Norske Skogindustrier ASA

$200,000,000 6.125% Notes due 2015
$200,000,000 7.125% Notes due 2033

Issue Price for the Notes due 2015: 99.576%

Issue Price for the Notes due 2033: 99.725%

The notes due 2015 (the ''2015 notes'') will bear interest at the rate of 6.125% per year. Interest on the 2015 notes is payable on April 15 and October 15 of each year beginning on April 15, 2004. The 2015 notes will mature on October 15, 2015. The notes due 2033 (the ''2033 notes'' and, together with the 2015 notes, the ''notes'') will bear interest at the rate of 7.125% per year. Interest on the 2033 notes is payable on April 15 and October 15 of each year beginning on April 15, 2004. The 2033 notes will mature on October 15, 2033. However, we may redeem some or all of the notes at any time. The redemption prices are discussed under the caption ''Terms and Conditions of the Notes—Condition 7 (*Redemption and Purchase*)''.

The notes will be our unsecured senior obligations and will rank equally in right of payment with our other unsecured senior indebtedness.

Application has been made to list the notes on the Luxembourg Stock Exchange in accordance with the rules thereof.

Investing in the notes involves risks. See ''Risk Factors'' beginning on page 11.

The notes have not been registered under the United States Securities Act of 1933 (the ''Securities Act'') or any state securities law and are being offered and sold only to ''Qualified Institutional Buyers'' (as defined in Rule 144A under the Securities Act) and outside the United States in accordance with Regulation S under the Securities Act. For a description of certain restrictions on transfers of the notes, see ''Form of Notes and Transfer Restrictions'' and ''Plan of Distribution''.

The initial purchasers expect to deliver the notes to purchasers on or about October 2, 2003.

Joint Lead Managers

Deutsche Bank Securities **JPMorgan**

Co-Managers

BNP PARIBAS **Citigroup** **HSBC**

September 29, 2003

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We, having made all reasonable inquiries, confirm that this offering memorandum contains all information with respect to us and the notes which is material in the context of the issue and offering of the notes, that the information contained in this offering memorandum is true and correct in all material respects and is not misleading in any material respect, that our opinions and intentions expressed herein are true and honestly held and that there is no other fact or matter omitted from this offering memorandum the omission of which, in the context of the issue and offering of the notes, makes any statement herein misleading in any material respect and all reasonable inquiries have been made by us to ascertain such facts and to verify the accuracy of all such information and statements. We accept responsibility for the information contained in this offering memorandum accordingly.

You should not rely on anything contained in this offering memorandum as a promise or representation by the initial purchasers listed in ''Plan of Distribution'' as to the past or future. The Board of Directors confirms that to the best of its knowledge and belief, the information contained in this offering memorandum is in accordance with the facts and contains no omissions likely to affect the import of this offering memorandum. The initial purchasers make no representation or warranty, express or implied, as to the accuracy or completeness of the information in this offering memorandum. The initial purchasers have not independently verified any of the information (financial, legal or otherwise) contained in this offering memorandum and assume no responsibility for the accuracy or completeness of the information in this offering memorandum.

In this offering memorandum, the ''company'', ''we'', ''us'', and ''our'' refer to Norske Skogindustrier ASA or Norske Skogindustrier ASA and its subsidiaries, as the context may require.

This offering memorandum does not constitute an offer to sell or a solicitation of an offer to purchase the notes by any person in any jurisdiction where it is unlawful to make such an offer or solicitation. The distribution of this offering memorandum and the offer or sale of the notes in certain jurisdictions is restricted by law. This offering memorandum may not be used for, or in connection with, and does not constitute, any offer to, or solicitation by, anyone in any jurisdiction or under any circumstance in which such offer or solicitation is not authorized or is unlawful. Persons into whose possession this offering memorandum may come are required by us and the managers to inform themselves about and to observe such restrictions. Further information with regard to restrictions on offers and sales of the notes and the distribution of this offering memorandum is set out under ''Plan of Distribution'' and ''Form of Notes and Transfer Restrictions''.

We will not register the notes with the U.S. Securities and Exchange Commission (the ''SEC'') or any state securities commission. Neither the SEC nor any state securities commission has approved or disapproved the notes in this offering or passed upon or endorsed the merits of this offering or the accuracy or adequacy of this offering memorandum. Any representation to the contrary is a criminal offense.

In making an investment decision, prospective investors must rely on their own examination of our company and the terms of the offering, including the merits and risks involved. Prospective investors should not construe anything in this offering memorandum as legal, business or tax advice. Each prospective investor should consult its own advisors as needed to make its investment decision and to determine whether it is legally permitted to purchase our notes under applicable legal investment or similar laws or regulations.

Notice to New Hampshire Residents Only

NEITHER THE FACT THAT A REGISTRATION STATEMENT OR AN APPLICATION FOR A LICENSE HAS BEEN FILED UNDER RSA 421-B WITH THE STATE OF NEW HAMPSHIRE NOR THE FACT THAT A SECURITY IS EFFECTIVELY REGISTERED OR A PERSON IS LICENSED IN THE STATE OF NEW HAMPSHIRE CONSTITUTES A FINDING BY THE SECRETARY OF STATE OF THE STATE OF NEW HAMPSHIRE THAT ANY DOCUMENT FILED UNDER RSA 421-B IS TRUE, COMPLETE AND NOT MISLEADING. NEITHER ANY SUCH FACT NOR THE FACT THAT AN EXEMPTION OR EXCEPTION IS AVAILABLE FOR A SECURITY OR A TRANSACTION MEANS THAT THE SECRETARY OF STATE HAS PASSED IN ANY WAY UPON THE MERITS OR QUALIFICATIONS OF, OR RECOMMENDED OR GIVEN APPROVAL TO, ANY PERSON, SECURITY, OR TRANSACTION. IT IS UNLAWFUL TO MAKE, OR CAUSE TO BE MADE, TO ANY PROSPECTIVE PURCHASER, CUSTOMER OR CLIENT ANY REPRESENTATION INCONSISTENT WITH THE PROVISIONS OF THIS PARAGRAPH.

We have not authorized any offer of notes to the public in the United Kingdom within the meaning of the Public Offers of Securities Regulations 1995 (the ''Regulations''). Notes may not lawfully be offered or sold to persons in the United Kingdom except in circumstances which do not result in an offer to the public in the United Kingdom within the meaning of the Regulations or otherwise in compliance with all applicable provisions of the Regulations.

You should rely only on the information in this offering memorandum. We have not authorized anyone to provide you with different information. You should not assume that the information contained in this offering memorandum is accurate as of any date other than the date on the front of this offering memorandum.

Unless otherwise specified or unless the context otherwise requires, ''NOK'' refers to Norwegian kroner, ''U.S.$'' and ''$'' refers to U.S. dollars and ''€'' refers to euros.

This offering memorandum contains summaries of certain documents. We believe these summaries are accurate, but you should refer to the actual document for complete information. The information contained in this offering memorandum under the heading ''Exchange Rates'' includes extracts from summaries of information and data publicly released by official sources in Norway and other sources indicated therein. Accordingly, we accept responsibility for accurately extracting such information from such sources. However, such information has not been independently verified by us.

Certain figures included in this offering memorandum have been subject to rounding adjustments; accordingly, figures shown for the same category presented in different tables may vary slightly and figures shown as totals in certain tables may not actually be the sum of the figures which precede them.

For information regarding certain technical terms relating to the paper products industry which we use in this offering memorandum, see ''Annex A—Glossary''.

Enforcement of Civil Liabilities

We are a limited liability company organized under the laws of Norway. The submission to jurisdiction contained in Condition 18 *(Governing law and jurisdiction)* of the terms and conditions of the Notes is a valid submission to jurisdiction and any judgment obtained in the court of the State of New York in any Proceedings will be enforceable in Norway without the Norwegian courts reconsidering the merits of the action.

As regards actions that fall outside the scope of the submission to jurisdiction of Condition 18 *(Governing law and jurisdiction)*, we wish to point out that all of the members of our Board of Directors and most of our executive officers are residents of Norway and a significant portion of our assets and subsidiaries are located outside the United States. As a result, it may not be possible for investors to effect service of process within the United States upon us or such persons or to enforce against us or them in U.S. courts judgments obtained in such courts predicated upon civil liability provisions of the federal securities laws of the United States. We have been advised by Wiersholm Mellbye & Bech, our Norwegian counsel, that there is doubt as to the enforceability in Norway, in original actions or in actions for enforcement of judgments of U.S. courts, of civil liabilities predicated solely upon the federal securities laws of the United States. In addition, we have been advised by Wiersholm Mellbye & Bech that the United States and Norway do not currently have a treaty providing for reciprocal recognition and enforcement of judgments in civil and commercial matters. Therefore, final judgments for the payment of money rendered by a U.S. court in the United States based on civil liability, whether or not predicated solely upon the federal securities laws of the United States, would not be directly enforceable in Norway.

Stabilization

In connection with the issue of the notes, Deutsche Bank Securities Inc. and J.P. Morgan Securities Inc. (the ''Stabilizing Managers'') (or any person acting for the Stabilizing Managers) may over-allot or effect transactions with a view to supporting the market price of the notes at a level higher than that which might otherwise prevail for a limited period. However, there may be no obligation on the Stabilizing Managers (or any agent of the Stabilizing Managers) to do this. Such stabilizing, if commenced, may be discontinued at any time and must be brought to an end after a limited period. Such stabilizing shall be in compliance with all applicable laws, regulations and rules.

Available Information

We publish annual reports, including consolidated financial statements for the preceding year prepared in accordance with Norwegian generally accepted accounting principles and quarterly interim reports, including unaudited summary financial information for the preceding quarter. Upon request, we will send holders of notes these annual reports and quarterly reports in either English or Norwegian. We are not required to file periodic reports under Section 13 or 15 of the U.S. Securities Exchange Act of 1934 (the ''Exchange Act''). We do, however, furnish certain public reports and documents to the SEC pursuant to Rule 12g3-2(b) under the Exchange Act. If during any period we are not subject to and in compliance with the reporting requirements of Section 13 or 15(d) of the Exchange Act nor exempt from reporting pursuant to Rule 12g3-2(b) under the Exchange Act, we will duly provide to any holder of a note which is a ''restricted security'' within the meaning of Rule 144(a)(3) under the Securities Act or to any prospective purchaser of a note as designated by a holder, upon the written request of the holder or the prospective purchaser addressed to us and delivered to us or the office of the registrar, the information specified in Rule 144A(d)(4) under the Securities Act.

Forward Looking Statements

Some statements included in this offering memorandum or in oral or written presentations made by us or on our behalf are ''forward-looking statements'' within the meaning of U.S. securities laws. With respect to this offering memorandum, these forward-looking statements include, but are not limited to, business strategies, competitive strengths, references to our future success and discussion of future events, conditions, circumstances or trends. In some cases, you can identify forward-looking statements by terminology such as ''anticipate'', ''believe'', ''continue'', ''could'', ''estimate'', ''expect'', ''forecast'', ''intend'', ''may'', ''plan'', ''potential'', ''predict'', ''project'', ''should'', or ''will'' or the negative of such terms or other comparable terminology.

Because these forward-looking statements are predictive in nature, they are subject to a number of risks and uncertainties. These risks include, but are not limited to, the risk factors discussed in this offering memorandum, general economic conditions, competitive actions by other companies, changes in laws or regulations and other factors (some of which are beyond our control). As a result, actual results and conditions may differ materially from those expressed or implied by such forward-looking statements and we do not undertake to release publicly any revisions to any forward-looking statements to reflect events or circumstances after the date of this offering memorandum.

Summary

The following summary is qualified in its entirety by, and is subject to, the detailed information regarding our business and our consolidated financial statements, including the notes thereto.

General

We are one of the leading global publication paper companies. We are the second largest producer of newsprint and the third largest producer of magazine paper in the world. Our headquarters are located in Oslo, Norway and through our subsidiaries, joint ventures and interests in other companies, we wholly or partly own mills in 15 countries on five continents.

While geographically diverse, we are strategically focused on the production, marketing and distribution of publication paper. Publication paper includes newsprint and magazine paper, and represented approximately 93% of our half year 2003 net sales. Our principal markets for our newsprint products are Europe, Australasia, Asia and South America. In addition, we are present in North America as the largest shareholder in Norske Skog Canada Limited (''NorskeCanada''). The principal markets for our magazine paper products are Europe and North America.

In the last twelve years, we have grown from being a regional producer of a variety of paper, pulp and timber products to a global company focused on publication paper. During this period, we have divested virtually all of the units outside of our core business and expanded our annual publication paper production capacity from 1.3 million metric tonnes in 1991 to 7.9 million metric tonnes as of June 30, 2003. We are focused on creating shareholder value by improving operating efficiencies, reducing purchasing, marketing and administrative costs and streamlining our organizational and corporate structure.

Our total assets were NOK47.5 billion as at June 30, 2003, and for the six months ended June 30, 2003, we had operating revenue of NOK11,382 million and operating earnings of NOK685 million. As at September 1, 2003, our market capitalization was NOK16.5 billion.

Our business operates primarily in four geographic regions:

- **Europe** with nine wholly-owned paper mills in Norway, France, Austria, Germany, The Netherlands, and the Czech Republic.
- **South America** with two wholly-owned paper mills in Chile and Brazil.
- **Australasia** with three wholly-owned paper mills in Australia and New Zealand.
- **Asia** with our 50% interest in PanAsia Paper Company (''PanAsia''), which currently has four paper mills in China, Korea and Thailand. PanAsia expects to complete construction of a second paper mill in China by 2005. We also have a 33.65% interest in Malaysian Newsprint Industries, a Malaysian newsprint producer operating one paper mill.

In addition, we have a significant minority stake of 30.6% in NorskeCanada, which has operations in North America comprising four publication paper mills in Canada (two of which also produce pulp).

We have created a corporate management area that we call ''Partially Owned Companies'' with operational responsibility for our interests in PanAsia, NorskeCanada, and Malaysian Newsprint Industries.

Our business strategy and competitive strengths

• *Our vision is to continue to be a leading international company within the paper and forest products industry.*

• *Our goal is to create value for our shareholders, matching or exceeding the performance of other leading paper and forest products companies.*

As a measurement of this goal, we aim to achieve a return on capital employed of at least 13% throughout a business cycle. The key elements of our strategy are as follows:

• *Concentrate on our core publication paper business.*

We believe that by concentrating our resources and capital on a narrow range of products, we have developed a high level of proficiency at manufacturing and a deep knowledge of our customer base and the market. We developed this strategy more than seven years ago and have systematically divested non-core assets, acquired strategic businesses involved in the production of publication papers and built new assets dedicated to the production of publication paper. In the first half of 2003, approximately 93% of our net sales were from publication paper compared to 64% in 1995.

• *Continue to consolidate our global position.*

We intend to maintain our position as one of the industry leaders in the paper and forest products industry. Our position as a leading global producer of publication papers will allow us to supply the needs of our global customers. We have largely completed an ambitious multi-year program of acquisitions and divestitures and will seek to support future growth through a focus on achieving greater efficiencies in operations and in our corporate structure, and the continued evaluation of selected smaller acquisitions and new investment opportunities. In addition, we plan to build new production capacity only if there is sufficient demand to absorb the additional capacity.

• *Cost-efficient production.*

We strive to produce and supply our products on the most cost-efficient basis within each region where we compete. We expect to accomplish this goal by reducing our cost of production and by developing and focusing on the products we are able to produce most competitively. Reductions in our production costs should arise from economies of scale, continuous operational improvements, use of the lowest cost raw materials available within each region where we operate and cooperation among the regions to optimize trade flows. We may also make selected investments to achieve operational improvements. We continually evaluate the cost efficiency of our productive assets, and will consider replacing less efficient productive capacity with machines, mills and other producing assets of greater efficiency. If we do replace capacity, this may lead to accounting adjustments.

• *Revised corporate structure.*

As part of what we call our ''Improvement 2003'' program, we have revised aspects of our management structure by shortening reporting lines, devolving decision-making authority in sales and marketing to local sales offices (within the framework of guidelines set by central management) and by standardizing and further coordinating production methods and centralizing production management, administration, procurement and logistics functions, where these are likely to benefit from a global corporate perspective. This program has allowed us to introduce cost-saving and efficiency measures across all our business lines and to better monitor and react to developments in our business environment. A goal of the program is to improve results (primarily through cost reduction measures) by NOK2 billion by the end of 2004 (measured against a baseline of our 2002 results and on a basis seeking to adjust for or exclude factors outside our control). As of June 30, 2003, we had achieved improvements of NOK320 million and believe we remain on course to achieve the targeted gain of NOK1 billion for the calendar year 2003.

These strategic aims are supported by what we see as our principal competitive strengths:

• *Significant presence on five continents.*

We have become one of the world's most global paper companies with mills in 15 countries and on five continents. We are the second largest publication paper producer globally based on production capacity and have a substantial market share in each of the regions in which we operate. Local presence gives us the ability to manage capacity on a regional basis, reducing the need for expensive transportation. Further, our proximity to our customers increases the potential for service agreements and integrated sales and distribution systems.

The following table sets forth our relative ranking and share of capacity for newsprint and magazine paper in our principal markets globally and by region as of June 30, 2003.

Product	Ranking(1)	Share of capacity(1)
Publication paper globally:	2nd[2]	12%[2]
Region:		
Europe newsprint	3rd	16%
Europe magazine paper	3rd	10%
South America newsprint	1st	35%
Australasia newsprint	1st	98%
Asia (excluding Japan) newsprint	1st[3]	26%[3]
NorskeCanada (newsprint and magazine paper)	3rd[4]	7%[4]

(1) Management estimates based on production capacity located in the specified region.

(2) Including our proportionate share of PanAsia's capacity and all of the capacity of NorskeCanada and Malaysian Newsprint Industries. We include all of the capacity of NorskeCanada and Malaysian Newsprint Industries (although we only own 30.6% and 33.65% of them, respectively) on the basis that we are the only paper company with a major interest in these entities.

(3) Based on all of the capacity of PanAsia and Malaysian Newsprint Industries.

(4) Based on all of the capacity of NorskeCanada.

• *Leading position in growing markets.*

We have significantly enhanced our position in the fast growing regions of Asia (excluding Japan), through our holding in PanAsia, and in South America. In addition, we expect to achieve higher levels of profitability in these markets because of our modern paper machines, our low operating costs and our proximity to our customers. In the first half of 2003, we achieved operating margins before depreciation of 34.3% in South America and 24.5% at PanAsia, higher than any of the other regions in which we operate. In addition, PanAsia has recently announced the construction of a new mill in Hebei, China with a planned annual capacity of 330,000 metric tonnes of newsprint, which will strengthen PanAsia's position in a market that has been experiencing a rapid growth in demand for newsprint in recent years and which we believe will continue to experience growth in demand.

• *Low cost producer.*

Based on our own internal cost benchmarking analysis, we believe our newsprint production ranks in either the first or second quartile in terms of delivered cash cost within each region in which we operate (the first quartile being the lowest delivered cash cost). We also believe our uncoated magazine paper and our coated magazine paper production rank, respectively, in the first and second quartiles in Europe in terms of their delivered cash cost.

• *A focused company with an ability to realize efficiencies regionally and globally.*

Over the past decade, our business has grown rapidly and we have become a global company focused on the production of publication papers. A significant amount of our growth has been attributed to the acquisition of several publication paper businesses. Our success in integrating these businesses into our existing operations has provided us with considerable experience, particularly with publication papers, and has demonstrated our ability to realize cost efficiencies and operational improvements both regionally and globally. We have utilized our experience gained in these integration efforts to create a set of best practice procedures in order to standardize practices across mills and enhance operational efficiency.

• *Competitive assets.*

From 1998 through 2000, we invested approximately NOK6,488 million in our production facilities, including investment in a new paper machine at our mill in Golbey, France at a cost of approximately NOK2.8 billion. During the last three years, our capital expenditure has been strictly prioritized and kept below 50% of depreciation. We intend to maintain a capital expenditure to depreciation ratio of approximately 50% to 70% in the longer term. Capital expenditure for these purposes includes current investments in maintenance and the upgrading of paper machines but excludes any strategic investments (including new paper machines) which we may make in the future. We expect that capital expenditure will continue to be financed from our operational cash flow.

Summary of the Offering

For a more complete description of the terms of the notes, see ''Terms and Conditions of the Notes'' and the documents described therein.

Issuer . . . . Norske Skogindustrier ASA, incorporated with limited liability in Norway

The Notes . . . . U.S.$200,000,000 in aggregate principal amount of 6.125% notes due 2015. U.S.$200,000,000 in aggregate principal amount of 7.125% notes due 2033.

Form and Denomination . . . . The notes will be in registered form in minimum denominations of U.S.$1,000. The notes may be held and transferred, and will be offered and sold, in the principal amount of U.S.$1,000 and integral multiples of U.S.$1,000 in excess thereof.

The 2015 Notes and the 2033 Notes . . . . Notes which are offered and sold outside the United States in reliance on Regulation S will be represented by interests in a global registered note certificate for each tranche of notes, referred to as the 2015 unrestricted global note certificate and the 2033 unrestricted global note certificate, respectively, each deposited with a custodian and registered in the name of a nominee of The Depository Trust Company (''DTC'') on or about the closing date which is expected to be October 2, 2003. Until and including the fortieth day after the later of the commencement of the offering and the closing date, beneficial interests in each of the 2015 unrestricted global note certificate or the 2033 unrestricted global note certificate may be held only through Euroclear Bank S.A./N.A., as operator of the Euroclear System (''Euroclear''), or Clearstream Banking, société anonyme (''Clearstream, Luxembourg''). The 2015 unrestricted global note certificate and the 2033 unrestricted global note certificate are collectively referred to as the unrestricted global note certificates.

The 2015 notes and the 2033 notes which are offered and sold in the United States in reliance on Rule 144A will be represented by interests in a global registered note certificate for each tranche of notes, referred to as the 2015 restricted global note certificate and the 2033 restricted global note certificate, respectively, each deposited with a custodian and registered in the name of a nominee of DTC on or about the closing date. The 2015 restricted global note certificate and the 2033 restricted global note certificate are collectively referred to as the restricted global note certificates.

Interests in the restricted and unrestricted global note certificates will be shown on, and transfers thereof will be effected only through, records maintained by DTC and its direct and indirect participants, including depositaries for Euroclear and Clearstream, Luxembourg. Individual note certificates evidencing holdings of

	notes will only be available in certain limited circumstances. For further information regarding the notes and related restrictions on transfer, see ''Form of Notes and Transfer Restrictions''.
Maturity of 2015 notes	October 15, 2015.
Maturity of 2033 notes	October 15, 2033.
Issue Price of 2015 notes	99.576% of the principal amount.
Issue Price of 2033 notes	99.725% of the principal amount.
Use of Proceeds	We will use the net proceeds of the issue of the notes, expected to amount to approximately U.S.$396 million after deduction of underwriting fees, commissions and other transaction expenses to repay existing indebtedness, including the purchase of our outstanding debt securities in open market transactions, and for general corporate purposes.
Optional Redemption . .	We may redeem either tranche of the notes, in whole or in part, at any time. We will redeem the notes at the greater of (1) their principal amount or (2) the sum of the present values of the remaining scheduled payments on the relevant notes discounted, on a semi-annual basis, at a rate equal to (a) in the case of the 2015 notes, the applicable U.S. treasury rate plus 40 basis points, together with accrued and unpaid interest to the date of redemption and (b) in the case of the 2033 notes, the applicable U.S. treasury rate plus 45 basis points, together with accrued and unpaid interest to the date of redemption. See ''Terms and Conditions of the Notes—Condition 7(b) (*Redemption and Purchase—Optional Redemption*)''.
Tax Redemption	The notes are subject to redemption in whole at their principal amount plus accrued interest (if any), at our option, at any time in the event of certain changes affecting taxation in Norway. See ''Terms and Conditions of the Notes—Condition 7(c) (*Redemption and Purchase—Redemption for tax reasons*)''.
Interest	The 2015 notes will bear interest from October 2, 2003 at the rate of 6.125% per annum payable semi-annually in arrears on April 15 and October 15, each year commencing on April 15, 2004. The 2033 notes will bear interest from October 2, 2003 at the rate of 7.125% per annum payable semi-annually in arrears on April 15 and October 15, each year commencing on April 15, 2004. All payments in respect of the notes will be made in United States dollars free and clear of withholding taxes in Norway unless the withholding is required by law. In that event, we will (subject as provided in ''Terms and Conditions of the Notes—Condition 9 (*Taxation*)'') pay such additional amounts as will result in the noteholders receiving such amounts as they would have received in respect of such notes had no such withholding been required.

Listing	Application has been made to list the notes on the Luxembourg Stock Exchange.
Fiscal Agent and Registrar	JPMorgan Chase Bank
Listing Agent	J.P. Morgan Bank Luxembourg S.A.
Status of the Notes ...	Each tranche of the notes will be issued on an unsecured basis and will at all times rank *pari passu* without preference among themselves and *pari passu* in right of payment with all of our other present and future unsubordinated obligations, except for obligations preferred by law.
Negative Pledge	Each tranche of the notes will have the benefit of a negative pledge as described in ''Terms and Conditions of the Notes—Condition 3 (*Limitation on Liens*)''.
Cross Default	Each tranche of the notes will have the benefit of a cross default clause as described in ''Terms and Conditions of the Notes—Condition 10 (*Events of Default*)''.
Governing Law	Each tranche of the notes will be governed by and construed in accordance with New York law.
Selling Restrictions	The notes have not been and will not be registered under the Securities Act or any state securities law and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons, except to ''Qualified Institutional Buyers'' in reliance on the exemption from the registration requirements of the Securities Act provided by Rule 144A or otherwise pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. The offer, sale and delivery of notes is also subject to certain restrictions in the United Kingdom and Norway. See ''Form of Notes and Transfer Restrictions'' and ''Plan of Distribution''.
Further Issues	We may from time to time without notice to or the consent of the holders of the 2015 notes create and issue additional notes ranking equally and ratably with the 2015 notes in all respects, so that such additional notes shall be consolidated and form a single series with the 2015 notes and shall have the same terms as to status, redemption or otherwise as the 2015 notes (except in relation to the first payment of interest).
	We may from time to time without notice to or the consent of the holders of the 2033 notes create and issue additional notes ranking equally and ratably with the 2033 notes in all respects, so that such additional notes shall be consolidated and form a single series with the 2033 notes and shall have the same terms as to status, redemption or otherwise as the

	2033 notes (except in relation to the first payment of interest).
Risk Factors	See ''Risk Factors'' and other information in this offering memorandum for a discussion of factors you should consider before deciding to invest in the notes.
Clearing Systems and Settlement	The unrestricted global notes have been accepted for clearance through the facilities of each of DTC, Euroclear and Clearstream, Luxembourg. The restricted global notes have been accepted for clearance through the facilities of DTC.
Identification Numbers	2015 unrestricted global note: CUSIP: R80036AP2; ISIN: USR80036AP26 2015 restricted global note: CUSIP: 656533AB2; ISIN: US656533AB28 2033 unrestricted global note: CUSIP: R80036AQ0; ISIN: USR80036AQ09 2033 restricted global note: CUSIP: 656533AC0; ISIN: US656533AC01

Summary Financial Information

The summary consolidated financial information presented below is derived from our audited consolidated statements of income and consolidated balance sheets as at and for each of the years ended December 31, 2002 and 2001 and on our unaudited consolidated statements of income and consolidated balance sheets as at and for each of the six month periods ended June 30, 2003 and 2002.

The summary interim financial information included in this offering memorandum is unaudited but reflects normal and recurring adjustments that are, in our opinion, necessary for a fair presentation of the results for the interim periods presented. Results for interim periods are not necessarily indicative of results for the full year.

This summary financial information is qualified in its entirety by reference to our audited financial statements prepared in accordance with Norwegian GAAP that are included elsewhere in this offering memorandum. You should read this summary information in conjunction with those audited financial statements. Significant differences exist between Norwegian GAAP and U.S. GAAP which might be material to the financial information included herein. See ''Summary of Certain Significant Differences Between U.S. GAAP and Norwegian GAAP''.

	As at and for the six months ended June 30,		As at and for the year ended December 31,	
	2003	**2002**	**2002**	**2001**
	(NOK millions except ratios)			
Income Statement Data				
Operating revenue	11,382	11,574	23,471	30,354
Total operating expenses	(10,696)	(10,412)	(21,565)	(25,258)
Operating earnings before restructuring costs	685	1,162	1,906	5,096
Restructuring costs	-	-	(600)	-
Operating earnings	685	1,162	1,306	5,096
Earnings from affiliated companies	(110)	(171)	(290)	16
Financial items	(932)	(71)	(405)	(1,376)
Other items	907	-	195	158
Earnings before taxation	550	920	806	3,894
Taxation	(449)	(311)	362	(1,234)
Earnings	101	609	1,168	2,660
The minority's share of the earnings	1	3	6	166
The majority's share of the earnings	100	606	1,162	2,494

	As at and for the six months ended June 30,		As at and for the year ended December 31,	
	2003	2002	2002	2001
	(NOK millions except ratios)			
Balance Sheet Data				
Short-term investments	419	615	381	1,769
Liquid assets	420	1,039	487	2,389
Total assets	47,513	48,781	44,966	56,272
The minority's share of the interest	164	167	157	205
Shareholders' equity[1]	19,646	18,845	17,921	19,526
Deferred taxes	2,761	2,677	2,021	3,174
Interest-bearing long-term liabilities	18,913	21,310	17,925	26,681
Interest-bearing current liabilities	1,104	711	1,147	297
Total liabilities	27,867	29,936	27,045	36,746
Cash Flow Data				
Net cash flow from operating activities	1,088	1,859	3,687	7,052
Net cash flow from investment activities	649	(158)	(440)	(4,579)
Net cash flow from financial activities	(1,798)	(3,998)	(6,319)	(15)
Other Financial Data				
EBITDA[2]	2,306	2,869	5,198	8,419
EBITDA margin[3]	20.3%	24.8%	22.1%[7]	27.7%
Operating margin[4]	6.0%	10.0%	8.1%[7]	16.8%
EBITDA to gross interest expense	4.4	4.0	3.8[7]	5.0
Net interest-bearing liabilities to EBITDA[5]	8.3	7.1	3.5[7]	2.7
Net interest-bearing liabilities to shareholders' equity less minority interests	0.98	1.09	1.02	1.18
Return on capital employed[6]	3.5%	5.5%	4.7%[7]	13.7%

(1) Shareholders' equity includes minority interests.

(2) EBITDA is operating earnings plus ordinary depreciation, which includes amortization of goodwill. EBITDA for the year ended December 31, 2002 does not include restructuring costs of NOK600 million.

(3) EBITDA margin is EBITDA as a percentage of operating revenue.

(4) Operating margin is operating earnings as a percentage of operating revenue.

(5) Net interest-bearing liabilities is total interest-bearing liabilities less short-term investments and cash and bank deposits.

(6) Return on capital employed is the ratio of operating earnings to the average of total assets less affiliates, interest-free current liabilities and interest-bearing assets. For the six months ended June 30, 2003 and 2002, the figure has been presented on an annualized basis.

(7) For the year ended December 31, 2002, the operating earnings figure used is operating earnings before restructuring costs of NOK600 million.

Risk Factors

In addition to the other information contained in this offering memorandum, you should carefully consider the following factors in evaluating an investment in the notes.

Risks Relating to Our Business

Some of our operations are conducted through joint ventures and non wholly-owned subsidiaries.

We conduct some of our businesses through joint venture arrangements and other entities in which we do not have a controlling interest or in which we will not have a controlling interest in the future. These include a 50% interest in PanAsia, a 30.6% interest in NorskeCanada and a 33.65% interest in Malaysian Newsprint Industries. While we are able to influence the decisions of the boards and management of these entities, we cannot assure you that decisions taken by the boards and management of these entities will be consistent with our views. As a result, the initiatives and strategic direction of these entities could differ from our wishes and could adversely effect our financial condition or results of operations. In particular, we do not have direct access to the cash flow generated by these entities (other than through receipt of dividends from them) nor do we have unilateral control of their dividend policies.

Exchange rate fluctuations could negatively affect our financial condition and results of operations.

We are exposed to exchange rate risk in several ways. The currencies of our revenues often do not match the currencies of our operating costs. As a consequence, there is a risk that changes in exchange rates could have a significant adverse effect on our reported profits.

Furthermore, changes in exchange rates can affect the relative competitive position of a paper mill. There is a risk that fluctuations in exchange rates could adversely affect our competitiveness relative to our competitors in different countries. In particular, due to the greater international scope of our operations compared to our competitors, we are more exposed than other companies to the effects of translating income back into a reporting currency, in our case, the Norwegian kroner.

In addition, because our financial statements are reported in Norwegian kroner but only a portion of our operations and assets are located in Norway, exchange rate fluctuations could have a significant adverse effect on our financial statements. We also face foreign exchange risk by virtue of our shareholdings in our foreign joint ventures. We cannot guarantee that exchange rate fluctuations will not have a material adverse effect on our financial condition or results of operations. See ''Management's Discussion and Analysis of Financial Condition and Results of Operations—Risk Management''.

Our operations in emerging market countries could be negatively affected by instability in those countries.

We have manufacturing operations in emerging market countries including China, Thailand, Korea, Malaysia, Brazil and Chile. In the past, these countries have experienced sharp downturns in demand, high inflation or other economic instability. Economic instability in these countries could negatively affect our financial condition or results of operations. Our ability to continue operations in these countries or to earn a profit from our operations in these countries could also be negatively affected by changes in laws, such as the imposition of restrictions on foreign ownership or repatriation of earnings. In addition, political unrest in these countries could restrict our ability to carry on operations.

Risks Relating to Our Industry

Prices for our products and raw materials have historically been volatile.

The markets for paper products such as newsprint and magazine paper are cyclical and have historically experienced price volatility due to imbalances between supply and demand. Supply depends primarily on fluctuations in available manufacturing capacity and capacity utilization rates. Demand for paper products depends on the overall strength of the economies of the countries in which we do business, levels of inventory of paper products and consumer preferences. We cannot guarantee that we will be able to maintain or increase current price levels for our products. Industry participants may add new capacity or increase capacity utilization rates, thereby potentially causing supply to exceed demand and prices to fall. Any significant downturn in the price levels for our products could have a material adverse effect on our financial condition and results of operations. See ''Our Business—Industry Overview''.

In addition, because we are narrowly focused on the production of publication paper, a sharp downturn in prices for publication paper would affect us more than it would affect a more diversified paper company.

Our principal raw materials include wood, waste paper, chemical pulp and chemicals. In 2002, raw materials accounted for approximately 36% of our operating expenses. We are a focused company and are therefore dependent on the price of relatively few raw materials. The cost of these raw materials has historically changed unexpectedly and has not necessarily correlated to changes in the market price for our products. Any unexpected increase in raw material costs would have an adverse effect on our financial performance.

Our industry is competitive.

The paper industry is comprised of a small number of large global producers and a large number of small regional producers and we face competition from all of them. Global producers are typically large, well capitalized companies that may have greater flexibility in pricing and financial resources for marketing, investment and expansion than we do. It is also possible that existing and new competitors could construct new paper machines with lower operating costs than our paper machines.

We could be required to make large investments to comply with environmental regulations.

We are subject to a wide variety of environmental regulations in multiple jurisdictions around the world. Compliance with these rules and regulations at the federal, state, provincial and local levels is an important aspect of our ability to continue our operations. In the 1990s, we invested more than NOK2,200 million in environmental measures. We cannot guarantee that we will not incur significant additional environmental costs and liabilities which may include liabilities incurred by businesses before we acquired them. Also, countries could adopt tighter, more stringent environmental laws, regulations and enforcement policies than apply at present. See ''Our Business—Environmental''.

We may not be able to react quickly or profitably to changes in consumer preferences.

Changes in consumers' preferences have affected the overall demand for publication papers and the demand for certain grades or types of publication papers. Some of the most significant changes in consumer preferences include the increase in direct-mail advertising, increasing interest in environmentally-friendly products and increased use of the internet and electronic media.

Paper companies have responded to changes in consumer preferences by improving the quality of existing products, by developing new products such as paper with increased recovered paper content and by increasing production of lighter-weight coated and supercalendered magazine paper. Our ability to compete in our industry in the future will depend on our ability to respond quickly to changes in consumer preferences and upon our ability to produce these products profitably.

In addition, there is a risk that the use of the internet as a source of information and advertising and as a publication medium could increase and significantly reduce the circulation of newspapers and magazines. This would cause a significant decline in the demand and price for newsprint and magazine paper and negatively affect our results of operations and financial condition.

Risk Factors Relating to the Notes

An active trading market for the notes may not develop and the price of the notes may be volatile.

Both tranches of the notes are new securities for which there is currently no public market. We cannot predict the extent of investor interest in either tranche of the notes or whether there will be a trading market for either tranche of the notes, or the ability of the holders to sell their notes or the price at which they may be able to sell their notes. The liquidity of any market for either tranche of the notes will depend upon the number of holders of each tranche of notes, the interest of security dealers in making a market for either tranche of the notes and other factors. If a liquid trading market for either tranche of the notes does not develop, the price of either tranche of the notes may decline and investors may have difficulty selling their notes.

Our ability to pay principal and/or interest on the notes may be affected by our organizational structure.

We own our operations within Norway. However, outside of Norway our subsidiaries conduct the majority of our operations and directly own the majority of our assets. Our subsidiaries have no obligation, contingent or otherwise, to pay any amount under the notes or to make any funds available for such payment. Therefore, our operating cash flow and our ability to meet our debt obligations, including the notes, will depend on the cash flow provided by our subsidiaries in the form of loans, dividends or other payments to us as a shareholder. Additional indebtedness incurred by our subsidiaries may restrict the ability of our subsidiaries to pay dividends or make other similar payments to us. In the event of the insolvency, liquidation, reorganization, dissolution or other winding up of one of our subsidiaries, all creditors of such subsidiary would be entitled to payment in full out of the assets of such subsidiary before we, as a shareholder, would be entitled to any payments. Creditors of subsidiaries might have to be paid in full before our creditors, including holders of our debt securities, and might be entitled to receive any payment from the assets of such subsidiary.

Exchange Rates

The following table sets forth, for the periods and dates indicated, the noon buying rate in The City of New York as certified for customs purposes by the Federal Reserve Bank of New York (the ''Noon Buying Rate'') for cable transfers in Norwegian kroner, expressed in Norwegian kroner per U.S. dollar.

Year ended December 31,	Period-end	Average[1]	High	Low
1998	7.5800	7.5556	8.3200	7.3130
1999	8.0100	7.8351	8.0970	7.3970
2000	8.8010	8.8307	9.5890	7.9340
2001	8.9724	8.9964	9.4538	8.5391
2002	6.9375	7.9253	9.1110	6.9375
2003 (through September 26, 2003)	7.0640	7.1395	7.6560	6.6450

(1) The average of the Noon Buying Rates on the last business day of each month during the relevant period.

The following table sets forth, for each month prior to the date of this offering memorandum, the high and low Noon Buying Rates.

Year 2003	High	Low
April	7.3180	6.9950
May	7.0300	6.6450
June	7.2520	6.7250
July	7.4900	7.1324
August	7.6560	7.1530
September (through September 26, 2003)	7.5970	7.0069

The above tables are for your convenience only. We did not use the rates shown in them in the preparation of our consolidated financial statements included elsewhere in this offering memorandum. We are not representing that Norwegian kroner amounts have been or could be converted into U.S. dollars at any of the exchange rates indicated.

Use of Proceeds

We estimate we will receive net proceeds of approximately U.S.$396 million from this offering after deduction of underwriting fees, commissions and other transaction expenses. We will use the net proceeds from this offering to repay existing indebtedness, including the purchase of our outstanding debt securities in open market transactions, and for general corporate purposes.

Capitalization

The table below shows, according to Norwegian GAAP, our consolidated capitalization at June 30, 2003 and as adjusted to give effect to this offering, after deduction of underwriting fees and commissions payable by us.

	At June 30, 2003	
(in millions of NOK)	**Actual**	**Pro forma adjusted for offering**
Interest bearing current liabilities[1]	1,104	504
Interest bearing long-term liabilities	18,913	19,613
Total interest-bearing liabilities	20,017	20,117
Shareholders' equity:		
Paid in equity	8,416	8,416
Retained earnings	11,066	11,066
Minority interests	164	164
Total shareholders' equity[2]	19,646	19,646
Gross capitalization	39,663	39,763

(1) Includes all debt due within one year, including bank debt but excluding the current portion of long-term debt.

(2) Total shareholders' equity includes minority interests.

Except as set forth above, there has been no material change in our consolidated capitalization since June 30, 2003.

Selected Financial Information

The annual audited consolidated financial information presented below is derived from our audited consolidated statements of income and consolidated balance sheets as at and for each of the years ended December 31, 2002 and 2001. The consolidated financial information presented below for the six months ended June 30, 2003 and 2002 is based on our unaudited consolidated statements of income and consolidated balance sheets as at and for each of the six month periods ended June 30, 2003 and 2002.

The interim financial information included in this offering memorandum is unaudited but reflects normal and recurring adjustments that are, in our opinion, necessary for a fair presentation of the results for the interim periods presented. Results for interim periods are not necessarily indicative of results for the full year.

This selected financial information is qualified in its entirety by reference to our audited financial statements prepared in accordance with Norwegian GAAP that are included elsewhere in this offering memorandum. You should read this selected information in conjunction with those audited financial statements. Significant differences exist between Norwegian GAAP and U.S. GAAP which might be material to this selected financial information. See ''Summary of Certain Significant Differences Between U.S. GAAP and Norwegian GAAP''.

	As at and for the six months ended June 30,		As at and for the year ended December 31,	
	2003	**2002**	**2002**	**2001**
	(NOK millions except ratios)			
Income Statement Data				
Operating revenue	11,382	11,574	23,471	30,354
Operating expenses:				
Changes in inventory	235	414	206	(230)
Cost of materials[1]	(5,440)	(5,144)	(10,559)	(11,679)
Wages, salaries and personnel expenses	(1,737)	(1,775)	(3,514)	(3,909)
Depreciation and amortization	(1,621)	(1,707)	(3,292)	(3,323)
Other operating expenses	(2,133)	(2,199)	(4,406)	(6,117)
Total operating expenses	(10,696)	(10,412)	(21,565)	(25,258)
Operating earnings before restructuring costs	685	1,162	1,906	5,096
Restructuring costs	-	-	(600)	-
Operating earnings	685	1,162	1,306	5,096
Earnings from affiliated companies	(110)	(171)	(290)	16
Net financial income/expenses	(932)	(71)	(405)	(1,376)
Other items	907	-	195	158
Earnings before taxation	550	920	806	3,894
Taxation	(449)	(311)	362	(1,234)
Earnings	101	609	1,168	2,660

	As at and for the six months ended June 30,		As at and for the year ended December 31,	
	2003	2002	2002	2001
	(NOK millions except ratios)			
The minority's share of the earnings	1	3	6	166
The majority's share of the earnings	100	606	1,162	2,494
Balance Sheet Data				
Assets:				
Intangible fixed assets	4,711	4,542	4,682	4,549
Operational fixed assets	32,936	33,224	31,127	36,889
Other long-term receivables	353	462	401	672
Shares in other companies and partnerships	40	38	40	45
Shares in affiliated companies	2,415	2,555	1,947	3,262
Securities and long-term financial assets	2,809	3,055	2,388	3,979
Fixed assets	40,456	40,821	38,197	45,417
Inventory	2,485	2,365	2,080	2,172
Other short-term receivables	572	831	889	1,019
Accounts receivable	3,161	3,110	2,932	3,506
Short-term investments	419	615	381	1,769
Liquid assets	420	1,039	487	2,389
Current assets	7,057	7,960	6,769	10,855
Total assets	47,513	48,781	44,966	56,272
Shareholders' equity and Liabilities:				
Share capital	1,331	1,331	1,331	1,331
Own shareholding	(7)	(9)	(9)	(10)
Share premium reserve	7,092	7,134	7,116	7,088
Paid in equity	8,416	8,456	8,438	8,409
Other consolidated equity	11,066	10,222	9,326	10,912
The minority's share of the interest	164	167	157	205
Shareholders' equity[2]	19,646	18,845	17,921	19,526
Deferred taxes	2,761	2,677	2,021	3,174
Pension obligations	405	336	352	329
Provisions	3,166	3,013	2,373	3,503
Interest-free long-term liabilities	532	569	537	674
Interest-bearing long-term liabilities	18,913	21,310	17,925	26,681

	As at and for the six months ended June 30,		As at and for the year ended December 31,	
	2003	2002	2002	2001
	(NOK millions except ratios)			
Long-term liabilities	19,445	21,879	18,462	27,355
Interest-bearing short-term liabilities	1,104	711	1,147	297
Interest-free short-term liabilities	4,152	4,333	5,063	5,591
Current liabilities	5,256	5,044	6,210	5,888
Total shareholders' equity and liabilities	47,513	48,781	44,966	56,272
Cash Flow Data				
Net cash flow from operating activities	1,088	1,859	3,687	7,052
Net cash flow from investment activities	649	(158)	(440)	(4,579)
Net cash flow from financial activities	(1,798)	(3,998)	(6,319)	(15)
Other Financial Data				
EBITDA[3]	2,306	2,869	5,198	8,419
EBITDA margin[4]	20.3%	24.8%	22.1%[8]	27.7%
Operating margin[5]	6.0%	10.0%	8.1%[8]	16.8%
EBITDA to gross interest expense	4.4	4.0	3.8[8]	5.0
Net interest-bearing liabilities to EBITDA[6]	8.3	7.1	3.5[8]	2.7
Net interest bearing liabilities to shareholders' equity less minority interests	0.98	1.09	1.02	1.18
Return on capital employed[7]	3.5%	5.5%	4.7%[8]	13.7%

(1) Cost of materials includes wood, energy, packaging, purchased finished goods and spare parts.

(2) Shareholders' equity includes minority interests.

(3) EBITDA is operating earnings plus ordinary depreciation which includes amortization of goodwill. EBITDA for the year ended December 31, 2002 does not include restructuring costs of NOK600 million.

(4) EBITDA margin is EBITDA as a percentage of operating revenue.

(5) Operating margin is operating earnings as a percentage of operating revenue.

(6) Net interest-bearing debt is total interest-bearing liabilities less short-term investments and cash and bank deposits.

(7) Return on capital employed is the ratio of operating earnings to the average of total assets less affiliates, interest-free current liabilities and interest bearing assets. For the six months ended June 30, 2003 and 2002, the figure has been presented on an annualized basis.

(8) For the year ended December 31, 2002, the operating earnings figure used is operating earnings before restructuring costs of NOK600 million.

Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion should be read in conjunction with the audited consolidated financial statements included elsewhere in this offering memorandum. These financial statements have been prepared in accordance with Norwegian GAAP. Significant differences exist between Norwegian GAAP and U.S. GAAP. See ''Summary of Certain Significant Differences Between U.S. GAAP and Norwegian GAAP''.

Overview

We are one of the leading global paper companies. Through our subsidiaries, joint ventures and affiliated companies, we have mills in 15 countries on five continents. While geographically diverse, we are strategically focused on the production, marketing and distribution of publication paper. Publication paper represented approximately 93% of our half year 2003 net sales. In addition to newsprint and magazine paper, we also produce small amounts of other paper grades. Our principal markets for newsprint are Europe, Australasia, Asia and South America. In addition, we are present in North America as the largest shareholder in NorskeCanada. Our principal markets for magazine paper are Europe and North America.

Market Developments

Europe

European demand for newsprint in the first half of 2003 remained weak, in line with the previous year. In 2002, demand for newsprint, both standard and improved qualities, fell by 6% in Europe due to the weak economic climate and a decrease in advertising expenditure in most European countries. This decline was partly offset by a pick-up in demand from outside Europe and North America, with European exports increasing by close to 50%. Newsprint prices declined, from a historically high level in 2001, by approximately 10% in 2002 and dropped further by another approximately 10% for 2003. Export markets also provided low price levels for 2002, and industry-wide capacity utilization in Europe averaged 91% in 2002, down from 92% in 2001.

The weak economic climate and a decrease in advertising expenditure in most European countries is also influencing demand for various magazine paper grades. Demand for uncoated magazine paper has remained fairly stable in the first half of 2003 and prices have been low. Total deliveries of uncoated magazine paper to Western Europe decreased by 1% in 2002. Shipments of magazine papers to North America from Europe increased by 2% in 2002. The price of uncoated magazine paper in Europe and the United States declined by 5% from 2001 to 2002. Capacity utilization for the industry in Europe averaged 91.5% in 2002, down from 94% in 2001.

Demand for coated magazine paper increased by 3% during the first half of 2003 compared to 2002. Total deliveries of coated magazine paper to Europe increased by 2% in 2002, due to increased demand and increased prices for coated fine paper, a paper grade which competes against coated magazine paper. Prices of coated magazine paper declined by 11% in 2002 compared to 2001. Capacity utilization for the industry in Europe averaged 80% in 2002, down from 81% in 2001.

South America

Demand for newsprint in South America weakened in the first half of 2003 due to a generally weak regional economy. The decrease was 7% when compared with the first half of 2002, mainly due to a decrease in demand of 70% in Venezuela, 8% in Colombia and 4% in Brazil. Demand increased by 20% in Argentina during the second half of 2003 but this was from a low demand level in 2002.

Increased supply from North America was a factor in low price levels in Brazil. We expect that there will be an increase in prices per metric tonne in Brazil during the second half of 2003 and that other markets in South America will track this price increase.

During the second half of 2002, newsprint prices in Brazil declined significantly from price levels in 2001. Newsprint prices in Chile are also influenced by North American pricing and experienced similar decreases.

Australasia

Market demand in Australasia increased by 7% during the first half of 2003 compared with 2002. Effective from July 1, 2003, newsprint prices in Australia have been adjusted in accordance with long-term contracts. The new prices, in Australian dollars, are approximately 4% lower than the 2002 prices. Market conditions in 2002 were stable compared with 2001. See ''Our Business—Locations of Operations—Australasia''.

Asia

The price trend for newsprint in several Asian markets has been negative, while the prices for raw materials and energy have increased. Demand in the first half of 2003 essentially remained flat compared with the first half of 2002. Effective in the third quarter of 2003, a newsprint price increase has been announced for customers without annual sales contracts. Newsprint demand in Asia increased by about 6% in 2002 from a low level in 2001. Korea and China had particularly high levels of consumption, while Thailand experienced weaker market trends in both prices and volumes.

North America

North American newsprint remained weak in the first half of 2003 but price increases have been implemented during the second quarter, and further increases have been announced. Newsprint demand in North America fell by 2.5% in 2002 compared with 2001, affected by reduced advertising. The magazine paper market remained stable.

Recent Developments

Launch of Improvement 2003 Program

As part of what we call our ''Improvement 2003'' program, we have revised aspects of our management structure by shortening reporting lines, devolving decision-making authority in sales and marketing to local sales offices (within the framework of guidelines set by central management) and by standardizing and further coordinating production methods and centralizing production management, administration, procurement and logistics functions, where these are likely to benefit from a global corporate perspective. This program has allowed us to introduce cost-saving and efficiency measures across all our business lines and to better monitor and react to developments in our business environment. A goal of the program is to improve results (primarily through cost-reduction measures) by NOK2 billion by the end of 2004 (measured against a baseline of our 2002 results and on a basis seeking to adjust for or exclude factors outside our control). As of June 30, 2003, we had achieved improvements of NOK320 million and believe we remain on course to achieve the targeted gain of NOK1 billion for the calendar year 2003.

Sale of Power Plants

As part of our efforts to focus on the publication papers business, we have continued to divest non-core assets. In 2003, we have sold our 13 power plants in Norway for NOK1.3 billion.

Critical Accounting Policies

Our principal accounting policies are described in more detail in note 1 to our consolidated financial statements appearing on page F-6 of this offering memorandum. The preparation of our financial statements in accordance with Norwegian GAAP requires our management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Management bases its estimates on historical experience and various other assumptions that are believed to be reasonable. However, actual results and timing of recognition could differ from those estimates.

Management believes that the accounting policies discussed below represent those accounting policies requiring the exercise of judgment where a different set of judgments could result in the greatest changes to our reported results.

Assets and Liabilities in Foreign Currencies

Unhedged assets and liabilities in foreign currencies are translated into Norwegian kroner 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. Gains and losses due to changes in currency rates on debt in foreign currency which are designated and are hedges of the value of a subsidiary entered in a foreign currency are recorded directly in shareholders' equity, together with the translation difference arising from the translation of the assets and liabilities of the subsidiary. Gains and losses due to changes in currency rates on balance sheet items related to operations is included in our operating earnings. Gains and losses due to changes in currency rates on other balance sheet items are classified as financial items.

Fixed Assets and Depreciation

Fixed assets are valued at historical cost. The acquisition costs of tangible assets having long term future economic benefits are capitalized and classified as assets in our balance sheet. Spare parts are capitalized with the asset to which they pertain. For major investments with a long production time, interest is capitalized as a part of the acquisition cost. Expenditure to increase capacity or improve quality that represents a future increase in earnings is capitalized in the balance sheet. Maintenance costs are expensed as an operating cost.

Ordinary depreciation is calculated from the time when the use of the tangible asset commences and is calculated on the basis of the economic life of the asset.

In 2002, we implemented the preliminary Norwegian GAAP accounting standard on impairment of fixed assets. According to this standard, we review our fixed assets for impairment whenever events or changes in circumstances indicate that an asset may be impaired, in which case we estimate the future cash flows expected to result from the use of the asset. If the present value of the expected cash flows is less than the carrying value of the asset, a write-down is recognized to the extent the asset's carrying value exceeds the sum of the expected future cash flows, discounted at a discount rate determined by our management. The discount rate is derived from our cost of capital plus an appropriate risk premium.

Income taxes

Deferred income taxes are calculated based on temporary timing differences between financial accounts and tax accounts and any tax 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 normally made according to the debt method without discounting to present value. Deferred tax in acquired companies is valued at present value when this provides a true reflection of the underlying transaction.

We review our tax assets and liabilities on a periodic basis and adjust these balances as appropriate. We believe that we have adequately provided for our future tax consequences based upon current facts and circumstances and current tax law. However, should our tax positions be challenged and not prevail, different outcomes could result and have a significant impact on the amounts reported through our consolidated financial statements. The net deferred tax liabilities under Norwegian GAAP were NOK2,021 million, or 4.5% of total assets, as of December 31, 2002 and NOK3,174 million, or 5.6% of total assets, as of December 31, 2001.

Pensions

We operate a number of defined benefit and contribution plans throughout the world.

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 fair 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 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.

Net pension costs for the period are included in ''wages and personnel expenses'' and consist of the present value of pensions earned in the year, any change in the present value of pension liabilities, anticipated returns on pension scheme funds, the expensed portion of changes in estimated pension liabilities, the expensed portion of difference between actual and anticipated returns, and accrued social security costs.

The effect of changes in estimated and actual pension liabilities and the difference between actual and anticipated returns for any plan are accrued over the estimated remaining pension-earning period or expected life when the cumulative effect exceeds 10% of the higher of the plan's assets and its liabilities.

Results of Operations

The following table shows our operating revenue, operating expenses, depreciation and operating earnings by region or business unit.

	As at and for the six months ended June 30,		As at and for the year ended December 31,	
	2003	2002	2002	2001
	(NOK millions)			
Total operating revenue	11,382	11,574	23,471	30,354[1]
of which, staff/eliminations	(176)	(70)	(149)	(485)
Total operating earnings	685	1,162	1,306	5,096[1]
of which, staff/eliminations	(219)	(237)	(429)	(392)
of which, restructuring costs	-	-	(600)	-
Europe				
Operating revenue:				
Newsprint	3,548	3,721	7,556	8,850
Magazine paper	3,338	3,149	6,531	5,369
Total operating revenue	6,886	6,870	14,087	14,219
Operating expenses	6,383	6,152	12,898	10,972
of which, depreciation	893	905	1,778	1,208
Operating earnings:				
Newsprint	168	392	643	2,271
Magazine paper	335	326	546	976
Total operating earnings	503	718	1,189	3,247
South America				
Operating revenue:				
Newsprint	551	569	1,107	1,784
Forests	-	-	-	171
Eliminations	-	-	-	(16)
Total operating revenue	551	569	1,107	1,939
Operating expenses	475	584	1,116	1,466
of which, depreciation	113	158	290	352
Operating earnings:				
Newsprint	76	(15)	(9)	432
Forests	-	-	-	41
Total operating earnings	76	(15)	(9)	473

	As at and for the six months ended June 30,		As at and for the year ended December 31,	
	2003	2002	2002	2001
	(NOK millions)			
Australasia				
Operating revenue:				
Newsprint	1,874	1,954	3,807	4,110
Pulp	-	-	-	458
Eliminations	-	-	-	(95)
Total operating revenue	1,874	1,954	3,807	4,473
Operating expenses	1,674	1,587	3,261	3,748
of which, depreciation	337	343	651	729
Operating earnings:				
Newsprint	200	367	546	563
Pulp	-	-	-	162
Total operating earnings	200	367	546	725
Asia				
Operating revenue:				
Newsprint	1,141	1,309	2,688	2,434
Total operating revenue	1,141	1,309	2,688	2,434
Operating expenses	1,007	1,000	2,126	1,818
of which, depreciation	145	154	303	253
Operating earnings:				
Newsprint	134	309	562	616
Total operating earnings	134	309	562	616

	As at and for the six months ended June 30,		As at and for the year ended December 31,	
	2003	2002	2002	2001
	(NOK millions)			
North America				
Operating revenue:				
Newsprint	-	-	-	3,323
Pulp	-	-	-	2,434
Eliminations	-	-	-	(302)
Total operating revenue	-	-	-	5,455
Operating expenses				5,126
of which, depreciation				458
Operating earnings:				
Newsprint	-	-	-	367
Pulp	-	-	-	(43)
Eliminations	-	-	-	5
Total operating earnings	-	-	-	329
Other Activities				
Operating revenue:				
Other industry in Norway	256	342	682	930
Other revenues	850	600	1,249	1,389
Total operating revenue	1,106	942	1,931	2,319
Operating expenses	1,115	922	1,884	2,221
of which, depreciation	19	29	58	68
Operating earnings:				
Other industry in Norway	(9)	20	47	98
Other revenues	-	-	-	-
Total operating earnings	(9)	20	47	98

(1) Operating revenue and operating earnings include the results of NorskeCanada for the first eight months of 2001.

Six Months Ended June 30, 2003 Compared with Six Months Ended June 30, 2002

Operating Revenue

Operating revenue comprises the operating revenue realized by each of our business areas and by other activities. Operating revenue in the first half of 2003 decreased slightly by 1.7% to NOK11,382 million from NOK11,574 million in the first half of 2002. The decrease in overall revenue is primarily attributable to declines in the Australasia and Asia regions due to lower prices and currency translation effects due to a stronger Norwegian kroner in the first half of 2003, which was partly offset by an increase in deliveries.

The following is a discussion of the operating revenue realized by each of our business areas and by our Other Activities.

Europe. Our operating revenue in Europe consists mainly of sales of our newsprint and magazine paper production. Total operating revenue in Europe remained essentially flat at NOK6,886 million in the first half of 2003 compared to NOK6,870 million in the first half of 2002, primarily as a result of increases in revenue for magazine paper being offset by decreases in revenue for newsprint.

Operating revenue for newsprint decreased by NOK173 million to NOK3,548 million for the six months ended June 30, 2003 from NOK3,721 million for the six months ended June 30, 2002. The decrease is primarily attributable to lower sales prices.

Operating revenue for magazine paper increased by NOK189 million to NOK3,338 million for the six months ended June 30, 2003 from NOK3,149 million for the six months ended June 30, 2002. The increase is primarily attributable to a higher delivery volume of 648,000 tonnes for the six months ended June 30, 2003, compared to 559,000 tonnes for the six months ended June 30, 2002, which was only partly offset by lower prices.

Operating revenue for the first half of 2003 also includes approximately NOK178 million of gains from electricity trading, compared to approximately NOK20 million for the first half of 2002. The electricity trading gains occurred due to a combination of favorable pricing in the electricity market in Norway and surplus electricity due to downtime in our mills in Norway. These gains will not necessarily recur in the future.

Production of publication paper in Europe increased by 102,000 metric tonnes or 6.5% to 1,666,000 metric tonnes in the first half of 2003. Our newsprint paper is delivered, to a large extent, on the basis of annual contracts. As a result, our prices for newsprint are generally stable throughout the year.

South America. Our operating revenue in South America consists mainly of sales of newsprint production. Total operating revenue in South America in the first half of 2003 was NOK551 million a decrease of 3.2% from NOK569 million for the first half of 2002. This decrease is primarily the result of a decline in newsprint prices. Our operations in South America produced 161,000 metric tonnes of newsprint in the first half of 2003, which was a slight increase from our production of 157,000 metric tonnes in the first half of 2002. The average delivered price for our newsprint declined by 10% during the first half of 2003 compared to the first half of 2002. See ''Our Business—Locations of Operations—South America''.

Australasia. Our operating revenue in Australasia consists mainly of sales of our newsprint production. Total operating revenue in Australasia in the first half of 2003 was NOK1,874 million a decrease of NOK80 million from the first half of 2002. This decrease is primarily the result of a decrease in the benchmark price for newsprint on the west coast of the United States, which is the pricing basis for the yearly repricing of our contracts in Australasia. See ''Our Business—Locations of Operations—Australasia''. Australasia produced 423,000 metric tonnes of newsprint in the first half of 2003. We increased our production by 9,000 metric tonnes during the first half of 2003 primarily due to an increase in market demand in Australia. The average realized price for our newsprint declined by 7% during the first half of 2003 compared to the first half of 2002.

Asia. Our operating revenue in Asia consists of sales of newsprint produced by PanAsia. We include 50% of PanAsia's operating revenue in our consolidated revenue. Our operating revenue in Asia decreased by approximately 12.8% to NOK1,141 million in the first half of 2003 from NOK1,309 million in the first half of 2002 primarily as a result of a one-time increase in paper demand in South Korea during the preparations for the World Cup soccer tournament in 2002. In addition, a strike at a large mill of one of our principal competitors in the first half of 2002 shifted certain production orders to PanAsia. Production of standard and improved newsprint in Asia increased by 19,000 metric tonnes or 6.5% to 313,000 metric tonnes in the first half of 2003. Average realized prices for newsprint decreased by 4% in the first half of 2003 compared to the first half of 2002.

Other Activities. Other Activities includes other industry in Norway and other revenues. Other industry in Norway includes particleboards, Norwegian forests, hydro power and other minor activities. Other revenues include revenue from sales of paper by PanAsia which are not manufactured locally and revenues from wood and energy sold to external parties from our European activities. Total other activities increased by NOK164 million, a 17.4% increase to NOK1,106 million for the first half of 2003 compared to NOK942 million for the first half of 2002. The increase is principally due to a NOK250 million increase in other revenues to NOK850 million, which was only partially offset by a NOK86 million decrease in other industry in Norway, mainly due to the sales of our power generating assets. The increase in other revenues is primarily attributable to an increase in sales of paper by PanAsia and energy trading.

Operating Expenses

Our operating expenses include the cost of materials, wages, salaries and other personnel expenses, ordinary depreciation and other operating expenses incurred by each of our business areas and by other activities. Operating expenses in the first half of 2003 increased by 2.7% to NOK10,696 million from NOK10,412 million in the first half of 2002. The increase in our overall operating expenses was primarily due to an increase in our cost of materials, in particular, due to increased production volumes. We are beginning to see the positive impact of our Improvement 2003 program, which made a positive contribution of NOK320 million to operating earnings for the first half of 2003. We believe we will achieve an improvement of NOK1 billion for the calendar year 2003 under this program, mainly in the form of cost reductions.

Cost of materials includes the cost of the raw materials for our production, principally comprising wood fiber, recovered paper, purchased market pulp, chemicals and energy. Cost of materials increased by approximately 5.8% to NOK5,440 million in the first half of 2003 compared to NOK5,144 million in the first half of 2002. On a cost per tonne basis, adjusting for currency fluctuations and production volumes, there was a reduction of approximately 2% per tonne from the first half of 2002 to the first half of 2003 for the mills which we wholly own.

Wages, salaries and personnel expenses include salaries, wages, pension costs, social security contributions and other benefits. Wages, salaries and personnel expenses decreased by approximately 2.1% to NOK1,737 million in the first half of 2003 compared to NOK1,775 million in the first half of 2002. The decline in salaries and personnel expenses reflects the initial results of personnel reduction efforts as part of our Improvement 2003 program.

Depreciation and amortization is principally made up of the annual depreciation of our fixed assets and amortization of goodwill. Depreciation and amortization decreased by approximately 5.0% to NOK1,621 million from NOK1,707 million in the first half of 2002. Of this amount, NOK132 million relates to amortization of goodwill on our balance sheet for the first half of 2003. The amortization of goodwill principally relates to our acquisitions of Fletcher Challenge Paper in 2000 and of Walsum and Parenco in 2001.

Other operating expenses include distribution costs, packaging, contract services, marketing costs, administration costs and losses on bad debt. Other operating expenses decreased by approximately 3.0% to NOK2,133 million in the first half of 2003 from NOK2,199 million in the first half of 2002.

The following is a discussion of the operating expenses incurred by each of our business areas and by Other Activities.

Europe. Our operating expenses in Europe mainly consist of expenses we incur in the production of newsprint and magazine paper. Total operating expenses in Europe increased by approximately 3.8% to NOK6,383 million in the first half of 2003 compared to NOK6,152 million in the first half of 2002. This increase is primarily the result of a 6.4% increase in operating costs in magazine papers to NOK3,003 million for the first half of 2003, combined with a 1.5% increase in operating costs for newsprint to NOK3,380 million for the first half of 2003. The increase in costs for magazine papers is primarily due to higher production volumes.

South America. Our operating expenses in South America mainly consist of expenses we incur in the production of newsprint. Total operating expenses in South America decreased by approximately 16.4% to NOK488 million in the first half of 2003 compared to NOK584 million in the first half of 2002. This decrease is primarily the result of the termination on March 31, 2003 of our Norske Skog Klabin joint venture in Brazil. See ''Our Business—Locations of Operations—South America.''

Australasia. Our operating expenses in Australasia mainly consist of the expenses incurred in the production of newsprint. Total operating expenses in Australasia increased by approximately 5.5% to NOK1,674 million in the first half of 2003 compared to NOK1,587 in the first half of 2002. This increase occurred principally as a result of a rise in energy prices in New Zealand and recovered paper prices in Australia.

Asia. Our operating expenses in Asia mainly consist of expenses incurred in the production of newsprint by PanAsia. Total operating expenses in Asia remained essentially flat, increasing by NOK7 million to NOK1,007 million in the first half of 2003 from NOK1,000 million in the first half of 2002.

Other Activities. The operating expenses of other activities increased by approximately 20.9% to NOK1,115 million in the first half of 2003 from NOK922 million in the first half of 2002, primarily due to increases in the volume of paper sold by PanAsia on behalf of third parties and energy sold to third parties.

Operating Earnings

Our operating earnings in the first half of 2003 declined by 41.0% to NOK685 million from NOK1,162 million in the first half of 2002 and was 6.0% as a percentage of operating revenue compared to 10.0% in the first half of 2002. The decline in operating earnings occurred because of a combination of a 1.7% decline in operating revenues and a 2.7% increase in operating expenses, which was largely due to an increase in our production of 5.5%.

Affiliated Companies

Our share of loss in affiliated companies includes our share of the net loss of Malaysian Newsprint Industries and our share of the net loss of NorskeCanada. Our share of loss in affiliated companies was NOK110 million in the first half of 2003 compared to a loss of NOK171 million in the first half of 2002. The loss in the first half of 2003 is primarily due to our share of loss in NorskeCanada.

Financial Items

Financial items principally comprises interest expense from indebtedness, gains and losses on foreign exchange and interest rate hedging and interest income from cash and cash equivalent investments. In the first half of 2003, the net expense from financial items increased to NOK932 million from NOK71 million in the first half of 2002. The increase in net expense was principally due to losses on currency hedging of our net cash flow in the first half of 2003, while in 2002 we had gains on our currency hedging. In general, we hedge between 50% to 100% of the currency exposure on our net operational cash flows on a rolling twelve-month basis.

Operating Earnings Before Taxation

Operating earnings before tax was NOK550 million in the first half of 2003 compared to NOK920 million in the first half of 2002.

Taxation

Taxation for the first half of 2003 was NOK449 million compared to NOK311 million in the first half of 2003. As a percentage of operating earnings before tax, taxation was 81.6% in the first half of 2003. Taxation increased in the first half of 2003 primarily due to a natural resources tax on the sale of our power plants in Norway.

Net Earnings

Net earnings were NOK100 million in the first half of 2003 compared to NOK606 million in the first half of 2002. Earnings per share after tax were NOK0.76 for the first half of 2003 compared to NOK4.58 for the first half of 2002. The consolidated return on capital employed was approximately 3.5% on an annualized basis in the first half of 2003 compared to approximately 5.5% on an annualized basis in the first half of 2002.

Year Ended December 31, 2002 Compared with Year Ended December 31, 2001

Changes in Our Structure in 2002 and 2001

When comparing results from 2002 and 2001 it is important to note several changes to our organizational structure which occurred during this time. Most significantly, our consolidated results for the first eight months of 2001 include the results of NorskeCanada, as we owned 50.8% of it up to this time. In August 2001, as a result of its acquisition of Pacifica Papers, a share issuance by NorskeCanada reduced our ownership interest to 36.1%, and the results of NorskeCanada have thereafter no longer been consolidated, but instead have been accounted for on an equity basis. In May 2002, an additional share issuance by NorskeCanada further reduced our interest from 36.1% to 30.6%. In addition, in August 2001 we increased our ownership interest in PanAsia by 16.7% from 33.3% to 50% and at the end of November 2001, we acquired the Parenco and Walsum mills in Europe, following the sale of the Tasman Pulp mill in New Zealand in April 2001.

Operating Revenue

Operating revenue in 2002 decreased by 22.7% to NOK23,471 million from NOK30,354 million in 2001. The decrease in overall operating revenue is primarily attributable to the deconsolidation of NorskeCanada in August 2001, a general strengthening of the Norwegian kroner and weak market conditions for publication paper products.

The following is a discussion of the operating revenue realized by each of our business areas and by our other activities.

Europe. Our operating revenue in Europe decreased marginally by NOK132 million to NOK14,087 million in 2002 compared to NOK14,219 million in 2001. This was primarily the result of a reduction in the price of newsprint in 2002 compared to 2001, which was partly offset by the additional sales volumes following from the acquisition of Walsum and Parenco.

Production of publication paper in Europe increased by 575,000 metric tonnes or 22.0% to 3,192,000 metric tonnes in 2002. Production of newsprint increased by 155,000 metric tonnes, or 8.8%, to 1,925,000 metric tonnes in 2002. Production of magazine paper increased by 420,000 metric tonnes, or 49.6%, to 1,267,000 metric tonnes. The increase in production of newsprint and magazine papers is primarily attributable to our acquisitions of the Walsum and Parenco mills. Our newsprint is delivered on the basis of annual contracts and our uncoated magazine paper is delivered to a large extent on the basis of annual contracts, so that prices for both are generally stable throughout the year. New annual contracts for 2002 resulted in average realized newsprint prices decreasing by 10% in 2002 compared to 2001 and average realized uncoated magazine paper prices decreasing by 10% in 2002 compared to 2001. Average realized coated magazine paper prices decreased by 12% in 2002 compared to 2001. These price reductions reflect general developments in the market for magazine paper prices.

South America. Our operating revenue in South America decreased by approximately 42.9% to NOK1,107 million in 2002 from NOK1,939 million in 2001, primarily as a result of prices declines, which was combined with the exchange rate impact of a weaker Brazilian real compared to the Norwegian kroner. Our operations in South America produced 332,000 metric tonnes of newsprint in 2002, a 5.7% increase from 2001.

Australasia. Our operating revenue in Australasia decreased by approximately 14.9% to NOK3,807 million in 2002 from NOK4,473 million in 2001 primarily as a result of a 7% price decline in newsprint in the second half of 2002 and the divestiture of our pulp mill in New Zealand in 2001. Our operations in Australasia produced 832,000 metric tonnes of newsprint in 2002, a 1.8% increase from 817,000 metric tonnes in 2001.

Asia. The operating revenue from our share of PanAsia's operations increased by approximately 10.4% to NOK2,688 million in 2002 from NOK2,434 million in 2001, primarily as a result of the 16.7% increase in our share of PanAsia in August 2001. The production of newsprint of our share of PanAsia's operations increased by 163,000 metric tonnes or 34.8% to 635,000 metric tonnes in 2002, largely as a result of the increased demand due to the World Cup soccer tournament in South Korea, a strike at one of our competitors and our increased share of ownership in PanAsia.

Other Activities. Total operating revenue from Other Activities decreased by approximately 16.7% to NOK1,931 million in 2002 from NOK2,319 million in 2001. Other industry in Norway produced operating revenues of NOK682 million in 2002, a decline of 26.7% from NOK930 million in 2001. Other revenues declined by NOK140 million, or 10.1%, from NOK1,389 million in 2001 to NOK1,249 million in 2002. The decline in Other Activities is primarily due to our deconsolidation of our interest in the Union Geithus company, together with a reduction of revenues from our particleboard mill in Norway and certain other minor divestitures.

Operating Expenses

Operating expenses in 2002 decreased by approximately 14.6% to NOK21,565 million from NOK25,258 million in 2001. The decrease in our overall operating expenses was primarily due to our deconsolidation of NorskeCanada and the general strengthening of the Norwegian kroner, which was partly offset by the acquisition of Walsum and Parenco.

Cost of materials decreased by approximately 9.6% to NOK10,559 million in 2002 compared to NOK11,679 million in 2001. This decrease primarily resulted from the deconsolidation of NorskeCanada and the general strengthening of the Norwegian kroner, which was partly offset by the acquisition of Walsum and Parenco and an increase in recovered paper prices from 2001 to 2002.

Wages, salaries and personnel expenses decreased by approximately 10.1% to NOK3,514 million in 2002 compared to NOK3,909 million in 2001. The decline in salaries and personnel expenses mainly reflects the deconsolidation of NorskeCanada and the general strengthening of the Norwegian kroner, which was partly offset by the acquisition of Walsum and Parenco.

Depreciation and amortization decreased slightly by NOK31 million to NOK3,292 million in 2002 from NOK3,323 million in 2001, of which NOK252 million in 2002 relates to amortization of goodwill compared to NOK253 million in 2001.

Other operating expenses decreased by approximately 28% to NOK4,406 million in 2002 from NOK6,117 million in 2001 primarily as a result of a decrease in distribution costs combined with a decrease in costs for maintenance materials and service as well as the deconsolidation of NorskeCanada and the general strengthening of the Norwegian kroner, which was partly offset by the acquisition of Walsum and Parenco.

The following is a discussion of the operating expenses incurred by each of our business areas and by Other Activities.

Europe. Our operating expenses in Europe increased by approximately 17.6% to NOK12,898 million in 2002 compared to NOK10,972 million in 2001. The increase in 2002 was primarily due to our acquisition of the Walsum and Parenco mills in August 2001.

South America. Our operating expenses in South America decreased by approximately 23.9% to NOK1,116 million in 2002 compared to NOK1,466 in 2001 primarily as a result of the exchange rate impact of a weaker Brazilian real compared to the Norwegian kroner.

Australasia. Our operating expenses in Australasia decreased by approximately 13.0% to NOK3,261 million in 2002 compared to NOK3,748 in 2001 primarily as a result of the divestiture of our pulp mill in New Zealand in 2001.

Asia. Our operating expenses in Asia increased by approximately 16.9% to NOK2,126 million in 2002 from NOK1,818 million in 2001, mainly due to our 16.7% increase in our ownership of PanAsia.

Other Activities. The operating expenses of other activities decreased by approximately 15.2% to NOK1,884 million in 2002 from NOK2,221 million in 2001. The decrease in 2002 was primarily due to the deconsolidation of our interest in the Union Geithus company.

Operating Earnings

Operating earnings in 2002 declined by 74.4% to NOK1,906 million, before restructuring costs of NOK600 million, from NOK5,096 million in 2001 and constituted 5.6% of operating revenue compared to 16.8% in 2001. The decrease in 2002 was primarily due to the 22.7% decrease in operating revenue, which was only partly offset by a 14.6% decrease in our operating costs, including NOK600 million of restructuring costs associated with our Improvement 2003 program.

Affiliated Companies

Our share of earnings in affiliated companies was a loss of NOK290 million in 2002 compared to a gain of NOK16 million in 2001. This decrease was primarily due to a loss of NOK245 million from NorskeCanada and a loss of NOK58 million from Malaysian Newsprint Industries, both of which were primarily due to weaker markets for publication paper.

Financial Items

In 2002, financial items decreased to net financial expenses of NOK405 million from net financial expenses of NOK1,376 million in 2001. The decrease was principally due to a profit on realized and unrealized foreign currency of NOK893 million in 2002 compared with a loss of NOK30 million in 2001. Net interest expense was NOK1,203 million in 2002 compared to NOK1,231 million in 2001.

Other Items

Other items increased by NOK37 million to NOK195 million in 2002 from NOK158 million in 2001. Other items consisted primarily of sales of forests in Sweden and southern Norway.

Earnings Before Taxation

Earnings before taxation was NOK806 million in 2002 compared to NOK3,894 million in 2001.

Taxation

Taxation for 2002 was a net gain of NOK362 million, due to a change in Australian tax rules and a revaluation of our tax position related to acquisitions in 2002, compared to a net tax expense of NOK1,234 million in 2001. As a percent of ordinary earnings before tax, the gain from taxation income was 45% in 2002.

Net Earnings

Net earnings (after deduction of the minority's share) were NOK1,162 million in 2002, a 53.4% decrease from net earnings of NOK2,494 million in 2001. Earnings per share after tax were NOK8.79 in 2002 compared to NOK20.68 in 2001. Our return on capital employed was 4.7% in 2002 compared to 13.7% in 2001.

Liquidity and Capital Resources

To date, we have generally funded capital expenditures through a combination of cash flow, capital increases and debt. Historically, we have generated cash flow primarily through our operations. Net cash flow from operations amounted to NOK1,088 million for the six months ended June 30, 2003, and NOK3,687 million in 2002 compared to NOK7,052 million in 2001. We have credit facilities (primarily denominated in euros and U.S. dollars) to fund capital expenditures and for working capital purposes.

Our total capital investment during the first half of 2003 was NOK438 million or approximately 27.0% of depreciation. Our total capital investment during 2002 was NOK1,146 million or approximately 37.7% of depreciation compared to 47.7% in 2001. We intend to maintain a capital expenditure to depreciation ratio of approximately 50% to 70% in the longer term. Capital expenditure for these purposes includes current investments in maintenance and the upgrading of paper machines but excludes any strategic investments (including new paper machines) which we may make in the future.

Our most significant capital expenditures since January 1, 2003 have been the upgrading of an existing mill at Bruck in Austria for NOK260 million and the upgrading of a machine at Saugbrugs in Norway for NOK90 million.

We believe that, based on our current expectations regarding our results of operations and cash flow, our ability to borrow in the Norwegian and international capital markets and the expected proceeds of this offering, we will have sufficient liquidity and capital resources to meet all of our current and planned capital expenditures.

We issued shares in 1999 in connection with the merger of Union into us, in the first half of 2000 to finance the Fletcher Challenge Paper acquisition and in June 2001 to finance our acquisitions of an additional one-sixth interest in PanAsia and the Walsum and Parenco paper mills. At the end of June 30, 2003, our shareholders' equity was NOK19,646 million, including minority interests of NOK164 million, resulting in a shareholders' equity to assets ratio of 0.41.

We use the surplus cash flow generated by our operations mostly to repay loans. At June 30, 2003, we had assets of NOK47,513 million and consolidated interest-bearing liabilities of NOK20,017 million. As at June 30, 2003, our one-half portion of PanAsia's debt accounted for approximately 6.9% of our total debt. Our equity capital excluding minority interests increased by NOK1,718 million from NOK17,764 million at December 31, 2002 to NOK19,482 million at June 30, 2003 primarily due to exchange rate effects and to our sale of power generating assets during the first half of 2003. The increase in equity capital had a positive effect on our gearing ratio. Our gearing ratio (that is, the ratio of our net interest-bearing liabilities to shareholders' equity excluding minority interests) at the end of the first half of 2003 was 0.98 compared to 1.02 at the end of 2002. This represents an improvement of approximately 3.9%. Our target gearing ratio is 1.0 or less over a business cycle.

As a part of our long-term financing arrangements, we have several syndicated revolving credit facilities and term loan facilities. Among these are a syndicated €400 million multicurrency revolving credit facility with €96 million maturing in 2007 and €304 million maturing in 2009, and a syndicated U.S.$450 million multicurrency revolving credit facility with final maturity in 2005 and a syndicated loan facility of U.S.$90 million maturing in 2007. Several Nordic and international banks are participants in the facilities.

We have also established bilateral facilities totaling the equivalent of U.S.$210 million with three banks in Australasia and bilateral facilities totaling U.S.$90 million with three regional banks in Chile. These facilities mature in three to four years. All these facilities permit drawings in a number of currencies. We have two syndicated term loans, one of which is a U.S.$187 million loan which matures in 2007 and the other of which is a €340 million loan which matures in 2009. In addition, we have several bilateral loans with Nordic Investment Bank maturing between 2005 to 2011. In addition, we have several additional small loan and credit facilities.

As of June 30, 2003, we have issued a total amount of NOK8,746 million in bonds. We have four outstanding domestic bonds, of which one has a floating interest rate at a margin of 0.95% over NIBOR. We had NOK500 million in domestic commercial paper outstanding as of June 30, 2003. In addition, in 2001, we raised U.S.$600 million through the issuance of 7.625% notes due 2011.

Capital Commitments

The following table gives information as to the total amount drawn on our different funding sources as of June 30, 2003.

Funding Instruments[1]	Total	%
	(NOK in millions)	
Short-term Debt[1]	705	4%
Bilateral Loans[1]	3,824	21%
Syndicated loans[1]	5,860	31%
Bonds[1]	8,245	44%
Total Norske Skog[1]	18,634	100%
50% of PanAsia Debt	1,383	
Total	20,017	

(1) Excludes our proportionate share of PanAsia's debt.

The following table sets forth our scheduled repayments of principal on our borrowings as of June 30, 2003.

Year	Bank loans	Bonds	Total repayment
	(NOK in millions)		
2003[1]	333	500	833
2004[1]	113	150	263
2005[1]	1,633		1,633
2006[1]	813	2,364	3,177
2007[1]	2,497	1,377	3,874
2008[1]	1,955		1,955
2009 and after[1]	2,541	4,354	6,899
Total Norske Skog[1]	9,885	8,745	18,634
50% of PanAsia Debt			1,383
Total			20,017

(1) Excludes our proportionate share of PanAsia's debt.

We sold our head offices located at Oksenøyveien 80, 1326 Lyaker, Norway during 2001, and currently rent the premises for an annual rental expense of NOK16 million. Under the terms of the lease, we are entitled to terminate the lease after five or ten years, and have the option to purchase the property after 20 years. Other than as stated above, and in the notes to our financial statements, we do not have any material operating leases or capital lease obligations.

Risk Management

We are exposed to unforeseen events worldwide that may affect our results of operations. As a result, we have established an integrated company-wide risk management policy across functions and national boundaries in order to reduce this uncertainty.

We seek to create shareholder value by formulating an integrated company-wide risk management policy which anticipates changes in our financial, legal and business environment and allows us to better understand and prioritize risks that affect our business. Our company-wide risk management is divided into four main categories: financial, hazard, operational and strategic risks. Our goal is to protect the company against unexpected losses, while securing stable earnings in order to create value for our shareholders.

We have established key functions, each of which is responsible for identifying, quantifying, analyzing and mitigating various risks in accordance with guidelines that have been approved by the Board of Directors. Responsibility for following up and monitoring company-wide risk management lies with our Corporate Risk Management department.

Currency Risk

Due to our position as one of the most international paper and pulp companies worldwide with a significant cost base in Norway, we incur significant costs in Norwegian kroner while our sales are predominantly in foreign currencies. As a result, we are exposed to a greater currency risk than most of our competitors.

We use various financial instruments to hedge this exposure, and seek at all times to hedge between 50% and 100% of our expected currency exposure during the coming year. The hedging instruments we use are forward foreign exchange contracts and currency options, currency swaps, interest rate swaps and loans denominated in foreign currencies.

In the first six months of 2003, the strengthening of the Norwegian kroner as compared to average foreign exchange rates in the first six months of 2002 had a negative impact on our operating earnings of approximately NOK167 million. However, translation differences on accounts receivables and payables had a positive impact of approximately NOK82 million. Our loss on hedging transactions related to cash flow was approximately NOK345 million during the first half of 2003.

We are exposed to currency risk in the following areas:

- Balance Sheet Risk, where assets and debt valued in foreign currencies have to be translated into Norwegian kroner on our balance sheet; and
- Transaction Risk, which arises as a result of our positive cash flow being predominantly in foreign currencies, while our negative cash flow is predominantly in Norwegian kroner.

Balance Sheet Risk

Balance sheet risk arises when our accounts are consolidated in Norwegian kroner and translation differences arise on assets and debt denominated in foreign currencies. The value of our assets and debt are adjusted for this translation difference, thereby affecting important key ratios such as our gearing ratio (net interest-bearing debt to equity). Balance sheet risk is managed by ensuring that our net debt is denominated in a mix of currencies in which we also hold assets, in order to reduce fluctuations in key financial ratios resulting from currency rate movements. For practical reasons, we also use forward contracts to reduce our balance sheet risk.

We follow the requirements for hedge accounting under Norwegian GAAP.

The following table shows the balance sheet effect of changes in exchange rates during the six months ended June 30, 2003.

(millions)	NOK
Asset increase	3,200
Debt increase	1,600
Equity increase	1,600

The table below shows the equivalent in Norwegian kroner of our debt in foreign currencies, as well as the balance sheet mix per currency, as of June 30, 2003.

	Net assets before interest-bearing debt	Net local interest bearing debt	Norske Skogindustrier ASA debt	Financial derivatives	Total hedges	Balance sheet exposure after hedging
			(NOK in millions)			
Norwegian kroner	7,525	(309)	(4,738)	4,618	(428)	7,097
U.S. dollars	4,840	(944)	(4,355)	2,508	(2,791)	2,049
Euros	13,273	(275)	(5,951)	(3,272)	(9,498)	3,776
Australian dollars	4,280	(307)	-	(2,969)	(3,276)	1,005
Canadian dollars	2,214	-	(291)	(752)	(1,044)	1,171
Czech koruna	215	6	-	-	6	221
Thai baht	248	(38)	-	(81)	(119)	130
South Korean won	3,084	(953)	-	(635)	(1,589)	1,495
New Zealand dollars	3,164	(547)	-	88	(459)	2,705
Total	38,843	(3,368)	(15,335)	(495)	(19,197)	19,646

Transaction Risk

We are also exposed to the risk of currency fluctuations as a result of our cash flows in foreign currencies being translated into Norwegian kroner. Cash flows in foreign currencies consists of cash flow from operations, asset sales and investments, as well as cash flow related to financing activities. The value of expected future cash flows in Norwegian kroner is affected by changes in foreign exchange rates.

Our policy is to hedge between 50% to 100% of the following 12-month period's expected net cash flow per currency. Our aim is to even out the effect of currency fluctuations on our cash flow and to make it easier to predict our future earnings. For additional information about exchange rate risks see ''Risk Factors—Risks Relating to our Business—Exchange rate fluctuations could negatively affect our financial condition and results of operations''.

Interest Rate Risk

There is a correlation between economic trends and interest rate movements, with interest rates falling during an economic downturn and rising in an economic upswing. We seek to structure the fixing of interest rates on our loans in a manner so that interest costs partly offset changes in revenue as a consequence of changes in the economic climate. To a large extent, our loans have floating interest rates that are fixed for periods of less than one year. Limits are set for fixing interest rates per currency. We also use derivative instruments to hedge interest rate risks.

The following table sets forth our net interest cost and our average rate of interest for the periods indicated.

	For the six months ended June 30,	
	2003	**2002**
Net interest cost (NOK millions)	485	622
Average interest cost (%)	5.6	5.8

Liquidity Risk

We have a policy of maintaining a minimum liquidity reserve of 20% of operating revenue, which as at June 30, 2003 amounted to NOK7,300 million. The liquidity reserve consists of available liquidity (cash and cash equivalents) as well as committed drawing facilities with banks. We maintain a minimum of NOK500 million in cash reserves that are held either in bank deposits or liquid securities. Our policy is to undertake transactions primarily with counterparties having high credit ratings. Counterparty credit limits are continuously monitored and reviewed.

Credit Risk

To manage the risk of losses on accounts payable, we have developed clear guidelines for credit control per customer. Internal credit ratings and credit lines are set for each customer, based on financial quality. In cases where the risk is high, credit insurance, or other hedging instruments, are considered where applicable.

Insurance

We have centralized the management of our group-wide insurance program. This program includes insurance policies, which cover property damage and business interruption, general liability and transportation. The insurance value of property damage and business interruption totaled NOK90,000 million at June 30, 2003. Total general liability cover amounted to NOK1,500 million. We seek to achieve the best insurance coverage based on competitive terms in the global insurance market. In addition, we aim to minimize the total cost of risk by, among other things, implementing risk-reducing activities. We seek to achieve an appropriate balance between retained insurable risks and risks that are transferred to the external insurance market.

Our business units are responsible for maintaining a high standard regarding all loss-prevention activities in accordance with our internal standards and procedures. Central support is offered in identifying risks through comprehensive technical surveys. Among other things, these surveys form the basis for exchanging best practices between our different mills.

Our insurance policies for property damage are underwritten by our fully-owned subsidiary, NSI Forsikring A/S, registered in Denmark. We are continuously evaluating our risk coverage through NSI Forsikring. In the longer term, we may decide to retain a higher degree of self-insurance on property damage, which could result in lower premiums. We believe that we have historically maintained a relatively low level of claims under our insurance policies and, as a result, we believe our insurance premiums have been relatively low considering recently volatile insurance premiums.

Project Risk

We have invested in companies and projects worldwide. Risk is often related to the areas where these projects are located. We have developed a method for identifying and managing such risks. The risk of a project depends on a number of future events that may occur during a project's lifetime. We evaluate the risk of a project based on its impact on our cash flow and revenue. We believe this process provides us with an effective tool for ascertaining the risk-return relationship for particular projects.

Our Business

General

We are one of the leading global publication paper companies. We are the second largest producer of newsprint and the third largest producer of magazine paper in the world based on production capacity as at June 30, 2003, with an annual production capacity of 6.2 million metric tonnes of newsprint and 1.7 million metric tonnes of magazine paper. Capacity for these purposes includes our proportionate share of our joint venture, PanAsia, and includes all of the capacity of NorskeCanada and Malaysian Newsprint Industries. We include all of the capacity of NorskeCanada and Malaysian Newsprint Industries (although we only own 30.6% and 33.65% of them, respectively, on the basis that we are the only paper company with a major interest in these entities. We are the parent company of the Norske Skogindustrier ASA group. Our headquarters are located in Oslo, Norway and through our subsidiaries, joint ventures and interests in other companies, we wholly or partly own mills in 15 countries on five continents.

While geographically diverse, we are strategically focused on the production, marketing and distribution of publication paper. Publication paper includes newsprint and magazine paper, and represented approximately 93% of our half year 2003 net sales. Our principal markets for our newsprint products are Europe, North America, Australasia, Asia and South America. In addition, we are present in North America as the largest shareholder in NorskeCanada. Our principal markets for our magazine paper products are Europe and North America.

In the last twelve years, we have grown from being a regional producer of a variety of paper, pulp and timber products to a global company focused on publication paper. During this period, we have divested nearly all units outside our core business and expanding our annual publication paper production capacity from 1.3 million metric tonnes in 1991 to 7.9 million metric tonnes as of June 30, 2003. We are focused on creating shareholder value by improving operating efficiencies, reducing purchasing, marketing and administrative costs and streamlining our organizational and corporate structure. See ''Our Business Strategy and Competitive Strengths—Revised Corporate Structure''.

Our total assets were NOK47.5 billion as at June 30, 2003, and for the six months ended June 30, 2003, we had operating revenue of NOK11,382 million and operating earnings of NOK685 million. As at September 1, 2003, our market capitalization was NOK16.5 billion.

Our business operates primarily in four geographic regions:

- **Europe** with nine wholly-owned paper mills in Norway, France, Austria, Germany, The Netherlands, and the Czech Republic.
- **South America** with two wholly-owned paper mills in Chile and Brazil.
- **Australasia** with three wholly-owned paper mills in Australia and New Zealand.
- **Asia** with our 50% interest in PanAsia, which currently has four paper mills in China, Korea and Thailand. PanAsia expects to complete construction of a second paper mill in China by 2005. We also have a 33.65% interest in Malaysian Newsprint Industries, a Malaysian newsprint producer operating one paper mill.

In addition, we have a significant minority stake of 30.6% in NorskeCanada, which has operations in North America comprising four publication paper mills in Canada (two of which also produce pulp). We have created a corporate management area that we call ''Partially

Owned Companies'' with operational responsibility for our interests in PanAsia, NorskeCanada, and Malaysian Newsprint Industries.

Our Business Strategy and Competitive Strengths

• *Our vision is to continue to be a leading international company within the paper and forest products industry.*

• *Our goal is to create value for our shareholders, matching or exceeding the performance of the other leading paper and forest products companies.*

As a measurement of this goal, we aim to achieve a return on capital employed of at least 13% throughout a business cycle. The key elements of our strategy are as follows:

• *Concentrate on our core publication paper business.*

We believe that by concentrating our resources and capital on a narrow range of products, we have developed a high level of proficiency at manufacturing and a deep knowledge of our customer base and the market. We developed this strategy more than seven years ago and have systematically divested non-core assets, acquired strategic businesses involved in the production of publication papers and built new assets dedicated to the production of publication paper. In the first half of 2003, approximately 93% of our net sales were from publication paper compared to 64% in 1995.

• *Continue to consolidate our global position.*

We intend to maintain our position as one of the industry leaders in the paper and forest products industry. Our position as a leading global producer of publication papers will allow us to supply the needs of our global customers. We have largely completed an ambitious multi-year program of acquisitions and divestitures and will seek to support future growth through a focus on achieving greater efficiencies in operations and in our corporate structure, and the continued evaluation of selected smaller acquisitions and new investment opportunities. In addition, we plan to build new production capacity only if there is sufficient demand to absorb the additional capacity.

• *Cost-efficient production.*

We strive to produce and supply our products on the most cost-efficient basis within each region where we compete. We expect to accomplish this goal by reducing our cost of production and by developing and focusing on the products we are able to produce most competitively. Reductions in our production costs should arise from economies of scale, continuous operational improvements, use of the lowest cost raw materials available within each region where we operate and cooperation among the regions to optimize trade flows. We may also make selected investments to achieve operational improvements. We continually evaluate the cost efficiency of our productive assets, and will consider replacing less efficient productive capacity with machines, mills and other producing assets of greater efficiency. If we do replace capacity, this may lead to accounting adjustments.

• *Revised corporate structure.*

As part of what we call our ''Improvement 2003'' program, we have revised aspects of our management structure by shortening reporting lines, devolving decision-making authority in sales and marketing to local sales offices (within the framework of guidelines set by central management) and by standardizing and further coordinating production methods and centralizing production management, administration, procurement and logistics functions, where these are likely to benefit from a global corporate perspective. This program has allowed us to introduce cost-saving and efficiency measures across all our business lines and to better monitor and react to developments in our business environment. A goal of the program is to improve results (primarily through cost reduction measures) by NOK2 billion by the end of 2004 (measured against a baseline of our 2002 results and on a basis seeking to adjust for or exclude factors outside our control). As of June 30, 2003, we had achieved improvements of NOK320 million and believe we remain on course to achieve the targeted gain of NOK1 billion by year end.

These strategic aims are supported by what we see as our principal competitive strengths.

• *Significant presence on five continents.*

We have become one of the world's most global paper companies with mills in 15 countries and on five continents (which includes our joint venture PanAsia, our 33.65% interest in Malaysian Newsprint Industries and our 30.6% interest in NorskeCanada). We are the second largest publication paper producer globally based on production capacity and have a substantial market share in each of the regions in which we operate. Local presence gives us the ability to manage capacity on a regional basis, reducing the need for expensive transportation. Further, our proximity to our customers increases the potential for service agreements and integrated sales and distribution systems.

The following table sets forth our relative ranking and share of capacity for newsprint and magazine paper in our principal markets globally and by region as of June 30, 2003.

Product	Ranking[1]	Share of capacity[1]
Publication paper globally:	2nd[2]	12%[2]
Region:		
Europe newsprint	3rd	16%
Europe magazine paper	3rd	10%
South America newsprint	1st	35%
Australasia newsprint	1st	98%
Asia (excluding Japan) newsprint	1st[3]	26%[3]
NorskeCanada (newsprint and magazine paper)	3rd[4]	7%[4]

(1) Management estimates based on production capacity located in the specified region.

(2) Including our proportionate share of PanAsia and all of the capacity of Malaysian Newsprint Industries and NorskeCanada.

(3) Based on all of the capacity of PanAsia and Malaysian Newsprint Industries.

(4) Based on all of the capacity of NorskeCanada.

• *Leading position in growing markets.*

We have significantly enhanced our position in the fast growing regions of Asia (excluding Japan), through our holding in PanAsia, and in South America. In addition, we expect to achieve higher levels of profitability in these markets because of our modern paper machines, our low operating costs and our proximity to our customers. In the first half of 2003, we achieved operating margins before depreciation of 34.3% in South America and 24.5% at PanAsia, higher than any of the other regions in which we operate. In addition, PanAsia has recently announced the construction of a new mill in Hebei, China with a planned annual capacity of 330,000 metric tonnes of newsprint, which will strengthen PanAsia's position in a market that has been experiencing a rapid growth in demand for newsprint in recent years and which we believe will continue to experience growth in demand.

• *Low cost producer.*

Based on our own internal cost benchmarking analysis, we believe our newsprint production ranks in either the first or second quartile in terms of delivered cash cost within each region in which we operate (the first quartile being the lowest delivered cash cost). We also believe our uncoated magazine paper and our coated magazine paper production rank, respectively, in the first and second quartiles in Europe in terms of their delivered cash cost.

• *A focused company with an ability to realize efficiencies regionally and globally.*

Over the past decade, our business has grown rapidly and we have become a global company focused on the production of publication papers. A significant amount of our growth has been attributed to the acquisition of several publication paper businesses. Our success in integrating these businesses into our existing operations has provided us with considerable experience, particularly with publication papers, and has demonstrated our ability to realize cost efficiencies and operational improvements both regionally and globally. We have utilized our experience gained in these integration efforts to create a set of best practice procedures in order to standardize practices across mills and enhance operational efficiency.

• *Competitive assets.*

From 1998 through 2000, we invested approximately NOK6,488 million in our production facilities, including investment in a new paper machine at our mill in Golbey, France at a cost of approximately NOK2.8 billion. During the last three years, our capital expenditure has been strictly prioritized and kept below 50% of depreciation. We intend to maintain a capital expenditure to depreciation ratio of approximately 50% to 70% in the longer term. Capital expenditure for these purposes includes current investments in maintenance and the upgrading of paper machines but excludes any strategic investments (including new paper machines) which we may make in the future. We expect that capital expenditure will continue to be financed from our operational cash flow.

Company History

We were founded in 1962 by the Norwegian forest owners association in cooperation with private and public interests. However, we can trace our roots back to the late nineteenth century to certain businesses that now form a part of our company. In 1966, we commenced production of newsprint at our first paper machine, a fully integrated newsprint mill located in Skogn, Norway and by 1989, we had become the sole newsprint producer in Norway, after leading the consolidation of the publication paper industry in Norway. During the 1990s, we began to expand our operations outside of Norway and into Europe. Since 1999, through acquisitions and the creation of joint ventures, we have become a global publication paper company, with operations in all the major paper producing regions of the world. At the same time as we have been expanding our operations, we have also been concentrating this expansion on our core areas of newsprint and magazine papers. As a result, we have sold non-core operating units over the last several years.

Industry Overview

The paper products industry is an international, capital intensive and highly competitive industry with several large global producers and many smaller regional producers. The industry has grown at a rate similar to that of global general economic growth over the past two decades. The industry is characterized by volatile pricing and profitability caused by imbalances between supply and demand. Due to the large amount of capital required for the construction of new paper production capacity and the long lead-time required to plan and complete new production facilities, it is a challenge to adapt capacity levels to meet changing demand.

We believe the recent consolidation in the paper products industry provides a better balance between supply and demand globally, thus helping to reduce price volatility. During the past several years, the publication paper segment, which includes newsprint and magazine paper, has experienced the greatest amount of consolidation globally in comparison to other paper grades. Norske Skog's paper products are principally publication paper grades.

Paper is primarily comprised of pulp and fillers such as clay. Pulp can be produced from mechanically processed wood (resulting in mechanical pulp), from chemically processed wood (resulting in chemical pulp) or from processed waste paper (resulting in recycled pulp). Paper can be either uncoated, coated with a thin film made primarily of clay and machine polished to provide a glossy finish (calendered) or uncoated and calendered. Major grades of publication paper include newsprint, directory paper, uncoated magazine paper (supercalendered ''SC'' paper) and coated magazine paper (lightweight coated ''LWC'' paper). Paper grades that contain mainly chemical pulp include fine paper grades and some packaging paper.

Sources of wood for the production of pulp include logs, wood chips and sawdust from sawmills. Wood pulp can be made from softwood, such as pine or spruce, or hardwood, such as birch, aspen or eucalyptus. Softwood pulp contains long fibers, which add strength to paper. Hardwood pulp contains short fibers, which add bulk, opacity and smoothness to paper. Chemical pulp is generally produced through a process known as the sulphate or ''kraft'' process. Kraft pulp retains the strength of the wood fibers better than mechanical pulping. Because of the combination of long fibers and the chemical process, softwood kraft pulp is the strongest pulp available. Pulp may be either bleached to add brightness or unbleached.

Historically, newsprint has been considered a late cyclical paper grade where changes in pricing will lag behind changes in pulp and fine paper prices and has shown somewhat less price volatility than other paper grades. Similar to newsprint, magazine paper grades are also considered a late cyclical paper grade because changes in magazine paper prices generally lag behind changes in pulp and fine paper prices.

Locations of Operations

We operate our business primarily in four geographic regions. These regions are Europe, South America, Australasia and Asia, which includes our interests in PanAsia and Malaysian Newsprint Industries. In addition, we are the largest shareholder in NorskeCanada, which has operations in North America.

The following table provides information as to our annual production capacity by grade in each region as of June 30, 2003.

	Number of paper machines	Capacity[1]
		(metric tonnes)
Europe:		
Newsprint	13	2,290,000
Magazine Paper	8	1,510,000
	20[2]	**3,800,000**
South America:		
Newsprint	2	310,000
Australasia:		
Newsprint (based on 48.8 gsm)	6	945,000
Asia:		
PanAsia-Newsprint and Groundwood	9	730,000
Malaysian-Newsprint Industries Newsprint	1	250,000
	10	**980,000**
North America:		
NorskeCanada-Newsprint	10	1,640,000
NorskeCanada-Magazine Paper	2	210,000
NorskeCanada-Market Pulp	-	410,000
NorskeCanada-Other (kraft paper)	1	115,000
	13	**2,375,000**
Total Newsprint	41	6,165,000
Total Magazine paper	9	1,720,000
Total Publication paper	50	7,885,000
Total Norske Skog other paper capacity	1	115,000
Total Norske Skog market pulp capacity	-	410,000

(1) Capacity figures include our proportionate share of the capacity of PanAsia, and all of the capacity of NorskeCanada and of Malaysian Newsprint Industries. We include all of the capacity of NorskeCanada and Malaysian Newsprint Industries (although we only own 30.6% and 33.65% interests, respectively, of these entities) in the foregoing capacity analysis, on the basis that we are the only paper company with a major interest in these entities.

(2) One of the machines at Parenco has the capacity to produce both newsprint and magazine paper.

The following table shows our operating revenue by region for the periods indicated.

	For the year ended December 31,		For the six months ended June 30,	For the six months ended June 30,
	2001	2002	2003	2003
			(NOK millions)	
Europe	14,219	14,087	6,886	60.5%
South America	1,939	1,107	551	4.8%
Australasia	4,473	3,807	1,874	16.5%
Asia	2,434	2,688	1,141	10.0%
NorskeCanada[1]	5,455	-	-	-
Other activities/eliminations	1,834	1,782	930	8.1%
Total	30,354	23,471	11,382	100.0%

(1) NorskeCanada was deconsolidated in August 2001 and is now accounted for as an affiliate. We currently own 30.6% of NorskeCanada.

Europe

We are the third largest producer of newsprint in Europe based on annual production capacity and the third largest producer of magazine paper in Europe. Our operations in Europe accounted for 60.5% of our operating revenue and 73.4% of operating earnings in the first half of 2003. Our operations in Europe delivered 3,144 metric tonnes of publication paper in 2002 and 1,622 metric tonnes in the first half of 2003.

Production Facilities. We have nine paper mills in Europe located in Norway, France, Austria, Germany, The Netherlands, and the Czech Republic with an annual production capacity of 3.8 million metric tonnes including 2.3 million metric tonnes of newsprint and 1.5 million metric tones of uncoated magazine paper and coated magazine paper.

We believe our overall cost position is in the second quartile for newsprint, in the first quartile for uncoated magazine paper and in the second quartile for coated magazine paper production in terms of delivered cash cost per metric tonne to Frankfurt, Germany.

The following table shows information relating to our production capacity and mills in Europe as of June 30, 2003.

	Location	Ownership	Number of paper machines	Main paper grade	Total capacity
					(metric tonnes)
Newsprint:					
Skogn	Norway	100%	3	Newsprint	580,000
Follum	Norway	100%	2	Newsprint	295,000
Union	Norway	100%	2	Newsprint	250,000
Golbey	France	100%	2	Newsprint	600,000
Bruck	Austria	100%	1	Newsprint	120,000
Steti	Czech Republic	100%	1	Newsprint	125,000
Parenco	The Netherlands	100%	2*	Newsprint	320,000
			13		2,290,000
Magazine Paper:					
Saugbrugs	Norway	100%	3	Magazine (SC) paper	550,000
Follum	Norway	100%	1	Magazine (MFP) paper	115,000
Bruck	Austria	100%	1	Magazine (LWC) paper	255,000
Parenco	The Netherlands	100%	1*	Magazine (SC) paper	155,000
Walsum	Germany	100%	2	Magazine (LWC) paper	435,000
			8		1,510,000
Total Europe			20		3,800,000

* One of the machines at Parenco has the capacity to produce both newsprint and magazine paper.

Raw Materials. The principal raw material used by our European operations is pulp, which is made from wood or waste paper such as old newspapers and old magazines.

In 2002, 41% of our wood requirements in Europe came from Norwegian timber, 29% from non-Norwegian timber and 31% from sawmills in the form of woodchips. Our timber purchases represented approximately 39% of the timber harvested in Norway in 2002. We purchase timber in Norway pursuant to one-year contracts. In Norway, we obtain waste paper through long-term contracts with local communities. At our other European paper mills we obtain waste paper from multiple sources in Central Europe.

The primary types of pulp we use for the production of publication paper are TMP, other types of mechanical pulp, recycled pulp and small amounts of chemical pulp. In 2002, we estimate that 65% of our European pulp requirements were met by internally produced TMP and other types of mechanical pulp, 30% by internally produced recycled pulp and 5% by chemical pulp purchased from third parties.

Sales and Distribution. Our operations in Europe generally sell their products to newspapers, publishing houses and printers. By sales, the top three countries for our products in Europe are Germany, the United Kingdom and France. These three countries together comprise 39% of our European operations' sales in 2003.

The following table shows the distribution of our European operations' sales by product in 2002.

Product	Percentage of region sales
Newsprint (improved and standard)	61%
Magazine paper	39%
Total	100%

Our European operations sell their products directly to our customers through a sales force based in each of the countries in which we have significant sales. Exports from our European operations are sold by our sales agents and distributors outside of Europe.

We have a well-diversified customer base with our ten largest customers accounting for approximately 20% of our European operations' sales in 2002. Our price contracts with our newsprint customers, and most of our price contracts for uncoated magazine paper, are generally of a one-year duration.

Competition. The market for publication paper is highly competitive. Our principal competitors in Europe in newsprint include Stora Enso Oyj, UPM-Kymmene Oyj and Holmen AB. Our principal competitors in Europe in uncoated magazine paper include UPM-Kymmene, Stora Enso, M-real Corporation and Svenska Cellulosa AB SCA (publ). Our principal competitors in Europe in coated magazine paper include UPM-Kymmene, Stora Enso, M-real, Cartiere Burgo SpA, Sappi Limited and SCA.

South America

Our operations in South America are comprised of our 100% interest in the PISA newsprint mill in Brazil and our 100% interest in the Papeles Norske Skog Bio Bio, S.A. paper mill in Chile. Our operations in South America accounted for 4.8% of our operating revenue and 11.1% of our operating earnings in the first half of 2003. Our operations in South America delivered 155,000 metric tonnes of newsprint in the first half of 2003 and 330,000 metric tonnes in 2002. In 1999, we commenced operations under a 50% joint venture agreement with Klabin in Brazil for the production of newsprint. Following the termination on March 31, 2003 of our Norske Skog Klabin newsprint joint venture, we have been providing the customers of that mill with paper produced by our operations in Europe. The mill is now owned by Klabin and is no longer being used to produce newsprint. Thus, the mill is not in competition with our newsprint products in South America.

South America is a market in which there are only a few small domestic newsprint producers. We estimate domestic production is only able to supply about half the demand for newsprint in South America. Large North American newsprint producers compete with us to satisfy local demand. Our South American mills have a significant delivered cost advantage compared to our North American competitors due to their proximity to their customers and access to an ample supply of low-cost wood.

Production Facilities. We are the largest producer of newsprint in South America based on annual production capacity, with a total of 310,000 metric tonnes of newsprint production capacity from two paper mills.

We believe our Brazilian newsprint machine is in the first quartile and our Chilean newsprint paper machine is in the second quartile in terms of delivered cash cost per metric tonne to São Paulo, Brazil.

The following table provides information on our production capacity and mills in South America as of June 30, 2003.

	Location	Ownership	Number of paper machines	Main paper grade	Total capacity
					(metric tonnes)
PISA	Brazil	100%	1	Newsprint	185,000
Bio Bio	Chile	100%	1	Newsprint	125,000
Total South America			2		310,000

Raw Materials and Suppliers. PISA consumes approximately 350,000 cubic meters of wood and 9,000 of kraft pulp. Its supply of raw materials is maintained through long-term contracts with local suppliers.

PISA uses internally produced TMP and other types of mechanical pulp and purchases some chemical pulp from third parties. In 2002, 82% of PISA's pulp requirements were from TMP, 13% from other types of mechanical pulp and 5% from chemical pulp.

Bio Bio sources all of its wood requirements from third parties. As Bio Bio operates in a region of Chile that has a substantial surplus of pulpwood, much of which is exported, it is able to purchase its fiber requirements under short-term fiber supply contracts at local market prices. In 2002, almost all of Bio Bio's pulp requirements were from internally produced groundwood with a small percentage from chemical pulp purchased from third parties.

Sales and Distribution. Our operations in South America generally sell their products to newspaper and commercial printers across South America. In 2002, 99.4% of our products produced in South America were sold within South America. In 2002, the ten largest customers of our South American operations accounted for approximately 40% of its sales. By sales, the top two countries for our South American products are Brazil and Chile, which together comprised 81% of the sales of our operations in South America in 2002.

PISA's production is principally for the local Brazilian market with some minor exports to other South American countries. In Chile, Bio Bio produces newsprint and other publication paper grades for the local market and for export to Peru, Ecuador, Uruguay, Colombia, Paraguay, Argentina and Bolivia. The mill serves many of the major publishers in the region, with approximately 46% of production sold in Chile and the remainder sold in adjacent countries. Bio Bio has entered into short-term supply arrangements with a number of regional commercial and telephone directory publishers.

Competition. Competition among the South American producers of newsprint is limited, as they tend to be small and serve only customers in their surrounding area. Other South American producers include Empresas CMPC and Papel Prensa. However, our main competitors are Abitibi-Consolidated and Bowater Incorporated, who export newsprint from North America to South America.

Australasia

Our operations in Australasia are the only producers of newsprint in Australia and New Zealand. We have a market share of approximately 92% in Australia and 95% in New Zealand based on volume sold. Our operations in Australasia accounted for 16.5% of our operating revenue and 29.2% of our operating earnings in the first half of 2003. Our operations in Australasia sold 409,000 metric tonnes of newsprint in the first half of 2003 and 826,000 metric tonnes in 2002.

We have a unique market position in Australasia compared with the other regions of the world in which we operate. This is because we are the only domestic producer of newsprint and we have close integration with our customers. It is uneconomical, under most conditions, to ship newsprint to Australasia from the major newsprint producing regions of North America and Europe due to its geographic remoteness. Our production costs in Australasia are generally favorable compared to other regions.

Production Facilities. We have three paper mills in Australia and New Zealand with an annual production capacity of 945,000 metric tonnes of newsprint.

We believe our operations have the lowest delivered cash cost per metric tonne to Sydney, Australia of all our competitors. This is due to our access to an ample supply of virgin fiber, well-maintained assets, and a significant freight cost advantage due to the proximity of our mills to our customers compared to our principal competitors located in Asia. We acquired all of our Australasian mills from Fletcher Challenge Paper in July 2000.

The following table provides information on our production capacity and mills in Australasia as of June 30, 2003.

	Location	Ownership	Number of paper machines	Main paper grade	Total capacity[1]
					(metric tonnes)
Albury	Australia	100%	1	Newsprint	225,000
Boyer	Australia	100%	2	Newsprint	290,000
Tasman	New Zealand	100%	3	Newsprint	430,000
Total Australasia			6		945,000

(1) Based on 48 gsm.

Raw Materials. The principal raw material used by our Australasian operations is pulp made from wood or waste paper. In 2002, 61% of our wood requirements in Australasia came from long-term contracts with third parties, 33% from market purchases and 6% from our own plantations.

The Albury mill acquired almost all of its wood from plantations in New South Wales and Victoria in 2002. It has long-term contracts with the state government of New South Wales and with private property owners. The largest of the contracts, representing 40% of the Albury mill's wood requirements, is with the state government of New South Wales and expires in 2015.

In 2002, the Boyer mill acquired approximately one-third of its wood requirements from its own estate, approximately one-half from Forestry Tasmania and Rayonier under long-term supply agreements which expire in 2022, and the remainder from suppliers under short-term contracts of up to three years in duration.

The Tasman mill acquired a significant portion of its wood requirements from long-term contracts in 2002. Its principal contracts are with Fletcher Challenge Forests. The contracts expire in 2020.

Our operations in Australasia also purchase waste paper to produce recycled pulp at our Albury mill. Albury is relatively close to the two largest cities in Australia, Melbourne and Sydney, which provide a reliable supply of waste paper. Waste paper is supplied under contracts with terms of up to seven years, with prices protected by maximum and minimum price agreements.

The primary types of pulp used by our Australasian operations are TMP, other types of mechanical pulp, recycled pulp and chemical pulp. The majority of the pulp used by our Australasian operations is internally generated. In 2002, 75% of our Australasian pulp requirements were from TMP, 14% from recycled paper, 4% from chemical pulp and 7% from other types of mechanical pulp.

Sales and Distribution. Our operations in Australasia generally sell their products to newspapers and commercial printers of preprint advertising which are inserted into newspapers or delivered by other means. The principal markets for our Australasian products are Australia and New Zealand, which together accounted for 93% of sales in 2002, with some exports to Asia.

All of our Australasian products sold within Australia and the Pacific Islands are sold directly to our customers by our Australasian operations using their own sales force. PanAsia distributes Australasia's paper to customers in Asia.

Our Australian operations benefit from long-term business relationships with three of the major publishers in Australia through supply contracts extending through 2010. These publishers account for a significant majority of domestic newsprint demand and most of our sales and we supply almost all of their newsprint requirements. Prices under these contracts are fixed annually in Australian dollars using a formula based on a premium over U.S. west coast transaction prices for newsprint. In addition, annual price movements are restricted by a cap/collar arrangement.

Our New Zealand sales are made to the members of the New Zealand Newspaper Publishers Association (''NZNPA''), which includes nearly all of New Zealand's newspaper publishers, under one five-year contract. Two members of the NZNPA account for approximately 85% of total New Zealand newsprint demand and we supply all of their newsprint. Historically, prices negotiated with the NZNPA have been similar, but not equal, to the Australian newsprint prices as set under the contracts described above.

Competition. We are the only domestic producer of newsprint in Australia and New Zealand. Based on volume sold, we have approximately a 92% market share in newsprint in Australia and a 95% market share in newsprint in New Zealand. Only 75,000 metric tonnes, or 8% of Australian newsprint consumption, was imported into Australia in 2002, the majority of which was from Asia.

Partially Owned Companies

Asia

In Asia, we own 50% of PanAsia and 33.65% of Malaysian Newsprint Industries. PanAsia accounted for 10.0% of operating revenue and 19.6% of our operating earnings in the first half of 2003. PanAsia delivered a total of 1,256,000 metric tonnes of newsprint in 2002 and 610,000 tonnes in the first half of 2003.

We believe that the four PanAsia mills are the premier newsprint assets in Asia (excluding Japan) and are among the lowest cost production facilities in the world. The average age of the newsprint machines at the mills is approximately nine years. The PanAsia mills are strategically located in a region which we believe will have one of the highest long-term growth rates for newsprint demand in the world.

We own 33.65% of Malaysian Newsprint Industries with the balance owned by three Malaysian groups, two of which are publishers. We account for Malaysian Newsprint Industries as an equity investment in our financial statements.

Production Facilities. PanAsia is the largest producer of publication paper in Asia (excluding Japan) based on annual production capacity and controls four paper mills located in Korea, China, and Thailand with the capacity to produce 1,460,000 metric tonnes of newsprint and groundwood specialty paper. Malaysian Newsprint Industries has one mill located in Malaysia with the capacity to produce 250,000 metric tonnes of newsprint.

We believe PanAsia's newsprint operations are among the lowest cost production facilities in the world, in terms of delivered cash cost per metric tonne to Hong Kong, China.

The following table provides information on production capacity and mills controlled by PanAsia and Malaysian Newspaper Industries as of June 30, 2003.

	Location	PanAsia ownership	Norske Skog's ownership	Number of paper machines	Main paper grade	Total capacity[1]
						(metric capacity)
PanAsia:						
PanAsia Paper Korea (Jeonju) Co., Ltd.	Korea	100%	50%	6	Newsprint	1,000,000
PanAsia Paper Korea (Chongwon) Co., Ltd.	Korea	100%	50%	1	Newsprint	190,000
Shanghai PanAsia-Potential Paper Co., Ltd.	China	56%	28%	1	Newsprint	145,000
PanAsia Paper (Thailand) Co., Ltd. (SingBuri)	Thailand	91%	45.5%	1	Newsprint	125,000
				9		1,460,000
Malaysian Newsprint Industries	Malaysia	-	33.65%	1	Newsprint	250,000
Total Asia				10		1,710,000

(1) To calculate our total production capacity in Asia, we include our proportionate share of the capacity of PanAsia (as we share the ownership of PanAsia equally with Abitibi Consolidated, a major paper producing company) and all of the capacity of Malaysian Newsprint Industries (although we only own 33.65% of it) on the basis that we are the only paper company with a major interest in this entity.

New mill in China. PanAsia announced in September 2003 the creation of a joint venture with Hebei Longteng Paper Corporation of China to build and operate a newsprint paper mill in Zhaoxian, located in the Hebei province of China, 280 kilometers south-west of Beijing. PanAsia will have a 65% equity stake and Longteng the remaining 35%. The total investment cost for the project is expected to be approximately U.S.$300 million (which equals less than $1,000 per metric tonne at full production capacity), with PanAsia's share of the equity amounting to approximately U.S.$70 million. PanAsia will also consolidate the full amount of the project's debt, amounting to approximately U.S.$200 million. The project will be consolidated as a subsidiary in PanAsia's accounts, with proportional consolidation in our accounts. The impact on our balance sheet is expected to be limited, with an increase in total assets of approximately NOK1.1 billion and an estimated increase in the net debt to equity ratio of 0.04. We expect the equity to be financed from PanAsia's own cash flow, without any need for a capital injection from us. Construction of the mill is expected to begin in the fourth quarter of 2003 and the mill is expected to begin production during the third quarter of 2005, eventually reaching full capacity of 330,000 metric tonnes per year. The newsprint produced at the mill will contain 100% recycled fiber. This project is an integral part of our strategy to expand PanAsia's newsprint operations in China, which has seen a rapid growth in newsprint demand in recent years. According to the Pulp and Paper Products Council, demand has risen from 1.15 million metric tonnes in 1998 to nearly 1.8 million metric tonnes in 2002. Management believes that China should continue to experience significant annual growth in newsprint demand.

Raw Materials. The principal raw material for PanAsia and Malaysian Newsprint Industries is pulp made from waste paper and wood. In 2002, more than 90% of our Asian pulp requirements came from waste paper and wood and less than 10% from TMP and CTMP.

PanAsia's Jeonju mill uses approximately 90% recycled pulp and 10% TMP and CTMP and the other PanAsia mills use close to 100% recycled pulp to produce their newsprint. Approximately 50% of the waste paper is sourced domestically pursuant to short-term contracts with the balance imported from the United States, Europe and Japan. The Korean mills have access to the waste paper market in Korea, which is one of the largest and lowest-cost sources of waste paper in Asia, making these mills among the lowest cost in the world. In contrast, less waste paper is collected in China and Thailand and our mills there must rely more on imported waste paper, with the SingBuri mill importing all of its waste paper and the Shanghai mill importing approximately 90% of its requirements.

Malaysian Newsprint Industries uses only recycled pulp. Malaysian Newsprint Industries is the only newsprint mill in Malaysia, and sources approximately 50% of its raw material requirements from domestic supplies of waste paper, with the balance being imported.

Sales and Distribution. PanAsia and Malaysian Newsprint Industries generally sell their products to newspaper publishers and commercial printers across Asia. In the first half of 2003, 90% of PanAsia's sales were within Asia and 10% were to the rest of the world. Malaysian Newsprint Industries sells all of its products within Asia. By sales, the top three countries for our Asian operations' products are Korea, Malaysia and China, which together comprised 75% of sales volumes in 2002.

Over the last fifteen years, Asia (excluding Japan) has experienced growth in demand for newsprint of between 6% and 7% per year, one of the fastest growth rates of any region in the world. We believe this trend is likely to continue in the long run due to rising literacy rates and increasing wealth and disposable income in the region.

PanAsia functions as an independent operation with regard to the production and marketing of its products within a market area consisting of the Asia-Pacific region and the Indian subcontinent. The joint venture agreement provides for PanAsia to distribute products from its joint venture partners within the market area and for the joint venture partners to distribute

PanAsia products within their respective regions of the world. We are responsible for distribution of PanAsia's products in Europe, Africa and the Middle East while Abitibi-Consolidated is responsible for distribution of these products in North America and South America.

In 2002, the ten largest customers of PanAsia accounted for approximately 40% of its sales.

Malaysian Newsprint Industries' principal market is Malaysia with some sales to Singapore and some export volumes to other parts of Asia. In 2002, Malaysian Newsprint Industries' shares of the Malaysia and Singapore newsprint markets was 75% and 24%, respectively. In Malaysia, five leading publishing groups represent over 74% of the demand for newsprint. Two of these publishing groups are direct shareholders of Malaysian Newsprint Industries and represent 25% of the demand for newsprint in Malaysia. These shareholders and another publisher have contracts with Malaysian Newsprint Industries to purchase 100,000 metric tonnes of Malaysian Newsprint Industries' production each year. This is equal to approximately 40% of Malaysian Newsprint Industries' annual production.

Competition. Our principal competitors in Asia include PT Aspex Paper, Guangzhou Paper, Nanping Paper, Tipco and Bowater. Holmen and UPM-Kymmene also sell some newsprint on the spot market in Asia.

NorskeCanada

NorskeCanada, of which we own 30.6%, is the third largest producer of newsprint and groundwood specialty paper in North America based on annual production capacity. NorskeCanada is based in Vancouver and its shares are listed on the Toronto Stock Exchange. NorskeCanada is the trade name of Norske Skog Canada Ltd.

Production Facilities. NorskeCanada operates four pulp and paper mills located in British Columbia, Canada producing 1,850,000 metric tonnes of newsprint, directory, uncoated groundwood and magazine paper, 410,000 metric tonnes of market pulp and 115,000 metric tonnes of kraft paper. The four mills have three paper machines each. Elk Falls and Crofton also produce kraft pulp and kraft paper is made at Elk Falls. NorskeCanada has entered into a strategic alliance with Norske Skog which includes operational cooperation in areas such as knowledge sharing networks, technical benchmarking and product development.

Raw Materials. NorskeCanada's fiber supply comes primarily from residual wood chips and sawdust from lumber operations and secondarily from the chipping of pulp logs.

Sales and Distribution. The principal customers for NorskeCanada's papers are newspaper publishers, commercial printers and telephone directory publishers located primarily in western and central North America and the North Pacific Rim. For the year ended December 31, 2002, publication paper accounted for 80% of NorskeCanada's net sales.

NorskeCanada's primary pulp customers include manufacturers of coated paper, wood-free printing and writing papers, tissue, towelling and sanitary products. Containerboard produced by Elk Falls is sold primarily to corrugated box plants located in western Canada and the western United States. For the year ended December 31, 2002, pulp and containerboard accounted for 20% of NorskeCanada's consolidated net sales.

NorskeCanada has entered into a strategic alliance with Norske Skog regarding sales and marketing of specialty and magazine paper in North America. Through a jointly owned legal entity, Norske Skog North America Inc., the two companies market groundwood specialty paper throughout North America. NorskeCanada also has a distribution agreement with PanAsia similar to the agreement between Norske Skog and PanAsia. Under the agreement, PanAsia distributes NorskeCanada's exports to the Asian market. NorskeCanada has a similar distribution agreement with Norske Skog for sales from Canada to South America.

No single customer accounts for more than 10% of NorskeCanada's consolidated net sales. A significant majority of NorskeCanada's sales are made into the United States.

Competition. The North American market for newsprint is the largest in the world and is highly competitive. Norske Skog's principal competitors in the North American newsprint market include Abitibi-Consolidated, Bowater and Kruger, as well as regional competitors in western North America such as North Pacific Paper Corp.

Transportation. NorskeCanada ships paper primarily by deep sea vessel, and for inland destinations by a combination of ship, barge, rail and truck. Each of Crofton, Elk Falls, Port Alberni and Powell River mills have their own deep sea docks.

Revised Corporate Structure

In 2003, as part of what we call our ''Improvement 2003'' program, we undertook a major reorganization of our corporate management structure to provide direct lines of access between management and our operating units. The new corporate management structure divides these new centralized and standardized operations along the following lines: production, sales and marketing, and supply and logistics.

Sales and Marketing

We have eliminated layers of management, creating a ''flatter'' management structure which provides more direct lines of communication between our sales force on the ground in various European countries and the head office in Norway. We have also devolved authority for many of the decisions regarding a sales contract to local offices, while the head office remains responsible for the overall strategy and for establishing targets for the sales and marketing division. In addition, we have centralized certain administrative functions formerly the responsibility of local and regional sale offices, leaving the sales offices free to concentrate their efforts on our customers. This new system has allowed us to standardize procedures, while preserving flexibility at the local level to adjust to specific situations, and to provide a response in a shorter time to customers, thereby providing a higher quality of service to them.

Production

Our new management structure also features a more centralized product management group which is primarily responsible for determining the best means of producing the product for the customer, including where to produce the product, how best to produce it and how quickly deliveries can be made to the customer. Eliminating layers of management facilitates communication and coordination between this central production management group and production facilities, and enables us to standardize its operating procedures, thereby creating significant efficiencies. At the same time, by providing direct access to senior management, we have ensured that any major issues will be brought promptly to the attention of the appropriate senior manager.

Supply and Logistics

In connection with our reorganization of our production and our sales and marketing groups, we have also centralized the operations of our supply and logistics team. This group focuses on ensuring timely delivery of our products to our customers and on assisting with procuring the appropriate category and quantities of raw material for the mills. They work closely with the product management group and the mills to provide an efficient service to the customer. As with our other revised corporate management groups, the removal of a layer of management has allowed for a greater standardization of our procedures across Europe and for prompt access to senior management in Norway when necessary.

Employees

At June 30, 2003, we had 7,607 permanent employees (excluding PanAsia, Malaysian Newsprint Industries and NorskeCanada). PanAsia had 1,698 permanent employees, Malaysian Newsprint Industries had 350 permanent employees and NorskeCanada had 3,927 permanent employees. The following table provides details of our employees by business regions (excluding PanAsia, Malaysian Newsprint Industries and NorskeCanada) as of June 30, 2003.

Business Region	Number of employees
Europe	4,283
South America	618
Australasia	1,341
Headquarters, support functions and other activities	1,365
Total	7,607

Our mill workers are unionized in all the countries in which we operate, except for Korea. We have not experienced any major strikes in recent years. However, as a result of our decision to implement our Improvement 2003 program, we experienced limited strike activities at our Golbey mill in the spring of 2003. This strike only lasted a total of 30 hours and did not have a material adverse effect on our operations for the first half of 2003. We have undertaken extensive discussions with all of our unions globally prior to the implementation of the Improvement 2003 program and we do not expect further industrial action relating to our implementation of this program.

We believe that our relationship with all of the unions representing our employees are generally good.

Environmental

The pulp and paper production process generates effluent containing organic compounds and nutrients, which can lead to eutrophication and a lack of oxygen in vulnerable water environments. In addition, most of our paper mills generate air emissions. The air emissions are mainly the result of energy production from the burning of biofuel and fossil fuel. The main air emissions are sulphur dioxide, nitrogen dioxide and particulate (ash and dust), in addition to carbon dioxide from the burning of fossil fuel.

With the exception of the Bio Bio and Boyer mills, all of our mills have biological waste water treatment plants that remove organic compounds from the waste water and significantly reduce the amount of such compounds in the waste water before it is discharged into a river or other body of water. At the Boyer mill, the Australian authorities have set January 1, 2007 as the deadline for further measures to reduce discharges. At Bio Bio, a new mechanical wastewater treatment plant (sedimentation) came on-line in May 2003. This reduced the discharges of fiber by 85% and also significantly reduced the discharges of dissolved organic material. By these measures, Bio Bio is ready to meet new Chilean national discharge requirements well before they take effect in 2005. Most of our mills also have treatment facilities to remove contaminants from emissions to air.

Particulate from boilers is the main cause of local emissions to the air from Norske Skog's paper mills. Apart from Bio Bio in Chile, all the mills have filters that keep these emissions at very low levels. At present, Bio Bio is not subject to requirements limiting boiler particulate emissions. However, the mill has decided to invest in a new electrostatic filter to reduce emissions by 2005.

Due to the global geographic spread of our mills, our production operations are subject to a variety of environmental regulations at all levels of government. We have established a written policy regarding the environment which recognizes the environmental responsibility connected with industrial activity. We believe our operations are in compliance in all material respects with applicable environmental laws and regulations.

As part of our environmental policy, it is our aim that all of our production units should have certified environmental management systems. At present, eight of our 14 mills are certified in accordance with the ISO 14001 standard. The remaining mills are in the process of pursuing such certification and we anticipate receiving such certification before the end of 2003.

Our partly-owned mills in NorskeCanada and PanAsia operate in compliance in all material respects with applicable environmental laws and regulations. All NorskeCanada mills have environmental management systems according to the ISO 14001 standard. Our implementation of the above-described measures has led to further improvements in our overall environmental situation in 2002 and the first half of 2003.

Research and Development

We have given research and development a high priority in recent years. As part of the Improvement 2003 process our research and development group in Australasia was merged with our research and development group in Europe. We have increased staffing in our research and development group, particularly with people having production experience. Our research and development group now consists of approximately 60 employees. We have groups of research experts at ten of our paper mills and at our headquarters in Oslo. The research and development activities have been organized to optimize cooperation with production personnel and to be in close proximity to the operations of our mills.

We have specialists in the areas of fiber technology, paper production and characterisation, process chemistry, surface coating and runnability and printability of our products at our customers' printshops. Our experts work closely with our customers and suppliers and with research institutes and universities around the world. In recent years, we have also focused on the use of recovered paper and in particular on the environmental impacts of the raw materials, processes and products that are used at our mills.

Ownership of Partially Owned Companies

Our Partially Owned Companies corporate management entity is comprised of our 50% interest in PanAsia, our 30.6% interest in NorskeCanada, and our 33.65% interest in Malaysia Newsprint Industries.

PanAsia

PanAsia was formed in February 1999 as a joint venture between us, Abitibi-Consolidated of Canada and Hansol Paper of Korea. Each of the joint venture partners had a one-third interest in PanAsia. In August 2001, Hansol Paper sold its entire one-third stake in PanAsia to us and Abitibi-Consolidated. As a result, we and Abitibi-Consolidated currently each own 50% of PanAsia. For accounting purposes we historically consolidated one-third of PanAsia's financial results. Following our acquisition of an additional one-sixth interest in PanAsia, we have consolidated 50% of PanAsia's financial results.

Under our joint venture agreement, we have no ongoing financial commitments to PanAsia. PanAsia has an independent board of directors, on which we have three of the six seats.

The PanAsia joint venture partners are party to a shareholders agreement which provides that if any joint venture partner makes an acquisition of a business that produces publication papers within the ''Market Area'' of PanAsia (as defined in the shareholders agreement), PanAsia has the right to acquire these assets. The Market Area generally includes the Asia-Pacific region and the Indian subcontinent, but does not include Australia or New Zealand. Our interest in Malaysian Newsprint Industries is affected by this provision. PanAsia has an ongoing right to purchase our shares in Malaysian Newsprint Industries at an agreed price.

NorskeCanada

Prior to the reorganization of NorskeCanada in 2001, we owned 50.8% of its shares. Since the acquisition of Pacifica Papers in August 2001 and an equity issue in May 2002, we now own 30.6% of the shares of NorskeCanada. We continue to be able to nominate and elect three directors to the board of directors of NorskeCanada, of which one serves as chairman. Our aim is to benefit from our future relationship with NorskeCanada through strategic alliances in areas such as supply and procurement, sales and marketing, and production and joint product development.

Malaysian Newsprint Industries

We own 33.65% of Malaysian Newsprint Industries, with the balance owned by three Malaysian groups, two of which are publishers. We acquired our share of Malaysian Newsprint Industries as part of the acquisition of Fletcher Challenge Paper in July 2000. We have three seats on the Board of Directors. The Hong Leong group of Malaysia provides management services to Malaysian Newsprint Industries. We are the only publication paper producer with a significant interest in Malaysian Newsprint Industries. Malaysian Newsprint Industries is the only domestic newsprint producer in Malaysia and sells most of it output to Malaysia and Singapore. The company's single paper machine mill started operations in 1999 and has an annual production capacity of 250,000 metric tonnes.

Transportation

We typically transport our products by various means, including by sea, truck and rail. We ship products from our Norwegian mills primarily using coastline ports which are equipped with modern deep sea docks. Products from our other European mills are transported and distributed on the European continent primarily by truck.

Paper produced by our operations in Australasia and South America is almost all sold domestically and is therefore generally transported by truck and rail.

Generally, PanAsia transports its domestic production by truck or ship and its international production by a combination of rail, truck and ship.

Energy

Energy is one of our most significant input factors, accounting for 26.0% of our variable production costs in the first half of 2003 and 26.2% of our variable production costs in 2002.

Europe

The total energy costs of our European operations was approximately NOK1,614 million in 2002 or approximately 26.9% of our variable costs. In Norway, we have entered into contracts securing all of our energy requirements up to 2010 and 95% of those requirements from 2010 to 2020. This long-term contract has limited price flexibility and therefore reduces cost variations associated with changing electricity prices. We obtained 100% of our energy requirements in Norway in 2002 through hydro power plants. Our operations in France obtain their energy requirements from foreign suppliers, while our operations in the Czech Republic obtain their energy requirements from domestic suppliers. Our operations in Austria own a natural gas fired co-generation plant. Our operations in Germany obtain their energy requirements from domestic suppliers and our operations in The Netherlands also obtain their energy requirements from a domestic supplier.

South America

Our operations in South America source most of their energy needs from the burning of waste wood and also from purchased electricity. PISA has a long-term electricity supply contract extending through 2006 and Bio Bio has an electricity supply agreement extending through 2008. In Chile, 20% of the electricity is produced from onsite generation.

Australasia

The main energy sources used in New Zealand are electrical energy, geothermal energy, natural gas and energy generated from the chemical recovery process and sawmill waste. The Tasman mill presently satisfies approximately 85% of its electricity needs through a series of hedge contracts with terms from three months to three years, and purchases the remainder of its electricity at spot prices. The main energy sources of the Australian mills are natural gas, fuel oil, coal and electricity. The Boyer mill has a long-term electricity supply contract through 2004 and the Albury mill has a long-term electricity supply contract which runs until 2007.

Asia

All of PanAsia's mills are connected to the public grid, which covers more than 60% of PanAsia's electricity supply. The balance is generated by the mills and is based on oil and energy generated from waste products. Malaysian Newsprint Industries provides all of its own energy needs through its own combined heat and power gas cogeneration facility which is based on oil.

Legal Proceedings

We are a party to a small number of legal proceedings. None of these proceedings, either individually or in the aggregate, is expected to have a material adverse effect on us or our financial condition taking into account insurance coverage and provisions made for the exposures.

Corporate Governance

Corporate Assembly

Our Articles of Association provide for a Corporate Assembly of 18 members. Our shareholders elect 12 of these members and our employees elect the remainder. The members of the Corporate Assembly serve for terms of two years. The Corporate Assembly, among other functions, elects the members of the Board of Directors. The Corporate Assembly also elects the chairman and vice-chairman of the Board of Directors for a period of one year. The Corporate Assembly recommends the approval of the annual accounts to the general meeting of shareholders and approves substantial changes to our business activities.

The Chairman of the Corporate Assembly receives a fixed annual remuneration of NOK130,000. Other members of the Corporate Assembly receive a remuneration of NOK4,500 for each meeting. Total remuneration paid to members of the Corporate Assembly in 2002 amounted to NOK337,500.

Board of Directors

The Board of Directors is made up of seven to ten members who serve two-year terms. Our Board currently has seven members. Our employees elect up to a third of the members of the Board of Directors and our shareholders elect the rest through the Corporate Assembly. In addition, our employees nominate two deputy members who may act as designates of the members of the Board of Directors nominated by the employees. We also permit our employees to nominate one observer to the Board of Directors who may participate in meetings of the Board of Directors but may not vote at such meetings. The following table lists the members of the Board as of June 30, 2003 and gives details of their titles, their election dates and their other appointments. The business address of each of the directors is the registered office of the company.

Name	Elected to Board	Other appointments
Lars Wilhelm Grøholt *Chairman*	2001 Chairman since 2002	Chairman of Norges Skogeierforbund, Chairman of Viken Skog, member of the Board of Oppland Skogselskap, member of the Board of Pan European Forest Certification, member of the Corporate Assembly of Moelven ASA, Deputy Leader of NorskInstitutt for Skogforskning.
Egil Myklebust *Deputy Chairman*	2001 Deputy Chairman since 2003	Chairman of Norsk Hydro ASA and Scandinavian Airlines System (SAS), member of the European Round Table, member of the Executive Board of the World Business Council for Sustainable Development.

Name	Elected to Board	Other appointments
Halvor Bjørken	2000	Chairman of Skogeierforeninga Nord, Deputy Chairman of Norges Skogeierforbund, Industriflis Nord, and of Din Tur A/S, member of the Board of Midt NorskTømmerimport and a member of the Corporate Assembly of Skogbrand.
Kåre Leira	1999	Employee representative
Jan Vidar Grini	2001	Employee representative
Øivind Lund	2000	Country Manager ABB, Turkey.
Gisele Marchand	2002	Member of the Board of GIEK (Garanti instituttet for eksport kreditt) and GK Kredittforsikring AS.

Board remuneration is fixed annually by the Corporate Assembly. As from May 2003 the Chairman of the Board of Directors receives a fixed annual remuneration of NOK240,000, the Deputy Chairman receives NOK175,000 and the other members of the Board each receive NOK140,000 annually. Deputy members receive a remuneration of NOK4,500 per meeting attended. Total remuneration paid to the Board of Directors in 2002 amounted to NOK1,824,000.

Corporate Management

The following table sets out certain information regarding our corporate management, including their places of residence.

Name	Title	Resident of
Jan Reinås	President and Chief Executive Officer	Lysaker, Norway
Jan A. Oksum	Senior Vice President, Corporate Strategy and Deputy CEO	Oslo, Norway
Jan L. Kildal	Senior Vice President, Corporate Finance and Chief Financial Officer	Hvalstad, Norway
Rolf Negård	Senior Vice President, Corporate Human Resources and Organization	Oslo, Norway
Hanne Aaberg	Senior Vice President, Corporate Communication	Jar, Norway
Claes-Inge Isacson	Senior Vice President, Production	Stabekk, Norway
Jarle Dragvik	Senior Vice President, Sales & Marketing	Asker, Norway
Ketil Lyng	Senior Vice President, Supply & Logistics	Asker, Norway
Rob Lord	Executive Vice President, Norske Skog Australasia	Sydney, Australia
Vidar Lerstad	Executive Vice President, Norske Skog South America	Curitiba, Brazil

Jan Reinås. Mr. Reinås has been employed by us since 1994. In 1970 he graduated with a degree in business economics, with an additional qualification in planning, rationalization and logistics, and subsequently completed the executive MBA program at INSEAD. Mr. Reinås worked at a number of transport firms in Norway before joining the airline, SAS in 1987, becoming Managing Director of SAS Norway in 1990 and the SAS group's Chief Executive Officer in 1993. Mr. Reinås is a member of the Board of Directors of the Schibsted Group, a member of the Supervisory Board of SAS and a member of the Board of the Confederation of European Paper Industry. Mr. Reinås has also been Chairman of Sparebanken Midt-Norge, the national Norwegian Postal Administration and the Norwegian State Railways.

Jan A. Oksum. Mr. Oksum has been employed by us since 1979. Mr. Oksum graduated from the Norwegian Institute of Technology with a masters' degree in pulp and paper technology. In 1974 he became a research associate at the Pulp and Paper Research Institute of Norway. In 1979 Mr. Oksum joined Norske Skog Skogn and worked as a process engineer, assistant production manager and production manager. In 1986 he joined our Golbey newsprint mill in France where he worked as technical manager and then general manager, before being appointed a Vice President in our corporate research and development division in 1997. Mr. Oksum was appointed Senior Vice President of what was then our area pulp and magazine paper division in 1997 and Executive Vice President of our business development division in 1999. Following our reorganization, Mr. Oksum became responsible for our business area, Partially Owned Companies.

Jan L. Kildal. Mr. Kildal has been employed by us since 1995. Mr. Kildal graduated from the Norwegian School of Economics and Business Administration with a degree in business administration. Mr. Kildal joined Glomfjord Fabrikker, Norsk Hydro in 1976, where he worked as chief accountant, finance manager and human resources manager. In 1983, he became a department manager at Norsk Hydro and was appointed financial director of Denofa Lilleborg in 1985. In 1989, Mr. Kildal became financial director and Chief Financial Officer at Orkla, joining us as Chief Financial Officer in 1995. Mr. Kildal is also a Board member of Storebrand Livsforsikring AS and a deputy member of the Board of Representatives of both Storebrand and Den Norske Bank.

Rolf Negård. Mr. Negård has been employed by us since 1994. Mr. Negård holds a law degree from Oslo University. Prior to joining Norske Skog, Mr. Negård was a lawyer and negotiating manager with the Federation of Norwegian Process Industries from 1990 to 1994. In 1994, Mr. Negård joined Norske Skog as human resources manager. Mr. Negård was human resources director from 1996-2002, becoming Senior Vice President of our human resources and organization division in 2002.

Hanne Aaberg. Ms. Aaberg joined Norske Skog as chief information officer in 1997. Prior to joining Norske Skog, Ms. Aaberg was chief information officer for the Norwegian Shipowners' Association from 1988 to 1997. She holds a bachelor degree in journalism and public affairs from San Diego State University. In 2000, Ms. Aaberg became Senior Vice President, corporate communication of Norske Skog.

Claes-Inge Isacson. Mr. Isacson was employed by us between 1989 and 1997 and rejoined us in 1999. Mr. Isacson graduated from Chalmers Institute of Technology, Gothenburg with a sciences degree. From 1972 he held several senior positions at Stora Publication Paper, before becoming a consultant with Jaakko Pöyry (in the U.S. and in Sweden) in 1982. In 1989, Mr. Isacson worked as project director for Golbey newsprint mill in France and became mill director at Norske Skog Tofte in 1992. In 1994, Mr. Isacson became Executive Vice President of the pulp/magazine division, before becoming Executive Vice President at Stora Publication Paper in 1998. In 1999 Mr. Isacson became Executive Vice President of our business development division.

Jarle Dragvik. Mr. Dragvik graduated from the Norwegian School of Management. He has been with Norske Skog since 1986. Prior to joining Norske Skog, he was marketing manager of Singer Products, Co., U.S.A. Mr. Dragvik has held a number of positions with Norske Skog including; director of administration Norske Skog (U.S.A.) Inc, area director and managing director of Visma ASA, mill manager Norske Skog Bruck 1999-2002. He has been in his current position since 2002.

Ketil Lyng. Mr. Lyng has been employed by Norske Skog since 1985. He holds a law degree from Oslo University. Prior to joining Norske Skog, Mr. Lyng worked for the Consumer Council from 1983 to 1985. At Norske Skog, Mr. Lyng has held positions as legal advisor, deputy managing director, Vice President, human relations and organization, Managing director Norske Skog Golbey and director, strategy and business development. He has been in his current position as Senior Vice President, Supply & Logistics since 2002.

Rob Lord. Mr. Lord is Executive Vice President, Norske Skog Australasia. He has been employed by Norske Skog since 2000. He received a Bachelor of Science degree from Waikato University, New Zealand in 1979 and a Master of Business Administration degree from Canterbury University in New Zealand in 1987. Prior to joining Norske Skog, Mr. Lord held various positions within the Fletcher Challenge Paper group of companies. He was Director of Marketing and Sales for Fletcher Challenge Paper (Australasia) from 1998-2000 and was Director of paper marketing for Tasman Pulp and Paper Co. Ltd from 1996 to 1998. Mr. Lord has also held positions as Marketing Manager for Paper Tasman Pulp and Paper Co. Ltd and National Sales Manager for Australian Newsprint Mills Ltd. Mr. Lord has been in his current position since 2003 and previously held the position of Vice President of Marketing and sales for Norske Skog Australasia.

Vidar Lerstad. Mr. Lerstad has been employed by Norske Skog since 1989. In 1970, Mr. Lerstad graduated from the Norwegian School of Economics and Business Administration with an MBA. From 1970-1974, Mr. Lerstad worked for Norsk Hydro and in 1975 he became an adviser and commercial attaché with the Norwegian Trade Council in Oslo and Brussels. Mr. Lerstad joined Tandberg in 1980, before leaving to join Ciments du Togo Scancem, West Africa as Managing Director in 1984. In 1989 Mr. Lerstad became Managing Director of our Golbey newsprint mill in France, before becoming Managing Director responsible for sales in 1994. Mr. Lerstad became Senior Vice President of our sales and marketing division in 1996, before becoming President of what was then known as area international in 1999. Mr. Lerstad was President of our Asian operations until November 2001. In February 2002, he became President of our South American operations and is currently Executive Vice President, South America.

Nomination Committee

The Nomination Committee is comprised of four members consisting of the Chairman of the Corporate Assembly and three members elected by the general meeting. Currently, the Nomination Committee consists of Ivar B. Korsbakken, Idar Kreutzer, Bjørn Kristoffersen and Helge Evju. The Nomination Committee is chaired by the Chairman of the Corporate Assembly and each member is elected for a one year term. The responsibilities of this committee are the selection and nomination of members to the Corporate Assembly and the Board of Directors. It also presents proposals to the Corporate Assembly regarding fees for serving on the Corporate Assembly and Board of Directors.

Terms and Conditions of the Notes

The following (subject to completion and amendment) is the text of the Terms and Conditions of the Notes, which (except for text in italics) will be endorsed on each note and, unless otherwise indicated, is applicable to both the 2015 Notes and the 2033 Notes.

For the 2015 Notes:

The U.S.$200,000,000 6.125% Notes due 2015 (the ''Notes'', which expression includes any further notes issued pursuant to Condition 15 (*Further issues*) and forming a single series therewith) of Norske Skogindustrier ASA (the ''Issuer'') are the subject of a fiscal agency agreement dated October 2, 2003 (as amended or supplemented from time to time, the ''Agency Agreement'') between the Issuer, JPMorgan Chase Bank, as fiscal agent (the ''Fiscal Agent''), JPMorgan Chase Bank, as registrar (the ''Registrar'') and the paying agents named therein (together with the Fiscal Agent, the ''Paying Agents'') and the transfer agents (the ''Transfer Agents''). The Registrar, Paying Agents and Transfer Agents are together referred to as the ''Agents'', which expression and each of which definitions encompassed thereby include any successor agents appointed in these capacities from time to time in connection with the Notes. Certain provisions of these Conditions are summaries of the Agency Agreement and subject to its detailed provisions. The holders of the Notes (the ''Noteholders'') are bound by, and are deemed to have notice of, all the provisions of the Agency Agreement applicable to them. Copies of the Agency Agreement are available for inspection during normal business hours at the Specified Offices (as defined in the Agency Agreement) of each of the Paying Agents, the initial Specified Offices of which are set out below.

For the 2033 Notes:

The U.S.$200,000,000 7.125% Notes due 2033 (the ''Notes'', which expression includes any further notes issued pursuant to Condition 15 (*Further issues*) and forming a single series therewith) of Norske Skogindustrier ASA (the ''Issuer'') are the subject of a fiscal agency agreement dated October 2, 2003 (as amended or supplemented from time to time, the ''Agency Agreement'') between the Issuer, JPMorgan Chase Bank, as fiscal agent (the ''Fiscal Agent''), JPMorgan Chase Bank, as registrar (the ''Registrar'') and the paying agents named therein (together with the Fiscal Agent, the ''Paying Agents'') and the transfer agents (the ''Transfer Agents''). The Registrar, Paying Agents and Transfer Agents are together referred to as the ''Agents'', which expression and each of which definitions encompassed thereby include any successor agents appointed in these capacities from time to time in connection with the Notes. Certain provisions of these Conditions are summaries of the Agency Agreement and subject to its detailed provisions. The holders of the Notes (the ''Noteholders'') are bound by, and are deemed to have notice of, all the provisions of the Agency Agreement applicable to them. Copies of the Agency Agreement are available for inspection during normal business hours at the Specified Offices (as defined in the Agency Agreement) of each of the Paying Agents, the initial Specified Offices of which are set out below.

1. Form, Denomination and Status

(a) *Form and Denomination:* The Notes are in registered form in denominations of U.S.$1,000. Notes may be held in holdings of U.S.$1,000 and integral multiples of U.S.$1,000 (each an ''Authorized Holding'').

(b) *Status:* The Notes constitute direct, general and unconditional obligations of the Issuer which will at all times rank *pari passu* in right of payment without preference among themselves and *pari passu* with all other present and future unsubordinated obligations of the Issuer, except for such obligations as may be preferred by provisions of law that are both mandatory and of general application.

2. Register, Title and Transfers

(a) *Register:* The Registrar will maintain a register (the ''Register'') in respect of the Notes in accordance with the provisions of the Agency Agreement. In these Conditions, the ''Holder'' of a Note means the person in whose name such Note is for the time being registered in the Register (or, in the case of a joint holding, the first named thereof) and ''Noteholder'' shall be construed accordingly. A certificate (each, a ''Note Certificate'') will be issued to each Noteholder in respect of its registered holding.

(b) *Title:* The Holder of each Note shall (except as otherwise required by law) be treated as the absolute owner of such Note for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any other interest therein, any writing on the Note Certificate relating thereto (other than the endorsed form of transfer) or any notice of any previous loss or theft of such Note Certificate) and no person shall be liable for so treating such Holder.

(c) *Transfers*: Subject to Conditions 2(f) (*Closed periods*) and 2(g) (*Regulations concerning transfers and registration*), a Note may be transferred upon surrender of the relevant Note Certificate, with the endorsed form of transfer duly completed, at the Specified Office of the Registrar or any Transfer Agent, together with such evidence as the Registrar or (as the case may be) such Transfer Agent may reasonably require to prove the title of the transferor and the authority of the individuals who have executed the form of transfer; *provided, however,* that a Note may not be transferred unless the principal amount of Notes transferred and (where not all of the Notes held by a Holder are being transferred) the principal amount of the balance of Notes not transferred are Authorized Holdings. Where not all the Notes represented by the surrendered Note Certificate are the subject of the transfer, a new Note Certificate in respect of the balance of the Notes will be issued to the transferor.

(d) *Registration and Delivery of Note Certificates:* Within five business days of the surrender of a Note Certificate in accordance with Condition 2(c) (*Transfers*), the Registrar will register the transfer in question and deliver a new Note Certificate of a like principal amount to the Notes transferred to each relevant Holder at its Specified Office or (as the case may be) the Specified Office of any Transfer Agent or (at the request and risk of any such relevant Holder) by uninsured first class mail (airmail if overseas) to the address specified for the purpose by such relevant Holder. In this Condition 2(d), ''business day'' means a day on which commercial banks are open for general business (including dealings in foreign currencies) in the city where the Registrar or (as the case may be) the relevant Transfer Agent has its Specified Office.

(e) *No Charge:* The transfer of a Note will be effected without charge by or on behalf of the Issuer, the Registrar or any Transfer Agent but against such indemnity as the Registrar or (as the case may be) such Transfer Agent may require in respect of any tax or other duty of whatsoever nature which may be levied or imposed in connection with such transfer.

(f) *Closed Periods:* Noteholders may not require transfers to be registered during the period of 15 days ending on the due date for any payment of principal or interest in respect of the Notes.

(g) *Regulations Concerning Transfers and Registration:* All transfers of Notes and entries on the Register are subject to the detailed regulations concerning the transfer of Notes scheduled to the Agency Agreement. The regulations may be changed by the Issuer with the prior written approval of the Registrar and the Transfer Agent. A copy of the current regulations will be mailed (free of charge) by the Registrar or any Transfer Agent to any Noteholder who requests in writing a copy of such regulations.

3. Limitation on Liens

So long as any Note remains outstanding, the Issuer shall not, and shall not permit any Material Subsidiary to, create, incur or assume any Indebtedness secured by any Lien on any property, without making effective provision whereby the Notes (together with, if the Issuer shall so determine, any other Indebtedness of the Issuer or such Material Subsidiary then existing or thereafter created which is not subordinate to the Notes) will be secured equally and ratably with (or, at the option of the Issuer or such Material Subsidiary, prior to) such Indebtedness. Notwithstanding the above, the foregoing limitations will not apply to the following Liens (each a ''Permitted Lien''):

(a) Liens existing prior to the date of the Agency Agreement (each such Lien, an ''Existing Lien'');

(b) Liens created in connection with an acquisition or the development of property or assets acquired or developed after the date of the Agency Agreement, *provided,* that any such Lien shall be restricted solely to such property or assets and that any such Lien shall be created within 180 days of the acquisition or development of such property or assets (each such Lien, a ''Purchase Money Lien'');

(c) any Lien existing on (i) any property of any entity at the time such entity becomes a Material Subsidiary or (ii) any property at the time such property is acquired by the Issuer or a Material Subsidiary, but only, in the case of either (i) or (ii), if and so long as (A) such Lien was not created in contemplation of such entity becoming a Material Subsidiary or such property being acquired, and (B) such Lien is and shall remain confined to the property subject to it at the time such entity becomes a Material Subsidiary or such property is acquired and to fixed improvements thereafter erected on such property (each such Lien, a ''Pre-Acquisition Lien'');

(d) Liens which replace or renew Existing Liens, Purchase Money Liens or Pre-Acquisition Liens in connection with a refinancing of the Indebtedness secured thereby, *provided* that any such Liens which replace or renew Existing Liens, Purchase Money Liens or Pre-Acquisition Liens shall not secure Indebtedness in an aggregate principal amount exceeding such existing secured Indebtedness or attach to assets other than those to which the related Existing Liens, Purchase Money Liens or Pre-Acquisition Liens, as the case may be are attached;

(e) Liens granted or arising in connection with any securitization or receivables sale financing in respect of any of the Issuer's or any Material Subsidiary's revenues, receivables, or other assets involving the issuance of securities or obligations on commercially reasonable terms to investors unaffiliated with the Issuer;

(f) Liens created by the Issuer or any Material Subsidiary over cash or marketable securities deposited with the holder of that Lien in order to secure any extension of credit, in an amount equivalent to the amount deposited, made by the holder of that Lien, or another

Person for whom that holder acts as a trustee or agent, to the Issuer or to any Material Subsidiary;

(g) rights of banks or other financial institutions to set off deposits against debts the Issuer or a Material Subsidiary owes to such banks or financial institutions;

(h) any Lien created in connection with an acquisition of: (i) an interest in an asset as lessee (whether pursuant to a finance lease or other lease, which lease shall not constitute a Lien for the purposes of the definition thereof), which asset prior to the acquisition was, or pursuant to the terms of the relevant lease will become, owned by the Issuer or a Material Subsidiary, for the purpose of providing a tax benefit to someone other than the Issuer or a Material Subsidiary and passing the value of such tax benefit (or part of it) on to the Issuer or a Material Subsidiary provided that the aggregate principal, capital or nominal amount secured in reliance on this sub-clause (i) for the purposes of any one acquisition of an interest in an asset must not exceed 100% of the amount of any liabilities (whether actual or contingent) incurred an on arm's length basis by the Issuer or the relevant Material Subsidiary pursuant to the relevant lease or (ii) an interest in an asset as lessor (whether pursuant to a finance lease or other lease, which lease shall not constitute a lien for the purposes of definition thereof), which asset prior to the acquisition was not owned by the Issuer or a Material Subsidiary, for the purpose of providing a tax benefit to the Issuer or a Material Subsidiary, provided that such Lien is created over the asset (or interest in it) acquired, in which case the principal, capital or nominal amount secured must not exceed 100% of the cost of the acquisition;

(i) Liens arising in relation to any Project Finance Debt; and

(j) Liens securing other Indebtedness not exceeding in aggregate principal amount at any time of determination an amount equal to 15% of the Issuer's Consolidated Net Tangible Assets.

In these Conditions:

''Consolidated Net Tangible Assets'' means the aggregate amount of the Issuer's consolidated total assets, after deducting therefrom: (a) all liabilities due within one year (other than (i) short-term borrowings and (ii) the current portions of long-term loans) and (b) all formation expenses, intangible rights, goodwill, goodwill on consolidation, trade names, trademarks, patents and other like intangible assets, as shown on the Issuer's most recent consolidated balance sheet.

''Indebtedness'' means any indebtedness (whether as principal, guarantor or surety) for or in respect of money borrowed (including amounts raised under any acceptance credit, bills, bonds, debentures and similar securities and finance leases arranged primarily to raise finance), but excluding in each case any such indebtedness (a) arising for or in respect of assets or services acquired or sold in the ordinary course of business (except to the extent it would be treated as a loan, overdraft or obligation under a finance lease in the audited consolidated annual accounts of the Issuer) or (b) owed by the Issuer or any Material Subsidiary, as the case may be, to the Issuer or any Subsidiary of the Issuer.

''Lien'' means any mortgage or deed of trust, pledge, hypothecation, assignment, deposit arrangement, security interest, lien, charge, encumbrance, preference, priority or other security agreement or preferential arrangement of any kind, including any finance lease, conditional sale or other title retention agreement having substantially the same economic effect as any of the foregoing.

''Material Subsidiary'' at the relevant time means on the basis of either (a) the most recent audited consolidated accounts of the Issuer or (b) if unaudited quarterly financial statements of the Issuer are available for any period subsequent to the most recent audited consolidated accounts, such quarterly financial statements:

(i) any Subsidiary whose total consolidated assets represent at least 10% of the total consolidated assets of the Issuer; or

(ii) any Subsidiary whose total consolidated net sales represent at least 10% of the total consolidated net sales of the Issuer; or

(iii) any other Subsidiary to which is transferred either (A) all or substantially all of the assets of another Subsidiary which immediately prior to the transfer was a Material Subsidiary or (B) sufficient assets of the Issuer that such Subsidiary would have been a Material Subsidiary had the transfer occurred on or before either (a) the date of the most recent audited consolidated accounts of the Issuer or (b) if unaudited quarterly financial statements of the Issuer are available for any period subsequent to the most recent audited consolidated accounts, such quarterly financial statements.

''Person'' means any individual, company, corporation, firm, partnership, joint venture, association, organization, state or agency of a state or other entity, whether or not having separate legal personality.

''Project Finance Debt'' means any Indebtedness incurred in relation to any asset solely for purposes of financing the whole or any part of the acquisition, creation, construction, improvement or development of such asset where the financial institutions to whom such Indebtedness is owed have recourse solely to the applicable project borrower (where such project borrower is formed solely or principally for the purpose of the relevant project) and/or to such asset (or any derivative asset thereof) or any similar non-recourse Indebtedness.

''Subsidiary'' of any Person means any corporation, association, partnership or other business entity of which more than 50% of the total voting power of shares of Voting Stock or other interests (including partnership interests) entitled (without regard to the occurrence of any contingency) to vote in the election of directors, managers or trustees thereof is at the time owned or controlled directly or indirectly by such Person or one or more Subsidiaries of such Person. For the purposes of this definition, ''Voting Stock'' of any Person means any and all shares, interests, rights to purchase, warrants, options, participations or other equivalents of or interests in (however designated) equity of such Person.

4. Limitation on Sale and Leaseback Transactions

The Issuer shall not, and shall not permit any Material Subsidiary to enter into any Sale and Leaseback Transaction unless (a) the Issuer or that Material Subsidiary would be entitled, pursuant to the provisions of Condition 3 (*Limitation on Liens*) to incur Indebtedness in a principal amount equal to or exceeding the value of such Sale and Leaseback Transaction, secured by a Lien on the property or assets to be leased, without equally and ratably securing the Notes, (b) during the 12-month period after the effective date of such Sale and Leaseback Transaction, the Issuer and the Material Subsidiaries shall have expended for assets used or to be used in the ordinary course of their business (including amounts expended for acquisition or development thereof and for addition, expansions, alterations, repairs and improvements thereto) an amount equal to all or a portion of the net proceeds of such Sale and Leaseback Transaction, with any net proceeds not so utilized being applied as set forth in clause (c), or (c) during the 12-month period after the effective date of such Sale and Leaseback Transaction (whether made by the Issuer or one of the Material Subsidiaries), the Issuer applies to the voluntary retirement of its Indebtedness maturing by its terms more than one year after the original creation thereof (''Funded Debt'') an amount equal to the value of the Sale and Leaseback Transaction, less an amount equal to the sum of (i) the principal amount of Notes delivered, within 12 months after the effective date of such transaction, to the Fiscal Agent for retirement and cancellation and (ii) the principal amount of other Funded Debt voluntarily repaid by the Issuer or a Material Subsidiary within such 12 month period, in each case, excluding retirements of Notes and other Funded Debt as a result of conversions or pursuant to mandatory sinking fund or mandatory prepayment provisions or by payment at maturity.

In this Condition, ''Sale and Leaseback Transaction'' means an arrangement with any lender or investor whereby that lender or investor leases to the Issuer or one of the Material Subsidiaries for a period of more than three years any property or assets that have been sold by the Issuer or one of the Material Subsidiaries to that lender or investor or to another person to whom that lender or investor has advanced funds on the security of the leased property or assets.

5. Consolidation, Merger or Sale

The Issuer shall not, in a single transaction or series of related transactions, directly or indirectly, consolidate or merge with or into any Person, or sell, assign, transfer, lease, convey or otherwise dispose of all or substantially all of the Issuer's properties and assets (determined on a consolidated basis for the Issuer), to any Person unless:

(a) either:

(i) the Issuer shall be the surviving or continuing corporation, or

(ii) the Person (if other than the Issuer) formed by such consolidation or into which the Issuer is merged or the Person which acquires by sale, assignment, transfer, lease, conveyance or other disposition the properties and assets of the Issuer substantially as an entirety (the ''Successor Entity''):

(A) shall be a corporation organized and validly existing under the laws of a jurisdiction in a country that is a member of the Organization for Economic Cooperation and Development and, if such Person is organized and validly existing under the laws of a jurisdiction other than the Kingdom of Norway (a ''Successor Jurisdiction''), agrees to assume the Issuer's obligations under the Notes to pay additional amounts as provided in the Agency Agreement, substituting the Successor Jurisdiction for the Kingdom of Norway each place that it appears in the Agency Agreement; and

(B) shall expressly assume in an agreement (in form and substance satisfactory to the Fiscal Agent), the due and punctual payment of the principal of, and premium, if any, and interest on all of the Notes and the performance and observance of every covenant of the Notes, these Conditions and the Agency Agreement on the part of the Issuer to be performed or observed;

(b) immediately before and immediately after giving effect to such transaction and the assumption contemplated by Condition (a)(ii)(B) (including, without limitation, giving effect on a pro forma basis to any Indebtedness incurred or anticipated to be incurred and any

Lien granted in connection with or in respect of the transaction), no Event of Default shall have occurred or be continuing and no event or condition shall have occurred which is or with the lapse of time or the giving of notice or both, would be an Event of Default; and

(c) the Issuer or the Successor Entity shall have delivered to the Fiscal Agent an officers' certificate and an opinion of counsel, each stating that the consolidation, merger, sale, assignment, transfer, lease, conveyance or other disposition and, if required in connection with such transactions, an amendment to the Agency Agreement, comply with the applicable provisions of these Conditions and the Agency Agreement and that all conditions precedent in these Conditions relating to the transaction have been satisfied.

Upon any consolidation, combination or merger or any transfer of all or substantially all of the properties and assets of the Issuer in accordance with this condition, in which the Issuer is not the continuing corporation, the Successor Entity formed by such consolidation or into which the Issuer is merged or to which such conveyance, lease or transfer is made shall succeed to, and be substituted for, and may exercise every right and power of, the Issuer under the Agency Agreement and the Notes with the same effect as if such Successor Entity had been named as such.

6. Interest

For the 2015 Notes:

The Notes bear interest from October 2, 2003 (the ''Issue Date''), at the rate of 6.125% per annum, (the ''Rate of Interest''), payable semi-annually in arrears on April 15 and October 15 in each year (each, an ''Interest Payment Date''), commencing on April 15, 2004, subject as provided in Condition 8 (*Payments*).

Each Note will cease to bear interest from the due date for redemption unless, upon due presentation, payment of principal is improperly withheld or refused, in which case it will continue to bear interest at such rate (both before and after judgment) until whichever is the earlier of (a) the day on which all sums due in respect of such Note up to that day are received by or on behalf of the relevant Noteholder and (b) the day which is five days after the Fiscal Agent has notified the Noteholders that it has received all sums due in respect of the Notes up to such fifth day (except to the extent that there is any subsequent default in payment).

For the 2033 Notes:

The Notes bear interest from October 2, 2003 (the ''Issue Date''), at the rate of 7.125% per annum, (the ''Rate of Interest''), payable semi-annually in arrears on April 15 and October 15 in each year (each, an ''Interest Payment Date''), commencing on April 15, 2004, subject as provided in Condition 8 (*Payments*).

Each Note will cease to bear interest from the due date for redemption unless, upon due presentation, payment of principal is improperly withheld or refused, in which case it will continue to bear interest at such rate (both before and after judgment) until whichever is the earlier of (a) the day on which all sums due in respect of such Note up to that day are received by or on behalf of the relevant Noteholder and (b) the day which is five days after the Fiscal Agent has notified the Noteholders that it has received all sums due in respect of the Notes up to such fifth day (except to the extent that there is any subsequent default in payment).

7. Redemption and Purchase

For the 2015 Notes:

(a) *Scheduled Redemption:* Unless previously redeemed, or purchased and cancelled, the Notes will be redeemed at their principal amount on October 15, 2015, subject as provided in Condition 8 (*Payments*).

(b) *Optional Redemption:* The Notes shall be subject to redemption, in whole or in part, at the option of the Issuer at any time, at a redemption price equal to the greater of (i) 100% of the principal amount of the Notes to be redeemed plus accrued but unpaid interest, if any, to the date of redemption and (ii) the sum of the Remaining Scheduled Payments thereon discounted to the Redemption Date on a semi-annual basis (assuming a 360-day year consisting of twelve 30-day months) at the rate equal to the U.S. Treasury Rate plus 40 basis points plus accrued but unpaid interest, if any, to the date of redemption.

For the 2033 Notes:

(a) *Scheduled Redemption:* Unless previously redeemed, or purchased and cancelled, the Notes will be redeemed at their principal amount on October 15, 2033, subject as provided in Condition 8 (*Payments*).

(b) *Optional Redemption:* The Notes shall be subject to redemption, in whole or in part, at the option of the Issuer at any time, at a redemption price equal to the greater of (i) 100% of the principal amount of the Notes to be redeemed plus accrued but unpaid interest, if any, to the date of redemption and (ii) the sum of the Remaining Scheduled Payments thereon discounted to the Redemption Date on a semi-annual basis (assuming a 360-day year consisting of twelve 30-day months) at the rate equal to the U.S. Treasury Rate plus 45 basis points plus accrued but unpaid interest, if any, to the date of redemption.

For the 2015 Notes and the 2033 Notes:

Any redemption made by the Issuer pursuant to this Condition 7(b) is hereinafter referred to as an ''Optional Redemption''.

If the Issuer exercises an Optional Redemption, the following shall apply, as applicable.

(i) *Selection of Notes to be Redeemed in Part:*

(A) If the Issuer is not redeeming all outstanding Notes, the Fiscal Agent shall select the Notes to be redeemed by lot or in another fair and reasonable manner chosen at the discretion of the Fiscal Agent. The Fiscal Agent shall make the selection from the outstanding Notes not previously called for redemption. The Fiscal Agent shall promptly notify the Issuer in writing of the Notes selected for redemption and, in the case of any Notes selected for partial redemption, the principal amount of the Notes to be redeemed. In the event of a partial redemption by lot, the Fiscal Agent shall select the particular Notes to be redeemed not less than 30 nor more than 60 days prior to the relevant Redemption Date from the outstanding Notes not previously called for redemption. The Issuer may redeem Notes in denominations of U.S.$1,000 only in whole. The Fiscal Agent may select for redemption portions (equal to U.S.$1,000 or any integral multiple of U.S.$1,000) of the principal of Notes that have denominations larger than U.S.$1,000;

(B) For all purposes of these Conditions, unless the context otherwise requires, all provisions relating to Optional Redemption shall relate, in the case of any Note redeemed or to be redeemed only in part, to the portion of the principal amount of that Note which has been or is to be redeemed.

(ii) *Unredeemed Portions of a Partially Redeemed Note:* Upon surrender of a Note that is to be redeemed in part, the Issuer shall execute, and the Fiscal Agent shall authenticate and make available for delivery to the Noteholder of the Note at the expense of the Issuer, a new Note or Notes, of any authorized denomination as requested by the Noteholder, in an aggregate principal amount equal to, and in exchange for, the unredeemed portion of the principal of the Note surrendered, provided that each new Note will be in a principal amount of U.S.$1,000 or integral multiple of U.S.$1,000.

In this Condition:

''business day'' means any day on which banks are open for general business (including dealings in foreign currencies) in New York City and, in the case of surrender of a Note Certificate, in the place in which the Note Certificate is surrendered;

''Comparable Treasury Issue'' means the United States Treasury security selected by the Independent Investment Banker as having a maturity comparable to the remaining term of the Notes that would be utilized, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities of comparable maturity to the remaining term of the Notes;

''Comparable Treasury Price'' means the average of three Reference Treasury Dealer Quotations obtained by the Fiscal Agent for the Redemption Date;

''Independent Investment Banker'' means J. P. Morgan Securities Inc.;

''Redemption Date'' means, with respect to any redemption of Notes, the date of redemption with respect thereto;

''Reference Treasury Dealers'' means each of Deutsche Bank Securities Inc. and J. P. Morgan Securities Inc. (in each case, so long as it continues to be a primary U.S. government securities dealer) and any two other primary U.S. government securities dealers chosen by the Issuer. If Deutsche Bank Securities Inc. or J. P. Morgan Securities Inc. ceases to be a primary U.S. government securities dealer, the Issuer shall appoint in place of such firm another nationally recognized investment banking firm that is a primary U.S. government securities dealer;

''Reference Treasury Dealer Quotation'' means the average, as determined by the Fiscal Agent, of the bid and asked prices for the Comparable Treasury Issue (expressed in each case as a percentage of its principal amount) quoted in writing to the Fiscal Agent by a Reference Treasury Dealer at 3:30 p.m., New York City time on the third business day preceding the Redemption Date;

''Remaining Scheduled Payments'' means the remaining scheduled payments of the principal and interest that would be due after the Redemption Date of a Note if that Note were not redeemed; however, if the Redemption Date is not a scheduled interest payment date, the amount of the next succeeding scheduled interest payment on that Note will be reduced by the amount of interest accrued on such Note to such Redemption Date;

"Treasury Rate" means an annual rate equal to the semi-annual equivalent yield to maturity of the Comparable Treasury Issue, assuming a price for the Comparable Treasury Issue (expressed as a percentage of its principal amount) equal to the Comparable Treasury Price (as defined below) for the Redemption Date; the semi-annual equivalent yield to maturity will be computed as of the third business day immediately preceding the Redemption Date.

(c) *Redemption for Tax Reasons:* The Notes may be redeemed at the option of the Issuer in whole, but not in part, at any time, on giving not less than 30 nor more than 60 days' notice to the Noteholders (which notice shall be irrevocable), at their principal amount, together with interest accrued to the date fixed for redemption, if the Issuer has or will become obliged to pay additional amounts as provided or referred to in Condition 9 (*Taxation*) as a result of any change in, or amendment to, the laws or regulations of the Kingdom of Norway or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations (including a holding by a court of competent jurisdiction), which change or amendment becomes effective on or after September 29, 2003, *provided, however,* that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer would be obliged to pay such additional amounts if a payment in respect of the Notes were then due.

Any redemption made by the Issuer pursuant to this Condition 7(c) is hereinafter referred to as a ''Tax Redemption''.

(d) *Election to Redeem:* Prior to the publication of any notice of redemption pursuant to this Condition 7, the Issuer shall deliver or procure that there is delivered to the Fiscal Agent:

(i) a certificate signed by two directors of the Issuer stating that the Issuer is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Issuer so to redeem have occurred; or

(ii) an opinion of independent legal advisers of recognized standing to the effect that (A) the Issuer's election to exercise an Optional Redemption or a Tax Redemption has been duly authorized and (B) in the case of a Tax Redemption, the Issuer has or will become obliged to pay the additional amounts referred to in Condition 7(c) as a result of such change or amendment.

The Fiscal Agent shall be entitled to accept such certificate as sufficient evidence of the circumstances set out in (b) and (c) above, in which event they shall be conclusive and binding on the Noteholders. Upon the expiry of any such notice as is referred to in this Condition 7(d), the Issuer shall be bound to redeem the Notes in accordance with this Condition 7(d).

(e) *Notice of Redemption:*

(i) The Issuer shall give or cause the Fiscal Agent to give notice of redemption, in the manner provided for in Condition 16 (*Notices*), not less than 30 nor more than 60 days prior to the Redemption Date, to each Noteholder of Notes to be redeemed.

(ii) If either (i) the Issuer is not redeeming all outstanding Notes under Condition 7(b) (*Optional Redemption*) or (ii) the Issuer elects to have the Fiscal Agent give notice of redemption, then the Issuer shall deliver to the Fiscal Agent, at least 45 days prior to the Redemption Date (unless the Fiscal Agent is satisfied with a shorter period), an officers' certificate requesting that the Fiscal Agent select the Notes to be redeemed and/or give notice of redemption and setting forth the information required by and, if applicable, confirming that the requirements of Condition 7(d) (*Election to Redeem*) have been satisfied (with the exception of the identification of the particular Notes, or portions of the particular Notes, to be redeemed in the case of a partial redemption). If the Issuer elects to have the Fiscal Agent give notice of redemption, the Fiscal Agent shall give the notice in the name of the Issuer and at the Issuer's expense.

(iii) All notices of redemption shall state:

(A) the Redemption Date,

(B) the redemption price and the amount of any accrued interest payable as provided in Condition 7(f) (*Notes Payable on Redemption Date*),

(C) whether the Issuer is exercising an Optional Redemption or a Tax Redemption,

(D) if the Issuer is exercising an Optional Redemption, whether or not the Issuer is redeeming all outstanding Notes,

(E) if the Issuer is not redeeming all outstanding Notes in an Optional Redemption, (1) the aggregate principal amount of Notes that the Issuer is redeeming and the aggregate principal amount of Notes that will be outstanding after the partial redemption, as well as the identification of the particular Notes, or portions of the particular Notes, that the Issuer is redeeming, and (2) that on and after the Redemption Date, upon surrender of any partially redeemed Note, the Noteholder will receive, without charge, a new Note or Notes of authorized denominations for the principal amount of the Note remaining unredeemed,

(F) that on the Redemption Date the redemption price and any accrued interest payable to the Redemption Date as provided in Condition 7(f) (*Notes Payable on Redemption Date*) will become due and payable in respect of each Note, or the portion of each Note, to be redeemed, and, unless the Issuer defaults in making the redemption payment, that interest on each Note, or the portion of each Note, to be redeemed, will cease to accrue on and after the Redemption Date,

(G) the place or places where a Noteholder must surrender their Note Certificates for payment of the redemption price, and

(H) the CUSIP or ISIN number, if any, listed in the notice or printed on the Notes, and that no representation is made as to the accuracy or correctness of such CUSIP or ISIN number.

(f) *Notes Payable on Redemption Date:* If the Issuer, or the Fiscal Agent on behalf of the Issuer, gives notice of redemption in accordance with this Condition 7 (*Redemption and Purchase*), the Notes, or the portions of Notes, called for redemption, shall, on the Redemption Date, become due and payable at the redemption price specified in the notice (together with accrued interest, if any, to the Redemption Date), and from and after the Redemption Date (unless the Issuer shall default in the payment of the redemption price and accrued interest) the Notes or the portions of Notes so redeemed shall cease to bear interest. Upon surrender of any Note for redemption in accordance with the notice, the Issuer shall pay the Notes at the redemption price, together with accrued interest, if any, to the Redemption Date (subject to the rights of Noteholders of record on the relevant record date to receive interest due on the relevant Interest Payment Date). If the Issuer shall fail to pay any Note called for redemption upon its surrender for redemption, the principal shall, until paid, bear interest from the Redemption Date at the rate borne by the Notes. All Notes redeemed by the Issuer in accordance with this

Condition 7 (*Redemption and Purchase*) shall be surrendered to any Paying Agent for cancellation.

(g) *No Other Redemption:* The Issuer shall not be entitled to redeem the Notes otherwise than as provided in Conditions 7(a) (*Scheduled redemption*) through 7(c) (*Redemption for tax reasons*).

(h) *Purchase:* The Issuer, or any of its affiliates, may at any time purchase Notes in the open market or otherwise and at any price provided, however, that neither the Issuer nor its affiliates may resell any of the Notes they have purchased pursuant to this paragraph (h) except in a transaction meeting the requirements of Regulation S under the United States Securities Act of 1933, as amended (*the ''Securities Act''*).

(i) *Cancellation:* All Notes surrendered by the Issuer or any of its Subsidiaries pursuant to Conditions 7(f) (*Notes payable on Redemption Date*) and 7(h) (*Purchase*) shall be cancelled and may not be reissued or resold.

8. Payments

(a) *Principal:* Payments of principal shall be made by U.S. dollar check drawn on, or, upon application by a Holder of a Note to the Specified Office of the Fiscal Agent not later than the fifteenth day before the due date for any such payment, by transfer to a U.S. dollar account maintained by the payee with, a bank in New York City and upon surrender of the relevant Note Certificates at the Specified Office of any Paying Agent.

(b) *Interest:* Payments of interest shall be made by U.S. dollar check drawn on, or upon application by a Holder of a Note to the Specified Office of the Fiscal Agent not later than the fifteenth day before the due date for any such payment, by transfer to a U.S. dollar account maintained by the payee with, a bank in New York City and upon surrender of the relevant Note Certificates at the Specified Office of any Paying Agent.

(c) *Payments Subject to Fiscal Laws:* All payments in respect of the Notes are subject in all cases to any applicable fiscal or other laws and regulations in the place of payment, but without prejudice to the provisions of Condition 9 (*Taxation*). No commissions or expenses shall be charged to the Noteholders in respect of such payments.

(d) *Payments on Business Days:* Where payment is to be made by transfer to a U.S. dollar account, payment instructions (for value the due date, or, if the due date is not a business day, for value the next succeeding business day) will be initiated and, where payment is to be made by U.S. dollar check, the check will be mailed (i) (in the case of payments of principal and interest payable on redemption) on the later of the due date for payment and the day on which the relevant Note Certificate is at the Specified Office of a Paying Agent and (ii) (in the case of payments of interest payable other than on redemption) on the due date for payment. A Holder of a Note shall not be entitled to any interest or other payment in respect of any delay in payment resulting from (A) the due date for a payment not being a business day or (B) a check mailed in accordance with this Condition 8 (*Payments*) arriving after the due date for payment or being lost in the mail.

(e) *Partial Payments:* If a Paying Agent makes a partial payment in respect of any Note, the Issuer shall ensure that the amount and date of such payment are noted on the Register and, in the case of a partial payment upon presentation of a Note Certificate, that a statement indicating the amount and the date of such payment is endorsed on the relevant Note Certificate.

(f) *Record Date:* Each payment in respect of a Note will be made to the person shown as the Holder in the Register at the opening of business in the place of the Registrar's Specified Office on the fifteenth day before the due date for such payment (the ''Record Date''). Where payment in respect of a Note is to be made by check, the check will be mailed to the address shown as the address of the Holder in the Register at the opening of business on the relevant Record Date.

9. Taxation

All payments of principal and interest in respect of the Notes by or on behalf of the Issuer shall be made free and clear of, and without withholding or deduction for, any taxes, duties, assessments or governmental charges of whatsoever nature imposed, levied, collected, withheld or assessed by the Kingdom of Norway or any political subdivision or any authority thereof or therein having power to tax (''Taxes''), unless such withholding or deduction is required by law or regulation of the Kingdom of Norway or any political subdivision or any authority thereof or therein having power to tax. In that event, the Issuer shall pay such additional amounts (''Additional Amounts'') as will result in the receipt by the Noteholders of such amounts as would have been received by them if no such withholding or deduction had been required, except that no such Additional Amounts shall be payable in respect of any Note presented for payment:

(a) any such Tax which would not have been so imposed but for the existence of any present or former connection between such holder (or between a fiduciary, settlor, beneficiary, member or shareholder of such holder, if such Noteholder is an estate, a trust, a partnership or a corporation) and the Kingdom of Norway or any political subdivision or any authority thereof or therein having power to tax, including, without limitation, such Noteholder (or such fiduciary, settlor, beneficiary, member or shareholder) being or having been a citizen or resident thereof or being or having been engaged in a trade or business or present therein or having, or having had, a permanent establishment therein; or

(b) any estate, inheritance, gift, sales, transfer or personal property tax or any similar Tax; or

(c) any Tax which is payable otherwise than by withholding from payments on or in respect of any Note; or

(d) any Tax which would not have been imposed but for the failure to comply with certification, information or other reporting requirements concerning the nationality, residence or identity of the Noteholder or beneficial holder of such Note, if such compliance is required by statute or by regulation of the Kingdom of Norway or of any political subdivision or any authority thereof or therein having power to tax as a precondition to relief or exemption from such Tax; or

(e) where such withholding or deduction is imposed on a payment to an individual and is required to be made pursuant to any European Union Directive on the taxation of savings implementing the conclusions of the European Union Economic and Finance Ministers (''ECOFIN'') Council Meeting of November 26-27, 2000 or any law implementing or complying with, or introduced in order to conform to, such Directive; or

(f) held by or on behalf of a Holder who would have been able to avoid such withholding or deduction by arranging to receive the relevant payment through another Paying Agent; or

(g) where (in the case of a payment of principal or interest on redemption) the relevant Note Certificate is surrendered for payment more than 30 days after the Relevant Date except to the extent that such withholding or deduction would have been imposed, and the relevant Holder would have been entitled to such Additional Amounts, if it had surrendered the relevant Note Certificate or received a payment on the last day of such period of 30 days.

In addition, no Additional Amounts shall be paid with respect to any payment on a Note to a Noteholder who is a fiduciary or partnership or other than the sole beneficial owner of such payment to the extent such payment would be required to be included in the income, for tax purposes, of a beneficiary or settlor with respect to such fiduciary or a member of such partnership or a beneficial owner who would not have been entitled to the Additional Amounts had such beneficiary, settlor, member or beneficial owner been the holder of the Note.

In these Conditions, ''Relevant Date'' means whichever is the later of (a) the date on which the payment in question first becomes due and (b) if the full amount payable has not been received in the Borough of Manhattan in the City of New York by the Fiscal Agent on or prior to such due date, the date on which (the full amount having been so received) notice to that effect has been given to the Noteholders.

Any reference in these Conditions to principal or interest shall be deemed to include any additional amounts in respect of principal or interest (as the case may be) which may be payable under this Condition 9 (*Taxation*).

10. Events of Default

If any of the following events (each, an ''Event of Default'') occurs and is continuing:

(a) *Non-payment:* the Issuer (i) fails to pay any amount of principal in respect of the Notes on the due date for payment thereof or (ii) fails to pay any amount of interest in respect of the Notes on the due date for payment thereof and that default continues for a period of 10 days; or

(b) *Breach of Other Obligations:* the Issuer defaults in the performance or observance of any of its other obligations under or in respect of the Notes or the Agency Agreement and such default remains unremedied for 30 days after written notice thereof, addressed to the Issuer from Holders of not less than 25% in the aggregate principal amount of the Notes then outstanding, has been delivered to the Issuer or to the Specified Office of the Fiscal Agent; or

For the 2015 Notes:

(c) *Cross-default of Issuer or Material Subsidiary:*

(i) any Indebtedness of the Issuer or any of its Material Subsidiaries is not paid on the due date for payment or (as the case may be) within any originally applicable grace period;

(ii) any such Indebtedness becomes due and payable prior to its stated maturity otherwise than at the option of the Issuer or (as the case may be) the relevant Material Subsidiary or (provided that no event of default, howsoever described, has occurred) any person entitled to such Indebtedness; or

(iii) the Issuer or any of its Material Subsidiaries fails to pay when due any amount payable by it under any Guarantee of any Indebtedness;

provided that the amount of Indebtedness referred to in sub-paragraph (i) and/or sub-paragraph (ii) above and/or the amount payable under any Guarantee referred to in sub-paragraph (iii) above individually or in the aggregate exceeds U.S.$25,000,000 (or its equivalent in any other currency or currencies); or

For the 2033 Notes:

(c) *Cross-default of Issuer or Material Subsidiary:*

(i) any Indebtedness of the Issuer or any of its Material Subsidiaries is not paid on the due date for payment or (as the case may be) within any originally applicable grace period;

(ii) any such Indebtedness becomes due and payable prior to its stated maturity otherwise than at the option of the Issuer or (as the case may be) the relevant Material Subsidiary or (provided that no event of default, howsoever described, has occurred) any person entitled to such Indebtedness; or

(iii) the Issuer or any of its Material Subsidiaries fails to pay when due any amount payable by it under any Guarantee of any Indebtedness;

provided that the amount of Indebtedness referred to in sub-paragraph (i) and/or sub-paragraph (ii) above and/or the amount payable under any Guarantee referred to in sub-paragraph (iii) above individually or in the aggregate exceeds U.S.$50,000,000 (or its equivalent in any other currency or currencies); or

For the 2015 Notes and the 2033 Notes:

(d) *Insolvency, etc.:* (i) the Issuer or any of its Material Subsidiaries becomes insolvent or is unable to pay its debts as they mature, (ii) an administrator or liquidator of the Issuer or any of its Material Subsidiaries or the whole or any material part of the undertaking, assets and revenues of the Issuer or any of its Material Subsidiaries is appointed, (iii) the Issuer or any of its Material Subsidiaries makes a general assignment or an arrangement or composition with or for the benefit of its creditors generally or declares a moratorium in respect of any of its Indebtedness or any Guarantee of any Indebtedness given by it or (iv) the Issuer or any of its Material Subsidiaries ceases or threatens to cease to carry on all or any substantial part of its business (otherwise than, in the case of a Material Subsidiary of the Issuer, for the purposes of or pursuant to an amalgamation, reorganization or restructuring whilst solvent); or

(e) *Winding up, etc.:* an order is made or an effective resolution is passed for the winding up, liquidation or dissolution of the Issuer or any of its Material Subsidiaries except:

(i) for the purposes of or pursuant to an amalgamation, reorganization or restructuring whilst solvent; or

(ii) in the case of the Issuer, for the purposes of or pursuant to a merger, consolidation or other form of combination pursuant to which the surviving company expressly assumes all the obligations of the Issuer under the Notes; or

(f) *Analogous Event:* any event occurs which under the laws of the Kingdom of Norway has an analogous effect to any of the events referred to in Conditions 10(d) (*Insolvency, etc.*) and 10(e) (*Winding up, etc.*); or

(g) *Failure to Take Action, etc.:* any action, condition or thing at any time required to be taken, fulfilled or done in order (i) to enable the Issuer lawfully to enter into, exercise its rights and perform and comply with its obligations under and in respect of the Notes, (ii) to ensure that those obligations are legal, valid, binding and enforceable in the Kingdom of Norway and (iii) to make the Note Certificates admissible in evidence in the courts of the Kingdom of Norway is not taken, fulfilled or done; or

(h) *Unlawfulness:* it is or will become unlawful for the Issuer to perform or comply with any of its obligations under or in respect of the Notes;

then (i) in the case of an event referred to in (a) above, any Noteholder may, by notice in writing to the Issuer and to the Specified Office of the Fiscal Agent, declare such Note to be immediately due and payable whereupon it shall become immediately due and payable at its principal amount, together with accrued interest, and (ii) in the case of any event referred to in (b) through (h) above, the Fiscal Agent shall, upon receipt of written requests to the Issuer or to the Specified Office of the Fiscal Agent from holders of not less than 25% in aggregate outstanding principal amount of the Notes, declare the Notes due and payable, at their principal amount together with accrued interest, without further formality. Upon such declaration by the Fiscal Agent, the Fiscal Agent shall give notice thereof in the manner provided in the Agency Agreement to the Issuer and to the Noteholders in accordance with Condition 16 (*Notices*). After any such declaration by the Fiscal Agent, if all amounts then due with respect to the Notes are paid (other than amounts due solely because of such declaration) and all other defaults with respect to the Notes are cured, such declaration may be annulled or rescinded by holders of not less than 50% in aggregate outstanding principal amount of the Notes (the ''Required Percentage'') by written notice thereof to the Issuer and to the Specified Office of the Fiscal Agent or by the passing of a resolution by the holders of not less than the Required Percentage.

In this Condition, ''Guarantee'' means, in relation to any Indebtedness of any Person, any obligation of another Person to pay such Indebtedness including (without limitation):

(a) any obligation to purchase such Indebtedness;

(b) any obligation to lend money, to purchase or subscribe shares or other securities or to purchase assets or services in order to provide funds for the payment of such Indebtedness;

(c) any indemnity against the consequences of a default in the payment of such Indebtedness; and

(d) any other agreement to be responsible for such Indebtedness.

11. Prescription

Claims for principal and interest shall become void unless the relevant Note Certificates are presented for payment within ten years of the appropriate Relevant Date.

12. Replacement of Note Certificates

If any Note Certificate is lost, stolen, mutilated, defaced or destroyed, it may be replaced at the Specified Office of the Registrar or the Transfer Agent having its Specified Office in

Luxembourg, subject to all applicable laws and stock exchange or relevant authority listing requirements, upon payment by the claimant of the expenses incurred in connection with such replacement and on such terms as to evidence, security, indemnity and otherwise as the Issuer may reasonably require. Mutilated or defaced Notes must be surrendered before replacements will be issued.

13. Agents

In acting under the Agency Agreement and in connection with the Notes, the Agents act solely as agents of the Issuer and do not assume any obligations towards or relationship of agency or trust for or with any of the Noteholders.

The initial Agents and their initial Specified Offices are as follows:

Fiscal Agent and Registrar:

JPMorgan Chase Bank
4 New York Plaza, 15 FL
New York, New York 10004
United States of America

Paying and Transfer Agents:

JPMorgan Chase Bank
4 New York Plaza, 15 FL
New York, New York 10004
United States of America

J.P. Morgan Bank Luxembourg S.A.
5 Rue Plaetis-Floor 1
L-2338 G.D. Luxembourg

Pursuant to the terms of the Agency Agreement, the Issuer reserves the right at any time to vary or terminate the appointment of any Agent and to appoint a successor registrar, fiscal agent and additional or successor paying agents and transfer agents; provided, however, that the Issuer shall at all times maintain (a) a fiscal agent and a registrar, (b) a paying agent and transfer agent in Luxembourg, and (c) if the conclusions of the ECOFIN Council meeting of November 26-27, 2000 take effect and are applied in a member state of the European Union, a Paying Agent in a member state of the European Union that will not be obliged to withhold or deduct tax pursuant to any European Union Directive on the taxation of savings implementing such conclusions or any law implementing or complying with, or introduced to conform to, such Directive.

Notice of any change in any of the Agents or in their Specified Offices shall promptly be given to the Noteholders.

14. Amendments

(a) *Amendments without Noteholders' Consent.* Without the consent of any Noteholders, the Issuer may, at any time and from time to time, amend these Conditions or the Notes:

(i) to evidence the succession of another Person to the Issuer and the assumption by any such successor of the obligations of the Issuer under these Conditions or the Notes; or

(ii) to add to these Conditions for the benefit of the Noteholders or to surrender any right or power in these Conditions; or

(iii) to add any additional Events of Default for the benefit of the Noteholders; or

(iv) to cure any ambiguity, to correct or supplement any Condition which may be defective or inconsistent with any other Condition, or to make any other provisions with respect to matters or questions arising under these Conditions, provided that such action pursuant to this Condition 14(a)(iv) shall not adversely affect the interests of the Noteholders in any material respect; or

(v) to make any other change that does not adversely affect the interests of the Noteholders.

(b) *Amendments with Noteholders' Consent.* With the consent of the Noteholders of not less than a majority in principal amount of the outstanding principal amount of the Notes, the Issuer may amend these Conditions or the Notes for the purpose of adding any provisions to or changing in any manner or eliminating any of the provisions of these Conditions or the Notes or of modifying in any manner the rights of the Noteholders; *provided, however,* that no such amendment shall, without the consent of the Noteholder of each outstanding Note:

(i) change the stated maturity of the principal of, or any installment of principal of or interest on, any Note, or reduce the principal amount thereof or the rate of interest thereon or any premium payable upon the redemption thereof, or reduce the amount of the principal of the Notes that would be due and payable upon a declaration of acceleration of the maturity thereof following an Event of Default, or change any place of payment where, or the currency in which the Notes or any premium or interest thereon is payable, or to impair the right of the Noteholders to institute suit for the enforcement of the Notes; or

(ii) reduce the percentage in principal amount of the Notes, the consent of whose Noteholders is required for any such amendment or for any annulment or rescission of an Event of Default under Condition 10 (*Events of Default*), or

(iii) modify any of the provisions of this Condition 14 (*Amendments*) except to increase any such percentage or to provide that certain other provisions of these Conditions cannot be modified or waived without the consent of the Noteholder of each outstanding Note.

(c) *Noteholder Meetings.* The provisions of Clause 10 of the Agency Agreement shall govern the manner by which meetings of Noteholders are convened.

15. Further Issues

The Issuer may from time to time, without the consent of the Noteholders, create and issue further notes having the same terms and conditions as the Notes in all respects (or in all respects except for the first payment of interest) so as to form a single series with the Notes. *Holders should note that additional notes that are treated for non-tax purposes as a single series with the original notes may be treated as a separate series for U.S. federal income tax purposes. In such case, the new notes may be considered to have been issued with "original issue discount" (as defined under the U.S. Internal Revenue Code and the U.S. Treasury Regulations issued thereunder), which may affect the market value of the original notes since such additional notes may not be distinguishable from the original notes.*

16. Notices

Notices to the Noteholders will be sent to them by first class mail (or its equivalent) or (if posted to an overseas address) by airmail at their respective addresses on the Register. Any such notice shall be deemed to have been given on the fourth day after the date of mailing. In addition, so long as Notes are listed on the Luxembourg Stock Exchange and the rules of that Exchange so require, notices to Noteholders will be published on the date of such mailing in a daily newspaper of general circulation in Luxembourg (which is expected to be the *Luxemburger Wort*) or, if such publication is not practicable, in a leading English language daily newspaper having general circulation in Europe.

17. Provision of Information

The Issuer shall, during any period in which it is not subject to and in compliance with the reporting requirements of Section 13 or 15(d) of the United States Securities Exchange Act of 1934 (the ''Exchange Act'') nor exempt from reporting pursuant to Rule 12g3-2(b) under the Exchange Act, duly provide to any Holder of a Note which is a ''restricted security'' within the meaning of Rule 144(a)(3) under the Securities Act or to any prospective purchaser of such securities designated by such Holder, upon the written request of such Holder or (as the case may be) prospective Holder addressed to the Issuer and delivered to the Issuer or to the Specified Office of the Registrar, the information specified in Rule 144A(d)(4) under the Securities Act.

18. Governing Law and Jurisdiction

(a) *Governing Law:* The Notes are governed by, and shall be construed in accordance with, the laws of the State of New York.

(b) *Jurisdiction of New York Courts:* The Issuer agrees for the benefit of the Noteholders that the courts of the State of New York and any United States federal court, in each case sitting in the Borough of Manhattan in the City of New York, New York, United States, shall have jurisdiction to hear and determine any suit, action or proceeding which may arise out of or in connection with the Notes (''Proceedings'') and, for such purposes, irrevocably submits to the non-exclusive personal jurisdiction of such courts.

(c) *Appropriate Forum:* The Issuer irrevocably waives any objection which it might now or hereafter have to the courts referred to in Condition 18(b) (*Jurisdiction of New York Courts*) being nominated as the forum to hear and determine any Proceedings, and agrees not to claim that any such court is not a convenient or appropriate forum.

(d) *Process Agent:* The Issuer has appointed CT Corporation System at 111 Eighth Avenue, New York, NY 10011, United States (or, if different, its principal place of business in the City of New York for the time being) as its authorized agent upon whom process may be served in any Proceedings in the Borough of Manhattan in the City of New York. If such person ceases to be effectively appointed to accept service of process on the Issuer's behalf, the Issuer shall, on the written demand of any Noteholder addressed to the Issuer and delivered to the Issuer or to the Specified Office of the Fiscal Agent, appoint a further person in The City of New York to accept service of process on its behalf and, failing such appointment within 15 days, any Noteholder shall be entitled to appoint such a person by written notice addressed to the Issuer and delivered to the Issuer or to the Specified Office of the Fiscal Agent. Nothing in this paragraph shall affect the right of any Noteholder to serve process in any other manner permitted by law.

(e) *Judgment Currency:* To the fullest extent permitted by applicable law, the obligations of the Issuer in respect of any amount due under the Notes shall, notwithstanding any payment in any other currency (whether pursuant to a judgment or otherwise), be discharged only to the extent of the amount in U.S. dollars that the person entitled to receive such payment may, in accordance with normal banking procedures, purchase with the sum paid in such other currency (after any premium and costs of exchange) on the business day immediately following the day on which such person receives such payment. If the amount in U.S. dollars that may be so purchased for any reason falls short of the amount originally due, the Issuer shall pay such additional amounts, in U.S. dollars, as may be necessary to compensate for such shortfall. Any obligation of the Issuer not discharged by such payment shall be due as a separate and independent obligation and until discharged as provided herein, shall continue in full force and effect.

(f) *Non-exclusivity:* The submission to the personal jurisdiction of the courts referred to in Condition 18(b) (*Jurisdiction of New York Courts*) shall not (and shall not be construed so as to) limit the right of any Noteholder to take Proceedings in any other court of competent jurisdiction, nor shall the taking of Proceedings in any one or more jurisdictions preclude the taking of Proceedings in any other jurisdiction (whether concurrently or not) if and to the extent permitted by law.

(g) *Waiver of Immunity:* To the extent that the Issuer may in any jurisdiction claim for itself or its assets or revenues immunity from suit, execution, attachment (whether in aid of execution, before judgment or otherwise) or other legal process and to the extent that such immunity (whether or not claimed) may be attributed in any such jurisdiction to the Issuer or its assets or revenues, the Issuer agrees not to claim and irrevocably waives such immunity to the full extent permitted by the laws of such jurisdiction and, in particular, to the intent that in any proceedings taken in the Borough of Manhattan in the City of New York the foregoing waiver of immunity shall have the fullest scope permitted under the United States Foreign Sovereign Immunities Act of 1976 and is intended to be irrevocable for the purposes of such act.

Form of Notes and Transfer Restrictions

The following information relates to the forms of transfer and delivery of the notes. Because of the following restrictions, purchasers of notes offered in the United States in reliance on Rule 144A are advised to consult legal counsel prior to making any offer, resale, pledge or transfer of notes. Capitalized terms used but not defined in this section have the meanings provided in the section entitled ''Terms and Conditions of the Notes''.

Form of Notes

All Notes will be in registered form, without interest coupons attached. Any 2015 Notes offered and sold outside the United States in reliance on Regulation S (''2015 Unrestricted Notes'') will be represented by interests in a global registered note certificate (the ''2015 Unrestricted Global Note Certificate''). The 2015 Unrestricted Global Note Certificate will be registered in the name of Cede & Co. as a nominee for DTC and will be deposited on or about October 2, 2003 (the ''Closing Date'') with JPMorgan Chase Bank, as custodian for DTC (the ''DTC Custodian''). Any 2033 Notes offered and sold outside the United States in reliance on Regulation S (''2033 Unrestricted Notes'' and, together with the 2015 Unrestricted Notes, the ''Unrestricted Notes'') will be represented by interests in a global registered note certificate (the ''2033 Unrestricted Global Note Certificate'' and, together with the 2015 Unrestricted Global Note Certificate, the ''Unrestricted Global Note Certificates''). The 2033 Unrestricted Global Note Certificate will be registered in the name of Cede & Co. as a nominee for DTC and will be deposited on or about October 2, 2003 (the ''Closing Date'') with JPMorgan Chase Bank, as custodian for DTC (the ''DTC Custodian'').

Any 2015 Notes offered and sold in reliance on Rule 144A (''2015 Restricted Notes'') will be represented by interests in a global registered note certificate (the ''2015 Restricted Global Note Certificate''). The 2015 Restricted Global Note Certificate will be registered in the name of Cede & Co. as nominee for DTC and will be deposited on or about the Closing Date with the DTC Custodian as custodian for DTC. 2033 Notes offered and sold in reliance on Rule 144A (''2033 Restricted Notes'' and, together with the 2015 Restricted Notes, the ''Restricted Notes'') will be represented by interest in a global registered note certificate (the ''2033 Restricted Global Note Certificate'' and, together with the 2015 Restricted Global Note Certificate, the ''Restricted Global Note Certificates''). The 2033 Restricted Global Note Certificate will be registered in the name of Cede & Co. as nominee for DTC and will be deposited on or about the Closing Date with the DTC Custodian as custodian for DTC. The Restricted Global Note Certificates (and any Individual Note Certificates issued in exchange therefor) will be subject to certain restrictions on transfer as described below under ''—Transfer Restrictions''.

Transfer Restrictions

On or prior to the fortieth day after the Closing Date, Notes represented by an interest in an Unrestricted Global Note Certificate may be transferred to a person who wishes to hold such Notes in the form of an interest in such Restricted Global Note Certificate only upon receipt by the Registrar of a written certification from the transferor (in the form set out in Schedule 7 (*Form of Transfer Certificate*) to the relevant Agency Agreement) to the effect that such transfer is being made to a person whom the transferor reasonably believes is a qualified institutional buyer within the meaning of Rule 144A, in a transaction meeting the requirements of Rule 144A and in accordance with any applicable securities laws of any state of the United States. After such fortieth day, such certification requirements will no longer apply to such transfer, but such transfers will continue to be subject to the transfer restrictions contained in the legend appearing on the face of such Global Note Certificate, as described below under ''—Exchange of Interest in Global Note Certificates for Individual Note Certificates''.

Notes represented by an interest in a Restricted Global Note Certificates may also be transferred to a person who wishes to hold such Notes in the form of an interest in an Unrestricted Global Note Certificate, but only upon receipt by the Registrar of a written certification from the transferor (in the form set out in Schedule 7 (*Form of Transfer Certificate*) to the relevant Agency Agreement) to the effect that such transfer is being made in accordance with Regulation S or Rule 144 (if available) under the Securities Act.

Transfer restrictions will terminate two years after the Closing Date provided that any Notes purchased by or on behalf of the Issuer or any of its affiliates have been cancelled in accordance with Condition 7(i) (*Redemption and Purchase—Cancellation*); provided, however, that such Notes can also be held for sale by the Issuer or any of its affiliates to non-U.S. investors in transactions meeting the requirements of Regulation S under the Securities Act.

Any interest in either the Restricted Global Note Certificates or the Unrestricted Global Note Certificates that is transferred to a person who takes delivery in the form of an interest in the other Global Note Certificate will, upon transfer, cease to be an interest in such Global Note Certificate and become an interest in the other Global Note Certificate and, accordingly, will thereafter be subject to all transfer restrictions and other procedures applicable to an interest in such other Global Note Certificate.

The Notes are being offered and sold in the United States only to qualified institutional buyers within the meaning of and in reliance on Rule 144A.

Each purchaser of Notes offered pursuant to Rule l44A will be deemed to have represented and agreed as follows (terms used in the following paragraphs that are defined in Rule l44A have the respective meanings given to them in Rule 144A):

(a) the purchaser (i) is a qualified institutional buyer, (ii) is acquiring the Notes for its own account or for the account of such a qualified institutional buyer and (iii) is aware that the sale of the Notes to it is being made in reliance on Rule 144A;

(b) the purchaser understands that the Notes are being offered only in a transaction not involving any public offering in the United States within the meaning of the Securities Act and that the Notes have not been and will not be registered under the Securities Act and may not be reoffered, resold, pledged or otherwise transferred except in accordance with the legend set forth below; and

(c) the purchaser understands that the Restricted Global Note Certificates and any Restricted Individual Note Certificates (as defined below) will bear a legend to the following effect, unless the Issuer determined otherwise in accordance with applicable law:

THE NOTES REPRESENTED HEREBY HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933 (THE ''SECURITIES ACT'') OR ANY SECURITIES LAW OF ANY STATE OF THE UNITED STATES. THE HOLDER HEREOF, BY PURCHASING THE NOTES REPRESENTED HEREBY, AGREES FOR THE BENEFIT OF THE ISSUER THAT THE NOTES REPRESENTED HEREBY MAY BE REOFFERED, RESOLD, PLEDGED OR OTHERWISE TRANSFERRED ONLY IN COMPLIANCE WITH THE SECURITIES ACT AND OTHER APPLICABLE LAWS AND ONLY

(a) PURSUANT TO RULE 144A UNDER THE SECURITIES ACT TO A PERSON THAT THE HOLDER REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER WITHIN THE MEANING OF RULE 144A PURCHASING FOR ITS OWN ACCOUNT OR A PERSON PURCHASING FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER WHOM THE HOLDER HAS INFORMED, IN EACH CASE, THAT THE REOFFER, RESALE, PLEDGE OR OTHER TRANSFER IS BEING MADE IN RELIANCE ON RULE 144A, (b) IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH RULE 903 OR 904 OF REGULATION S UNDER THE SECURITIES ACT, (c) PURSUANT TO AN EXEMPTION FROM REGISTRATION PROVIDED BY RULE 144 UNDER THE SECURITIES ACT (IF AVAILABLE) OR (d) TO THE ISSUER OR ITS AFFILIATES.

Upon the transfer, exchange or replacement of a Restricted Global Note Certificate or a Restricted Individual Note Certificate bearing the above legend, or upon specific request for removal of the legend, the Issuer will deliver only Individual Note Certificates that bear such legend (''Restricted Individual Note Certificates'') or will refuse to remove such legend, unless there is delivered to the Issuer and the Registrar such satisfactory evidence (which may include a legal opinion) as may reasonably be required by the Issuer that neither the legend nor the restrictions on transfer set forth therein are required to ensure compliance with the provisions of the Securities Act. Such transfer restrictions will terminate two years after the Closing Date provided that any Notes purchased by or on behalf of the Issuer or any of its affiliates and surrendered for cancellation have been cancelled in accordance with Condition 7(i) (*Redemption and Purchase—Cancellation*).

(d) (i) either that (1) it is not, and for so long as it holds Notes, it is not acting on behalf of, an employee benefit plan or other plan subject to the prohibited transaction provisions of the United States Employee Retirement Income Security Act of 1974, as amended (''ERISA''), or Section 4975 of the United States Internal Revenue Code of 1986, as amended (''Code''), or any entity whose underlying assets include the assets of any such plan, or a governmental, church or other employee benefit plan which is subject to any federal, state, local or foreign law that is substantially similar to the prohibited transaction provisions of Section 406 of ERISA or Section 4975 of the Code, and no part of the assets to be used by it to purchase and hold such Notes or any interest therein constitutes the assets of any such employee benefit plan or plan, or (2) its purchase, holding and disposition of the Notes does not and will not constitute or otherwise result in a prohibited transaction under Section 406 of ERISA or section 4975 of the Code (or in the case of such a governmental, church or other employee benefit plan, a violation of any substantially similar federal, state, local or foreign law) for which an exemption is not available; and (ii) it agrees not to sell or otherwise transfer any interest in the Notes otherwise than to a purchaser or transferee that is deemed to make these same representations, warranties and agreements with respect to its purchase, holding and disposition of the Notes.

For purposes of chapter VI, Article 3, point A/II/2 of the rules and regulations of the Luxembourg Stock Exchange the notes are freely transferable and therefore no transaction made on the Luxembourg Stock Exchange may be cancelled.

Exchange of Interests in Global Note Certificates for Individual Note Certificates

Registration of title to Notes initially represented by the Global Note Certificates in a name other than DTC or a successor depositary or one of their respective nominees will not be permitted unless (a) such depositary notifies the Issuer that it is no longer willing or able to discharge properly its responsibilities as depositary with respect to the relevant Global Note Certificate or ceases to be a clearing agency (as defined in the Exchange Act), or is at any time no longer eligible to act as such, and the Issuer is (in the case of it ceasing to be a depositary) unable to locate a qualified successor within 90 days of receiving notice of such ineligibility on the part of such depositary or (b) any of the circumstances described in Condition 10 (*Events of Default*) occurs or (c) (in the case of the Unrestricted Global Note Certificates only) Euroclear or Clearstream, Luxembourg is closed for a continuous period of 14 days (other than by reason of legal holidays) or announces an intention permanently to cease business.

In such circumstances, the Issuer shall procure the delivery of Individual Note Certificates in exchange for the Unrestricted Global Note Certificates and/or the Restricted Global Note Certificates. A person having an interest in a Global Note Certificates must provide the Registrar (through DTC, Euroclear and/or Clearstream, Luxembourg) with (i) such information as the Issuer and the Registrar may require to complete and deliver Individual Note Certificates (including the name and address of each person in which the Individual Note Certificate are to be registered and the principal amount of each such person's holding) and (ii) (in the case of the Restricted Global Note Certificates only) a certificate given by or on behalf of the holder of each beneficial interest in the Restricted Global Note Certificates stating either (1) that such holder is not transferring its interest at the time of such exchange or (2) that the transfer or exchange of such interest has been made in compliance with the transfer restrictions applicable to the Notes and that the person transferring such interest reasonably believes that the person acquiring such interest is a qualified institutional buyer and is obtaining such beneficial interest in a transaction meeting the requirements of Rule 144A. Individual Note Certificates issued in exchange for interests in the Restricted Global Note Certificates will bear the legends and be subject to the transfer restrictions set out above under ''—Transfer Restrictions''. Such transfer restrictions will terminate two years after the Closing Date, provided that any Notes purchased by or on behalf of the Issuer or any of its affiliates and surrendered for cancellation have been cancelled in accordance with Condition 7(i) (*Redemption and Purchase—Cancellation*).

Whenever a Global Note Certificate is to be exchanged for Individual Note Certificates, such Individual Note Certificates will be issued within five business days of the delivery to the Registrar of the information and any required certification described in the preceding paragraph against the surrender of the relevant Global Note Certificate at the Specified Office of the Registrar. Such exchange shall be effected in accordance with the regulations concerning the transfer and registration from time to time in relation to the Notes and shall be effected without charge, but against such indemnity as the Registrar may require in respect of any tax or other duty of whatsoever nature which may be levied or imposed in connection with such exchange.

The Registrar will not register the transfer of or exchange of interests in a Global Note Certificate for Individual Note Certificates for a period of 15 days ending on the due date for any payment of principal or interest in respect of the Notes.

DTC Book-entry Ownership of Global Note Certificates

The Issuer has applied to DTC, Euroclear and Clearstream, Luxembourg for acceptance in their respective book-entry settlement systems of the Unrestricted Notes. Each tranche of the Unrestricted Notes will have a CUSIP number, a common code and an ISIN number. The Issuer has also applied to DTC for acceptance in its book entry settlement system of the Restricted Notes. Each tranche of the Restricted Notes will have a CUSIP number and an ISIN number.

The DTC Custodian and DTC will record electronically the principal amount of the Notes represented by the Unrestricted Global Note Certificates and the Restricted Global Note Certificates held within the DTC system. Up to and including the fortieth day after the later of the commencement of the offering and the Closing Date, investors may hold their interests in the Unrestricted Global Note Certificates only through Clearstream, Luxembourg or Euroclear. Thereafter, investors may additionally hold such interests directly through DTC, if they are participants in DTC, or indirectly through organizations which are participants in DTC. Clearstream, Luxembourg and Euroclear will hold interests in the Unrestricted Global Note Certificates on behalf of their account holders through customers' securities accounts in Clearstream, Luxembourg's or Euroclear's respective names on the books of their respective depositaries, which in turn will hold such interests in the Unrestricted Global Note Certificates in customers' securities accounts in the depositaries' names on the books of DTC. Investors may hold their interests in the Restricted Global Note Certificates directly through DTC, if they are participants in DTC, or indirectly through organizations which are participants in DTC.

Payments of the principal of, interest on and any other amounts payable under each Global Note Certificate registered in the name of DTC's nominee will be made to or to the order of its nominee as the registered Holder of such Global Note Certificate. The Issuer expects that the nominee, upon receipt of any such payment, will immediately credit DTC participants' accounts with payments in amounts proportionate to their respective interests in the principal amount of the relevant Global Note Certificate as shown on the records of DTC or the nominee. The Issuer also expects that payments by DTC participants to owners of interests in such Global Note Certificate held through such DTC participants will be governed by standing instructions and customary practices, as is now the case with securities held for the accounts of customers registered in the names of nominees for such customers. Such payments will be the responsibility of such DTC participants. None of the Issuer, the Registrar, the Fiscal Agent, any Transfer Agent or any Paying Agent will have any responsibility or liability for any aspect of the records relating to or payments made on account of ownership interests in the Global Note Certificates or for maintaining, supervising or reviewing any records relating to such ownership interests.

While a Global Note Certificate is lodged with DTC or its custodian, Notes represented by Individual Note Certificates will not be eligible for clearing or settlement through DTC, Clearstream, Luxembourg or Euroclear.

Transfer of Interests in Global Note Certificates

Transfer of interests in Global Note Certificates within DTC, Euroclear and Clearstream, Luxembourg will be in accordance with the usual rules and operating procedures of the relevant clearing system.

The laws of some states of the United States require that certain persons receive individual certificates in respect of their holdings of Notes. Consequently, the ability to transfer interests in a Global Note Certificate to such persons will be limited. Because DTC only acts on behalf of participants, who in turn act on behalf of indirect participants, the ability of a person having an interest in a Global Note Certificate to pledge such interest to persons or entities which do not participate in the relevant clearing system or otherwise take actions in respect of such interest, may be affected by the lack of an Individual Note Certificate representing such interest.

Subject to compliance with the transfer restrictions applicable to the Notes described above and under ''Plan of Distribution'', cross-market transfers between DTC participants, on the one hand, and Clearstream, Luxembourg or Euroclear account holders, on the other, will be effected in DTC in accordance with DTC rules and procedures and on behalf of Clearstream, Luxembourg or (as the case may be) Euroclear by its respective depositary. However, such cross-market transactions will require delivery of instructions to Clearstream, Luxembourg or (as the case may be) Euroclear by the counter party in such system in accordance with its rules and procedures and within its established deadlines. Clearstream, Luxembourg or (as the case may be) Euroclear will, if the transaction meets its settlement requirements, deliver instructions to its respective depositary to take action to effect final settlement on its behalf by delivering or receiving beneficial interests in the relevant Global Note Certificate in DTC, and making or receiving payment in accordance with normal procedures for same-day funds settlement applicable to DTC. Clearstream, Luxembourg account holders and Euroclear account holders may not deliver instructions directly to the depositaries for Clearstream, Luxembourg or Euroclear.

Because of time zone differences, credits of Notes received in Clearstream, Luxembourg or Euroclear as a result of a transaction with a DTC participant will be made during the securities settlement processing day dated the business day following the DTC settlement date and such credits of any transactions in such securities settled during such processing will be reported to the relevant Clearstream, Luxembourg or Euroclear account holder on such business day. Cash received in Clearstream, Luxembourg or Euroclear as a result of sales of Notes by or through a Clearstream, Luxembourg account holder or a Euroclear account holder to a DTC participant will be received with value on the DTC settlement date but will be available in the relevant Clearstream, Luxembourg or Euroclear cash account only as of the business day following settlement in DTC. Settlement between Euroclear or Clearstream, Luxembourg account holders and DTC participants cannot be made on a delivery versus payment basis. The arrangements for transfer of payments must be established separately from the arrangement for transfer of Notes, the latter being effected on a free delivery basis. The customary arrangements for delivery versus payment between Euroclear and Clearstream, Luxembourg account holders or between DTC participants are not effected.

For a further description of restrictions on the transfer of Notes, see ''Plan of Distribution''.

DTC has advised the Issuer that it will take any action permitted to be taken by a holder of Notes (including, without limitation, the presentation of Global Note Certificates for exchange as described above) only at the direction of one or more participants in whose account with DTC interests in Global Note Certificates are credited, and only in respect of such portion of the aggregate principal amount of the Global Note Certificates as to which such participant or participants has or have given such direction. However, in certain circumstances, DTC will exchange the Global Note Certificates for Individual Note Certificates (which will, in the case for Restricted Notes, bear the legend set out above under ''—Transfer Restrictions'').

Although DTC, Clearstream, Luxembourg and Euroclear have agreed to the foregoing procedures in order to facilitate transfers of interests in the Global Note Certificates among participants and account holders of DTC, Clearstream, Luxembourg and Euroclear, they are under no obligation to perform or continue to perform such procedures, and such procedures may be discontinued at any time. Neither the Issuer, the Registrar, the Fiscal Agent nor any Transfer Agent or any Paying Agent will have any responsibility for the performance by DTC, Clearstream, Luxembourg or Euroclear or their respective direct or indirect participants or account holders of their respective obligations under the rules and procedures governing their respective operations.

Modification of Terms and Conditions

The Global Note Certificates will contain provisions which modify the Terms and Conditions of the Notes as they apply to the Notes evidenced by the Global Note Certificates. The following is a summary of certain of those provisions:

Notices: Notwithstanding Condition 16 *(Notices)*, so long as a Global Note Certificate is held on behalf of Euroclear, Clearstream, Luxembourg or any other clearing system (an ''Alternative Clearing System''), notices to Holders of Notes represented by such Global Note Certificate may be given by delivery of the relevant notice to Euroclear, Clearstream, Luxembourg or (as the case may be) such Alternative Clearing System; provided, however, that, so long as the Notes are listed on the Luxembourg Stock Exchange and its rules so require, notices will also be published in a leading newspaper having general circulation in Luxembourg (which is expected to be the *Luxemburger Wort*).

Meetings: The holder of a Global Note (unless such Global Note represents only one note) will be treated as being two persons for the purposes of any quorum requirements of a meeting of note holders and, at any such meeting, as having one vote in respect of each U.S.$1,000 principal amount of notes for which such Global Note may be exchanged.

Taxation

The discussion below is a general summary of certain Norwegian and United States tax considerations which are relevant in connection with the acquisition, ownership and disposition of the notes. This summary is a general summary and does not provide a complete description of all relevant Norwegian and United States tax regulations. This summary is based on current law and practice. You are advised to consult your own professional tax advisors with respect to your individual tax consequences of the purchase, ownership or disposition of the notes.

Norwegian Taxation

Repayment of principal or payment of interest on the notes to persons who have no connection with Norway other than the holding of such notes are not, under present Norwegian law, subject to Norwegian taxation.

For tax-payers resident in Norway, any capital gain on the sale of the notes is taxable as ordinary income at a rate of 28%. Losses are deductible from ordinary income. Under present Norwegian law, any gain is taxable and loss is deductible. Interest income on the notes is taxable as ordinary income. The applicable tax rate is 28%.

No Norwegian issue, tax or stamp duty is payable in connection with the issue or the transfer of the notes.

The notes will not be subject to any Norwegian property tax or estate duties provided that the holder has no connection with Norway other than the holding of the notes and provided that the notes have not been used in or attached to any business activities operated through a permanent establishment situated in Norway.

For individuals resident in Norway, the value of the notes is included when computing the Norwegian wealth tax. Norwegian limited liability companies and certain other companies in a similar position are not subject to wealth tax. Currently, the marginal wealth tax rate is 1.1% of the value assessed.

European Union

On June 3, 2003, the EU Council of Economic and Finance Ministers adopted a new directive regarding the taxation of savings income (Directive 2003/48/EC). The directive is scheduled to be applied by Member States from January 1, 2005, provided that certain non-EU countries adopt similar measures from the same date. Under the directive, each Member State will be required to provide to the tax authorities of another Member State details of payments of interest or other similar income paid by a person within its jurisdiction to an individual resident in that other Member State; however, Austria, Belgium and Luxembourg may instead apply a withholding system for a transitional period in relation to such payments, deducting tax at rates rising over time to 35%. The transitional period is to commence on the date from which the directive is to be applied by Member States and to terminate at the end of the first fiscal year following agreement by certain non-EU countries to the exchange of information relating to such payments.

United States Federal Income Taxation

The following is a summary of the principal U.S. federal income tax consequences of the acquisition, ownership and retirement of notes. This summary only applies to notes held as capital assets and does not address aspects of U.S. federal income taxation that may be applicable to holders that are subject to special tax rules, such as financial institutions, insurance companies, real estate investment trusts, regulated investment companies, grantor trusts, tax-exempt organizations or dealers or traders in securities or currencies, or to holders that will hold a note as part of a position in a ''straddle'' or as part of a ''hedging'', ''conversion'' or ''integrated'' transaction for U.S. federal income tax purposes or that have a ''functional currency'' other than the U.S. dollar. Moreover, this summary does not address the U.S. federal estate and gift or alternative minimum tax consequences of the acquisition, ownership or retirement of notes and does not address the U.S. federal income tax treatment of holders that do not acquire notes as part of the initial distribution at their initial issue price. Each prospective purchaser should consult its tax advisor with respect to the U.S. federal, state, local and foreign tax consequences of acquiring, holding and disposing of notes.

This summary is based on the Internal Revenue Code of 1986, as amended, existing and proposed Treasury Regulations, administrative pronouncements and judicial decisions, each as available and in effect on the date hereof. All of the foregoing are subject to change (possibly with retroactive effect) or differing interpretations which could affect the tax consequences described herein.

For purposes of this summary, a ''U.S. Holder'' is a beneficial owner of notes who for U.S. federal income tax purposes is (i) an individual citizen or resident of the United States; (ii) a corporation or partnership organized in or under the laws of the United States or any State thereof (including the District of Columbia); (iii) an estate the income of which is subject to U.S. federal income taxation regardless of its source; or (iv) a trust (1) that validly elects to be treated as a United States person for U.S. federal income tax purposes or (2)(a) the administration over which a U.S. court can exercise primary supervision and (b) all of the substantial decisions of which one or more United States persons have the authority to control. A ''Non-U.S. Holder'' is a beneficial owner of notes other than a U.S. Holder.

If a partnership (or any other entity treated as a partnership for U.S. federal income tax purposes) holds notes, the tax treatment of the partnership and a partner in such partnership generally will depend on the status of the partner and the activities of the partnership. Such partner or partnership should consult its own tax advisor as to its consequences.

Interest

Interest paid on a note will be includible in a U.S. Holder's gross income as ordinary interest income in accordance with the U.S. Holder's usual method of tax accounting. Interest on the notes will be treated as foreign source income for U.S. federal income tax purposes. In the event Additional Amounts are paid to a U.S. Holder due to the imposition of Norwegian withholding taxes, a U.S. Holder will be treated as having actually received the amount of Norwegian withholding taxes withheld with respect to the notes and as then having paid over such withheld taxes to the Norwegian taxing authorities. In such case, the amount of interest income included by a U.S. Holder in gross income for United States federal income tax purposes with respect to an interest payment may exceed the amount of cash actually received by the U.S. Holder with respect to such payment. Subject to certain limitations, a U.S. Holder generally will be entitled to a credit against its U.S. federal income tax liability, or a deduction in computing its U.S. federal income, for the Norwegian withholding taxes withheld or paid with respect to the note. For U.S. foreign tax credit limitation purposes, interest on the notes generally will constitute ''passive income'', or, in the case of certain U.S. Holders, ''financial services income.''

Subject to the discussion below under the caption ''U.S. Backup Withholding Tax and Information Reporting'', payments of interest on a note to a Non-U.S. Holder generally will not be subject to U.S. federal income tax unless such income is effectively connected with the conduct by such Non-U.S. Holder of a trade or business in the United States.

Sale, Exchange or Retirement

Upon the sale, exchange or retirement of a note, a U.S. Holder will recognize taxable gain or loss equal to the difference, if any, between the amount realized on the sale, exchange or retirement (other than accrued but unpaid interest which may be taxable as such) and the U.S. Holder's adjusted tax basis in such note. A U.S. Holder's adjusted tax basis in a note generally will equal the cost of such note to the Holder. Any such gain or loss will be capital gain or loss. In the case of a non-corporate U.S. Holder, the maximum marginal U.S. federal income tax rate applicable to such gain will be lower than the maximum marginal U.S. federal income tax rate applicable to ordinary income (other than certain dividends) if such U.S. Holder's holding period for such notes exceeds one year. Any gain or loss realized on the sale, exchange or retirement of a note generally will be treated as U.S. source gain or loss, as the case may be.

Subject to the discussion below under the caption ''U.S. Backup Withholding Tax and Information Reporting'', any gain realized by a Non-U.S. Holder upon the sale, exchange or retirement of a note generally will not be subject to U.S. federal income tax, unless (i) such gain is effectively connected with the conduct by such Non-U.S. Holder of a trade or business in the United States or (ii) in the case of any gain realized by an individual Non-U.S. Holder, such holder is present in the United States for 183 days or more in the taxable year of such sale, exchange or retirement and certain other conditions are met.

U.S. Backup Withholding Tax and Information Reporting

Backup withholding tax and information reporting requirements apply to certain payments of principal of, and interest on, an obligation and to proceeds of the sale or redemption of an obligation, to certain noncorporate holders of notes that are United States persons. The payor will be required to withhold backup withholding tax within the United States on a note to a holder of a note that is a United States person (other than an ''exempt recipient'', such as a corporation) if such holder fails to furnish its correct taxpayer identification number or otherwise fails to comply with, or establish an exemption from, such backup withholding requirements. Payments within the United States of principal and interest to a holder of a note that is not a United States person will not be subject to backup withholding tax and information reporting requirements if an appropriate certification is provided by the holder (with appropriate attachments from the beneficial owners in the case of certain pass-through entities) to the payor and the payor does not have actual knowledge or a reason to know that the certificate is false. The backup withholding tax rate is 28% for years 2003 through 2010. The amount of any backup withholding from a payment to a U.S. Holder will be allowed as a credit against the U.S. Holder's U.S. federal income tax liability.

THE ABOVE SUMMARY IS NOT INTENDED TO CONSTITUTE A COMPLETE ANALYSIS OF ALL TAX CONSEQUENCES RELATING TO THE OWNERSHIP OF NOTES. PROSPECTIVE PURCHASERS OF NOTES SHOULD CONSULT THEIR OWN TAX ADVISORS CONCERNING THE TAX CONSEQUENCES OF THEIR PARTICULAR SITUATIONS.

Employee Benefit Plan Considerations

The U.S. Employee Retirement Income Security Act of 1974, as amended (''ERISA''), imposes certain requirements on ''employee benefit plans'' (as defined in Section 3(3) of ERISA) subject to ERISA, including entities such as collective investment funds and separate accounts whose underlying assets include the assets of such plans (collectively, ''ERISA Plans'') and on those persons who are fiduciaries with respect to ERISA Plans. Investments by ERISA Plans are subject to ERISA's general fiduciary requirements, including the requirement of investment prudence and diversification and the requirement that an ERISA Plan's investments be made in accordance with the documents governing the ERISA Plan.

Section 406 of ERISA and Section 4975 of the U.S. Internal Revenue Code of 1986, as amended (the ''Code'') prohibit certain transactions involving the assets of an ERISA Plan (as well as those plans that are not subject to ERISA but which are subject to Section 4975 of the Code, such as individual retirement accounts (together with ERISA Plans, ''Plans'')) and certain persons (referred to as ''parties in interest'' or ''disqualified persons'') having certain relationships to such Plans, unless a statutory or administrative exemption is applicable to the transaction. A violation of these ''prohibited transaction'' rules may result in an excise tax, penalty or other liabilities under ERISA and Section 4975 of the Code for such persons.

Prohibited transactions within the meaning of Section 406 of ERISA or Section 4975 of the Code may arise if any notes are acquired by a Plan with respect to which any of the company, the transfer agents or the Luxembourg listing agent or any of their respective affiliates are a party in interest or a disqualified person. Certain exemptions from the prohibited transaction provisions of Section 406 of ERISA and Section 4975 of the Code may be applicable, however, depending in part on the type of Plan fiduciary making the decision to acquire notes and the circumstances under which such decision is made. There can be no assurance that any exemption will be available with respect to any particular transaction involving the notes, or that, if an exemption is available, it will cover all aspects of any particular transaction. By its purchase of any notes, whether in the case of the initial purchase or in the case of a subsequent transfer, the purchaser or holder thereof will be deemed to have represented and agreed either that (i) it is not and for so long as it holds notes will not be an ERISA Plan or other Plan, an entity whose underlying assets include the assets of any such ERISA Plan or other Plan, or a governmental or other employee benefit plan which is subject to any U.S. federal, state or local law, or foreign law, that is substantially similar to the provisions of Section 406 of ERISA or Section 4975 of the Code, or (ii) its purchase, holding and disposition of the notes will not result in a prohibited transaction under Section 406 of ERISA or Section 4975 of the Code (or, in the case of such a governmental or other employee benefit plan, any such substantially similar U.S. federal, state or local law, or foreign law) for which an exemption is not available.

Governmental plans and certain church and other plans, while not subject to the fiduciary responsibility provisions of ERISA or the provisions of Section 4975 of the Code, may nevertheless be subject to state or other federal or foreign laws that are substantially similar to ERISA and the Code. Fiduciaries of any such plans should consult with their counsel before purchasing any Notes.

Any insurance company proposing to invest assets of its general account in the Notes should consider the implications of the United States Supreme Court's decision in *John Hancock*

Mutual Life Insurance Co. v. Harris Trust and Savings Bank, 510 U.S. 86 (1993), which, in certain circumstances, treats the assets of an insurance company's general account as assets of Plans that own policies or other contracts with the insurance company, as well as the effect of Section 401(c) of ERISA as interpreted by regulations issued by the U.S. Department of Labor (the ''DOL'') in January 2000 and the extent to which exemptive relief under prohibited transaction class exemption 95-60 issued by the DOL will apply to such investment.

The foregoing discussion is general in nature and not intended to be all-inclusive. Any Plan fiduciary who proposes to cause a Plan to purchase any Notes should consult with its counsel regarding the applicability of the fiduciary responsibility and prohibited transaction provisions of ERISA and Section 4975 of the Code to such an investment, and to confirm that such investment will not constitute or result in a prohibited transaction or any other violation of an applicable requirement of ERISA.

The sale of notes to a Plan is in no respect a representation by the company, any transfer agents or the Luxembourg listing agent that such an investment meets all relevant requirements with respect to investments by Plans generally or any particular Plan, or that such an investment is appropriate for Plans generally or any particular Plan.

Plan of Distribution

Deutsche Bank Securities Inc. and J.P. Morgan Securities Inc. are acting as joint bookrunning managers of the offering and as representatives of the initial purchasers named below. Subject to the terms and conditions stated in the purchase agreement dated the date of this offering memorandum, each initial purchaser named below has agreed to purchase, severally and not jointly, and we have agreed to sell to that initial purchaser, the principal amount of the notes set forth opposite the initial purchaser's name.

Initial Purchaser	Principal Amount	
	2015 Notes	2033 Notes
Deutsche Bank Securities Inc.	$ 88,000,000	$ 88,000,000
J.P. Morgan Securities Inc.	$ 88,000,000	$ 88,000,000
BNP Paribas Securities Corp.	$ 8,000,000	$ 8,000,000
Citigroup Global Markets Inc.	$ 8,000,000	$ 8,000,000
HSBC Securities (USA) Inc.	$ 8,000,000	$ 8,000,000
Total	$200,000,000	$200,000,000

The purchase price for the 2015 notes will be the initial offering price set forth on the cover page of this offering memorandum less an underwriting discount of 0.55% of the principal amount of the 2015 notes purchased. The purchase price for the 2033 notes will be the initial offering price set forth on the cover page of this offering memorandum less an underwriting discount of 0.825% of the principal amount of the 2033 notes purchased.

The purchase agreement provides that the obligations of the initial purchasers to purchase the notes are subject to approval of legal matters by counsel and to other conditions. The initial purchasers must purchase all the notes if they purchase any of the notes.

We have been advised that the initial purchasers propose to resell the 2015 notes and the 2033 notes at the respective offering prices set forth on the cover page of this offering memorandum within the United States to qualified institutional buyers (as defined in Rule 144A) in reliance on Rule 144A and outside the United States in reliance on Regulation S under the Securities Act. See ''Form of Notes and Transfer Restrictions''. The price at which the notes are offered may be changed at any time without notice.

Each tranche of notes will constitute a new class of securities with no established trading market. Application has been made to list the notes on the Luxembourg Stock Exchange. We cannot assure you that the prices at which either tranche of notes will sell in the market after this offering will not be lower than the initial offering price or that an active trading market for either tranche of notes will develop and continue after this offering. The initial purchasers have advised us that they currently intend to make a market in the notes. However, they are not obligated to do so and any market-making activities with respect to either tranche of notes may be discontinued at any time without notice. In addition, such market-making activity will be subject to the limits imposed by the Securities Act and the Exchange Act. Accordingly, we cannot assure you as to the liquidity of or the trading market for either tranche of notes.

In connection with this offering, Deutsche Bank Securities Inc. and J.P. Morgan Securities Inc., on behalf of the initial purchasers, may purchase and sell notes in the open market. These transactions may include over-allotment, covering transactions and stabilizing transactions.

Over-allotment involves sales of notes in excess of the principal amount of notes to be purchased by the initial purchasers in this offering, which creates a short position for the initial purchasers. Covering transactions involve purchases of the notes in the open market after the distribution has been completed in order to cover short positions. Stabilizing transactions consist of certain bids or purchases of notes made for the purpose of preventing or retarding a decline in the market price of the notes while the offering is in progress. Any of these activities may have the effect of preventing or retarding a decline in the market price of the notes. They may also cause the price of either tranche of the notes to be higher than the price that otherwise would exist in the open market in the absence of these transactions. The initial purchasers may conduct these transactions in the over-the-counter market or otherwise. If the initial purchasers commence any of these transactions, they may discontinue them at any time.

The initial purchasers have performed certain investment banking and advisory services for us from time to time for which they received customary fees and expenses. The initial purchasers may, from time to time, engage in transactions with and perform services for us in the ordinary course of their businesses.

We have agreed to indemnify the initial purchasers against certain liabilities, including liabilities under the Securities Act, or to contribute to payments that the initial purchasers may be required to make in respect of any of those liabilities.

We have been advised that the initial purchasers may make the notes available for distribution on the Internet through a third-party system operated by Market Axess Inc., an Internet-based communications technology provider. We have also been advised by the initial purchasers that Market Axess Inc. is providing the system as a conduit for communications between the initial purchasers and their respective customers and is not a party to any transactions. We have also been advised by the initial purchasers that Market Axess Inc. is a registered broker-dealer and will receive compensation from the initial purchasers based on transactions conducted through the system. We have been advised by the initial purchasers that they will make the notes available to their respective customers through the Internet on the same terms as distributions of the notes made through other channels. Information on any Web site not included in this offering memorandum is not a part of this offering memorandum.

Selling Restrictions

United States

The notes have not been and will not be registered under the Securities Act and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons (as defined in Regulation S) except in transactions exempt from, or not subject to, the registration requirements of the Securities Act. See ''Form of Notes and Transfer Restrictions''.

Accordingly, in connection with sales outside the United States each initial purchaser has agreed that, except as permitted by the purchase agreement and as set forth in ''Form of Notes and Transfer Restrictions'', it will not offer or sell the notes within the United States or to or for the account or benefit of U.S. persons (i) as a part of its distribution at any time or (ii) otherwise until 40 days after the later of the commencement of the offering and the closing date, and it will have sent to each dealer to which it sells notes during the 40-day restricted period a confirmation or other notice setting forth the restrictions on offers and sales of the notes within the United States or to or for the account or benefit of U.S. persons.

In addition, until 40 days after the commencement of this offering, an offer or sale of notes within the United States by a dealer that is not participating in this offering may violate the registration requirements of the Securities Act if that offer or sale is made otherwise than in accordance with Rule 144A.

United Kingdom

Each initial purchaser has further represented, warranted and undertaken that:

1. ***No offer to public:*** It has not offered or sold and will not offer or sell any notes to persons in the United Kingdom prior to the expiry of a period of six months from the issue date of such notes except to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses or otherwise in circumstances which have not resulted and will not result in an offer to the public in the United Kingdom within the meaning of the Public Offers of Securities Regulations 1995;

2. ***Financial Promotion:*** It has only communicated or caused to be communicated, and will only communicate or cause to be communicated, any invitation or inducement to engage in investment activity (within the meaning of section 21 of the Financial Services and Markets Act 2000 (the **''FSMA''**)) received by it in connection with the issue or sale of any notes in circumstances in which section 21(1) of the FSMA does not apply to the company; and

3. ***General compliance:*** It has complied with all applicable provisions of the FSMA with respect to anything done by it in relation to any notes in, from or otherwise involving the United Kingdom.

Norway

Each initial purchaser has further represented, warranted and undertaken that it will not directly or indirectly publicly offer the notes in the Kingdom of Norway, or outside the Kingdom of Norway to residents of Norway, other than to persons who are registered with the Oslo Stock Exchange as professional investors.

Legal Matters

Certain matters of U.S. law will be passed upon for us by White & Case LLP and for the initial purchasers by Clifford Chance Limited Liability Partnership. Certain matters of Norwegian law will be passed upon for us by Wiersholm, Mellbye and Bech.

Independent Public Accountants

Our financial statements for the year ended December 31, 2002 were audited by Ernst & Young, independent public accountants. Our financial statements for the year ended December 31, 2001 were audited by Arthur Andersen, independent public accountants.

General Information

Incorporation, Seat and Duration

We are a Norwegian public joint stock company incorporated on March 18, 1873, for an unlimited number of years. Our management and registered office is located in the Bærum municipality.

Objects

Our objects as described in Article 2 of our Articles of Association are to conduct business in the paper and pulp industry, as well as related industries. We may also participate in other enterprises through share ownership or similar means.

Authorized and Issued Share Capital

As at June 30, 2003, our issued and fully paid up share capital amounted to NOK1,331,370,880 divided into 133,137,088 ordinary shares with a nominal value of NOK10 each. Our shares are registered with the Norwegian Registry of Securities (VPS).

Clearing of Notes

The notes have been accepted for clearance through the facilities of DTC, Euroclear and Clearstream, Luxembourg.

The ISIN number for the 2015 unrestricted global notes is USR80036AP26, the CUSIP number is R80036AP2. For the 2015 restricted global notes, the ISIN number is US656533AB28 and the CUSIP number is 656533AB2.

The ISIN number for the 2033 unrestricted global notes is USR80036AQ09 and the CUSIP number is R80036AQ0. For the 2033 restricted global notes, the ISIN number is US656533AC01 and the CUSIP number is 656533AC0.

Authorization

The issue of the notes was duly authorized by our Board of Directors on September 29, 2003.

Litigation

Except as otherwise disclosed in this offering memorandum, neither we nor any of our subsidiaries are involved in any litigation or arbitration proceeding relating to claims or amounts which is material in the context of the issue of the notes, nor so far as we are aware, is any such litigation or arbitration pending or threatened.

Material Adverse Change

Except as otherwise disclosed in this offering memorandum, there has been no material adverse change, or development reasonably likely to involve a material adverse change, in our condition (financial or otherwise) or any of our subsidiaries, taken as a whole, since June 30, 2003 and no change in our condition since our date of incorporation, in either case, that is material in the context of the issue of the notes.

Documents Available

Copies of our Articles of Association, the agency agreements, our annual reports, including our annual audited consolidated and audited unconsolidated financial statements as at and for the years ended December 31, 2002 and 2001 prepared in accordance with Norwegian generally accepted accounting principles and our 2003 semi-annual report, including unaudited consolidated financial statements as at and for the six months ended June 30, 2003, are available free of charge and, until the maturity of the notes, future annual and interim quarterly reports and the latest audited published consolidated and unconsolidated financial statements will be available, during normal business hours at the specified office of the fiscal agent and the office of the paying agent in Luxembourg from time to time. We do not prepare unconsolidated interim financial statements.

The registered office of Norske Skogindustrier ASA is P.O. Box 329, Oksenoyveien 80, N-1326 Lysaker, Norway.

Listing

Application has been made to list the notes on the Luxembourg Stock Exchange. Prior to the listing, our constitutive documents and a legal notice relating to the notes will be deposited with the *Régistre de Commerce et des Sociétés à Luxembourg*, where copies thereof may be obtained upon request.

Luxembourg Paying Agent

As long as the notes are listed on the Luxembourg Stock Exchange, we will maintain a paying agent and a transfer agent in the City of Luxembourg. The name of the paying and transfer agent initially appointed in the City of Luxembourg and the listing agent in the City of Luxembourg is set forth at the end of this offering memorandum.

Non-confidentiality

Notwithstanding any provisions in this offering memorandum, any person (and each employee, representative, or other agent of such person) may disclose to any all other person, beginning immediately upon commencement of discussions regarding the transaction described herein, without limitation of any kind, the tax treatment and tax structure of the transaction described herein and all materials of any kind (including opinions or other tax analyses) that are provided to such person relating to such tax treatment and tax structure, except to the extent that such disclosure is subject to restrictions reasonably necessary to comply with securities laws.

Summary of Certain Significant Differences Between U.S. GAAP and Norwegian GAAP

Our annual and interim financial statements are prepared in accordance with accounting principals generally accepted in Norway (''Norwegian GAAP''). Norwegian GAAP differs in certain aspects from generally accepted accounting principles in the United States (''U.S. GAAP'').

The following paragraphs summarize certain differences between Norwegian GAAP and U.S. GAAP that could be significant to the presentation of our financial position and results of operations as of June 30, 2003, and the years ending December 31, 2002 and 2001. We cannot offer any assurances that the differences described below would give rise to the most material differences between our financial statements were they to have been prepared under U.S. GAAP. In addition, we cannot estimate the net effect that applying U.S. GAAP would have on our financial position or results of operations, or any component thereof, in any of the presentations of financial information that have been included in this offering memorandum. However, the effect of such differences may be, individually or in the aggregate, material and, in particular, it may be that the amounts of net income and shareholders' equity prepared on the basis of U.S. GAAP would be materially different than the amounts of net income and shareholders' equity prepared on the basis of Norwegian GAAP. The following summary may not include all differences that exist between Norwegian GAAP and U.S. GAAP. No attempt has been made to identify all disclosure, presentation or classification differences that would affect the manner in which transactions and events are presented in this offering memorandum.

The organizations that promulgate U.S. GAAP have ongoing projects that could have a significant impact on future comparisons between U.S. GAAP and Norwegian GAAP. For example, U.S. Statements on Financial Accounting Standards (SFAS) No. 150 ''Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity'', SFAS No. 149 ''Amendment of Statement 133 on Derivative Instruments and Hedging Activities'' and Financial Interpretation No. 46 ''Consolidation of Variable Interest Entities'' issued in 2003 with effective dates after June 30, 2003 could result in further significant differences between U.S. GAAP and Norwegian GAAP. Furthermore, certain U.S. standards, in particular SFAS No. 141 ''Business Combinations'', SFAS No. 142 ''Goodwill and Other Intangible Assets'', SFAS No. 143 ''Accounting for Asset Retirement Obligations'', SFAS No. 144 ''Accounting for the Impairment or Disposal of Long-Lived Assets'' and Financial Interpretation No. 45 ''Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others'' were issued in 2001 or 2002 and are therefore not effective for the entire period for which comparatives are presented.

Business Combinations

According to U.S. GAAP, business combinations are required to be accounted for by the purchase method. The pooling-of-interests method is not allowed under U.S. GAAP. According to Norwegian GAAP, business combinations in which no acquiring party can be identified should be accounted for by the pooling-of-interests method.

Earlier Norwegian legislation, in force up to 1998, allowed for all mergers, regardless of substance, to be accounted for under the pooling-of-interests method in Norway. Our financial statements have not been restated for the effect, if any, of accounting for acquisitions as pooling-of-interest combinations.

According to Norwegian GAAP, assets and liabilities other than goodwill are measured at their fair values as of the date of acquisition and the minority interest is stated at the minority's proportion of the fair values. According to U.S. GAAP, the acquirer's interest in the assets and liabilities is measured at fair value and the minority's proportion is measured at pre-acquisition carrying amounts.

The rules regulating recognition of restructuring provisions at the date of acquisition are more flexible under Norwegian GAAP than U.S. GAAP and under certain circumstances provisions recognized according to Norwegian GAAP are not allowed under U.S. GAAP.

Negative Goodwill

Negative goodwill is the excess that arises when the net of the amounts assigned to assets acquired and liabilities assumed exceeds the cost of the acquired entity. Under U.S. GAAP, negative goodwill should be allocated to reduce proportionately the values assigned to the acquired assets, including research and development assets acquired and charged to expense, except (a) financial assets other than equity accounted investments, (b) assets to be disposed of by sale, (c) deferred tax assets, (d) prepaid assets relating to pension or other post-retirement benefit plans, and (e) any other current assets. Any remainder should be recognized as an extraordinary gain.

Under Norwegian GAAP, negative goodwill should be classified as goodwill (reduction of asset) and amortized systematically over the average life of tangible fixed assets, unless it can be assigned to expected future losses or restructuring expenses that do not qualify for recognition at acquisition. Such negative goodwill should be amortized when these losses or expenses are incurred.

Goodwill and Identifiable Intangibles

According to U.S. GAAP, goodwill and indefinite lived intangible assets are not amortized. Goodwill and intangible assets that have indefinite useful lives must be tested at least annually for impairment. Intangible assets that have finite useful lives are amortized over their useful lives, but without the constraint of an arbitrary ceiling. Under Norwegian GAAP, goodwill and intangible assets are amortized, with no limitation as to the amortization period. However, amortization of goodwill or intangible assets of more than 20 years is unusual.

Joint Ventures

Under U.S. GAAP, joint ventures should be accounted for by the equity method. Under Norwegian GAAP, joint ventures should be accounted for by the equity method or the proportional method. Under the proportional method, assets, liabilities, equity, income and expenses are consolidated line-by-line on a proportional basis. We use the proportional method for our joint ventures.

Derivative Instruments and Foreign Currency Hedging

In 1998, the Financial Accounting Standards Board (FASB) issued SFAS No. 133, ''Accounting for Derivative Instruments and Hedging Activities'', which was subsequently amended by SFAS No. 137, SFAS No. 138, SFAS No. 149 and SFAS No 150. SFAS No. 133 is mandatory for all fiscal quarters of all fiscal years beginning after June 15, 2000.

SFAS No. 133 must be applied to derivative instruments, including certain derivative instruments embedded in other contacts. It requires that such instruments be recognized in the balance sheet as either an asset or liability and measured at fair value. SFAS No. 133 requires that changes in the derivative's fair value be recognized currently in earnings unless special hedge accounting criteria are met.

SFAS No. 133 allows special hedge accounting for fair value and cash flow hedges.
SFAS No. 133 requires that the gain or loss on the fair market value of a derivative instrument designated and qualifying as a fair value hedging instrument as well as the offsetting gain or loss on the fair market value of the hedged item attributable to the hedged risk be recognized currently in earnings in the same accounting period. SFAS No. 133 requires that the effective portion of the gain or loss on a derivative instrument designated and qualifying as a cash flow hedge be reported as a component of other comprehensive income and be reclassified into earnings in the same period or periods during which the hedged transaction affects earnings. The remaining gain or loss (i.e. the ineffective portion), if any, must be recognized currently in earnings. Any portion of a change in the fair value of a derivative that qualifies as a cash flow hedge which the issuer has elected to exclude from its measurement of effectiveness, such as the change in time value of option contracts, must be recorded immediately in earnings.

Under Norwegian GAAP, no specific accounting standards regarding the accounting recognition for financial instruments exists and, unless used in hedging, cost accounting should be applied.

Foreign Currency Translation

Under U.S. GAAP, the profit and loss account of a foreign subsidiary whose functional currency is different from that of the parent is translated at an appropriate weighted average exchange rate. Under Norwegian GAAP, the profit and loss accounts of foreign subsidiaries that are regarded as an integral part of the parent company's activities are translated at the average exchange rate for the year, except for the cost of materials and depreciation, which are translated at the rate on the transaction date.

Research and Development Costs

U.S. GAAP requires the immediate expense recognition of all research and development costs. Specific exceptions apply related to the development of computer software costs. Norwegian GAAP allows research and development costs that comply with certain criteria to be capitalized and amortized over the estimated useful life; however, immediate expense recognition is common.

Revaluation of Fixed Assets

Under both Norwegian GAAP and U.S. GAAP, a revaluation of fixed assets is not permitted. Until 1998, revaluation was permitted under Norwegian GAAP. Our financial statements have not been restated for the effect, if any, of revaluations of previous years.

Capitalizing of Borrowing Costs

Under Norwegian GAAP and U.S. GAAP, borrowing costs related to the construction of certain assets should be capitalized. However, the borrowing costs include exchange rate differences from foreign currency borrowings to the extent they are regarded as an adjustment to interest costs according to Norwegian GAAP, but not under U.S. GAAP.

Leasing

Both U.S. GAAP and Norwegian GAAP differentiate between operating and capital leases. Under U.S. GAAP, leases are capitalized if they meet any one of the four very specific criteria of SFAS No. 13 ''Accounting for Leases''. The same general criteria are applied under Norwegian GAAP, but the substance of the lease agreement will determine the accounting practice applied. Further differences between U.S. GAAP and Norwegian GAAP may occur regarding sale and leaseback transactions.

Inventories

Under U.S. GAAP, the acceptable methods of costing inventory are FIFO, LIFO, weighted moving average and specific identification. Inventory valuation must be recognized at the lower-of-cost-or-market value where market is generally defined as net realizable value. Under Norwegian GAAP, inventory values are measured at the lower of historic cost or fair market value based on the FIFO method. LIFO is not allowed under Norwegian GAAP.

Pensions

Under U.S. GAAP, the determination of pension costs for defined benefit pension plans is made pursuant to SFAS No. 87 ''Employers Accounting for Pensions''. Under Norwegian GAAP, the accounting standard for retirement benefit costs has to be applied. Both U.S. GAAP and Norwegian GAAP require the recognition of the net pension benefit obligation, although U.S. GAAP and Norwegian GAAP differ significantly in relation to matters such as actuarial assumptions and the treatment of actuarial gains.

Dividends

Under U.S. GAAP, dividends are not recognized as liabilities until declared. Under Norwegian GAAP, proposed dividends are usually recognized as liabilities. Under the Norwegian Companies Act, dividends are payable out of annual and retained earnings. The amount of dividends is subject to approval by the shareholders at a general meeting, following the fiscal year to which the dividends relate.

Revenues

Under Norwegian GAAP, revenue is recognized when earned. Under U.S. GAAP, revenue is realized or realizable and earned when all of the following criteria have been met: persuasive evidence of an arrangement exists; delivery has occurred or services have been rendered; the seller's price to the buyer is fixed or determinable; and collectability is reasonably assured.

Classification of Minority Interest

Under U.S. GAAP, minority interest should be presented as a separate item between liabilities and shareholders' equity. The minority share of income for the year is subtracted when arriving at net income for the year. Under Norwegian GAAP minority interests are classified as a part of shareholders' equity. Net income for the year includes the minority share of income.

Changes in Accounting Policy

Under U.S. GAAP, the effect of a change in accounting policy is generally reflected as a cumulative adjustment to current year net income and comparatives are not restated. There are certain specific exceptions where restatement is required for certain changes. According to Norwegian GAAP, changes in accounting policies require restatement of prior periods if the effect is material.

Forest Assets

Under U.S. GAAP and Norwegian GAAP, timber and timberlands are stated at cost less accumulated depletion for timber previously harvested. Costs attributable to timber harvested, or depletion, are charged against income as trees are cut. Under Norwegian GAAP, reforestation costs are expensed as incurred.

Asset Retirement Obligations

Under U.S. GAAP an entity should recognize the fair value of a liability for an asset retirement obligation in the period in which it is incurred. The entity should capitalize an asset retirement cost as an addition to the carrying amount of the related long-lived asset and allocate the cost to expense using a systematic and rational method over its useful life. An asset retirement obligation is a legal obligation associated with the retirement of a tangible long-lived asset that results from the acquisition, construction, or development and (or) the normal operation of a long-lived asset. The fair value of a liability for an asset retirement obligation is the amount at which that liability could be settled in a current transaction between willing parties. Subsequent changes resulting from revisions to the timing or amount of the original estimate of the fair value of the liability should be recognized.

Under Norwegian GAAP asset retirement or decommissioning costs are those costs that arise from plant and equipment that have to be dismantled at the end of their life. Norwegian GAAP allows for three possible accounting treatments, with the third listed as the preferred alternative: (1) Gradually build the provision over the estimated economic life of the installation; (2) The present value of the decommissioning costs is taken into the depreciation plan so that the carrying value at the end of the economic life is negative; or (3) The present value of the decommissioning costs is added to the corresponding asset's cost and a corresponding contingency is made.

Income Taxes

Under U.S. GAAP, deferred tax assets and deferred tax liabilities are classified as current and non-current, on the basis of the assets and liabilities to which they relate. Under Norwegian GAAP, deferred tax assets and liabilities are always shown as on a net basis as either a non-current deferred tax asset or a non-current deferred tax liability.

Under Norwegian GAAP, deferred tax assets and liabilities arising from business combinations can be recorded at their present value. Under U.S. GAAP, discounting of deferred tax assets and liabilities is not permitted.

Financial Investments

According to Norwegian GAAP, fair value accounting for financial investments is limited to current financial assets that are part of a trading portfolio. In practice, only a few companies are considered to have trading portfolios and financial investments are to a great extent accounted for at the lower-of-cost-or-market. Under U.S. GAAP, readily marketable securities are classified into one of the following three categories: ''trading securities'' which are valued at fair market value with unrealized gains and losses recognized in the current period income statement; ''available-for-sale securities'' which are valued at fair market value with unrealized gains and losses being taken to equity (i.e. not currently recognized in the income statement); and ''held-to-maturity securities'' which are valued at cost.

Classification of Long-term Debt

Under U.S. GAAP, amounts that are due or payable within one year of the reporting date are reclassified as a current liability. The same treatment is allowed under Norwegian GAAP, but reclassification is not mandatory.

Classification of the Income Statement

Under Norwegian GAAP, the income statement must be presented according to a classification of expenses by nature. Under U.S. GAAP, classification of expenses by function is required.

Index to Financial Statements

Audited consolidated financial statements of Norske Skogindustrier ASA and its subsidiaries as at and for the years ended December 31, 2002 and 2001.

Audited unconsolidated financial statements of Norske Skogindustrier ASA as at and for the years ended December 31, 2002 and 2001.

Unaudited interim consolidated financial statements of Norske Skogindustrier ASA and its subsidiaries as at and for the six months ended June 30, 2003 and 2002.

Auditor's Report for 2002

We have audited the annual financial statements of Norske Skogindustrier ASA as of 31 December 2002, showing a profit of NOK 1 031 million for the parent company and a profit of NOK 1 168 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 allocation of 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 Managing Director. 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 conducted our audit in accordance with the Norwegian Act on Auditing and Auditors 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 31 December 2002, 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 duty to properly register and document the 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.

Oslo, 5 March 2003
ERNST & YOUNG AS

Henning Strøm (sign.)
State Authorised Public Accountant (Norway)

Note: The translation to English has been prepared for information purposes only.

Norske Skogindustrier ASA
Consolidated Profit and Loss Account

NOK million	Notes	2002	2001
Operating revenue	2	23 471	30 354
Changes in inventory		(206)	230
Cost of materials		10 559	11 679
Wages, salaries and personnel expenses	3, 4	3 514	3 909
Other operating expenses	5	4 406	6 117
Depreciation and amortisation	12	3 292	3 323
Operating expenses		21 565	25 258
Operating earnings before restructuring costs		1 906	5 096
Restructuring costs	7	(600)	-
Operating earnings		(1 306)	5 096
Earnings from affiliated companies	15	(290)	16
Financial items	6	(405)	(1 376)
Other items	7	195	158
Earnings before taxation		806	3 894
Taxation	8	362	(1 234)
Earnings		1 168	2660
The minority's share of the earnings		6	166
The majority's share of the earnings		1 162	2 494
Earnings per share/Earnings per share fully diluted	9	8.79	20.68

Norske Skogindustrier ASA
Consolidated Statement of Cash Flow

NOK million	Notes	2002	2001
Cash flow from operating activities			
Cash generated from operations		23 575	31 165
Cash used in operations		(18 290)	(22 141)
Cash from net financial items		(625)	(1 435)
Taxes paid		(973)	(537)
Net cash flow from operating activities	10	3 687	7 052
Cash flow from investment activities			
Investments in operational fixed assets	12	(1 146)	(1 422)
Adjustment for investments with deferred cash-effect		-	197
Sales of operational fixed assets		44	26
Other investments		170	286
Dividend received[1]		-	4 372
Net cash from sold shares and activities[2]		498	3 075
Net cash used for acquisitions of companies[3]		(6)	(11 113)
Net cash flow from investment activities		(440)	(4 579)
Cash flow from financial activities			
Net change in long-term liabilities		(6 411)	(2 550)
Net change in short-term liabilities		884	(121)
Dividend paid		(792)	(671)
New equity		-	3 327
Net cash flow from financial activities		(6 319)	(15)
Translation difference		(218)	44
Total change in liquid assets[4]		(3 290)	2 502
Liquid assets as at 1 January[4]		4 158	8 628
Net change in liquid assets from deconsolidation of NorskeCanada		-	(6 972)
Adjusted liquid assets as at 1 January		-	1 656
Liquid assets as at 31 December	11	868	4 158

(1) Dividend received in 2001 is from NorskeCanada.

(2) In 2002 the amount consists of sale of forests in Southern Norway, forests in Sweden, and settlement for Flooring AS. In 2001 the amount consists of sale of Mackenzie Pulp and Tasman Pulp, sale of shipping activities in Australasia and Norway, sale of headquarter building and sale of the forests in Brazil.

(3) In 2001 the amount consists of increased ownership in Pan Asia Paper Co., increased ownership in Pisa Papel de Imprensa, and the acquisition of Walsum and Parenco.

(4) Total change in liquid assets has been adjusted for the deconsolidation of NorskeCanada at 28 August 2001. Liquid assets in the company at the time of deconsolidation was NOK 6 972 million. The amount has been adjusted against the opening cash-balance (Liquid assets as at 1 January 2001).

Norske Skogindustrier ASA
Consolidated Balance Sheet

NOK million	Notes	2002	2001
Intangible fixed assets	12	4 682	4 549
Operational fixed assets	12	31 127	36 889
Other long-term receivables	13	401	672
Shares in other companies and partnerships	14	40	45
Shares in affiliated companies	15	1 947	3 262
Securities and long-term financial assets		2 388	3 979
Fixed assets		38 197	45 417
Inventory	16	2 080	2 172
Other short-term receivables		889	1 019
Accounts receivable		2 932	3 506
Short-term investments	11, 17	381	1 769
Liquid assets	11	487	2 389
Current assets		6 769	10 855
Total assets		44 966	56 272
Shareholders' equity and liabilities			
Share capital		1 331	1 331
Own shareholding		(9)	(10)
Share premium reserve		7 116	7 088
Paid in equity		8 438	8 409
Other consolidation equity		9 326	10 912
Minority interests	20	157	205
Shareholders' equity	19	17 921	19 526
Deferred taxes	8	2 021	3 174
Pension obligations	4	352	329
Provisions		2 373	3 503
Interest free long-term liabilities		537	674
Interest bearing long-term liabilities	21, 25	17 925	26 681
Long-term liabilities		18 462	27 355
Interest bearing current liabilities	22	1 147	297
Interest free current liabilities	23	5 063	5 591
Current liabilities		6 210	5 889
Total shareholders' equity and liabilities		44 966	56 272

Lysaker, 5 March 2003

Lars Wilhelm Grøholt
Chairman

Jon R. Gundersen
Deputy Chairman

Halvor Bjørken   Jan Vidar Grini   Stig Johansen   Kåre Leira

Øivind Lund   Egil Myklebust   Giséle Marchand   Jan Reinås
President and CEO

Notes to the Norske Skogindustrier ASA Consolidated Financial Statements

1. Accounting principles

Consolidated accounts

The consolidated accounts are presented in accordance with Norwegian Generally Accepted Accounting Principles, and are presented in NOK million if not stated otherwise.

The consolidated accounts include the activities of the parent company, Norske Skogindustrier ASA, and its subsidiaries as one financial unit based on the accounting principles as described below. All intercompany transactions are eliminated from the consolidated accounts. Gains and losses arising from transactions between group companies are also eliminated.

Companies in which Norske Skog has a controlling interest are fully included in the consolidated accounts. In the case where subsidiaries are not wholly owned, minority interests are deducted and shown as separate items in the profit & loss account and in the balance sheet. The subsidiaries are consolidated into the consolidated accounts from the date Norske Skog obtains control over the subsidiary. Shares in subsidiaries are eliminated according to the purchase method. That is, the cost of the 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 affiliated companies. Affiliates are those companies in which Norske Skog has a substantial, but not a controlling interest. The equity method requires that the Group's share of the affiliate's profit or loss after tax is shown on a separate line in the profit & loss account, whilst its share of the affiliate's equity, adjusted for fair value, is classified as fixed asset in the balance sheet.

Interests in joint ventures are accounted for using proportionate consolidation. The share of income, expenses, assets, liabilities and cash-flow is recognised line by line in the consolidated accounts. Joint ventures are business activities that Norske Skog runs in co-operation with one or more participants. The business is regulated by an agreement between the participants. Joint venture implies that no participant has a majority interest in the business.

Most of the foreign subsidiaries in the Group's accounts are classified as independent entities. On consolidation of the independent foreign subsidiaries, balance sheet items are translated at the year-end exchange rate. Profit & loss items are translated at the average exchange rate for the year. The translation difference is entered as an adjustment to consolidated equity.

Other foreign subsidiaries are classified as an integral part of the parent company's operations. On 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 exchange rate on the transaction date. Profit & 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 presented as a financial item in the profit & loss account.

Operating revenues

All sales are recognised as revenues at the time of delivery to the customer. Operating revenue is the gross operating revenue less commissions, rebates and other direct price reductions.

Classifications in the balance sheet

Assets and liabilities linked with the flow of goods are classified as current assets and liabilities. Other assets are classified as fixed assets when the company intends to keep them for continued use or ownership. Liabilities that fall due for payment later than one year after the balance sheet date are classified as long term liabilities. 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. Gain and loss due to changes in currency rates on debt in foreign currency that is regarded as a hedge of the value of an independent subsidiary in foreign currency is booked against equity, together with the translation difference arising from the translation of the subsidiary. Gain and loss due to changes in currency rates on balance sheet items related to operations is included in the operating profit. Gain and loss due to changes in currency rates on other balance sheet items is classified as financial item.

Financial instruments

Treatment of financial instruments for accounting purposes follows the intentions underlying the associated contract. At the time a contract is entered, 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. The portfolios are then assessed at cost price or market value, whichever is the lower. In cases where the contracts entered 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.

Shares, bonds, certificates, bills etc.

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

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 fair value when a drop in value is of a permanent nature.

Inventory

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 a future selling date will be used if that is lower.

Fixed assets and depreciation

Fixed assets are valued at historical cost. Acquisition cost for tangible assets having long term future economic benefits are capitalised and classified 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 the use of the tangible asset commences and is calculated on the basis of the economic life of the asset.

Norske Skog has implemented the preliminary Norwegian accounting standard on impairment of assets in 2002.

Research & development

Research and development costs are expensed as they are incurred and are classified as operating costs.

Leasing

Leasing contracts are assessed as financial or operational leasing after an assessment is made of each contract. Leasing contracts that are associated with tangible assets and classified as a financial lease are capitalised in the balance sheet and depreciation is charged as for ordinary tangible assets. The tangible assets are capitalised at the present value of the lease payment. If the fair value of the fixed asset are lower than the present value of the lease payments on the contract date, the fair value is capitalised. The amortisation portion 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. Leasing agreements that are classified as an operational lease are not capitalised in the balance sheet. The leasing charge is expensed.

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 fair 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 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 personnel expenses'' and consist of the present value of pension earned in the year, interest expenses on the pension obligation, anticipated returns on pension scheme funds, expensed portion of differences in estimates and pension plans, expensed portion of difference between actual and anticipated returns, and accrued national insurance.

Bond loans

The value of bond loans in the balance sheet 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 earnings 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 based on temporary timing differences between financial accounts and tax accounts and any tax 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 normally made according to the debt method without discounting to present value. Deferred tax in acquired companies is valued at present value when this provides a true reflection of the underlying transaction.

Cash flow

The cash flow is reported using the direct method. The direct method provides cash flow from operational-, investment- and financing activities on a gross basis. Liquid assets contains bank deposits and short term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes to the value.

Contingent liabilities

Contingent liabilities are provided for if the possibility of their settlement are more than 50%. Best estimate are used when calculating the value of the settlement. See note 27 where other material issues are commented on.

Changes in the Group structure

2002

Norske Skog's forest properties in the southern part of Norway were sold in December. Total value on the balance sheet of the forest properties was NOK 36 million.

In May 2002 NorskeCanada made a share issue. Norske Skog did not participate in this share issue. This resulted in a reduction of Norske Skog's share in NorskeCanada. After the share issue, Norske Skog's share was reduced from 36.1% to 30.6%.

2001

Forest properties in Sweden and Brazil were sold in 2001. Total book value of the properties in Sweden was NOK 40 million. The book value of the properties in Brazil was NOK 712 million.

The joint venture Pan Asia Paper Company was originally owned by Norske Skog, Abitibi Consolidated in Canada, and Hansol in Korea, each holding ⅓ of the share in the company. During spring 2001 Hansol offered the other two participants to take over Hansol's 33% share of Pan Asia Paper Company. The transaction date was 16 August, resulting in a share ownership of 50% for both Norske Skog and Abitibi. The transaction increased the total assets in the balance sheet by NOK 2 600 million.

30 November 2001 Norske Skog acquired the two publication paper mills Walsum in Germany and Parenco in the Netherlands. The German Haindl Group formerly owned the two mills. The acquisition increased Norske Skog's capacity for production of publication paper with 880 000 tonnes. The customer base of the two mills was also taken over by Norske Skog. The mills were consolidated from 1 December. The transaction increased the total assets on the balance sheet by NOK 10 100 million.

The two pulp mills Tasman Pulp in New Zealand and Mackenzie Pulp in Canada were sold 30 April and 15 June respectively. Tasman Pulp had an annual turnover of NOK 1 500 million, and Mackenzie Pulp had an annual turnover of NOK 900 million. The two mills' contribution to total assets on the balance sheet was NOK 1 300 million and NOK 850 million respectively.

In August NorskeCanada acquired Pacifica Papers. The acquisition was partly financed by a share issue in NorskeCanada. The share issue resulted in a reduction of Norske Skog's ownership in NorskeCanada from 50.8% to 36.1%. Therefore from September 2001 Norske-Canada is presented as an affiliated company in the consolidated accounts of Norske Skog. In relation to the deconsolidation of NorskeCanada the minority interests in the consolidated accounts were reduced by NOK 7 057 million.

2. Business regions

Key figures from the Profit & Loss per region

	Operating revenue		Depreciation		Operating earnings	
	2002	2001	2002	2001	2002	2001
Europe						
Newsprint	7 556	8 850	961	751	643	2 271
Magazine paper	6 531	5 369	817	457	546	976
Total Europe	14 087	14 219	1 778	1 208	1 189	3 247
South America						
Newsprint	1 107	1 784	290	312	(9)	432
Forests	-	171	-	40	-	41
Eliminations	-	(16)	-	-	-	-
Total South America	1 107	1 939	290	352	(9)	473

	Operating revenue		Depreciation		Operating earnings	
	2002	2001	2002	2001	2002	2001
Australasia						
Newsprint	3 807	4 110	651	687	546	563
Pulp	-	458	-	42	-	162
Shipping	-	-	-	-	-	-
Eliminations	-	(95)	-	-	-	-
Total Australasia	3 807	4 473	651	729	546	725
Asia						
Newsprint	2 688	2 434	303	253	562	616
North America[1]						
Newsprint	-	3 323	-	282	-	367
Pulp	-	2 434	-	176	-	(43)
Eliminations	-	(302)	-	-	-	5
Total North America	-	5 455	-	458	-	329
Other activities						
Other industry in Norway[2]	682	930	58	68	47	98
Other revenues[3]	1 249	1 389	-	-	-	-
Total Other activities	1 931	2 319	58	68	47	98
Staff/Eliminations[4]	(149)	(485)	212	255	(429)	(392)
Restructuring costs	-	-	-	-	(600)	-
Total Group	23 471	30 354	3 292	3 323	1 306	5 096

(1) North America is included up until the deconsolidation of NorskeCanada 28 August 2001.

(2) Other industry in Norway includes particleboards, Scandanavian forests, Hydro Power, historical figures for Norwegian Pulp mills and some other minor activities.

(3) Other revenues include revenue from non-manufactured paper from PanAsia and revenues from wood and energy sold to external parties from European activities.

(4) Includes depreciation of goodwill related to the acquisition of Fletcher Challenge Paper. This amounts to NOK 204 million in 2002 and NOK 234 million in 2001.

Operating revenue per market

	2002	2001
Norway	1 745	1 598
Rest of Europe	11 588	12 080
North-America	1 688	4 558
South-America	1 185	2 461
Australasia	2 980	4 413
Asia	4 100	5 185
Africa	185	59
Total operating revenue	23 471	30 354

Investments per region

	2002	2001
Europe	705	477
South-America	79	111
Australasia	251	305
Asia	68	197
North-America	-	285
Other activities	31	11
Staff/elim.	12	36
Total Group	1 146	1 422

Key figures from the Balance sheet per region

	Fixed assets		Interest-free current assets		Interest-free Current liabilities	
	2002	2001	2002	2001	2002	2001
Europe						
Newsprint	8 594	10 258	2 102	2 642	1 139	1 254
Magazine paper	8 207	9 011	1 629	2 221	819	988
Total Europe	16 801	19 269	3 731	4 863	1 958	2 242
South America						
Newsprint	2 343	3 380	506	698	170	670
Forests	-	-	-	-	-	-
Eliminations	45	-	1	-	2	-
Total South America	2 388	3 380	507	698	172	670
Australasia						
Newsprint	6 901	8 054	567	1 370	625	333
Pulp	-	-	-	-	-	-
Shipping	-	-	-	-	-	-
Total Australia	6 901	8 054	567	1 370	625	333
Asia						
Newsprint	4 320	5 517	760	947	395	404
North America						
Newsprint	-	-	-	-	-	-
Pulp	-	-	-	-	-	-
Total North America	-	-	-	-	-	-

	Fixed assets		Interest-free current assets		Interest-free Current liabilities	
	2002	2001	2002	2001	2002	2001
Other activities						
Other industry in Norway	719	788	141	672	215	191
Staff/Eliminations	(2)	(119)	195	(1 853)	1 698	1 751
Total Group	31 127	36 889	5 901	6 697	5 063	5 591

Employees per region

	2002	2001
Europe	5 664	5 943
South-America	561	579
Australasia	1 490	1 471
Asia	1 033	1 043
North-America	-	-
Other activities	352	559
Staff	113	113
Total Group	9 213	9 708

3. Wages, salaries and personnel expenses

	2002	2001
Wages/Salaries incl. holiday allowance	2 799	3 419
National insurance, pensions and other social costs (see note 4)	715	490
Total	3 514	3 909

The CEO's basic wage for 2002 was NOK 3 070 000 compared to NOK 2 950 000 in 2001. In 2002 the CEO received a bonus of NOK 693 250 related to the Group's return on capital employed for 2001. A similar payment of NOK 574 000 was made in 2001 for the Group's return on capital employed for 2000. In addition to the basic wage the CEO received payments in kind of NOK 579 099. A similar payment for 2001 was NOK 550 483. The CEO's retirement age is 62 years, the CEO may choose to retire at the age of 60. The early retirement pension plan amounts to 90% of the CEO's wage the first year of retirement, and is reduced to 80% thereafter. The ordinary pension plan amounts to 70% of CEO's wage including disablement pension. Annual cost for the CEO's pension plan for 2002 is NOK 2 224 683 for the secured part, and NOK 1 042 207 for the unsecured part. The CEO also has a severance payment agreement which runs for three years independent of the pension plan. The pension payments will commence at the end of the severance payment period. Payments from other employers in the severance payment period will be deducted from the severance payments from Norske Skog.

Remuneration to the Corporate Assembly and Board members amounted to NOK 337 500 and NOK 1 824 000 respectively. The CEO's share of the Board remuneration was NOK 140 000.

Disclosure related to the Corporate Management:

	Termination Salary	Bonus[1]	Loans	Loan terms
Jan Reinås	see above	60%	NOK 2 747 175	Exempt from interest and repayment. Repayment is due 3 years after resignation as CEO.
Jan Oksum	1.5 years	50%	NOK 4 000 000	2 000 000 as of 30 January 1997—exempt from interest and repayment for 6 years, 6% interest for 20 years thereafter. 2 000 000 as of 26 July 2001, 6% interest, 3 years exempt from repayment, payment period 20 years.
Jan Kildal	1.5 years	50%	NOK 1 805 833	Exempt from interest, payment period 10 years.
			NOK 253 000	Exempt from interest, payment period 5 years.
Claes Inge Isacson	1.5 years	50%	EUR 119 236	Exempt from repayment for 8 years or at retirement, at present 6% interest.
David Kirk[2]	1.5 years	50%		
Vidar Lerstad	1.5 years	50%	NOK 345 833	Exempt from interest, payment period 7 years.
Rolf Negård	1.5 years	50%		
Hanne Aaberg	1.5 years	50%		
Ketil Lyng	1.5 years	50%	NOK 598 199	At present 6% interest, payment period 6 years.
Jarle Dragvik	1.5 years	50%		

(1) The bonus is stated as a percentage of annual salary, and represents the maximum bonus payable.

(2) David Kirk resigned from his position in Norske Skog with effect from 3 March 2003.

For Corporate Management excluding the CEO, the termination salary is yield for discharge-ment from the company's side. For the CEO the basis for calculating the bonus is tied to the Group's return on capital employed. For the other Corporate Management the basis for calculating the bonus is tied to the Groups earnings, return on capital employed, and the earnings within the respective area.

The company had a share option scheme for the executive staff and a small number of other employees from December 1999 with a right to purchase a number of shares at a stipulated rate of NOK 152 in the period from 1 October 2002 until 31 December 2002. None of these rights have been exercised. No new agreements of option schemes have been made in 2002.

The Group had an average of 9 469 employees for 2002 including a proportional part of Pan Asia. In addition there are employees in partly owned companies.

Audit fee:

(in NOK 1 000)	Total	Parent company	Subsidiaries audited by group auditors	Other auditors
Audit fee	9 272	2 240	2 666	4 366
Audit related assistance	1 644	1 322	46	276
Tax assistance	3 453	1 805	523	1 125
Other fees	3 981	1 216	941	1 824
Total	18 350	6 583	4 176	7 591

Audit related assistance includes services that only auditors can provide. This includes limited audit of interim financial statements, assurance services related to prospectus for share issues and bond loans.

4. Pension costs and pension obligations

Norske Skog have various pension schemes. The contributions to the pension schemes are according to local agreements. In total 8 685 persons are covered through pension schemes, of these are 7 119 persons covered by defined benefit plans and 1 566 persons covered through defined contribution plans.

Description of the defined benefit plans

Norske Skog have two major defined benefit plans:

	% of pensionable earnings	Years in service	Pensionable age	Early retirement	Number of members
Norske Skogindustrier ASA	65%	30	67	62	5 320
Norske Skog Parenco	70%	40/37	65/62	60	670

The plan assets for the pension scheme in Norske Skogindustrier ASA is managed by a life insurance company and invested in accordance with the general guidelines governing investments by life insurance companies in Norway. The plan assets in Norske Skog Parenco are managed and invested in accordance with general guidelines governing investments by pension fund companies in the Netherlands. In addition to the two described schemes there are several smaller schemes. 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.

In addition to the benefit obligations covered through insurance arrangements the Group has uninsured benefit obligations. The uninsured benefit obligations include estimated future obligations connected with the AFP arrangements. Uninsured schemes also include obligations concerning former owners of subsidiaries, and pensions of top management and Board members. Obligations relating to top management pensions are partly insured through a supplementary retirement plan with a life insurance company.

In addition to the benefit schemes there are several defined contribution schemes.

Net periodic pension cost in consolidated accounts

	2002	2001
Benefits earned during the year	93	66
Interest cost on prior period benefits	133	63
Pensions cost contribution schemes	25	7
Expected return on plan assets	(146)	(75)
Periodic employer tax	3	-
Expensed portion of changes in AFP-plan	2	3
Expensed portion of diff. in estimates	16	10
Net periodic pension cost	126	74

Changes in the pension liability during the year

	2002	2001
Balance 1 January	2 518	1 900
Changes due to bought/sold entities	-	642
Benefits earned during the year	93	66
Interest cost on prior period benefits	133	63
Pensions paid	(72)	(47)
Actuarial gains and losses	(80)	(103)
Currency translation effects	(96)	(3)
Balance 31 December	2 496	2 518

Notes to the Norske Skogindustrier ASA Consolidated Financial Statements — (Continued)

Status of the pension plans reconciled to the consolidated balance sheet

	Plan assets exceed PBO		PBO exceed plan assets	
	2002	2001	2002	2001
Projected Benefit Obligations (PBO)	(2 018)	(2 052	(478)	(466)
Plan assets at fair value	2 140	2 318	88	92
Plan assets in excess of/less than (-) PBO	122	266	(390)	(374)
Unamortized changes in AFP-plans	-	-	(1)	25
Differences in estimates not taken into income/expense	59	(137)	47	30
Net plan assets/pension obligations	181	129	(344)	(319)
Accrual employer tax	(4)	-	(8)	(10)
Plan assets/pension obligations (-) in the balance sheet	177	129	(352)	(329)

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

	2002	2001
Discount rate	5.5%	5.5%
Expected return on plan assets	6.5%	6.5%
Salary adjustment	3.0%	3.0%
Social security increase/inflation	2.0%	2.0%
Pension increase	2.0%	1.6%

For 2002 return on plan assets of NOK 146 million is estimated. Actual return on the plan assets for 2001 was NOK 30 million, compared to an estimated return of NOK 75 million. The difference between the booked return and the estimated return in 2001 is treated as an estimate difference.

5. Other operating expenses

	2002	2001
Distribution costs	1 865	2 499
Packaging	373	419
Maintenance materials, maintenance service and spare parts	1 082	1 776
Marketing costs	45	48
Administration costs	688	905
Losses on bad debt*	29	36
Other costs	324	434
Total other operating expenses	4 406	6 117

* Losses on bad debts are included as follows:

	2002	2001
Amounts written off during the year	15	5
Received amounts previously written off	-	(1)
Changes in bad debt reserves	14	32
Total	29	36

6. Financial Items

	2002	2001
Dividends received	-	6
Interest revenue	164	465
Profit on securities	-	23
Realised/unrealised profit on foreign currency	893	-
Other financial income	-	106
Total financial income	1 057	600
Interest cost	1 367	1 696
Loss on securities	-	-
Realised/unrealised loss on foreign currency	-	30
Other financial expenses	95	250
Total financial expenses	1 462	1 976
Net financial items	(405)	(1 376)

7. Special items

Items that are non recurring from one period to another are presented here. These primarily includes sale of property and divestments of entities.

2002	Operating earnings	Other items
Sale of forests in Southern Norway	-	159
Sale of forests in Sweden	-	16
Restructuring costs[1]	(600)	-
Other adjustments[2]	-	20
Total	(600)	195

2001	Operating earnings	Other items
Sale of headquarter offices Oxenøen 80	115	-
Sale of Nornews Express ANS	43	-
Sale of Tasman Shipping	43	-
Sale of forests in Sweden	-	208
Other adjustments[3]	-	(50)
Total	201	158

All items are listed with pre tax values

(1) The figure includes provisions to meet costs in connection with de-manning. See also note 27.

(2) Reversal of provision for loss related to Norske Skog Flooring Holding AS.

(3) Adjustment of gain/loss on sales of Norske Skog Flooring Holding AS, Norske Skog Flooring AS and Forestia AS.

8. Taxes

The Group's tax cost has the following distribution

	2002	2001
Taxes payable		
Norway	(53)	(32)
Foreign countries	(258)	(633)
Total	(311)	(665)
Change in deferred tax		
Norway	(74)	(283)
Foreign countries	747	(286)
Total	673	(569)
Total tax expenses*	362	(1 234)
Tax payable related to result	(311)	(665)
Tax payable posted to other equity	-	-
Tax payable	(311)	(665)

Deferred tax

Specification of temporary differences, losses to be brought forward and deferred tax is shown below:

	2002	2001
Short-term items	(121)	(17)
Long-term items	8 559	11 636
Taxable losses to be brought forward[1]	(1 776)	(1 707)
Total	6 662	9 912
Deferred tax	2 021	3 174

(1) Tax losses to be brought forward are NOK 1 776 million of which NOK 1 679 million has no time limit. Remaining losses, NOK 97 million, expires in year 2005.

Reconciliation of effective tax rate against nominal tax rate, in %

	2002	2001
Nominal tax rate Norway	28.0	28.0
Different tax rates abroad	2.5	3.9
Result affiliated companies	10.4	(0.1)
Depreciation goodwill	6.1	1.7
Profit and Loss effect of present value on deferred tax	2.4	2.7
New tax rules and new income tax rates	(37.7)	(3.2)
Permanent differences	(16.9)	(0.5)
Other items	(39.7)	(0.9)
Effective tax rate*	(44.9)	31.7

* This year's tax cost is positively effected with NOK 650 million due to new valuation of tax positions related to last year's acquisitions and new tax rules in Australia.

9. Earnings per share

	2002	2001
Earnings in NOK million	1 162	2 494
Average number of shares in 1 000	132 194	120 604
Earnings per share in NOK	8.79	20.68

During spring 2001 it was decided to merge the A-shares and B-shares to one class of shares. In connection with the merger of the share classes there was a split of the shares, and the number of shares doubled. In addition the initial A-share holders were given the opportunity to take part in a share issue of 17 million shares for NOK 10 per share. 23 million new shares were issued in the international share issue in June 2001. The historical figures are adjusted for the changes in the number of shares.

10. Net cash flow from operations

The connection between earnings and cash flow from operations is shown below:

	2002	2001
Earnings before taxes	806	3 894
Depreciation and amortisation	3 292	3 323
Share of profit in affiliated companies	290	(16)
Taxes paid	(973)	(537)
Changes in receivables[1]	715	1 012
Changes in inventory[1]	93	389
Changes in current liabilities[1]	39	(596)
Adjustments for changes in working capital without cash-effect	(575)	(417)
Net cash flow from operating activities	3 687	7 052

(1) Changes in balance sheet items are not directly comparable to changes in the consolidated balance sheet for 2001 due to acquisitions and sales of companies.

11. Liquid Assets

	2002	2001
Cash and bank deposits	487	2 389
Short term investments	381	1 769
Total liquid assets	868	4 158

The large cash-reserve in 2001 is partly a result of a divestment of forest in Brazil. This divestment took place late in 2001, and the cash was not utilised before 2002. A considerable part of the cash-reserve at 31 December 2001 was used for downpayment of debt in the first quarter of 2002. In addition the Group has reduced its requirement related to a strategic cash reserve. This reserve is placed in interest bearing securities.

The Group has limited access to liquid assets in joint ventures and in companies with large minority interests. In 2002 this amounts to NOK 141 million. In 2001 this amounts to NOK 151 million and in 2000 NOK 5 624 million where NorskeCanada amount to NOK 5 481 million. Restricted bank deposits in 2002 amounts to NOK 18 million. Corresponding amounts for 2001 were NOK 2 million.

12. Operational fixed assets

	Goodwill and other exclusive rights	Buildings, plant and real property	Machinery and equipment	Fixtures and fittings, tools, office machinery	Plant under construction	Total
Acquisition cost						
Acquisition cost 31.12.2001	4 988	9 106	40 902	494	758	56 248
Adjustments[1]	419	-	(291)	-	-	128
Addition 2002 at cost	9	124	552	37	424	1 146
Sales 2002 at cost	-	(52)	(71)	(19)	-	(142)
Reclassifications	22	-	505	198	(725)	-
Translation differences	(53)	(1 143)	(2 231)	(28)	(71)	(3 526)
Acquisition cost 31.12.2002	5 385	8 035	39 366	682	386	53 854
Depreciation and write-downs						
Accumulated depreciation and write-downs 31.12.2001	439	1 935	12 134	302	-	14 810
Depreciation 2002	264	395	2 515	113	-	3 287
Write-downs 2002	-	-	5	-	-	5
Depreciation and write-downs on fixed assets sold in 2002	-	(10)	(44)	(3)	-	(57)
Reclassifications	-	-	(4)	4	-	-
Accumulated depreciation and write-downs 31.12.2002	703	2 320	14 606	416	-	18 045
Book value						
Book value 31.12.2001	4 549	7 171	28 768	192	758	41 438
Book value 31.12.2002	4 682	5 715	24 760	266	386	35 809
Depreciation plan	5-20 years	10-33 years	10-20 years	3-5 years		

Real property and plants under construction are not depreciated.

(1) Opening balance from the acquisition of Parenco and Walsum is adjusted.

Goodwill specification on each acquisition

	Year	Depreciation-plan/years	Depreciation 2002	Book value 31.12.2002
Golbey	1995	20	5	63
PanAsia	1999	20	3	48
Union	1999	20	6	66
Fletcher	2000	20	204	3 791
Walsum and Parenco	2001	20	34	599

Goodwill is amortised according to expected useful life based on regional and global synergies.

Fixed assets—acquisition and disposal last 5 years

		Goodwill and other exclusive rights	Buildings, plant and real property	Machinery and equipment	Fixtures and fittings, tools, office machinery	Plant under construction	Total
1998	Acquisition	10	265	631	-	3 077	3 983
	Disposal	-	-	12	17	-	29
1999	Acquisition	37	84	331	50	652	1 154
	Disposal	-	53	179	5	-	237
2000	Acquisition	-	207	818	29	297	1 351
	Disposal	-	56	7	6	-	69
2001	Acquisition	91	86	888	23	334	1 422
	Disposal	-	497	3	-	33	533
2002	Acquisition	9	124	552	37	424	1 146
	Disposal	-	204	29	7	-	240
Total 5 years	Acquisition	147	766	3 220	139	4 784	9 056
	Disposal	-	810	230	35	33	1 108

Impairment review

In relation to the implementation of the preliminary Norwegian Accounting Standard on impairment of assets, an impairment review has been performed on the Group's assets according to the standard. No impairment loss has been identified.

13. Other long-term receivables

	2002	2001
Loan to employees	41	44
Sundry long-term receivables	183	499
Pension plan assets	177	129
Total	401	672

14. Shares

Shares included as financial assets

	Currency	Share capital NOK 1 000	Ownership %	Book Value NOK 1 000
Shares owned by the parent company				
Nork Avfallshåndtering AS, Norway	NOK	131 400	2.3	3 000
Sikon Øst ASA, Norway	NOK	50 000	2.0	2 000
Industrikraft Midt-Norge AS, Norway	NOK	296	10.0	7 650
Camfore AB, Sweden	SEK	3 200	11.1	13 014
Nordic Paper AS, Norway	NOK	40 100	45.0	29 845
Holmen Eiendom AS, Norway	NOK	8 000	43.8	3 500
Other shares, each with book value less than NOK 1 million				3 183
Total				62 192
Shares owned by group companies (book value in the consolidated accounts)				
Shares in non consolidated companies				3 770
Elimination between parent company and group of shares in Nordic Paper AS				(29 845)
Other shares				3 477
Total				39 594

Shares in subsidiaries and joint ventures

	Currency	Share capital NOK 1 000	Ownership %	Book Value NOK 1 000
Shares in Norwegian subsidiaries owned by the parent company				
Nornews AS, Lysaker	NOK	50	100.0	50
Norske Treindustrier AS, Lysaker	NOK	3 917 340	100.0	14 144 860
Lysaker Invest AS, Lysaker	NOK	2 914	100.0	2 914
Norske Skog Holding AS, Lysaker	NOK	5 000	100.0	5 000
Norske Skog Flooring Holding AS, Lysaker	NOK	200 000	100.0	20 880
Embretsfos Fabrikker AS, Skien	NOK	908	100.0	32 214
Union Paper & Co AS, Skien	NOK	10 000	100.0	500
Forestia AS, Braskereidfoss	NOK	139 960	90.1	126 004
Wood and Logistics AS, Drammen	NOK	3 000	76.0	2 295
Oksenøyveien 80 AS, Lysaker	NOK	100	100.0	100
Total				14 334 817

	Currency	Share capital NOK 1 000	Ownership %	Book Value NOK 1 000
Shares in foreign subsidiaries and joint ventures owned by the parent company				
Norske Skog Golbey, Golbey, France	EUR	470 667	100.0	3 376 242
Pan Asia Paper Company Ltd, Singapore	USD	600	50.0	3 111 206
Pan Asia Paper Company Ltd, Singapore	SGD	-	50.0	-
Norske Skog Bruck GmbH, Bruck, Austria	EUR	1 817	99.9	165 918
Norske Skog Steti, Steti, Czech Republic	CZK	883 100	100.0	184 476
Norske Skog Østerreich GmbH, Graz, Austria	EUR	150	100.0	1 292
Markproject Ltd., London, England	GBP	300	100.0	3 105
Norske Skog Deutschland GmbH, Hamburg, Germany	EUR	1 000	100.0	10 063
Norske Skog (UK) Ltd., London, England	GBP	100	100.0	2
Norske Skog Holland B.V., Amsterdam, The Netherlands	EUR	100	100.0	401
Norske Skog Belgium NV, Brussels, Belgium	EUR	19 375	100.0	3 235
Nornews Portugal, Lisbo, Portugal	EUR	400	75.0	17
Norske Skog Espana S.A., Madrid, Spain	EUR	90	100.0	3 607
Norske Skog (Irland) Ltd., Dublin, Ireland	EUR	2	100.0	22
Norske Skog (Schweiz) AG, Zürich, Switzerland	CHF	-	100.0	193
Norske Skog Danmark ApS, Værløse, Denmark	DKK	27	100.0	25
Norske Skog Italia S.R.L., Milan, Italy	EUR	10	95.0	84
Norske Skog France S.A.R.L., Paris, France	EUR	235	100.0	7 939
Norske Skog Japan Co. Ltd., Tokyo, Japan	JPY	3 000	100.0	94
Norske Skog AB, Järpen, Sweden	SEK	100	100.0	58
Norske Skog (Cypros) Ltd., Paphos, Cyprus	CYP	1	95.0	2
Norske Skog Asia Pacific Pte Ltd., Singapore	SGD	100	100.0	441
AB Lee Bruk, Töckfors, Sweden	SEK	150	100.0	11 089
Norske Skog Czech & Slovak Republic spol. s.r.o., Steti, Czech Republic	CZK	400	100.0	112
Norske Skog Polska Sp. z.o.o. ,Warsaw, Poland	PML	50	100.0	110
Norske Skog Hungary Trading and Service Limited, Budapest, Hungary	HUF	3 000	100.0	110
Norske Skog Logistics NV, Antwerp, Belgium	EUR	2 500	100.0	540
THP Paper Company, Vancouver, Canada	USD	-	100.0	-
Munkedalen Skog AB, Munkedal, Sweden	SEK	1 000	100.0	600
Norske Skog Chile Industrial Limitada, Concepcion, Chile	USD	15 000	0.1	524
Norske Skog Europe Recovered Paper N.V. Antwerp, Belgium	EUR	62	99.8	493
Norske Skog Papers (Malaysia) SDN. BHD, Kuala Lumpur, Malaysia	MYR	382 855	100.0	894 595
Norske Skog Tasman Limited, Auckland, New Zealand Ordinary	NZD	-	100.0	700

	Currency	Share capital NOK 1 000	Ownership %	Book Value NOK 1 000
Norske Skog Tasman Limited, Auckland, New Zealand Preference	NZD	600 000	100.0	3 103 542
NSI Forsikring A/S, Hvidovre, Denmark	DKK	5 000	100.0	5 353
Norske Skog Walsum GMBH, Wiesbaden, Germany	EUR	25	100.0	1 950 577
Norske Skog Pisa SA, Rio De Janeiro, Brazil Preference	BRL	24 550	100.0	-
Norske Skog Pisa SA, Rio De Janeiro, Brazil Ordinary	BRL	113 768	100.0	1 137 704
Norske Skog Adria d.o.o., Ljubljana, Slovenia	SIT	164	100.0	164
Norske Skog Holdings BV, Amsterdam, The Netherlands	EUR	18	100.0	835 807
Total				14 810 442
Total shares owned by the parent company				29 207 451

	Currency	Share capital NOK 1 000	Ownership %
Shares in Norwegian subsidiaries and joint ventures owned by group companies			
Norsk Trepellets AS, Brumunddal	NOK	14 500	50.0
Oxenøen Elendom AS, Oslo	NOK	100	100.0

	Currency	Share capital NOK 1 000	Ownership %
Shares in foreign subsidiaries and joint ventures owned by group companies			
Norske Skog Italia s.r.l., Milan, Italy	EUR	10	5.0
Norske Skog Paper (Schweiz) AG, Zug, Switzerland	CHF	130 100	100.0
Norske Skog Holdings (Schweiz) AG, Zug, Switzerland	CHF	1 001 100	100.0
Norske Skog (USA) Inc. Southport, USA	USD	-	100.0
MV Verkstad AB, Mariestad, Sweden	SEK	9 340	100.0
Norske Skog Publicationspapier GmbH, Graz, Austria	EUR	380 000	100.0
Norske Skog Industries Australia Limited, Sydney, Australia	AUD	-	100.0
Norske Skog Australia Limited, Sydney, Australia	AUD	104 023	100.0
Norske Skog Capital (Australia) Pty Ltd, Sydney, Australia	AUD	4	100.0
Norske Skog Discounts (Australia) Pty Ltd, Sydney, Australia	AUD	332 325	100.0
Norske Skog Finance (Australia) Pty Limited, Sydney, Australia	AUD	20	100.0
Tasman Kerbside Paper Collections Pty Limited, Sydney, Australia	AUD	-	100.0
Tasman Paper Merchants Pty Limited, Sydney, Australia	AUD	6 400	100.0

	Currency	Share capital NOK 1 000	Ownership %
Endeavour Papers Pty Limited, Sydney, Australia	AUD	-	100.0
Norske Skog (Australasia) Pty Limited, Sydney, Australia	AUD	1 000	100.0
Velfro Pty Limited, Sydney, Australia	AUD	118 300	100.0
Norske Skog Paper Mills Holdings (Australia) Limited, Tasmania, Australia	AUD	56 746	100.0
Norske Skog Paper Mills (Australia) Limited, Tasmania, Australia	AUD	7 539	100.0
Norske Skog Investments (Australia) Pty Ltd, Tasmania, Australia	AUD	1	100.0
Norske Skog Forests (Australia) Pty Ltd, Tasmania, Australia	AUD	2 000	100.0
Norske Skog Capital NZ Ltd, Auckland, New Zealand	NZD	1	100.0
FC Asia Paper Sales Pte Ltd, Auckland New Zealand	SGD	100	50.0
Crown Forest Holdings (1995) Inc., Whitehorse, Canada	CAD	964 360	100.0
Tasman Equipment Ltd, Vancouver, Canada	CAD	1	100.0
Crown Forest Industries Limited, Whitehorse, Canada	CAD	10 664 289	100.0
NS Industries Canada Limited, BC, Canada	CAD	246 625	100.0
Samambaia Agricola E Florestal S.A., Sao Paulo, Brazil	BRL	143	100.0
Norske Skog do Brazil, Curitiba, Brazil	BRL	11 905	100.0
Norske Skog Florestal S.A., Brazil	BRL	13 659	100.0
Papeles Bio Bio SA, San Pedro, Chile	CLP	77 715	100.0
Norske Skog Klabin Comercio E Industria LTDA, Parana, Brasil	BRL	34 741	50.0
Norske Skog CI Ltd, Georgetown, Cayman Islands	CHF	1 300 000	100.0
32929 YUKON INC., Yukon, Canada	CAD	1 747 450	100.0
Norske Skog North America LLC, Delaware USA	USD	1 000	50.0
Watts Development Division PTY, Victoria, Australia	AUD	25	100.0
Watts Holdings LTD, Victoria, Australia	AUD	4 240	100.0
P-Logistic GMBH, Vienna, Austria	EUR	500	100.0
33028 YUKON INC, Vancouver, Canada	CAD	19 245	100.0
Norske Skog Overseas Holdings AG, Zurich, Switzerland	CHF	546 234	100.0
Norske Skog Finance (UK), Cardiff, England	GBP	100	100.0
Swale Speciality Papers Limited, Edinburgh, Skotland	GBP	14 000	100.0
Norske Skog Australia Limited, N.S.W., Australia	AUD	5	100.0
Norske Skog Industries (UK) Limited, Cardiff, England	GBP	569 065	100.0
Norske Skog Forest Holdings AG, Zurich, Switzerland	CHF	63 173	100.0
Parenco Assurantien BV, Renkum, The Netherlands	EUR	-	100.0
Parenco Finance BV, Renkum, The Netherlands	EUR	40	100.0
Parenco Hout BV, Renkum, The Netherlands	EUR	50	90.0

	Currency	Share capital NOK 1 000	Ownership %
Parenco Van Gelder GMBH, Dusseldorf, Germany	EUR	200	100.0
Reparco Nederland BV. Arnhem, The Netherlands	EUR	227	100.0
Sapin SA, Harze, Belgium	EUR	8 125	100.0
Geosilica Nominees LTD, Auckland, New Zealand	NZD	1	50.0
Norske Skog Holdings (NO.1) Limited, Auckland, New Zealand	NZD	-	100.0
Norske Skog Holdings (NO.2) Limited, Auckland, New Zealand	NZD	-	100.0
Norske Skog Holdings (NO.3) Limited, Auckland, New Zealand	NZD	1	100.0
Norske Skog Chile Industrial Limitada, Concepcion, Chile	USD	15 000	99.9
Norske Skog Welfare Fund Nominees Limited, Auckland, New Zealand	NZD	-	100.0
33039 YUKON INC, British Columbia, Canada	USD	27 382	100.0
Paroco GMBH, Essen, Germany	EUR	200	51.0
Reparco Nijmegen BV, Arnhem, The Netherlands	EUR	18	100.0
Reparco Randstad BV, The Hague, The Netherlands	EUR	14	100.0
Reparco Renkum BV, Arnhem, The Netherlands	EUR	18	100.0
Reparco Trading BV, Nijmegen, The Netherlands	EUR	386	100.0
Reparco Zutphen BV, Zutphen, The Netherlands	EUR	1 134	100.0
Simon Daadler Winterswijk BV, Zutphen, The Netherlands	EUR	35	100.0
Fletcher Paper Sales North America, Inc, Delaware, USA	USD	10	100.0
Forest Terminals Corporation, California, USA	USD	5	100.0
Nornews Portugal, LDA, Portugal	EUR	400	25.0
Norske Skog Bruck GMBH, Bruck, Austria	EUR	1 817	0.1
Norske Skog (USA) Holdings Inc., Southport, USA	USD	-	100.0
Norske Skog Parenco BV, Renkum, The Netherlands	EUR	166 282	100.0

15. Affiliated companies and joint ventures

In the consolidated accounts, shares in affiliated companies are included according to the equity method.

Joint ventures are consolidated proportionally.

	Ownership	Book value 01.01.02	Acquisitions/ divestments	Share of profit for the year	Dividend/ other equity corrections	Book value 31.12.02
Affiliated companies						
Malaysian Newspring Industries SDN BHD, Kuala Lumpur, Malaysia	33.7%	627	-	(58)	(168)[1]	383
Nordic Paper AS, Greaker, Norway	45.0%	5	-	12	(9)	8
Norske Skog Canada Ltd., Vancouver, Canada	30.6%	2 630	-	(245)	(834)[2]	1 551
Other Affiliated Companies		-	4	1	-	5
Total		3 262	4	(290)	(1 029)	1 947
Joint Ventures						
Norske Skog Klabin Comercio E Industria LTDA, Parana, Brazil	50.0%	86	-	(45)	(14)	27
Pan Asia Paper Co. Pte Ltd, Singapore	50.0%	3 720	-	327	(740)[3]	3 307
Total		3 806	-	282	(754)	3 334

(1) Currency translation differences MYR/NOK.

(2) Currency translation differences CAD/NOK.

(3) Including received dividend of NOK (209) million and currency translation differences USD/NOK of NOK (640) million.

Norske Skog Canada Ltd. has a total equity as of 31.12.2002 of CAD 1 125 million.

16. Inventory

	2002	2001
Raw materials and other production materials	955	1 135
Semi manufactured materials	34	37
Finished goods	1 091	1 000
Total	2 080	2 172

17. Short-term investments

	Average interest rate		
	2002	2002	2001
Bank/Insurance		-	229
Other Financial institutions		-	183
Industry/Commerce/Shipping	7.68%	196	92
Total Bonds		196	504
Commercial papers		165	620
Short-term investments		20	645
Total		381	1 769

Commercial papers classified as current assets are valued as a trading portfolio. Net unrealised loss on the portfolio was NOK 0.02 million. The equivalent value for 2001 was unrealised profit of NOK 3 million. NOK 146 million of total investments has a floating interest rate with interest fixing at 5 February 2003. The rest of the bond portfolio has a fixed interest rate.

The bond portfolio is reduced by repurchasing of own issued bonds.

18. Joint Venture

For the year 2002 Norske Skog participates in joint ventures through Norske Skog Klabin and Pan Asia Paper Company. Norske Skog Klabin is situated in Brazil. It is owned 50% by Norske Skog and 50% by the Brazilian company Industrias Klabin de Papel e Celulose S.A. Pan Asia Paper Company is located in Singapore. It is owned 50% by Norske Skog and 50% by Abitibi Consolidated. In 2001 joint ventures were held in the same companies. Until August 2001 Norske Skog's ownership in Pan Asia Paper Company was ⅓. In August 2001 Norske Skog increased its ownership to 50 % in Pan Asia Paper Company.

	2002	2001
Share of the operating earnings		
Operating revenue	3 438	3 204
Operating expenses	2 907	2 566
Operating earnings	531	638
Share of the balance sheet		
Operational fixed assets	4 488	5 609
Long term receivables	47	71
Total fixed assets	4 535	5 680

	2002	2001
Inventory	236	236
Short term receivables	608	699
Liquid assets	141	151
Total current assets	985	1 086
Deferred tax	281	305
Long term debt	1 235	1 998
Short term debt	670	516
Total debt	2 186	2 819

19. Shareholders' equity

	2002	2001
Consolidated equity		
Share capital NSI ASA[1]	1 331	331
Own shares NSI ASA	(9)	(10)
Share premium reserve NSI ASA	7 116	7 008
Distributable reserve NSI ASA	5 247	5 015
Other consolidated equity	4 079	5 897
Total consolidated equity excluding minority interests	17 764	19 321
Shareholders' equity		
Shareholders' equity 01.01 excluding minority interests	19 321	14 490
Earnings for the year	1 162	2 494
Share issues	-	3 327
Provisions for dividend	(795)	(792)
Change in own share holding	47	5
Translation difference and other	(1 971)	(203)
Shareholders' equity 31.12 excluding minority interests	17 764	19 321
Minority interests	157	205
Total shareholder's equity 31.12	17 921	19 526

(1) Norske Skogindustrier ASA

As at 31 December 2002 Norske Skog had a total holdings of own shares of 888 247 shares equivalent to 0.67% of the total number of shares. The shares were acquired in the merger with Aktieselskapet Union (Union Co) in 1999, and are primarily used in the share ownership programme for the employees and settlement of bonus agreements.

At the Shareholders meeting held on 29 April 2002 the Board of Directors were given the authority to acquire up to 10% of the company's shares on certain conditions. The authority was given for a period of 18 months.

During 2002 the shareholders' equity of Norske Skog has been reduced by NOK 1 951 million due to the strengthening of the NOK compared to the currencies of the other countries where the Group operates. The reduction of the equity is related to the translation of foreign subsidiaries from local currencies to NOK. In particular it is the strengthening of the NOK compared to USD, AUD, NZD and EUR that contributes to the negative effect on the equity.

20. Minority interests

	2002	2001
Minority 01.01.	205	7 861
Changes in minority due to sales/purchases	-	(760)
Share of profit for the year	(6)	166
Share of fair value adjustments	-	-
Paid out dividend	1	(4 323)
Deconsolidated of NorskeCanada	-	(2 487)
Translation differences	(43)	(252)
Minority 31.12	157	205

Included in Paid out dividend for 2001 is NOK 4 241 million paid to minorities in NorskeCanada.

21. Interest bearing long-term liabilities

	2002	2001
Bonds	8 490	9 527
Debt to financial institutions	9 435	17 154
Total	17 925	26 681
Senior long term debt in NOK	4 949	7 205
Senior long term debt in foreign currencies	12 976	19 476
Total	17 925	26 681

Notes to the Norske Skogindustrier ASA Consolidated Financial Statements — (Continued)

Senior long term debt by currencies, current portion included:

	Currency amount (million) 2002	Currency rate 31.12.2002	NOK million 2002	Average interest rate in % 2002
USD	752	6.9657	5 238	3.6%
EUR	701	7.2910	5 111	4.2%
CAD	63	4.4180	278	3.6%
NZD	221	3.6675	811	6.6%
AUD	155	3.9443	611	5.6%
KRW	116 050	0.0061	708	4.5%
THB	67	0.1608	11	3.1%
SEK	127	0.7948	101	5.1%
CZK	433	0.2315	100	4.4%
BRL	4	1.9683	8	16.0%
Total debt in foreign currencies in NOK			12 976	
Total senior long term debt in NOK			4 949	7.8%
Total long term debt			17 925	

Repayment of debt

	Debts Bank	Bonds	Total
2003	2 172	-	2 172
2004		344	242
2005	1 507	-	1 507
2006	845	2 681	3 526
2007	2 630	1 377	4 007
2008	1 332	-	1 332
2009	1 563	-	1 563
2010	66	-	66
2011	124	4 178	4 302
Total	10	583	8

Total debt listed in the repayment schedule may differ from booked debt. This is due to premium or discount on issued bonds. Premium or discount on issued bonds will be amortised through the Profit & Loss over the lifetime of the issued bonds. As of 31 December 2002 a premium of NOK 11 million is included in the balance sheet.

At year-end the holding of the company's own bonds amount to NOK 1 195 million nominal. These are deducted from interest-bearing debt in Norwegian kroner.

Norske Skog has not issued any new bond loans in 2002. There has been made draws of NOK 350 million on existing bond loans in 2002. On existing bond loans Norske Skog may issue additional NOK 1 005 million in the Norwegian market.

In October 2002 Norske Skog signed a new committed credit facility of EUR 400 million. This credit facility consists of two tranches, EUR 96 million and EUR 304 million, with tenors of 5 and 7 years respectively. The facility can be drawn in various currencies and at floating interest rates.

In February 2002 Norske Skog signed a term loan facility of EUR 340 million. This term loan has a tenor of 7 years, and matures in two equal instalments after year 6 and year 7. Lenders for both facilities are Norwegian and international banks.

At the end of 2002 Norske Skog has NOK 4 800 million in unused long-term credit lines. Norske Skog also holds an unused credit facility of NOK 1 500 million that matures in December 2003.

Norske Skog has given declarations of negative pledge when raising long-term loans. All long-term bank loans contain the same financial covenants which are:

- Net equity capital (equity capital minus intangible assets) minimum NOK 9 million, and
- Net interest-bearing debt/equity capital maximum 1.4.

The bond loans have no requirements regarding key financial covenants. Norske Skog complies with each and all of these requirements.

22. Interest bearing current liabilities

	2002	2001
Short term bank debt	681	275
Other short-term interest bearing liability	466	22
Total	1 147	297

The Group has unused bank overdrafts of NOK 200 million. There are no limitations to the use of the facility.

23. Interest free current liabilities

	2002	2001
Public dues and holiday allowances	583	517
Accounts payable	1 665	1 678
Sundry interest-free current debt	899	233
Provisions for dividend	795	792
Accrued expenses	881	1 556
Taxes payable	240	815
Total	5 063	5 591

24. Foreign exchange and interest off-balance instruments

Foreign exchange and contracts, balance sheet hedge

Currency	Purchase contracts equiv. to NOK million	Sales contracts equiv. to NOK million
AUD	59	1 587
CAD	39	904
CHF	88	113
CZK	144	72
DKK	-	158
GBP	48	1 225
JPY	0	15
NOK	5 038	331
SEK	133	191
USD	3 597	1 270
BRL	-	105
KRW	-	634
THB	-	85
NZD	389	616
EUR	55	2 074
Total	9 590	9 380

Currency options

Currency	Buy/Sell	Maturity	Nominal EUR	Nominal NOK	Contract Rate	Market Value
EUR/NOK	B	30.01.03	(20 000)	145 400	7.27	0.508
EUR/NOK	S	30.01.03	20 000	(147 200)	7.36	(0.422)
Total market value						0.086

Sum of principal in foreign currencies are translated into NOK at spot rates as of 31 December 2002. All forward contracts and currency options are related to hedging of net investment in subsidiaries or hedging of future cash flows in foreign currencies. All existing forward contracts and currency options will mature during 2003.

Interest rate swaps

Currency	Nominal value in currency	Market value in currency	Receives	Pays	Maturity
AUD	54.9	(2.27)	Floating	Fixed	2005
AUD	145.3	(4.38)	Floating	Fixed	2003

Currency	Nominal value in currency	Market value in currency	Receives	Pays	Maturity
NOK	55.0	0.71	Fixed	Floating	2006
NOK	50.0	0.34	Fixed	Floating	2006
NOK	50.0	0.05	Fixed	Floating	2006
NOK	50.0	(0.62)	Fixed	Floating	2006
NOK	300.0	9.26	Fixed	Floating	2006
NOK	50.0	3.20	Fixed	Floating	2004
NOK	50.0	1.35	Fixed	Floating	2003
NOK	15.0	0.66	Fixed	Floating	2004
NOK	75.0	1.37	Fixed	Floating	2006
NOK	150.0	6.29	Fixed	Floating	2004
NZD	150.0	(6.09)	Floating	Fixed	2005
USD	400.0	39.38	Fixed	Floating	2011
USD	100.0	9.60	Fixed	Floating	2011
USD	100.0	9.79	Fixed	Floating	2011

If the interest rate in the market is reduced, the Group will profit from receiving fixed interest and paying floating interest. Market values are calculated by using market rate curves as of 31 December 2002. The Group uses interest rate swaps for interest rate hedging. Unrealised market to market re-valuation are not booked in the Profit & Loss. This is in line with the underlying debt being kept at cost.

25. Mortgages

The following loans are secured by real estate mortgages as at 31.12.

	2002	2001
Outstanding balance, mortgage debt	253	1 302
Total	253	1 302

Book value of assets securing this debt as at 31.12.

	2002	2001
Machinery	293	1 770
Buildings	-	448
Forest, land and other real estate	-	24
Operating fixed assets	293	2 242

Norske Skogindustrier ASA and subsidiaries do not pledge any assets as the loan agreements contain a negative pledge clause. This is not prevailing for PanAsia which has pledged some of its assets.

26. Environment

In 2002 the environmental investments were NOK 175 million. For 2001 the amount was NOK 70 million.

The greater part of the investments were made at Walsum, Parenco and Bio Bio. Walsum has carried out an extensive reconstruction of the effluent treatment plant with the objective to reduce the discharge of organic material (COD) by at least 20%. The objective has been reached.

Parenco has completed the construction of a new central dewatering plant for sludge from the de-inking process. Construction work on a new bio fuel boiler was started in the autumn 2002. The start-up of the boiler is planned for spring 2004.

At Bio Bio a new effluent treatment plant is under construction. The startup is planned for May 2003.

27. Other commitments

In 1998 Norske Skog finalised a lease and lease back arrangement with an American investor for PM5 and PM6 at Saugbrugsforeningen. The present value of the cost of the lease back is approximately NOK 4 000 million and is irrecoverably deposited in favour of the American investor. Although the sum has been deposited, Norske Skog is not exonerated from liability for payment. However the credit risk is extremely low as the funds are held in a bank with A rating. Deposited rental costs and prepaid rental earnings are entered net in the balance sheet. Should Norske Skog be unable to perform the leasing agreement it is under obligation to recompense investor for any losses. The investor's loss will vary over the term of the lease and will at most amount to USD 98 million. The possibility of Norske Skog being unable to perform the contract is extremely low. The contract could only be broken off as the result of extraordinary circumstances in the nature of force majeure.

In 1999 Norske Skog, Abitibi-Consolidated and Hansol established PanAsia joint venture. Hansol Paper exited PanAsia in 2001 and sold its one-third stake in equal parts to Norske Skog and Abitibi-Consolidated. The relationship between the remaining parties in the joint venture is regulated in a shareholder's agreement. An important condition for the joint venture is that the future expansion of the parties within PanAsia's market should take place through PanAsia, and that PanAsia should have a growth strategy. Australasia is not included in the market of PanAsia. According to the shareholder's agreement, PanAsia has an option to buy Norske Skog's 33.7% share in Malaysian Newprint Industries at an agreed price.

Norske Skog and Klabin Fabricadora de Papel e Celulose SA each own 50% of the shares in the joint venture Norske Skog Klabin Comercio E Industria. Norske Skog Klabin Comercio E Industria administers the means of production and the input factors for a period that expires in 2003. At the end of the period most of the company's assets will be tied to its market position. Norske Skog is committed to buy out Klabin at the termination of the joint venture agreement in March 2003. This amounts to USD 28 million. The costs will be capitalised as intangible assets. Norske Skog has an additional commitment to pay Klabin USD 18 million if Norske Skog should decide to build a new paper machine to replace the capacity of Klabin. This commitment is limited for three years.

In the annual accounts for 2002, a provision of NOK 600 million for costs related to the work force reductions in relation to the initiated improvement programme is made. The provision covers the costs of a work force reduction of approximately 1 200 employees.

28. Currency and interest risk

Currency risk

Norske Skog has currency risk related to both Profit & Loss and the balance sheet.

Transaction risk

The Group has incoming and outgoing transactions in various currencies. The most important of these being EUR, NOK, USD, GBP, AUD and NZD. Transaction risk is the potential difference in the future value of outgoing or incoming funds in the different currencies. The Group calculates a 12-month future expected cash flow in each currency on a rolling basis. 50-100% of the Group's expected cash flows should be hedged at any time using either forwards/futures or currency options. Only 100% owned subsidiaries, where we have direct access to the cash flow, are included in the hedging.

The result of the hedging is included under ''Financial Items'' of Profit & Loss in the group accounts. In 2002, the cash flow hedging generated a profit of NOK 884 million. Currency loss or income will, over time, hedge increased or reduced future net operational income.

Translation risk

The group accounts are calculated in NOK. The translation risk arises when the subsidiaries' balance sheets are translated from their local currency to NOK. Norske Skog has been aiming to hedge the relationship between equity and debt (gearing) in 2002. This risk is secured at group level by group debt being drawn up in currency, as well as using short- and long forwards. This combination gives a currency spread that reflects the combination of net assets on the group balance sheet. Refer to table on page 20 which shows the composition of the debt related to the balance sheet hedge.

The currency result of the hedging is booked directly against the equity and is set off against translation differences from net equity at subsidiary level.

Use of forwards for adjusting currency allocation on debt will offer other liquidity outcomes linked to exchange rate movements, than the use of traditional currency debt.

Interest risk

Norske Skog considers a floating interest rate on its group debt to be risk reducing. This is related to the correlation between Norske Skog's income and economic cycles where the interest rate is normally high during economic boom and low during recessions.

The Group has outstanding certificates and fixed interest rate bonds with a nominal value of NOK 8 903 million. The switch to floating interest payments on existing fixed interest loans is achieved by using interest rate swaps. The economic risk on the debt portfolio is measured by interest rate sensitivity (duration). In some cases interest rate derivatives are used in order to adjust the duration of individual currencies.

Credit risk

Norske Skog conducts credit risk analysis of all investment counterparts. The requirements is that the company must be A-rated. Requirements to key-figures are the same for non-rated companies as for A-rated companies.

29. Events after the balance sheet date

3 January 2003 13 power stations were sold for NOK 1 267 million. The sale of the power stations is expected to yield a gain of approximately NOK 450 million after tax.

Norske Skogindustrier ASA
Unconsolidated Profit and Loss Account

NOK million	Notes	2002	2001
Operating revenue	2	6 979	9 079
Changes in inventory		(66)	25
Cost of materials		3 616	4 010
Wages, salaries and personnel expenses	3	1 337	1 317
Other operating expenses	4	979	1 214
Depreciation and amortisation	7	630	640
Operating expenses		6 496	7 206
Operating earnings before restructuring costs	-	483	1 873
Restructuring costs	4	(111)	-
Operating earnings		372	1 873
Financial revenue	-	1 409	537
Financial expenses		(494)	(3 287)
Financial items, net		915	(2 750)
Other items	10	240	115
Earnings before taxation		1 527	(762)
Taxation	5	(496)	359
Earnings		1 031	(403)
Application for profits for the year:			
Allocated from/to other equity		(236)	1 195
Dividend to shareholders		(795)	(792)
Total		(1 031)	403
Group contribution given, after tax		274	-

Norske Skogindustrier ASA
Unconsolidated Statement of Cash Flow

NOK million	Notes	2002	2001
Cash flow from operating activities			
Cash generated from operations		7 169	8 976
Cash used in operations		(5 888)	(7 008)
Financial revenue received		1 405	449
Financial expenses paid		(1 091)	(2 124)
Taxes paid		(283)	(166)
Net cash flow from operating activities	6	1 312	177
Cash flow from investment activities			
Investments in operational fixed assets	7	(224)	(293)
Sales of operational fixed assets	7	35	12
Net change in intercompany receivables		961	2 859
Net financial investments		135	(3 095)
Net cash flow from investment activities		907	(517)
Cash flow from financial activities			
Net change in long-term liabilities		(3 256)	(2 228)
Dividend paid		(792)	(551)
Share issues		-	3 327
Net cash flow from financial activities		(4 048)	548
Total change in liquid assets		(1 829)	208
Liquid assets as at 1 January		2 349	2 141
Liquid assets as at 31 December		520	2 349

Norske Skogindustrier ASA
Unconsolidated Balance Sheet

NOK million	Notes	2002	2001
Assets			
Intangible fixed assets	7	73	72
Operational fixed assets	7	5 457	5 907
Intercompany long term receivables		5 908	8 812
Other long-term assets		75	203
Pension plan assets	3	110	129
Share in other companies		62	54
Shares in subsidiaries		29 145	28 061
Securities and long-term financial assets		35 300	37 799
Fixed assets		40 830	43 778
Finished goods		396	329
Raw materials and work in progress		168	236
Inventory		564	565
Intercompany short-term receivables		702	452
Other receivables		292	528
Accounts receivable		767	925
Provision for bad debts		(39)	(43)
Short-term receivables		1 722	1 862
Commercial papers		105	1 100
Bonds		196	504
Cash and bank deposits		219	745
Liquid assets		520	2 349
Current assets		2 806	4 776
Total assets		43 636	48 554
Shareholders' equity and liabilities			
Share capital		1 331	1 331
Own shares		(9)	(10)
Share premium reserve		7 116	7 008
Paid-in equity		8 438	8 409
Other equity		5 247	5 015
Shareholders' equity	8	13 685	13 424
Deferred taxes	5	373	288
Pension obligations	3	87	81
Intercompany long-term liabilities		5 479	3 793
Other long-term liabilities		16 851	20 689
Long-term liabilities		22 790	24 851
Other short-term liabilities		1 459	3 177
Intercompany short-term liabilities		4 482	5 768
Accounts payable		307	481
Public dues and holiday allowances		53	49
Provisions for dividend		795	792
Taxes payable		65	12
Current liabilities		7 161	10 279
Total shareholders' equity and liabilities		43 636	48 554
Guarantees	9	2 159	4 565

Lysaker, 5 March 2003

Lars Wilhelm Grøholt
Chairman
Halvor Bjørken

Jon R. Gundersen
Deputy chairman
Øivind Lund

Egil Myklebust

Jan Vidar Grini
Kåre Leira
Giséle Marchand

Stig Johansen
Jan Reinås
President and CEO

Notes to the Norske Skogindustrier ASA Unconsolidated Financial Statements

1. Accounting principles

The company's accounting principles are the same as those for the consolidated accounts, which are described on pages F-6 through F-9. Only those notes which are different, are shown below. Investments in subsidiaries are valued at historical cost, in accordance with the option stated by the Department of Finance. All figures are stated in NOK million unless otherwise stated.

Monetary items that is receivable from, or payable to, a foreign subsidiary for which settlement is neither planned nor likely to occur in the foreseeable future is, in substance an extension to, or a deduction from, the net investment in the foreign subsidiary. Foreign currency gains and losses on the receivables and payables which in substance form part of the net investment in foreign subsidiaries are not recognised until the disposal of the investments in the foreign subsidiaries. The principle also applies to exchange differences arising on foreign currency liabilities accounted for as a hedge of the net investments in foreign subsidiaries.

2. Operating revenue

Operating Revenue includes ordinary revenue from sale of goods and services to companies within the Group to the value of NOK 1 366 million, the corresponding figure in 2001 was NOK 1 858 million. All intercompany deliveries, intercompany profits and intercompany debts between departments are eliminated in the accounts.

3. Pension costs and pension liabilities

Net periodic pension cost:	**2002**	**2001**
Benefit earned during the year	50	49
Interest costs on prior period benefit	62	57
Expected return on plan assets	(70)	(70)
Periodic employer tax	2	1
Expensed portion of changes of AFP	2	2
Expensed portion of differences in estimates	8	4
Net periodic pension cost	54	43

Status of pension plans reconciled with the balance sheet:

	Plan assets exceed PBO		PBO exceed plan assets	
	2002	2001	2002	2001
Projected Benefit Obligations (PBO)	(1 079)	(985)	(142)	(138)
Plan assets at fair value	1 121	1 111	22	22
Plan assets in excess of/less than (-) PBO	42	126	(120)	(116)
Changed AFP plan	-	-	-	22
Unrecognized gain (-)/loss on plan assets	72	3	37	20
Net plan assets/pension obligations	114	129	(83)	(74)
Employer tax accruals	(4)	-	(4)	(7)
Pension assets/pension obligations (-) in the balance sheet	110	129	(87)	(81)

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

4. Other operating expenses and restructuring costs

Losses on bad debts amounting to NOK 7 million are included in operating expenses. A provision of NOK 111 million for restructuring costs is presented on a separate line. The provision will cover costs related to workforce reductions of approximately 500 employees.

5. Taxes

A specification of the difference between earnings before taxation and the basis for taxation is shown below:

Basis for taxation	2002	2001
Earnings before taxation	1 527	(761)
Permanent differences	(200)	(77)
Group contribution	(381)	153
Equity items	-	(133)
Currency items	8	464
Change in temporary differences	(303)	420
Basis for taxation	651	66

Notes to the Norske Skogindustrier ASA Unconsolidated Financial Statements — (Continued)

Taxation	2002	2001
Taxes payable including withholding tax	(234)	(14)
Tax on currency items	-	-
Tax on equity items	-	-
Taxes payable former year	(263)	-
Taxes Group contribution	(107)	-
Group contribution	193	-
Sum taxes payable	(411)	(14)
Change in deferred tax	(85)	373
Total tax expense	(496)	359

Norwegian tax authorities have not accepted a deduction of ca NOK 800 million for the year 2001. This has resulted in an increase of ca NOK 225 million in tax cost in 2002. The decision has been appealed.

Deferred tax

A specification of temporary differences and deferred tax is shown below.

(Tax rate 28% in 2001 and 2002)

Deferred tax	2002	2001
Reserve in accounts receivable	(38)	(122)
Reserve in inventory	115	83
Other short-term items	(198)	(214)
Total short-term items	(121)	(253)
Accelerated depreciation	1 379	1 525
Allocated capital gains	150	219
Pension plan assets	110	129
Pension obligations	(87)	(81)
Other long-term items	375	(38)
Total long-term items	(1 926)	(1 754)
Total temporary differences	1 805	1 501
Deferred tax on temporary differences	505	419
Deferred tax on currency items	(132)	(131)
Total deferred tax	373	288

6. Net cash flow from operations

The connection between earnings before tax and cash flow from operations is shown below:

	2002	2001
Earnings before tax	1 287	(762)
Ordinary depreciation	630	640
Taxes paid	(283)	(166)
Change in receivables	395	143
Change in stocks	1	25
Change in current liabilities	(300)	1 024
Adjustment for changes in working capital without cash effect	(418)	(727)
Net cash flow from operating activities	1 312	177

7. Operational fixed assets

Acquisition cost	Goodwill and other exclusive rights	Land, buildings and other property	Machinery and Plant	Fixtures and fittings, tools, office equipment	Plant under construction	Total
Acquisition cost 31.12.2001	97	2 944	10 414	305	142	1 3902
Addition 2002 at cost	7	35	158	24	-	224
Sales 2002 at cost	-	(41)	(33)	(15)	-	(89)
Reclassification	-	-	14	8	(22)	-
Acquisition cost 31.12.2002	104	2 938	10 553	322	120	-
Depreciation and write-downs						14 037
Accumulated depreciation and write-downs 31.12.2001	25	1 251	6 422	225	-	7 923
Depreciation 2002	6	112	481	31	-	630
Depreciation on fixed assets sold 2002	-	(8)	(35)	(3)	-	(46)
Write-downs 2002	-	-	-	-	-	-
Reclassification	-	-	(4)	4	-	-
Accumulated depreciation and write-downs 31.12.2002	31	1 355	6 864	257	-	8 507
Book value						
Book value 31.12.2001	72	1 693	3 992	80	142	5 979
Book value 31.12.2002	73	1 583	3	689	65	120

Goodwill specification on each acquisition	Year	Depreciation plan/years	Depreciation 2002	Book value 31.12.2002
Union	1999	20	6	66

Goodwill is amortised according to expected useful life based on regional and global synergies.

Fixed assets—acquisition and disposal last 5 years

		Goodwill and other exclusive rights	Land, buildings and other property	Machinery and plant	Fixtures and fittings, tools, office equipment	Plant under construction	Total
1998	Acquisition	-	243	454	-	618	1 315
	Disposal	-	42	3	-	-	45
1999	Acquisition	-	35	86	28	598	747
	Disposal	-	33	6	-	-	39
2000	Acquisition	-	103	265	20	169	557
	Disposal	-	20	7	5	11	43
2001	Acquisition	-	43	179	18	53	293
	Disposal	-	-	7	5	-	12
2002	Acquisition	7	35	158	24	-	224
	Disposal	-	222	7	3	-	232
Total 5 years	Acquisition	7	459	1 142	90	1 438	3 136
	Disposal	-	317	30	13	11	371

8. Shareholders' equity

	Share capital	Share premium reserve	Other equity	Total
Shareholders' equity 31.12.2001	1 321	7 088	5 015	13 424
Change in own shareholding	1	28	18	47
Earnings	-	-	1 031	1 031
Provision for dividend	-	-	(795)	(795)
Currency translation adjustments and other	-	-	(22)	(22)
Shareholders' equity 31.12.2002	1 322	7 116	5 247	13 685

As at 31 December 2002 the share capital was divided into 133 137 088 shares, each with a nominal value of NOK 10. Own shareholding was 882 247 shares.

Principal shareholders	Ownership in %
State Street Bank & Trust Co., USA	10.08
Folketrygdfondet, Norway	8.31
Viken Skogeierforening, Norway	8.03
JPMorgan Chase Bank, Great Britain	6.29
JPMorgan Chase Bank, USA	4.62
Agder-Telemark Skogeierforening, Norway	4.09
Skogeierforeninga Nord BA, Norway	2.60
Mjøsen Skogeierforening, Norway	2.43
Vital Forsikring ASA, Norway	1.57
Boston Safe Dep & Trust, USA	1.56
Glommen Fond AS, Norway	1.50
Rederiaktieselskapet Henneseid, Norway	1.46
Deutsche Bank Trust Co Americas, USA	1.32
Havlide A/S, Norway	1.04

Shareholders in Corporate Assembly	Number of shares
Ivar Korsbakken, Oslo, Chairman	917
Emil Aubert, Porsgrunn	14 383
Ole H. Bakke, Trondheim	53
Svein Haare, Hokksund	555
Olav Hørsdal, Frolands Verk	2 975
Dieter Oswald, Bø i Telemark	67
Halvard Sæther, Lillehammer	2 182
Helge Urstrømmen, Elverum	1 163
Svein Aaser, Drøbak	475
Nominated by the employees	
Bjørn Olav Hanssen, Skogn	100
Magnus Straume, Union	3
Ove Magne Anseth, Forestia	50
Observers from the employees	
Rolf Bråthen, Follum	782

Shareholders in Board of Directors	Number of shares
Lars Wilhelm Grøholt, Hov, Chairman	1 145
Jon R. Gundersen, Oslo, Deputy Chairman	694
Halvor Bjørken, Verdal	1 155
Øivind Lund, Drammen	432
Nominated by the employees	
Jan Vidar Grini, Union	118
Stig Johansen, Forestia	125
Kåre Leira, Skogn	485
Shareholders in Corporate Management	
Jan Reinås	23 100
Jan A. Oksum	6 239
Jan Kildal	10 006
Rolf Negård	377
Hanne Aaberg	900
Claes-Inge Isacson	6 020
Jarle Dragvik	1 521
Ketil Lyng	2 535
David Kirk[1]	1 642
Vidar Lerstad	2 972

(1) David Kirk has resigned from his position in Norske Skog with effect from 3 March 2003.

9. Guarantees

The company has guaranteed debt for its subsidiaries to the total of NOK 2 150 million and for its affiliated companies to the total of NOK 9 million. See also note 27 to the group accounts.

10. Other items

Other items 2002 includes profit from the sale of forests in Norway (NOK 159 million), profit from the sale of forests in Sweden (NOK 16 million) and reversal of a provision for credit losses against Norske Skog Flooring Holding AS (NOK 64 million). Other items 2001 includes profit from the sale of forests in Sweden (NOK 194 million), provision for credit losses against Norske Skog Flooring Holding AS (NOK -64 million) and earn out costs related to the sale of Tofte and Folla (NOK -15 million).

11. Repayment plan interest-bearing debt

The contractual obligated down payments on the company's total loan portfolio as of 31.12.2002

	Bank debt	Bond debt	Total debt
2003	922	-	922
2004	-	242	242
2005	982	-	982
2006	346	2 681	3 027
2007	1 436	1 377	2 813
2008	1 256	-	1 256
2009	1 489	-	1 489
2010	107	-	107
2011	250	4 178	4 429
Currency translation difference	-	1 457	1 457
Sum	6 788	9 963	16 724

Currency translation difference is a result of translation debt in the balance sheet at historical rates while the repayment plan is translated at current rates.

Norske Skogindustrier ASA

Unaudited Interim Consolidated Profit and Loss Account

	Jan.-June 2003	Jan.-June 2002
	NOK million	
Operating revenue	11 382	11 574
Distribution costs	(972)	(899)
Other operating expenses	(8 104)	(7 806)
Operating Earnings before Depreciation	2 306	2 869
Depreciation and amortisation	(1 621)	(1 707)
Op. Earnings before provision for restr. costs	685	1 162
Provision for restructuring costs	-	-
Operating earnings	685	1 162
Earnings from affiliated companies[1]	(110)	(171)
Financial items	(932)	(71)
Other items	907	-
Earnings before taxation	550	920
Taxation	(449)	(311)
Net earnings	101	609
The minority's share of net earnings	1	3
The majority's share of net earnings	100	606
Earnings per share	0.76	4.58
Earnings per share fully diluted	0.76	4.58

(1) Earnings from affiliated companies are included after taxation.

Norske Skogindustrier ASA
Unaudited Interim Consolidated Statement of Cash Flow

	Jan.-June 2003	Jan.-June 2002
	NOK million	
Cash flow from operating activities		
Cash generated from operations	11 437	12 129
Cash used in operations	(9 794)	(9 238)
Cash from net financial items	(408)	(440)
Taxes paid	(147)	(592)
Net cash flow from operating activities	1 088	1 859
Cash flow from investment activities		
Investments in operational fixed assets	(438)	(543)
Sales of operational fixed assets	15	14
Other investments	(196)	116
Dividend received	-	-
Net cash from sold shares in subsidiaries[1]	1 268	257
Net cash used for acquisition of companies	-	(2)
Net cash flow from investment activities	649	(158)
Cash flow from financial activities		
Net change in long-term liabilities	(1 254)	(3 675)
Net change in short-term liabilities	251	425
Dividend paid	(795)	(748)
New equity	-	-
Net cash flow from financial activities	(1 798)	(3 998)
Translation difference	33	(207)
Total change in liquid assets	(28)	(2 504)

(1) In first half of 2003 the amount consists of cash from sale of power plants in Norway. In 2002 the amount consists of sale of forests in Southern Norway, forests in Sweden and settlement for Norske Skog Flooring AS.

Norske Skogindustrier ASA
Unaudited Interim Consolidated Balance Sheet

	June 30, 2003	June 30, 2002
	NOK million	
Intangible fixed assets	4 711	4 542
Operational fixed assets	32 936	33 224
Long-term receivables and affiliated companies	2 809	3 055
Fixed assets	40 456	40 821
Inventory	2 485	2 365
Receivables	3 733	3 941
Short term investments	419	615
Liquid assets	420	1 039
Current assets	7 057	7 960
Total assets	47 513	48 781
Paid in equity	8 416	8 456
Retained earnings	11 066	10 222
Minority interests	164	167
Shareholders' equity	19 646	18 845
Deferred taxes	2 761	2 677
Interest-free long-term liabilities and other obligations	937	905
Interest bearing long-term liabilities	18 913	21 310
Interest free current liabilities	4 152	4 333
Interest bearing current liabilities	1 104	711
Total liabilities and shareholders' equity	**47 513**	**48 781**

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Annex A

Glossary

Bleached pulp means pulp that has been bleached using chemicals.

Chemical pulp means pulp produced by cooking wood chips with chemicals in a pressure vessel (known as a digester) which removes lignin and other wood sugars leaving only the cellulose fibers.

Coated paper means paper which is coated with clay and usually supercalendered to produce a glossy surface.

CTMP means chemi-thermomechanical pulp which is made from a thermomechanical process in which woodchips are pretreated with a chemical.

De-inked pulp means pulp which is made by removing ink and other undesirable materials from wastepaper.

Fine paper means a general term for writing and printing paper of high quality, usually made from at least 90 percent bleached chemical pulp.

GSM means grams per square meter.

Kraft paper means paper produced from bleached and unbleached kraft pulp. Kraft paper is used in packaging applications.

Kraft pulp means the principal type of chemical pulp, produced by an alkaline cooking process using sodium sulphate and is noted for its strength.

LWC means lightweight coated paper, a coated magazine paper grade.

Market pulp means pulp sold on the open market, as contrasted with pulp produced at a mill for use on paper machines at the same mill.

Mechanical pulp means pulp produced from logs or wood chips by mechanically breaking the bonds between wood fibers.

MFP paper means machine finished pigmentized paper which is a high brightness film-coated publication paper with a unique combination of bulkiness and good printability.

NBSK means northern bleached softwood kraft pulp. This is pulp produced from high northern latitude pine, fir and spruce trees, processed by the chemical kraft process and bleached to a high degree of whiteness.

Newsprint means printing paper used primarily in newspapers that is largely produced from mechanical or recycled pulp with portions of chemical pulp occasionally added to provide greater strength.

Opacity means the ability of paper to resist the transmission of light through it. Opacity prevents show-through of printing from the other side of a sheet of paper.

Pulp means cellulose fibers and lignin in a wet or dry state derived from wood from a variety of pulping processes, including cooking, refining and grinding.

Pulpwood means logs used for making pulp (as opposed to those used for making lumber and panel products).

SC means supercalendered paper, an uncoated magazine paper grade.

Softwood pulp means pulp produced from coniferous wood species and is known for its strength.

Supercalender means a machine which imparts a high gloss to paper for demanding printing applications by running it through a stack of steel and fiber rolls subsequent to the papermaking process.

TMP means thermo-mechanical pulp which is a type of mechanical pulp produced by grinding pre-heated and steamed woodchips between two large counter-rotating discs.

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