts for the first half of 2010. This is equivalent to the deductible on the property damage insurance.

SPECIFICATION FINANCIAL ITEMS

		APR-JUN 2010	JAN-MAR 2010	APR-JUN 2009	YTD 2010	YTD 2009
Net interest costs (excluding interest-rate derivatives)	NOK mill	(195)	(192)	(209)	(387)	(492)
Realised and unrealised gains/losses on interest-rate derivatives	NOK mill	2	11	129	13	(81)
Realised/unrealised gains/losses on currency	NOK mill	(329)	(48)	(38)	(377)	345
Gain buy-back of bonds	NOK mill	7	0	247	7	254
Other financial items	NOK mill	(9)	(8)	(60)	(17)	(99)
Total financial items	**NOK mill**	**(524)**	**(237)**	**69**	**(761)**	**(73)**

Interest costs were virtually unchanged from the first to the second quarter of 2010. When comparing interest costs and interest-rate derivatives against 2009, it must be taken into account that interest-rate swap agreements were terminated in the first quarter of 2009. This resulted in a receipt of cash, but was recognised as a cost in the accounts. In the first half of 2009, net debt was higher and the NOK was weaker than in 2010, which affects the comparison between the two years.

Currency items accounted for a total cost of NOK 329 million in the second quarter of 2010. Approximately three quarters of this is translation differences related to items in the balance sheet which, according to the accounting rules, can not be recognised directly in equity. The remainder is realised and unrealised currency effects from cash flow hedging. Both these items are due to a weakening of NOK against several other currencies during the second quarter. This is positive for earnings, but has a short-term negative accounting impact on financial items.

During the second quarter, some smaller holdings with a total nominal value of USD 25 million were bought back on a USD-denominated bond loan maturing in October 2011. This resulted in a gain of NOK 7 million. The outstanding amount of this loan is now USD 295 million.

CASH FLOW

		APR-JUN 2010	JAN-MAR 2010	APR-JUN 2009	YTD 2010	YTD 2009
Gross operating earnings	NOK mill	275	275	568	550	1 071
Change in working capital and adjustments *)	NOK mill	(152)	(238)	(76)	(390)	(123)
Cash from net financial items	NOK mill	(406)	82	(737)	(325)	(434)
Taxes paid	NOK mill	131	(19)	(48)	113	(84)
Net cash flow from operating activities	NOK mill	(153)	101	(293)	(52)	430
Purchases of fixed assets	NOK mill	(106)	(83)	(196)	(189)	(275)

*) Includes items with no cash effect included in gross operating earnings, and items with cash effect included in restructuring expenses and other gains and losses.

Cash flow from operating activities, after paid financial items and taxes, was negative in the second quarter of 2010, as it also was in the second quarter of 2009. The main reason for this is that more than half of the annual interest expenses fall due for payment during this quarter. Working capital increased slightly in the second quarter of 2010, substantially as a result of severance payments made relating to redundancies, which had been provided for in previous periods.

There is a positive cash flow relating to taxes of NOK 131 million in the second quarter of 2010. This is because Norske Skog has received a refund for withholding tax in Canada that was paid by the company in 2007. The refund has no impact on the income statement.

Investments in fixed assets are still at a low level, with NOK 106 million in the second quarter of 2010. There has also been a purchase of shares to the amount of NOK 66 million in Exeltium, a French purchasing consortium for energy, in connection with the new long-term energy contracts at Norske Skog Golbey.

BALANCE SHEET

		30 JUN 2010	31 MAR 2010	31 DEC 2009	30 JUN 2009
Non-current assets	NOK mill	20 873	22 235	23 546	23 127
Cash and cash equivalents	NOK mill	3 662	4 169	4 241	4 821
Other current assets	NOK mill	6 012	5 167	5 368	9 898
Total assets	NOK mill	30 547	31 571	33 155	37 847
Equity including minority interests	NOK mill	10 478	11 044	12 015	12 074
Non-current liabilities	NOK mill	16 815	16 740	17 316	20 390
Current liabilities	NOK mill	3 254	3 787	3 824	5 382
Net interest-bearing debt	NOK mill	10 299	9 465	9 595	12 236

Total assets are reduced by approximately NOK 1 billion from the previous quarter-end. The main reason is that capitalised investments are significantly lower than depreciation. The agreed sales amount for the sale of excess energy in Norway, NOK 800 million, is included within other current assets, whilst non-current assets are reduced with the book value of this energy volume. Furthermore, the book value of the property at Klosterøya, NOK 127 million, has been reclassified from non-current assets to current assets, as a sales process for this property has been initiated. The fall in cash and cash equivalents is primarily due to high interest payments in the second quarter.

Equity including minority interests was NOK 10 478 million as at 30 June 2010, compared to NOK 11 044 million at 31 March 2010. Equity per share was NOK 55. A more detailed specification of the changes in equity is provided later in the quarterly report.

Net interest-bearing debt at 30 June 2010 was NOK 10 299 million, compared to NOK 9 465 million at 31 March 2010. The increase is mainly due to negative currency translation difference on the group's USD-denominated debt, and there was also a negative cash flow after investments. The average time to maturity on interest-bearing debt was 5.6 years as at 30 June 2010, and gearing was 0.98. The pro-forma gearing after the consideration from the sale of excess energy is received, is 0.91.

SEGMENT INFORMATION

From the first quarter of 2010, the geographical regions in the Newsprint segment were changed, such that the figures were presented for Newsprint Europe and Newsprint outside Europe. Sales offices and other administrative entities are reported separately, as before, and not allocated to the geographical regions.

Newsprint total - Key figures		APR-JUN 2010	JAN-MAR 2010	APR-JUN 2009	YTD 2010	YTD 2009
Operating revenue	NOK mill	2 840	2 613	3 518	5 454	6 846
Gross operating earnings	NOK mill	238	225	512	463	857
Gross operating earnings after depreciation	NOK mill	(126)	(156)	15	(282)	(123)
Gross operating margin	%	8.4	8.6	14.5	8.5	12.5
Production	1 000 tonnes	684	654	719	1 338	1 455
Deliveries	1 000 tonnes	679	644	722	1 323	1 383
Production / capacity	%	88	85	76	87	77

Around 55 per cent of the segment's production capacity is in Europe, 30 per cent is in Australasia and the rest is in South America and Asia. Gross operating earnings in the second quarter of 2010 are marginally better than the first quarter, but still very weak.

Based on preliminary figures, the global demand for standard newsprint increased by approximately five per cent in the first half of 2010 compared with the corresponding period in 2009.

Newsprint Europe - Key figures		APR-JUN 2010	JAN-MAR 2010	APR-JUN 2009	YTD 2010	YTD 2009
Operating revenue	NOK mill	1 402	1 314	1 615	2 717	3 190
Gross operating earnings	NOK mill	2	18	260	21	464
Gross operating earnings after depreciation	NOK mill	(143)	(146)	41	(289)	34
Gross operating margin	%	0.1	1.4	16.1	0.8	14.5
Production	1 000 tonnes	390	367	351	757	729
Deliveries	1 000 tonnes	394	356	356	751	703
Production / capacity	%	88	83	71	86	74

Gross operating earnings in the second quarter of 2010 are virtually unchanged from the first quarter when the one-off income item recognised in the previous quarter is excluded. Achieved average prices measured in local currency are slightly lower in the second quarter compared with the first quarter, as a result of price changes for some of the contracts being later than at the year-end. Recovered paper prices were around 20 per cent higher in the second quarter compared with the first quarter, but these negative factors are offset by higher produced and sold volumes, and a slightly weaker NOK.

This year's results, both in the second quarter and year-to-date, are considerably weaker compared to 2009. The main reason is around 20 per cent lower sales prices in most European markets in 2010. There has also been an increase in recovered paper prices, whilst volumes and capacity utilisation have improved in 2010.

Demand for standard newsprint in Europe was one per cent higher in the first half of 2010 compared to the first half of 2009. As a result of strong demand in Asia, and the corresponding need for imports, total shipments from the newsprint industry in Western Europe are around six per cent higher in the first half of 2010 compared with the same period in 2009.

Newsprint outside Europe – Key figures		APR-JUN 2010	JAN-MAR 2010	APR-JUN 2009	YTD 2010	YTD 2009
Operating revenue	NOK mill	1 375	1 243	1 551	2 618	2 909
Gross operating earnings	NOK mill	231	196	243	427	392
Gross operating earnings after depreciation	NOK mill	12	(20)	(34)	(8)	(155)
Gross operating margin	%	16.8	15.8	15.7	16.3	13.5
Production	1 000 tonnes	295	286	369	581	725
Deliveries	1 000 tonnes	284	288	365	572	680
Production / capacity	%	89	87	82	88	81

The region Newsprint outside Europe consists of the operations in Australasia, South America and Asia. Total annual production capacity is 1 320 000 tonnes, of which 880 000 tonnes is in Australasia. As mentioned in the introduction summary of the Board of Directors report, the first half of 2010 is not directly comparable with the corresponding period in 2009, as two Chinese mills were sold in the second half of 2009. These two mills experienced low production volumes and weak results.

The result in the second quarter of 2010 is slightly better than in the first quarter. Most of the improvement in earnings is related to Australia, but there were also stronger results at the Singburi mill in Thailand, primarily due to higher selling prices.

Production volumes in both the second and first quarters of 2010 are impacted by the earthquake that hit Norske Skog Bio Bio in Chile. There has been a loss of production in both quarters of around 10 000 tonnes due to the earthquake, but the economic impact is limited to the deductible on the business interruption insurance of NOK 5 million, which is included in gross operating earnings. This amount comes in addition to the NOK 10 million related to property damage, which is mentioned in the "Special items" section earlier in the quarterly report.

In all the three continents outside Europe where Norske Skog has production, there has been a significant increase in shipments in the first half of 2010 compared with the corresponding period in 2009. Based on preliminary statistics, demand for newsprint in these areas increased by 11 per cent in this timeframe. It must be assumed that some of the increase is due to customers increasing their stock levels. Price levels in Asia and South America are increasing, and new long-term contracts have been entered into in Australasia, with slightly higher prices in the second half of 2010.

Magazine paper - Key figures		APR-JUN 2010	JAN-MAR 2010	APR-JUN 2009	YTD 2010	YTD 2009
Operating revenue	NOK mill	1 488	1 503	1 387	2 991	2 991
Gross operating earnings	NOK mill	40	56	125	96	327
Gross operating earnings after depreciation	NOK mill	(85)	(81)	(31)	(165)	12
Gross operating margin	%	2.7	3.7	9.0	3.2	10.9
Production	1 000 tonnes	308	296	250	604	499
Deliveries	1 000 tonnes	304	307	226	611	488
Production / capacity	%	88	85	71	86	71

Gross operating earnings in the second quarter of 2010 are virtually unchanged from the first quarter, when the one-off income item recognised in the previous quarter is excluded. There are no significant volume or price changes when the two quarters are compared.

Compared with 2009, the results are considerably weaker in 2010. As for Newsprint Europe, this is primarily due to a significant drop in prices.

Demand in Europe for uncoated (SC) magazine paper in the first half of 2010 was two per cent lower than in the first half of 2009, while for coated (LWC/CMR) magazine paper, there was an increase of 12 per cent. The various developments are primarily related to changes in the price difference between these two products. For both qualities, there is a strong increase in demand in export markets. Norske Skog expects somewhat higher prices for magazine paper on a significant portion of the sales volume in the second half of the year.

Energy - Key figures		APR-JUN 2010	JAN-MAR 2010	APR-JUN 2009	YTD 2010	YTD 2009
Operating revenue	NOK mill	495	589	445	1 084	893
Gross operating earnings	NOK mill	18	46	(8)	64	2
Gross operating earnings after depreciation	NOK mill	18	46	(8)	64	2
Operating earnings	NOK mill	(385)	(908)	878	(1 293)	(472)

The ordinary activities of the segment consist primarily of the purchase and resale of energy to the Norwegian mills and Norske Skog Pisa in Brazil. For accounting purposes, purchase of energy for these mills is booked as a cost of materials in the segment, with resale at contract prices. Other revenue is related to sale to third parties of excess energy that Norske Skog has in Norway and Brazil. Excess energy in Norway has arisen due to the closure of a paper machine at Norske Skog Follum in the summer of 2008, and the closure of Norske Skog Union in 2006. Gross operating earnings in the energy segment are significantly lower than in the first quarter of 2010. This is due to lower sales of excess energy, and lower prices in the Norwegian spot market in the second quarter.

In addition to the results from the ordinary activities of the segment mentioned above, the operating earnings under IFRS in the energy segment also include changes in the value of the energy contracts and embedded derivatives. The contracts are recognised in the balance sheet in accordance with IAS 39 Financial instruments – recognition and measurement, which means that the value consists of the difference between the estimated market price and the contract price over the contract term, discounted to present value. The group has recognised amounts in the balance sheet relating to contracts in Norway, Brazil and New Zealand. The value can fluctuate significantly from quarter to quarter due to changes in expected future energy prices, and is also affected by changes in currency, price indices and the discount rate used. As mentioned elsewhere in this report, Norske Skog has sold excess electricity in Norway for the period 2011 to 2020, with an accounting loss compared to the book value in the balance sheet. There has not been a significant change in value of the remaining part of the energy portfolio during the second quarter.

Other activities - Key figures		APR-JUN 2010	JAN-MAR 2010	APR-JUN 2009	YTD 2010	YTD 2009
Operating revenue	NOK mill	536	528	487	1 064	1 053
Gross operating earnings	NOK mill	(21)	(52)	(61)	(73)	(114)
Gross operating earnings after depreciation	NOK mill	(33)	(62)	(74)	(96)	(137)

Other activities include unallocated group costs and trading activities relating to recovered paper. The result in the second quarter of 2010 is significantly better than the first quarter, primarily due to high costs in the first quarter relating to various administrative projects.

DEBT REDUCTION MEASURES

On the basis of weak cash flow, and loans maturing in 2011 and 2012, it is a priority to reduce debt through the sale of assets. The sale of surplus power in Norway will increase net cash holdings by NOK 767 million, and the sale of property that is not related to operations is also being reviewed. This applies primarily to Klosterøya in Skien, where the company has been involved in development of the property after Norske Skog Union was closed in 2006. The sale of forestry property in Brazil is also being reviewed. This is plantations developed by Norske Skog after Norske Skog Pisa was purchased in 2000. Together, these three transactions can free up cash in the order of NOK 1 - 1.5 billion during 2010.

COST REDUCTIONS

The board decided in June 2009 to implement a series of measures to reduce fixed costs and improve cash flow. The main elements were closure of capacity, workforce reductions at mills and at corporate headquarters, and other cost reductions in areas such as maintenance. The target cost reduction was NOK 600 - 700 million in total, of which around NOK 200 million was achieved in the second half of 2009. Further potential cost reductions of NOK 150 - 200 million have subsequently been identified, and it is expected that the total amount of NOK 750 - 900 million will be achieved during 2010. The comparison basis is the cost level in the first half of 2009.

In addition to reduced fixed costs, programmes have also been established for the reduction of costs relating to purchasing and logistics.

HEALTH AND SAFETY

The H-value (the number of lost-time injuries per million working hours) was 1.3 in the 12-month period from 1 July 2009 to 30 June 2010. Nine of the mills had no lost-time injuries in the period. The H-value for the previous 12-month period was 1.5.

EVENTS IN THE FIRST HALF OF 2010, UP TO THE PRESENTATION OF THE ACCOUNTS FOR THE SECOND QUARTER 2010

SALE OF EXCESS ENERGY IN SOUTHERN NORWAY

On 28 June, Norske Skog sold excess electricity to Elkem for a gross consideration of NOK 800 million with payment date 2 August. As mentioned earlier, this transaction resulted in an accounting loss before tax of NOK 382 million.

The agreement includes an energy volume of 1.5 TWh for the years 2011 up to and including 2020. The energy that has been sold has its delivery point in Southern Norway, where Norske Skog does not need it for its own operations. The volume could not be used by Norske Skog Skogn on acceptable commercial terms, because of limited transmission capacity between the different market areas in Norway. Efforts have been initiated to secure a long-term supply of energy to Norske Skog Skogn under the state guarantee scheme.

NEW LONG-TERM SALES CONTRACTS IN AUSTRALASIA

The sale of newsprint in Australasia has been regulated by long-term contracts since Norske Skog acquired mills in the region ten years ago. Norske Skog has signed new contracts up to 1 July 2015 with the largest customers in the region. Under the new contracts, prices will be slightly higher in the second half of 2010 compared to the first half.

PRODUCTION STOP AT NORSKE SKOG BIO BIO

Norske Skog Bio Bio in Chile was hit by an earthquake in February 2010. The mill was out of operation for two months, causing a production loss of around 20 000 tonnes compared to full production. There were no personal injuries as a result of the earthquake. Operations have been running smoothly since the restart of production at the end of April.

Norske Skog's insurance coverage includes natural disasters, and the economic impact will therefore be modest. An accrual has been made for the estimated business interruption insurance compensation for lost gross margins in the first and second quarters. This is recognised as revenue in the accounts, and the negative impact on gross operating earnings in the first half is NOK 5 million, equivalent to the deductible on the business interruption insurance. When it comes to property damage, the accounting effects are discussed in the section entitled "Special items in the operating earnings under IFRS".

NEW LONG-TERM ENERGY CONTRACT IN FRANCE

Norske Skog has decided to participate in the French purchasing consortium Exeltium, to ensure long-term energy supplies for Norske Skog Golbey. A contract has been entered into with a duration of 20 years, and which covers approximately one third of the electricity requirement in Golbey. In connection with this, Norske Skog has purchased shares for NOK 66 million in Exeltium.

GOVERNING BODIES

According to the company's articles of association, the general meeting shall choose the shareholder-elected members of the corporate assembly and election committee. In the subsequent meeting, the new corporate assembly shall choose the shareholder-elected board members.

Following the election, the corporate assembly consists of the following shareholder-elected members: Tom Ruud (chair), Tom Rathke (deputy chair), Emil Aubert, Ragnhild Borchgrevink, Maalfrid Brath, Ann Kristin Brautaset, Jens Nicolai Jenssen, Mikael Løken, Even Mengshoel, Otto Søberg, Karen Helene Ulltveit-Moe and Olav Veum. The shareholder-elected deputy members of the corporate assembly are Henrik A. Christensen and Maria Moræus Hanssen. It is further decided that the term of office for shareholder-elected members of the corporate assembly shall be one year.

Employee-elected members of the corporate assembly are not up for election in 2010.

Norske Skog's election committee consists of Tom Ruud (chair), Ole H. Bakke, Kirsten C. Idebøen and Otto Søberg.

Following election, the shareholder-elected members of the board are: Eivind Reiten (chair), Gisèle Marchand (deputy chair), Alexandra Bech Gjørv, Halvor Bjørken, Helge Evju, Einar J. Greve and Ingrid Wiik. There are three employee-elected members of the board, consisting of Svein Erik Veie who is newly elected, together with Paul Kristiansen and Inge Myrlund who continue as board members.

RISK MANAGEMENT

Norske Skog conducts continuous and thorough evaluations of operational and financial risk factors. The main operational risks are related to prices and sales volumes for newsprint and magazine paper, as well as prices for key input factors such as wood, recovered paper and energy. The financial risk management includes primarily currency, interest rate and liquidity risk. The annual report for 2009 gives a comprehensive description of risk factors and risk management.

RELATED PARTIES

Some of the company's shareholders are forest owners that supply wood to the company's mills in Norway. All transactions with related parties are conducted in accordance with general market terms and conditions. None of the board members receive remuneration for their work for the company from any source other than the company itself.

SHARES

The foreign ownership share was 29 per cent at 30 June 2010, which is an increase of 4 per cent from the year-end. In the first half of 2010, 242 million Norske Skog shares were traded, compared with 255 million in the first half of 2009.

OUTLOOK FOR THE REST OF 2010

The board emphasises that there is considerable uncertainty associated with the assessment of future prospects.

There are still no clear signs of increased demand for newsprint in Europe and North America, while there is relatively good growth in other parts of the world. It is believed that, due to seasonal fluctuations, the demand for magazine paper can be a little higher in the second half of 2010 than in the first half. The price level for newsprint in Europe will be very low during the rest of the year, while prices are expected to increase somewhat on a significant portion of the magazine paper volume in the second half of the year. As mentioned elsewhere in the quarterly report, prices for newsprint in Australasia will be slightly higher in the second half, and price levels are also increasing in South America and Asia.

Wood prices in Norway will be somewhat higher in the second half. Prices for recovered paper and market pulp will continue to be high, although it is expected that the price increases have levelled off.

Lower gross operating earnings are expected in the Energy segment in the second half of 2010 compared with the first half due to the high price levels prevailing in the Norwegian spot market during the winter of 2010.

Lysaker, 4 August 2010

Styret i Norske Skogindustrier ASA

Eivind Reiten
Styreleder

Gisèle Marchand
Styrets nestleder

Halvor Bjørken
Styremedlem

Helge Evju
Styremedlem

Alexandra Bech Gjørv
Styremedlem

Einar J. Greve
Styremedlem

Paul Kristiansen
Styremedlem

Inge Myrlund
Styremedlem

Svein Erik Veie
Styremedlem

Ingrid Wiik
Styremedlem

Sven Ombudstvedt
Konsernsjef

INCOME STATEMENT

NOK MILLION	Note	APR-JUN 2010	JAN-MAR 2010	APR-JUN 2009	YTD 2010	YTD 2009
Operating revenue	4	**4 577**	**4 455**	**5 160**	**9 031**	**10 419**
Distribution costs		(465)	(431)	(424)	(896)	(843)
Cost of materials		(2 782)	(2 720)	(2 938)	(5 502)	(6 087)
Change in inventories		52	0	22	52	156
Employee benefit expenses		(737)	(670)	(789)	(1 407)	(1 598)
Other operating expenses		(371)	(358)	(462)	(729)	(976)
Gross operating earnings		**275**	**275**	**568**	**550**	**1 071**
Depreciation	7	(501)	(528)	(666)	(1 029)	(1 318)
Gross operating earnings after depreciation		**(226)**	**(252)**	**(98)**	**(479)**	**(246)**
Restructuring expenses	9	(9)	0	(277)	(9)	(278)
Other gains and losses		(412)	(913)	872	(1 326)	(353)
Impairments	7	6	(198)	(651)	(193)	(651)
Operating earnings		**(643)**	**(1 364)**	**(153)**	**(2 007)**	**(1 528)**
Share of profit in associated companies		(10)	(4)	7	(14)	25
Financial items		(524)	(237)	69	(761)	(73)
Profit/loss before income taxes		**(1 176)**	**(1 606)**	**(77)**	**(2 782)**	**(1 576)**
Income taxes		303	453	(461)	755	(72)
Net profit/loss for the period		**(874)**	**(1 153)**	**(538)**	**(2 027)**	**(1 649)**
Majority share of net profit/loss for the period		(872)	(1 145)	(352)	(2 017)	(1 438)
Minority share of net profit/loss for the period		(1)	(8)	(186)	(9)	(211)
Basic/diluted earnings per share		(4.60)	(6.04)	(1.85)	(10.63)	(7.58)

STATEMENT OF COMPREHENSIVE INCOME

NOK MILLION	APR-JUN 2010	JAN-MAR 2010	APR-JUN 2009	YTD 2010	YTD 2009
Net profit/loss for the period	**(874)**	**(1 153)**	**(538)**	**(2 027)**	**(1 649)**
Other comprehensive income					
Currency translation differences	361	142	623	503	(825)
Tax expense on translation differences	0	0	0	0	(15)
Hedge of net investment in foreign operations	(34)	36	(118)	2	1 060
Tax expense on net investment hedge	(21)	4	(30)	(17)	(40)
Cash flow hedge	0	0	0	0	44
Reclassifications to income statement (divestment of operations)	0	0	0	0	(115)
Tax expense on reclassifications	0	0	0	0	0
Other items	0	2	(1)	2	(1)
Tax expense on other items	0	0	(18)	0	(18)
Other comprehensive income	**307**	**183**	**456**	**490**	**90**
Other comprehensive income for the period before taxes	328	179	504	507	163
Tax expense on other comprehensive income	(21)	4	(48)	(17)	(73)
Other comprehensive income	**307**	**183**	**456**	**490**	**90**
Comprehensive income	**(567)**	**(970)**	**(82)**	**(1 537)**	**(1 559)**
Majority share of comprehensive income	(566)	(964)	112	(1 531)	(1 329)
Minority share of comprehensive income	(1)	(6)	(194)	(6)	(230)

BALANCE SHEET

NOK MILLION	NOTE	30 JUN 2010	31 MAR 2010	31 DEC 2009	30 JUN 2009
Deferred tax asset		122	130	128	115
Other intangible assets		202	249	208	281
Property, plant and equipment	7	16 810	17 051	17 561	22 191
Investment in associated companies		217	230	228	265
Other non-current assets	6	3 522	4 575	5 420	276
Total non-current assets		**20 873**	**22 235**	**23 546**	**23 127**
Inventories		2 106	2 007	2 003	2 585
Receivables		3 083	2 427	2 511	2 958
Cash and cash equivalents	5	3 662	4 169	4 241	4 821
Other current assets	6, 8	822	733	853	4 355
Total current assets		**9 674**	**9 336**	**9 609**	**14 719**
Total assets		**30 547**	**31 571**	**33 155**	**37 847**
Paid-in equity		12 303	12 302	12 302	12 302
Retained earnings and other reserves		(1 847)	(1 279)	(315)	(267)
Minority interests		21	22	28	39
Total equity		**10 478**	**11 044**	**12 015**	**12 074**
Pension obligations		655	629	665	630
Deferred tax liability		1 095	1 376	1 836	1 565
Interest-bearing non-current liabilities	5	14 008	13 708	13 892	15 995
Other non-current liabilities	6	1 057	1 026	922	2 199
Total non-current liabilities		**16 815**	**16 740**	**17 316**	**20 390**
Interest-bearing current liabilities	5	363	331	355	1 596
Trade and other payables		2 652	3 154	3 196	3 417
Tax payable		43	34	35	58
Other current liabilities	6	196	269	237	311
Total current liabilities		**3 254**	**3 787**	**3 824**	**5 382**
Total liabilities		**20 069**	**20 527**	**21 140**	**25 772**
Total equity and liabilities		**30 547**	**31 571**	**33 155**	**37 847**

Lysaker, 4 August 2010

The Board of Directors of Norske Skogindustrier ASA

Eivind Reiten
Chair

Gisèle Marchand
Deputy chair

Halvor Bjørken
Board member

Helge Evju
Board member

Alexandra Bech Gjørv
Board member

Einar J. Greve
Board member

Paul Kristiansen
Board member

Inge Myrlund
Board member

Svein Erik Veie
Board member

Ingrid Wiik
Board member

Sven Ombudstvedt
President and CEO

CASH FLOW STATEMENT

NOK MILLION	APR-JUN 2010	JAN-MAR 2010	APR-JUN 2009	YTD 2010	YTD 2009
Cash generated from operations	4 598	4 566	5 269	9 164	11 078
Cash used in operations	(4 476)	(4 529)	(4 777)	(9 004)	(10 130)
Cash from net financial items	(406)	82	(737)	(325)	(434)
Taxes paid	131	(19)	(48)	113	(84)
Net cash flow from operating activities [1]	**(153)**	**101**	**(293)**	**(52)**	**430**
Purchases of fixed assets	(106)	(83)	(196)	(189)	(275)
Sales of fixed assets	5	11	7	16	11
Dividend received	0	0	68	0	68
Acquisition of shares in companies and other financial instruments	(102)	0	0	(102)	(2)
Sales of shares in companies and other financial instruments	5	0	1	5	22
Net cash flow from investing activities	**(198)**	**(72)**	**(120)**	**(270)**	**(176)**
New loans raised	2	15	957	17	4 747
Repayments of loans	(151)	(39)	(1 003)	(190)	(5 734)
Dividend paid	0	0	0	0	0
Purchase/sale of treasury shares	1	0	0	1	(1)
New equity	0	0	0	0	0
Net cash flow from financing activities	**(148)**	**(24)**	**(46)**	**(172)**	**(988)**
Foreign currency effects on cash and cash equivalents	26	(76)	(27)	(50)	(640)
Total change in cash and cash equivalents	**(473)**	**(72)**	**(486)**	**(544)**	**(1 374)**
[1] Reconciliation of net cash flow from operating activities					
Gross operating earnings	275	275	568	550	1 071
Restructuring expenses	(9)	0	(277)	(9)	(278)
Change in working capital	(151)	(157)	206	(308)	146
Other items in operating earnings with/without cash effects	8	(81)	(5)	(73)	9
Cash flow from net financial items	(406)	82	(737)	(325)	(434)
Taxes paid	131	(19)	(48)	113	(84)
Net cash flow from operating activities	**(153)**	**101**	**(293)**	**(52)**	**430**

STATEMENT OF CHANGES IN GROUP EQUITY

NOK MILLION	PAID-IN EQUITY	RETAINED EARNINGS	HEDGE ACCOUNTING	OTHER EQUITY RESERVES	TOTAL BEFORE MINORITY INTERESTS	MINORITY INTERESTS	TOTAL EQUITY
Equity 1 January 2009	**12 310**	**621**	**(1 335)**	**1 766**	**13 362**	**269**	**13 632**
Comprehensive income for the period	0	(1 086)	1 211	(1 566)	(1 441)	(36)	(1 477)
Change in holding of treasury shares	(8)	0	0	9	1	0	1
Equity 31 March 2009	**12 302**	**(465)**	**(124)**	**209**	**11 922**	**233**	**12 156**
Comprehensive income for the period	0	(370)	(147)	629	112	(194)	(82)
Equity 30 June 2009	**12 302**	**(835)**	**(272)**	**839**	**12 034**	**39**	**12 074**
Comprehensive income for the period	0	251	621	(920)	(48)	(11)	(59)
Equity 31 December 2009	**12 302**	**(583)**	**349**	**(81)**	**11 987**	**28**	**12 015**
Comprehensive income for the period	0	(1 145)	40	142	(963)	(6)	(970)
Equity 31 March 2010	**12 302**	**(1 729)**	**389**	**61**	**11 023**	**22**	**11 044**
Comprehensive income for the period	0	(870)	(55)	359	(566)	(1)	(567)
Change in holding of treasury shares	2	0	0	0	2	0	2
Change in ownership in subsidiaries	0	0	0	(1)	(1)	0	(1)
Equity 30 June 2010	**12 303**	**(2 599)**	**334**	**419**	**10 457**	**21**	**10 478**

NOTES TO THE INTERIM FINANCIAL STATEMENTS

1. GENERAL INFORMATION

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

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

The interim financial statements were authorised for issue by the board of directors in Norske Skogindustrier ASA on 4 August 2010.

2. ACCOUNTING POLICIES

The interim financial statements of Norske Skog have been prepared in accordance with IAS 34 Interim Financial Reporting. The interim financial statements do not disclose all the information and disclosures required in the annual financial statements, and should be read in conjunction with the group's annual financial statements as at 31 December 2009. The interim financial statements are unaudited.

The accounting policies applied in the preparation of the interim financial statements are consistent with those applied in the preparation of the annual financial statements for the year ended 31 December 2009, except for the adaptation of amended standards and new interpretations which are mandatory from 1 January 2010. These changes are described in the annual financial statements for 2009. None of these currently have a material impact on the financial position or performance of the group.

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

3. ESTIMATES, JUDGMENTS AND ASSUMPTIONS

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

Estimated decline in value of intangible assets and tangible fixed assets
Intangible assets which have an indefinite useful life and goodwill are not subject to amortisation, but are tested annually for impairment. Tangible fixed assets and intangible assets that are subject to amortisation are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Since the carrying amount of the net assets in the group at the end of second quarter of 2010 is higher than its market capitalisation, an impairment evaluation of the recoverable amount of the group's cash-generating units has been made. The recoverable amount is defined as the higher of an asset's fair value less costs to sell and its value in use. Value in use is the present value of the future cash flows expected to be derived from a cash-generating unit. The group's cash-generating units are Europe newsprint, Europe magazine paper (light weight coated (LWC)), Australasia newsprint, South America newsprint, Saugbrugs (super calendered (SC)), Follum magazine paper and Singburi newsprint. Calculation of value in use requires use of estimates. When estimating the value in use at 30 June 2010, there was not detected any need to make impairments.

The possibility of reversing impairment losses in prior periods on tangible fixed assets and intangible assets (except goodwill) has also been evaluated at 30 June 2010. Due to the earthquake in Chile in February 2010, impairment losses related to tangible fixed assets were estimated to amount to NOK 48 million by the end of the first quarter of 2010. Updated estimates for the actual damage have made it possible to reverse NOK 6 million of impairment losses through the income statement during the second quarter of 2010.

For a more specific description of assumptions and sensitivities in the estimation of recoverable amount, please refer to Note 7 in the annual accounts for 2009.

Commodity contracts and embedded derivatives in commodity contracts measured at fair value
Commodity contracts that fail to meet the own-use exemption criteria in IAS 39 *Financial Instruments: Recognition and Measurement* are recognised in the balance sheet and valued at fair value. Fair value of commodity contracts and embedded derivatives in commodity contracts which are not traded in an active marked, are assessed through valuation techniques. Some of these contracts are long-term energy contracts. The electricity price for long-term electricity contracts in Norway, Brazil and New Zealand is not directly observable in the market for the whole contract length. Price forecasts from acknowledged external sources are used in the estimation of fair value. The group uses its judgment to select a variety of methods and make assumptions that are mainly based on marked conditions existing at each balance sheet date.

See Note 24 in the annual accounts for 2009 for more information regarding the calculation of fair value of derivatives.

See Note 2 in the annual accounts for 2009 for a more thorough description of important accounting estimates and assumptions impacting the preparation of financial statements.

4. OPERATING SEGMENTS

The group's activities are divided into three operating segments: Newsprint, Magazine paper and Energy. Activities in the group that do not fall into any of the three operating segments are presented under Other activities and encompass corporate functions, investments in non-production related properties, trading and sorting of recovered paper, purchase and sales of wood and the group's bio-fuel project.

The revenue reported per operating segment includes both sales to external parties and sales to other segments. Intra-segment sales are eliminated in the consolidated group accounts.

Recognition, measurement and classification applied in the segment reporting are consistent with the group's accounting principles described in Note 2 to the annual financial statements for the year ended 31 December 2009.

The Newsprint segment was, until the fourth quarter of 2009, divided into four geographical regions. From the first quarter of 2010, the number of regions has been reduced to two and the figures are now split between activities inside and outside Europe. Sales offices and other administrative entities are, as before, not allocated to regions. Comparative figures for 2009 have been restated in accordance with the new regional structure.

OPERATING REVENUE AND EXPENSES PER OPERATING SEGMENT

APR-JUN 2010	NEWSPRINT	MAGAZINE PAPER	ENERGY	OTHER ACTIVITIES	ELIMI-NATIONS	NORSKE SKOG GROUP
Operating revenue	**2 840**	**1 488**	**495**	**536**	**(784)**	**4 577**
Distribution costs	(282)	(149)	0	(34)	0	(465)
Cost of materials	(1 655)	(938)	(476)	(383)	671	(2 782)
Change in inventories	9	39	0	4	0	52
Employee benefit expenses	(416)	(254)	0	(67)	0	(737)
Other operating expenses	(259)	(146)	(1)	(78)	113	(371)
Gross operating earnings	**238**	**40**	**18**	**(21)**	**0**	**275**
Depreciation	(364)	(124)	0	(12)	0	(501)
Gross operating earnings after depreciation	**(126)**	**(85)**	**18**	**(33)**	**0**	**(226)**
Restructuring expenses	(5)	(1)	0	(4)	0	(9)
Other gains and losses	(10)	0	(403)	0	0	(412)
Impairments	6	0	0	0	0	6
Operating earnings	**(135)**	**(86)**	**(385)**	**(36)**	**0**	**(643)**

JAN-JUN 2010	NEWSPRINT	MAGAZINE PAPER	ENERGY	OTHER ACTIVITIES	ELIMI-NATIONS	NORSKE SKOG GROUP
Operating revenue	**5 454**	**2 991**	**1 084**	**1 064**	**(1 562)**	**9 031**
Distribution costs	(533)	(300)	0	(63)	0	(896)
Cost of materials	(3 196)	(1 853)	(1 017)	(771)	1 335	(5 502)
Change in inventories	40	11	0	2	0	52
Employee benefit expenses	(803)	(467)	0	(136)	0	(1 407)
Other operating expenses	(498)	(286)	(3)	(170)	227	(729)
Gross operating earnings	**463**	**96**	**64**	**(73)**	**0**	**550**
Depreciation	(745)	(261)	0	(23)	0	(1 029)
Gross operating earnings after depreciation	**(282)**	**(165)**	**64**	**(96)**	**0**	**(479)**
Restructuring expenses	(5)	(1)	0	(4)	0	(9)
Other gains and losses	20	0	(1 357)	11	0	(1 326)
Impairments	(192)	0	0	0	0	(193)
Operating earnings	**(459)**	**(167)**	**(1 293)**	**(88)**	**0**	**(2 007)**

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

OPERATING SEGMENT NEWSPRINT

The Newsprint segment encompasses production and sale of standard newsprint and other paper qualities used in newspapers, inserts, catalogues etc. Norske Skog has an annual production capacity of 3.1 million tonnes as at the end of the second quarter of 2010.

	APR-JUN 2010	JAN-MAR 2010	APR-JUN 2009	YTD 2010	YTD 2009
INCOME STATEMENT					
Operating revenue	**2 840**	**2 613**	**3 518**	**5 454**	**6 846**
Distribution costs	(282)	(252)	(267)	(533)	(521)
Cost of materials	(1 655)	(1 540)	(1 918)	(3 196)	(4 021)
Change in inventories	9	30	(50)	40	149
Employee benefit expenses	(416)	(388)	(453)	(803)	(916)
Other operating expenses	(259)	(239)	(318)	(498)	(680)
Gross operating earnings	**238**	**225**	**512**	**463**	**857**
Depreciation	(364)	(380)	(497)	(745)	(979)
Gross operating earnings after depreciation	**(126)**	**(156)**	**15**	**(282)**	**(123)**
Restructuring expenses	(5)	0	(261)	(5)	(262)
Other gains and losses	(10)	30	(17)	20	109
Impairments	6	(198)	(999)	(192)	(999)
Operating earnings	**(135)**	**(324)**	**(1 261)**	**(459)**	**(1 274)**
Share of operating revenue from external parties (%)	98	97	100	98	100
OPERATING REVENUE PER REGION					
Newsprint Europe	1 402	1 314	1 615	2 717	3 190
Newsprint outside Europe	1 375	1 243	1 551	2 618	2 909
Sales offices and other activities	1 123	1 016	1 197	2 139	2 310
Eliminations	(1 060)	(960)	(846)	(2 020)	(1 563)
Total	**2 840**	**2 613**	**3 518**	**5 454**	**6 846**
GROSS OPERATING EARNINGS PER REGION					
Newsprint Europe	2	18	260	21	464
Newsprint outside Europe	231	196	243	427	392
Sales offices and other activities	5	10	9	15	1
Eliminations	0	0	0	0	0
Total	**238**	**225**	**512**	**463**	**857**

OPERATING SEGMENT MAGAZINE PAPER

The Magazine paper segment encompasses production and sale of the paper qualities super calandered (SC), machine finished coated (MFC) and light weight coated (LWC). Magazine paper is used on magazines, catalogues and advertising materials. Norske Skog has an annual production capacity of 1.4 million tonnes as at the end of the second quarter of 2010.

	APR-JUN 2010	JAN-MAR 2010	APR-JUN 2009	YTD 2010	YTD 2009
INCOME STATEMENT					
Operating revenue	**1 488**	**1 503**	**1 387**	**2 991**	**2 991**
Distribution costs	(149)	(151)	(133)	(300)	(278)
Cost of materials	(938)	(914)	(776)	(1 853)	(1 561)
Change in inventories	39	(28)	71	11	5
Employee benefit expenses	(254)	(213)	(266)	(467)	(517)
Other operating expenses	(146)	(140)	(157)	(286)	(313)
Gross operating earnings	**40**	**56**	**125**	**96**	**327**
Depreciation	(124)	(137)	(156)	(261)	(315)
Gross operating earnings after depreciation	**(85)**	**(81)**	**(31)**	**(165)**	**12**
Restructuring expenses	(1)	0	(16)	(1)	(16)
Other gains and losses	0	0	0	0	0
Impairments	0	0	348	0	348
Operating earnings	**(86)**	**(81)**	**301**	**(167)**	**344**
Share of operating revenue from external parties (%)	95	95	100	95	100

OPERATING SEGMENT ENERGY

The energy segment includes purchase and sale of energy to mills in the group and trading and sale of excess energy in the spot market.

Value changes on energy contracts and embedded derivatives in energy contracts carried at fair value are reported as Other gains and losses.

	APR-JUN 2010	JAN-MAR 2010	APR-JUN 2009	YTD 2010	YTD 2009
INCOME STATEMENT					
Operating revenue	**495**	**589**	**445**	**1 084**	**893**
Distribution costs	0	0	0	0	0
Cost of materials	(476)	(541)	(453)	(1 017)	(890)
Change in inventories	0	0	0	0	0
Employee benefit expenses	0	0	0	0	0
Other operating expenses	(1)	(2)	(1)	(3)	(2)
Gross operating earnings	**18**	**46**	**(8)**	**64**	**2**
Depreciation	0	0	0	0	0
Gross operating earnings after depreciation	**18**	**46**	**(8)**	**64**	**2**
Restructuring expenses	0	0	0	0	0
Other gains and losses	(403)	(954)	886	(1 357)	(474)
Impairments	0	0	0	0	0
Operating earnings	**(385)**	**(908)**	**878**	**(1 293)**	**(472)**
Share of operating revenue from external parties (%)	42	54	39	49	39

OTHER ACTIVITIES

Activities in the group that do not fall onto any of the three operating segments are presented under Other activities. This includes corporate functions, real estate activities, trading and sorting of recovered paper, purchase and resale of wood, and the group's activities related to bio-fuel.

	APR-JUN 2010	JAN-MAR 2010	APR-JUN 2009	YTD 2010	YTD 2009
INCOME STATEMENT					
Operating revenue	**536**	**528**	**487**	**1 064**	**1 053**
Distribution costs	(34)	(29)	(25)	(63)	(44)
Cost of materials	(383)	(388)	(339)	(771)	(750)
Change in inventories	4	(2)	1	2	2
Employee benefit expenses	(67)	(69)	(69)	(136)	(164)
Other operating expenses	(78)	(92)	(115)	(170)	(211)
Gross operating earnings	**(21)**	**(52)**	**(61)**	**(73)**	**(114)**
Depreciation	(12)	(10)	(13)	(23)	(23)
Gross operating earnings after depreciation	**(33)**	**(62)**	**(74)**	**(96)**	**(137)**
Restructuring expenses	(4)	0	0	(4)	0
Other gains and losses	0	10	2	11	12
Impairments	0	0	0	0	0
Operating earnings	**(36)**	**(52)**	**(71)**	**(88)**	**(126)**
Share of operating revenue from external parties (%)	30	30	32	30	32
OPERATING REVENUE					
Recovered paper	208	198	139	406	266
Real estate activities	4	5	4	9	7
Bio-fuel	0	0	0	0	0
Corporate functions	68	66	66	134	132
Miscellaneous	270	277	291	547	673
Eliminations	(14)	(18)	(13)	(32)	(25)
Total	**536**	**528**	**487**	**1 064**	**1 053**
GROSS OPERATING EARNINGS					
Recovered paper	6	8	2	15	6
Real estate activities	(3)	(2)	(1)	(5)	(2)
Bio-fuel	(4)	(5)	(6)	(10)	(11)
Corporate functions	(31)	(62)	(65)	(93)	(117)
Miscellaneous	12	9	9	21	10
Eliminations	0	0	0	0	0
Total	**(21)**	**(52)**	**(61)**	**(73)**	**(114)**

5. INTEREST-BEARING DEBT

NET INTEREST-BEARING DEBT

Norske Skog has recognised an amount in the balance sheet as a result of the termination of a large part of the fair value hedge portfolio in the first half of 2009. A hedge reserve (deferred income) amounting to NOK 403 million is included in interest-bearing debt as at 30 June 2010. The corresponding figure as at 31 December 2009 was NOK 411 million.

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

	30 JUN 2010
Interest-bearing non-current liabilities	14 008
Interest-bearing current liabilities	363
- Hedge reserve	403
- Fair value hedge	7
- Cash and cash equivalents	3 662
= Net interest-bearing debt	**10 299**
Equity less minority interests	10 456
Gearing	**0.98**

DEBT REPAYMENT SCHEDULE

The table below shows contractual installment payments on the group's current and non-current interest-bearing debt.

	30 JUN 2010
2010 – third quarter	280
2010 – fourth quarter	65
2011	1 980
2012	3 904
2013	36
2014	960
2015	1 148
2016	35
2017	3 967
2018	36
2019	154
2020	37
2021	9
2033	1 299
Total	**13 909**

Total debt listed in the repayment schedule may differ from carrying value in the balance sheet. This is due to premiums and discounts on issued bonds, hedge reserve and fair value hedging.

LOAN COVENANTS

The group's bank loan agreements contain requirements to certain financial ratios. These ratios are:

- Equity minus intangible fixed assets must be a minimum of NOK 9 000 million.
- Net interest-bearing debt divided by equity must be a maximum of 1.4.

The group's outstanding bond loans do not include financial covenants.

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

	ASSETS		LIABILITIES	
	CURRENT	NON-CURRENT	CURRENT	NON-CURRENT
Energy contracts and embedded derivatives in energy contracts	466	3 091	49	158
Other raw material contracts	2	2	1	15
Other derivatives and financial instruments carried at fair value	91	135	86	83
Total	**558**	**3 229**	**136**	**256**

7. PROPERTY, PLANT AND EQUIPMENT

	JAN-JUN 2010
Carrying value at beginning of period	17 561
Depreciation	(1 017)
Impairments	(193)
Acquisitions	217
Disposals	(169)
Currency translation difference	411
Carrying value at period end	**16 810**

Property, plant and equipment which in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are reclassified to Other current assets are in the table above presented as Disposals.

8. ACQUISITIONS AND DISPOSALS

Norske Skog has initiated a sales process of parts of the group's non-production related properties in Norway.
The assets have a carrying value of NOK 127 million and are in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* reclassified from Property, plant and equipment to Other current assets. Depreciation of the assets has, in accordance with the same standard, been stopped from May 2010. The assets are classified as part of Other activities in the segment reporting.

9. RESTRUCTURING EXPENSES

In March 2010, Norske Skog announced a reorganisation of its European sales organisation. Restructuring expenses of NOK 20 million were recognised in the second quarter of 2010 in connection with this programme. The costs were primarily related to redundancy payments, as well as some costs associated with the termination of lease agreements.

Updated estimates for redundancy payments in connection with the new organisational structure at Norske Skog Tasman have meant that restructuring expenses of NOK 11 million, which were provided for in previous periods, have been reversed in the income statement during the second quarter of 2010.

There were no restructuring expenses in the first quarter of 2010.

10. NORSKE SKOG GROUP – QUARTERLY FIGURES

	APR-JUN 2010	JAN-MAR 2010	OCT-DEC 2009	JUL-SEP 2009	APR-JUN 2009	JAN-MAR 2009
INCOME STATEMENT						
Operating revenue	**4 577**	**4 455**	**4 909**	**5 033**	**5 160**	**5 259**
Distribution costs	(465)	(431)	(452)	(453)	(424)	(419)
Cost of materials	(2 782)	(2 720)	(2 678)	(2 680)	(2 938)	(3 149)
Change in inventories	52	0	(175)	(112)	22	134
Employee benefit expenses	(737)	(670)	(726)	(777)	(789)	(809)
Other operating expenses	(371)	(358)	(406)	(369)	(462)	(513)
Gross operating earnings	**275**	**275**	**472**	**642**	**568**	**504**
Depreciation	(501)	(528)	(499)	(649)	(666)	(652)
Gross operating earnings after depreciation	**(226)**	**(252)**	**(27)**	**(7)**	**(98)**	**(149)**
Restructuring expenses	(9)	0	(90)	(28)	(277)	(1)
Other gains and losses	(412)	(913)	1 418	168	872	(1 225)
Impairments	6	(198)	(226)	(1 006)	(651)	0
Operating earnings	**(643)**	**(1 364)**	**1 075**	**(872)**	**(153)**	**(1 374)**
Share of profit in associated companies	(10)	(4)	0	1	7	17
Financial items	(524)	(237)	(188)	542	69	(143)
Profit/loss before income taxes	**(1 176)**	**(1 606)**	**887**	**(330)**	**(77)**	**(1 500)**
Income taxes	303	453	(220)	(88)	(461)	389
Net profit/loss for the period	**(874)**	**(1 153)**	**667**	**(418)**	**(538)**	**(1 111)**
OPERATING REVENUE PER SEGMENT						
Newsprint	2 840	2 613	2 999	3 227	3 518	3 329
Magazine paper	1 488	1 503	1 674	1 607	1 387	1 603
Energy	495	589	435	408	445	449
Other activities	536	528	523	487	487	567
Eliminations	(784)	(778)	(723)	(696)	(676)	(688)
Total	**4 577**	**4 455**	**4 909**	**5 033**	**5 160**	**5 259**
GROSS OPERATING EARNINGS PER SEGMENT						
Newsprint	238	225	383	444	512	345
Magazine paper	40	56	162	201	125	201
Energy	18	46	(32)	12	(8)	10
Other activities	(21)	(52)	(40)	(15)	(61)	(53)
Eliminations	0	0	0	0	0	0
Total	**275**	**275**	**472**	**642**	**568**	**504**
SHARE OF OPERATING REVENUE FROM EXTERNAL PARTIES						
Newsprint	98%	97%	98%	100%	100%	100%
Magazine paper	95%	95%	97%	99%	100%	100%
Energy	42%	54%	39%	36%	39%	38%
Other activities	30%	30%	37%	34%	32%	32%

THE NORSKE SKOG SHARE

	30 JUN 2010	31 MAR 2010	31 DEC 2009	30 SEP 2009	30 JUN 2009	31 MAR 2009
Share price (NOK)	7.43	8.99	9.55	11.39	9.42	12.34
Book value of equity per share (NOK)	55.06	58.10	63.30	59.22	63.44	62.85

RESPONSIBILITY STATEMENT FROM THE BOARD OF DIRECTORS AND PRESIDENT / CEO

We confirm to the best of our knowledge that the condensed set of interim financial statements for the period 1 January to 30 June 2010 has been prepared in accordance with IAS 34 *Interim Financial Reporting* and gives a true and fair view of the Norske Skog group's assets, liabilities, financial position and the result taken as a whole. We also confirm to the best of our knowledge that the interim management report includes a fair review of important events that have occurred during the first six months of the financial year and their impact on the condensed set of interim financial statements, a description of the principal risks and uncertainties for the remaining six months of the financial year, and major related parties transactions.

Lysaker, 4 August 2010

The Board of Directors of Norske Skogindustrier ASA

Eivind Reiten
Chair

Gisèle Marchand
Deputy chair

Halvor Bjørken
Board member

Helge Evju
Board member

Alexandra Bech Gjørv
Board member

Einar J. Greve
Board member

Paul Kristiansen
Board member

Inge Myrlund
Board member

Svein Erik Veie
Board member

Ingrid Wiik
Board member

Sven Ombudstvedt
President and CEO

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