

# 09

## Q4 REPORT



## KEY FIGURES (UNAUDITED)

		OCT-DEC 2009	JUL-SEP 2009	OCT-DEC 2008	YTD 2009	YTD 2008
Operating revenue	NOK mill	4 909	5 033	7 354	20 362	26 468
Gross operating earnings *)	NOK mill	472	642	922	2 185	2 723
Gross operating margin	%	9.6	12.8	12.5	10.7	10.3
Gross operating earnings after depreciation **)	NOK mill	(27)	(7)	256	(280)	100
Operating earnings	NOK mill	1 075	(872)	(1 220)	(1 325)	(1 407)
Profit/loss before income taxes	NOK mill	887	(330)	(1 553)	(1 019)	(2 779)
Net profit/loss for the period	NOK mill	667	(418)	(1 282)	(1 400)	(2 765)
Earnings per share	NOK	3.53	(2.31)	(6.66)	(6.36)	(14.33)
Return on capital employed	%	(0.1)	0.0	1.0	(1.2)	0.3
Net cash flow from operating activities	NOK mill	537	730	732	1 697	1 977
Cash flow per share	NOK	2.83	3.85	3.86	8.95	10.43
Total assets	NOK mill	33 155	35 401	45 191	33 155	45 191
Net interest-bearing debt	NOK mill	9 595	10 017	14 047	9 595	14 047
Gearing (net interest-bearing debt / equity)		0.80	0.89	1.05	0.80	1.05
Production	1 000 tonnes	966	975	1 152	3 895	5 377
Deliveries	1 000 tonnes	1 007	1 016	1 242	3 894	5 412

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

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



## REPORT OF THE BOARD OF DIRECTORS

# FOURTH QUARTER 2009

- // Fourth quarter 2009: Gross operating earnings were NOK 472 million (NOK 642 million in the third quarter of 2009). The weaker result compared with the third quarter is primarily due to a stronger NOK on average during the quarter, lower prices for magazine paper and a weak result in the South American region.
- // Full year 2009: Gross operating earnings were NOK 2 185 million (comparable to NOK 2 535 million for the full year 2008). The main cause of the weaker result is low volumes as a result of reduced demand in most markets.
- // Net profit after tax for the period was NOK 667 million in the fourth quarter of 2009 and net loss for the full year 2009 was NOK 1 400 million.
- // Net cash flow from operating activities fourth quarter 2009: NOK 537 million (NOK 730 million in the third quarter).
- // Net interest-bearing debt was NOK 9.6 billion as at 31 December 2009, a decrease of NOK 4.4 billion from the previous year-end. Gearing (net interest-bearing debt in relation to equity) was 0.80 as at 31 December 2009.
- // Sven Ombudstvedt was appointed as new President and CEO from 1 January 2010.

## INCOME STATEMENT

		OCT-DEC 2009	JUL-SEP 2009	OCT-DEC 2008	YTD 2009	YTD 2008
Operating revenue	NOK mill	4 909	5 033	7 354	20 362	26 468
Gross operating earnings *)	NOK mill	472	642	922	2 185	2 723
Gross operating earnings after depreciation **)	NOK mill	(27)	(7)	256	(280)	100
Operating earnings	NOK mill	1 075	(872)	(1 220)	(1 325)	(1 407)
Profit/loss before income taxes	NOK mill	887	(330)	(1 553)	(1 019)	(2 779)
Net profit/loss for the period	NOK mill	667	(418)	(1 282)	(1 400)	(2 765)
Comparable gross operating earnings ***)	NOK mill	472	642	922	2 185	2 535
Comparable gross operating earnings after depreciation ***)	NOK mill	(27)	(7)	256	(280)	108

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

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

\*\*\*) Norske Skog sold two mills in South Korea in summer 2008. The operations from these mills were included in the figures for the first half of 2008.

## COMPARABILITY

In June 2009, it was decided to indefinitely idle PM 2 at Norske Skog Parenco in the Netherlands with a production capacity of 225 000 tonnes. This machine was temporarily idled for much of the first half of 2009. In July 2009, an agreement was entered into regarding the sale of Norske Skog's 56 per cent stake in Shanghai Norske Skog Potential Paper (SNP) in China, with a production capacity of 145 000 tonnes. SNP was de-consolidated with effect from 1 July. Norske Skog entered into an agreement in September 2009 regarding the sale of the mill Norske Skog Hebei in China, with a production capacity of 330 000 tonnes. Hebei has been de-consolidated with effect from 1 November. No adjustment of figures reported in prior periods has been made in connection with any of the sales and closures mentioned above.

Norske Skog sold two mills in South Korea in 2008, and the earnings from these units were included up to and including the second quarter of 2008. For purposes of comparison between the full year 2009 and the full year 2008, the table above and the tables for the newsprint segment and geographical region Asia later in this report also use comparable figures, i.e. excluding the activities in South Korea.

GROUP COMMENT -  
UNDERLYING OPERATIONS

## Fourth quarter 2009 compared with third quarter 2009

Gross operating earnings in the fourth quarter of 2009 were NOK 472 million, a fall of NOK 170 million compared with the previous quarter. When the volumes from the sold mill Norske Skog Hebei are excluded in both quarters, there is an increase in produced and sold volumes. This positive effect is however offset by lower prices within newsprint

and magazine paper in Europe and in South America, higher prices for recovered paper and chemical pulp, and a stronger NOK.

For the geographical regions within the newsprint segment, the result is slightly improved in Australasia, whilst the results in the other regions are weaker. The result in the magazine segment is also weaker than in the third quarter.

Depreciation in the fourth quarter is NOK 150 million lower than in the third quarter. This relates mainly to the Australasian region, where the estimated useful life of the paper machines at Norske Skog Boyer has been extended in connection with a major investment project (Softwood Conversion). The useful life was changed with effect from 1 January 2009, but this has not been reflected in the accounts until the fourth quarter.

## Fourth quarter 2009 compared with fourth quarter 2008

Gross operating earnings in the fourth quarter of 2009 were NOK 450 million lower than in the same quarter of 2008. Produced and sold volumes were nearly 20 per cent lower in the fourth quarter of 2009, price levels were lower in several markets and NOK was significantly stronger than in the fourth quarter of 2008. These conditions were to some extent compensated by lower costs.

## Full year 2009 compared with full year 2008

Gross operating earnings for the full year 2009 were NOK 2 185 million. This is NOK 350 million weaker than in 2008, when the sold units in South Korea are excluded. Volumes have also fallen by approximately 20 per cent in this time frame, and this represents the main cause of the deterioration in performance.

For 2009 as a whole, NOK was on average weaker against EUR and USD, but stronger against GBP.

## SPECIAL ITEMS IN THE OPERATING EARNINGS UNDER IFRS

		OCT-DEC 2009	JUL-SEP 2009	OCT-DEC 2008	YTD 2009	YTD 2008
Restructuring expenses	NOK mill	(90)	(28)	(12)	(396)	(221)
Other gains and losses	NOK mill	1 418	168	(1 966)	1 233	(502)
Impairments	NOK mill	(226)	(1 006)	502	(1 883)	(785)

Restructuring costs in all periods relate to provisions for severance pay in connection with the closure of paper mills and other workforce reductions.

"Other gains and losses" in the fourth quarter of 2009 consist mainly of the increase in value of the long-term energy contracts, as well as around NOK 50 million in gains from various other items. Approximately half of the increase in value of the energy contracts relates to the Norwegian contracts, and the remaining increase relates to the contracts in Brazil and New Zealand. "Other gains and losses" in the third quarter of 2009 and for the full year 2009 are also mainly related to changes in value of the energy contracts. The figures for 2008 include a negative cumulative currency translation difference relating to the sold mills in South Korea. Furthermore, a provision was made in 2008

relating to the termination of the planned PM 2 project at Norske Skog Pisa in Brazil. More details of these items relating to previous quarters are given in the reports for the relevant periods.

Impairments in the fourth quarter of 2009 consist of NOK 200 million relating to Norske Skog Saugbrugs and an adjustment of NOK 26 million relating to the value of fixed assets at Norske Skog Parenco in the Netherlands. More information regarding impairments in previous quarters is given in the reports for the relevant periods.

## SPECIFICATION FINANCIAL ITEMS

		OCT-DEC 2009	JUL-SEP 2009	OCT-DEC 2008	YTD 2009	YTD 2008
Net interest costs (excluding interest-rate derivatives)	NOK mill	(201)	(228)	(269)	(921)	(1 097)
Realised and unrealised gains/losses on interest-rate derivatives	NOK mill	51	38	(149)	7	(188)
Realised/unrealised gains/losses on currency	NOK mill	(11)	763	(217)	1 097	(258)
Gain buy-back of bonds	NOK mill	7	24	359	284	359
Other financial items	NOK mill	(36)	(55)	(85)	(187)	(218)
Total financial items	NOK mill	(188)	542	(360)	280	(1 402)

Interest costs in the fourth quarter of 2009 were slightly lower than in the previous quarter, primarily due to the stronger NOK measured against the major loan currencies EUR and USD. The accounting impact from currency movements in the fourth quarter of 2009 is low, because the exchange rates at the closing date 31 December 2009 were essentially similar to the rates as at 30 September 2009. In the previous quarter, there were large positive currency effects due to the fact that the NOK was stronger measured against most other currencies during the quarter.

For the full year 2009, financial items gave a positive result of NOK 280 million, compared with a negative result of NOK 1 402 million in 2008. The strengthening of NOK throughout 2009 resulted in large gains on currency hedging, whilst there was a weaker NOK and hedging loss in 2008. Bonds with a face value of NOK 1 050 million

in total have been bought back, with a gain of NOK 284 million. Buy-back of bonds has resulted in a profit of NOK 643 million for 2008 and 2009 seen as a whole.

**Tax expenses**

The tax expense amounted to NOK 220 million in the fourth quarter of 2009 and NOK 380 million for the full year 2009. It must be noted that the various impairments which have been charged in the year do not form part of the basis for calculating deferred tax assets under IFRS regulations. The tax expense in the income statement is higher than taxes paid, which amounted to NOK 166 million in 2009.

## CASH FLOW (KEY FIGURES)

		OCT-DEC 2009	JUL-SEP 2009	OCT-DEC 2008	YTD 2009	YTD 2008
Gross operating earnings	NOK mill	472	642	922	2 185	2 723
Change in working capital and adjustments *)	NOK mill	197	151	20	225	341
Cash from net financial items	NOK mill	(78)	(36)	80	(548)	(727)
Taxes paid	NOK mill	(55)	(27)	(290)	(166)	(361)
Net cash flow from operating activities	NOK mill	537	730	732	1 697	1 977
Investments in operational fixed assets	NOK mill	(180)	(124)	(377)	(580)	(1 283)

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

Net cash flow from operating activities, after paid financial items and taxes paid, was NOK 193 million lower in the fourth quarter of 2009 compared with the third quarter. The main reason is the lower gross operating earnings.

Net cash flow from operating activities for the full year 2009 was NOK 280 million lower than in 2008. Gross operating earnings were NOK 538 million lower, but this is offset to some extent by improve-

ments in working capital, lower financial payments and lower taxes paid.

Capitalised investments amounted to NOK 580 million in 2009. This amount includes two development projects at the mills Norske Skog Skogn and Norske Skog Boyer. The remaining amount is mainly capitalised maintenance investments.

## BALANCE SHEET

		31 DEC 2009	30 SEP 2009	31 DEC 2008
Non-current assets	NOK mill	23 546	20 067	26 980
Cash and cash equivalents	NOK mill	4 241	4 560	6 036
Other current assets	NOK mill	5 368	10 775	12 175
Total assets	NOK mill	33 155	35 401	45 191
Equity including minority interests	NOK mill	12 015	11 263	13 632
Non-current liabilities	NOK mill	17 316	18 246	23 277
Current liabilities	NOK mill	3 824	5 893	8 282
Net interest-bearing debt	NOK mill	9 595	10 017	14 047

Total assets as at 31 December 2009 have fallen by NOK 2 246 million since the end of the previous quarter. Approximately NOK 1.4 billion of this reduction is due to the transition from gross to net accounting of the estimated cleanup costs of mill facilities. These were previously recognised as “Non-current liabilities”, but are now deducted from the asset value in the balance sheet. There has also been a reduction in working capital during the quarter, and the depreciation and impairment charge in the period is greater than investments capitalised. The calculated value of the energy portfolio relating to 2011 and later years is now classified under “Non-current assets” whilst this was previously classified under “Other current assets”. Currency effects have not had a material effect on the balance sheet values at 31 December 2009 compared with 30 September 2009.

Since the previous year-end, assets have fallen by approximately NOK 12 billion. Around NOK 3.5 billion of this is due to currency translation differences resulting from a stronger NOK throughout 2009. The reduction in assets is also due to the transition from gross to net accounting of estimated cleanup costs, sale of activities in China, and the fact that the total depreciation and impairment cost was significantly higher than capitalised investments.

Equity including minority interests was NOK 12 015 million as at 31 December 2009. This is an increase of NOK 752 million from the

previous quarter-end, whilst there is a reduction of NOK 1 617 million from the previous year-end. Equity per share was NOK 63 as at 31 December 2009. A more detailed specification of the changes in equity is provided later in the quarterly report.

Net interest-bearing debt was reduced by NOK 422 million during the fourth quarter of 2009 and amounted to NOK 9 595 million as at 31 December 2009. The main reason is the positive cash flow from operating activities. Gearing (net interest-bearing debt in relation to equity) fell from 0.89 at 30 September 2009 to 0.80 at 31 December 2009. A hedge reserve (deferred income) is not included in the calculation of these gearing figures. This reserve amounted to NOK 411 million as at 31 December 2009, and it is recognised in the balance sheet as an interest-bearing non-current liability, but is actually a reserve which arose upon the termination of hedge contracts in the first quarter of 2009, and which is amortised (i.e. recognised as income) over the remaining term of the loans. The hedge reserve does not constitute any payment obligation for the group.

The average remaining term to maturity of the group’s non-current interest-bearing debt was 5.8 years as at 31 December 2009. Loans which fall due for repayment in 2010 amount to just under NOK 400 million, and Norske Skog had liquid assets of approximately NOK 4.2 billion at the end of 2009.



## SEGMENT INFORMATION

**Newsprint total - Key figures**

		OCT-DEC 2009	JUL-SEP 2009	OCT-DEC 2008	YTD 2009	YTD 2008
Operating revenue	NOK mill	2 999	3 227	4 754	13 073	17 933
Gross operating earnings	NOK mill	383	444	643	1 684	2 102
Gross operating earnings after depreciation	NOK mill	57	(25)	113	(91)	(14)
Gross operating margin	%	12.8	13.8	13.5	12.9	11.7
Production	1 000 tonnes	653	678	849	2 786	4 063
Deliveries	1 000 tonnes	693	722	899	2 798	4 106
Production / capacity	%	82	80	91	79	93
Comparable gross operating earnings *)	NOK mill	383	444	643	1 684	1 914
Comparable production *)	1 000 tonnes	653	678	849	2 786	3 568
Comparable deliveries *)	1 000 tonnes	693	722	899	2 798	3 620

\*) Norske Skog sold two mills in South Korea in Summer 2008. The operations from these mills were included in the figures for the first half of 2008.

Gross operating earnings for the total newsprint segment in the fourth quarter of 2009 were NOK 61 million lower than in the third quarter. The weaker results are mainly related to the geographical regions South America and Asia.

Gross operating earnings for the full year 2009 were NOK 418 mil-

lion lower than in 2008. A large fall in demand is the most important reason for this. Based on preliminary statistics, the global demand for newsprint was approximately 14 per cent lower in 2009 compared with 2008. Norske Skog's delivery volumes have fallen more than this, as a result of closures and significantly lower exports out of Europe.

**Newsprint Europe - Key figures**

		OCT-DEC 2009	JUL-SEP 2009	OCT-DEC 2008	YTD 2009	YTD 2008
Operating revenue	NOK mill	1 549	1 460	2 396	6 199	8 076
Gross operating earnings	NOK mill	151	164	369	779	931
Gross operating earnings after depreciation	NOK mill	(30)	(41)	140	(37)	87
Gross operating margin	%	9.7	11.3	15.4	12.6	11.5
Production	1 000 tonnes	350	329	458	1 408	1 923
Deliveries	1 000 tonnes	371	331	517	1 405	1 964
Production / capacity	%	80	75	93	75	92

Gross operating earnings in the fourth quarter of 2009 for the European newsprint region were unsatisfactory, and slightly lower than in the previous quarter. On average, NOK has been stronger compared with sales currencies during the fourth quarter, prices in the UK (measured in local currency) have been lower, and there has been some negative impact from higher recovered paper prices. However, this is offset by slightly higher volumes and the sale of electricity in Norway.

Gross operating earnings for the full year 2009 are NOK 152 million lower than in 2008, the main reason being the low capacity utilisation due to weak demand. When making comparisons with 2008, it

is necessary to take into account the capacity closures in both years as referred to earlier in this report.

The demand for standard newsprint in Europe was approximately 14 per cent lower in 2009 than in 2008. The reduction occurred primarily in the first half of the year, and demand in the fourth quarter was around five per cent higher than in the third quarter.

Prices in 2010 will be significantly lower, due to the decline in demand. Although a significant portion of the tonnage has not been finally negotiated, there is reason to expect a fall in prices of between 15 and 20 per cent in most markets in Europe. In the Norwegian market, the price fall is over 20 per cent.

**Newsprint Asia - Key figures**

		OCT-DEC 2009	JUL-SEP 2009	OCT-DEC 2008	YTD 2009	YTD 2008
Operating revenue	NOK mill	92	262	382	1 071	3 390
Gross operating earnings	NOK mill	2	33	8	(7)	272
Gross operating earnings after depreciation	NOK mill	(20)	(5)	(66)	(187)	(159)
Gross operating margin	%	2.0	12.5	2.0	(0.7)	8.0
Production	1 000 tonnes	37	81	97	318	990
Deliveries	1 000 tonnes	33	88	81	326	964
Production / capacity	%	62	70	65	67	89
Comparable gross operating earnings *)	NOK mill	2	33	8	(7)	84
Comparable production *)	1 000 tonnes	37	81	97	318	495
Comparable deliveries *)	1 000 tonnes	33	88	81	326	478

\*) Excluding South Korea for all periods.

In September 2009, an agreement was entered into regarding the sale of Norske Skog Hebei in China. The agreement was finalised at a later date, and the results for Hebei are included in the income statement up to and including October 2009. After this sale, the geographical region Asia consists of the newsprint mill in Singburi in Thailand. From 2010 and onwards, this entity will be reported together with the Australasian

region in the external reporting.

The Asian region had gross operating earnings close to zero in the fourth quarter of 2009. In the third quarter of 2009, there was a reversal of a previously recognised impairment on inventories of finished goods, which affects the comparison between the two quarters.

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

Newsprint Australasia - Key figures		OCT-DEC 2009	JUL-SEP 2009	OCT-DEC 2008	YTD 2009	YTD 2008
Operating revenue	NOK mill	992	1 030	917	3 571	3 757
Gross operating earnings	NOK mill	200	178	173	650	628
Gross operating earnings after depreciation	NOK mill	112	(10)	(11)	29	(74)
Gross operating margin	%	20.2	17.3	18.8	18.2	16.7
Production	1 000 tonnes	198	193	217	791	853
Deliveries	1 000 tonnes	213	227	222	802	881
Production / capacity	%	90	87	99	90	97

The Australasian region had a relatively good result in the fourth quarter of 2009, and the earnings and gross operating margin for the full year 2009 were slightly higher than in 2008. One reason for this is the price increases in New Zealand from 1 January 2009 and in Australia from 1 July 2009. Sales volumes in the second half of 2009 were approximately 20 per cent higher than in the first half of the year due to export sales from New Zealand to Asia. As mentioned earlier in the report, a correction of depreciation costs for the whole of 2009 has

resulted in lower depreciation costs in the fourth quarter.

The mill Norske Skog Boyer has previously used some eucalyptus wood as a raw material. This is unfavourable, both from a cost and an environmental perspective. Over a two year period, a project has been carried out aimed at using plantation pine instead of eucalyptus. This project has now been completed, and the experience so far has been positive.

Demand in Australasia was also weak during 2009, with a fall of approximately 13 per cent compared with 2008.

Newsprint South America - Key Figures		OCT-DEC 2009	JUL-SEP 2009	OCT-DEC 2008	YTD 2009	YTD 2008
Operating revenue	NOK mill	285	327	387	1 256	1 316
Gross operating earnings	NOK mill	13	63	87	239	211
Gross operating earnings after depreciation	NOK mill	(21)	25	45	85	75
Gross operating margin	%	4.7	19.2	22.5	19.0	16.0
Production	1 000 tonnes	68	76	78	268	297
Deliveries	1 000 tonnes	75	77	79	265	294
Production / capacity	%	87	97	100	86	95

The result in the South American region was very weak in the fourth quarter of 2009. Sales prices were low compared with the third quarter and prices on input factors, primarily timber, were high. A transformer failure at Norske Skog Pisa resulted in lower production volumes and higher equipment rental costs.

Demand in South America was approximately 20 per cent lower in

2009 compared with 2008. However, Norske Skog had ten per cent lower deliveries compared with 2008, and has therefore gained some market share. Prices generally reflect those in the North American market, but with some time lag. Prices started to increase in North America in the autumn of 2009, and it is expected that this effect will come in South America at a later date.

Magazine paper - Key figures		OCT-DEC 2009	JUL-SEP 2009	OCT-DEC 2008	YTD 2009	YTD 2008
Operating revenue	NOK mill	1 674	1 607	2 232	6 272	7 244
Gross operating earnings	NOK mill	162	201	331	689	816
Gross operating earnings after depreciation	NOK mill	(2)	34	206	44	356
Gross operating margin	%	9.6	12.5	14.8	11.0	11.3
Production	1 000 tonnes	313	297	302	1 109	1 313
Deliveries	1 000 tonnes	314	294	343	1 096	1 307
Production / capacity	%	89	85	87	79	94

The magazine paper segment had a weak result in the fourth quarter of 2009. Prices in local currency were lower, there was a negative impact from the stronger NOK, and market prices for chemical wood pulp were higher. This is offset to some extent by higher volumes.

Gross operating earnings for the full year 2009 were NOK 127 million lower than in 2008. As for the European newsprint market, the main cause is the decline in volumes.

During 2009, demand for SC (uncoated) magazine paper in Europe has fallen by nine per cent, and demand for LWC (coated) magazine paper by over 20 per cent. As for newsprint, there was some improvement in demand during the second half of the year, which was four to five per cent higher in the fourth quarter compared with the third quarter. Lower prices for magazine paper in Europe are expected from the start of 2010, but the price fall will be less than for newsprint.



REPORT OF THE BOARD OF DIRECTORS - FOURTH QUARTER 2009

Energy - Key figures

		OCT-DEC 2009	JUL-SEP 2009	OCT-DEC 2008	YTD 2009	YTD 2008
Operating revenue	NOK mill	435	408	415	1 736	1 549
Gross operating earnings	NOK mill	(32)	12	18	(18)	37
Gross operating earnings after depreciation	NOK mill	(32)	12	18	(18)	37
Operating earnings	NOK mill	1 336	108	(2 335)	972	12

The ordinary activities of the segment consist primarily of the purchase and sale of energy for the Norwegian mills. For accounting purposes, purchase of energy in Norway is recognised as a cost of materials in the segment, with resale at contract prices to the Norwegian mills. The remaining sales are sales to external parties. Gross operating earnings in the fourth quarter of 2009 were weak, mainly due to a reclassification of costs amounting to NOK 27 million from "Other gains and losses".

As well as the results from the ordinary activities of the segment mentioned above, the operating earnings under IFRS in the energy segment also include changes in the value of the energy contracts and embedded derivatives. The contracts are included in the balance

sheet in accordance with IAS 39 *Financial Instruments – Recognition and measurement*, which means that the value comprises the difference between the assumed market price and the contract price over the contract period, discounted to present value. The value may fluctuate significantly from quarter to quarter due to changes in future energy prices. It is also affected by currency, price indices and the discount rate used. There was an increase of approximately NOK 1 400 million in the fourth quarter of 2009. This consists of an increase in value of the energy contracts in Norway, Brazil and New Zealand. The total increase in value of the energy contracts in 2009 was NOK 990 million.

Other activities - Key figures

		OCT-DEC 2009	JUL-SEP 2009	OCT-DEC 2008	YTD 2009	YTD 2008
Operating revenue	NOK mill	523	487	868	2 064	3 663
Gross operating earnings	NOK mill	(40)	(15)	(69)	(170)	(231)
Gross operating earnings after depreciation	NOK mill	(50)	(27)	(80)	(215)	(279)

Other activities include unallocated group costs and trading activities relating to recovered paper. The weaker result in the fourth quarter of 2009 compared with the third quarter is largely due to the fact that

there was a strong result from trading activities relating to recovered paper and other raw materials in the third quarter.

## COST REDUCTIONS

The board decided in June 2009 to implement a series of measures to reduce costs and improve cash flow. The main elements were closure of capacity, workforce reductions at mills and at corporate headquarter, and various other measures including lower maintenance costs. The effect in the second half of 2009 was approximately NOK 200 million and the full effect of NOK 600 – 700 million is expected to be reached during 2010. It was also decided to reduce the annual investment level to NOK 600 million.

## HEALTH AND SAFETY

The H-value (the number of lost-time injuries per million working hours) was 1.9 in the 12 month period from 1 January 2009 to 31 December 2009. The H-value in the preceding 12 month period from 1 October 2008 to 30 September 2009 was 2.0. Five of the production facilities had zero lost-time injuries in the last period.

## ORGANISATION

Christian Rynning-Tønnesen announced his resignation as President and CEO in November 2009. The board immediately began a recruitment process, resulting in the appointment of Sven Ombudstvedt as President and CEO with effect from 1 January 2010. Ombudstvedt has extensive industry experience from previous positions, including chief financial officer and member of corporate management in Yara International and head of corporate strategy in Norsk Hydro.

## SHARES

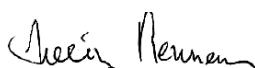
The foreign ownership share was 26 per cent as at 31 December 2009, compared with 30 per cent as at 30 September 2009 and 40 per cent at the previous year-end. A total of 527.5 million Norske Skog shares were traded in 2009, compared with 787 million shares in 2008.

Lysaker, 3 February 2010

The Board of Directors of Norske Skogindustrier ASA



Eivind Reiten  
Chair



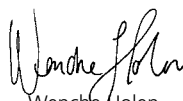
Svein Rennemo  
Deputy chair



Halvor Bjørken  
Board member



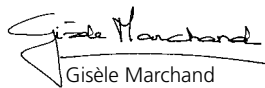
Stein-Roar Eriksen  
Board member



Wenche Holen  
Board member



Paul Kristiansen  
Board member



Gisèle Marchand  
Board member



Inge Myrland  
Board member



Ingrid Wiik  
Board member



Sven Ombudstvedt  
President and CEO

INTERIM FINANCIAL STATEMENTS - FOURTH QUARTER 2009

INCOME STATEMENT

NOK MILLION	OCT-DEC 2009	JUL-SEP 2009	OCT-DEC 2008	YTD 2009	YTD 2008
<b>Operating revenue</b>	<b>4 909</b>	<b>5 033</b>	<b>7 354</b>	<b>20 362</b>	<b>26 468</b>
Distribution costs	(452)	(453)	(565)	(1 749)	(2 340)
Cost of materials	(2 678)	(2 680)	(4 068)	(11 445)	(15 771)
Change in inventories	(175)	(112)	(396)	(132)	(176)
Employee benefit expenses	(726)	(777)	(840)	(3 100)	(3 381)
Other operating expenses	(406)	(369)	(564)	(1 751)	(2 077)
<b>Gross operating earnings</b>	<b>472</b>	<b>642</b>	<b>922</b>	<b>2 185</b>	<b>2 723</b>
Depreciation	(499)	(649)	(665)	(2 465)	(2 623)
<b>Gross operating earnings after depreciation</b>	<b>(27)</b>	<b>(7)</b>	<b>256</b>	<b>(280)</b>	<b>100</b>
Restructuring expenses	(90)	(28)	(12)	(396)	(221)
Other gains and losses	1 418	168	(1 966)	1 233	(502)
Impairments	(226)	(1 006)	502	(1 883)	(785)
<b>Operating earnings</b>	<b>1 075</b>	<b>(872)</b>	<b>(1 220)</b>	<b>(1 325)</b>	<b>(1 407)</b>
Share of profit in associated companies	0	1	26	25	30
Financial items	(188)	542	(360)	280	(1 402)
<b>Profit/loss before income taxes</b>	<b>887</b>	<b>(330)</b>	<b>(1 553)</b>	<b>(1 019)</b>	<b>(2 779)</b>
Income taxes	(220)	(88)	271	(380)	13
<b>Net profit/loss for the period</b>	<b>667</b>	<b>(418)</b>	<b>(1 282)</b>	<b>(1 400)</b>	<b>(2 765)</b>
Attributable to equity holders of the company	670	(438)	(1 263)	(1 205)	(2 715)
Attributable to minority interests	(3)	20	(20)	(194)	(50)
Earnings per share	3.53	(2.31)	(6.66)	(6.36)	(14.33)

STATEMENT OF COMPREHENSIVE INCOME

NOK MILLION	OCT-DEC 2009	JUL-SEP 2009	OCT-DEC 2008	YTD 2009	YTD 2008
<b>Net profit/loss for the period</b>	<b>667</b>	<b>(418)</b>	<b>(1 282)</b>	<b>(1 400)</b>	<b>(2 765)</b>
<b>Other comprehensive income:</b>					
Currency translation differences	(16)	(901)	2 356	(1 742)	2 264
Tax expense on translation differences	41	4	159	30	174
Hedge of net investment in foreign operations	125	585	(1 906)	1 770	(2 406)
Tax expense on net investment hedge	(66)	(24)	(87)	(130)	(113)
Cash flow hedge	0	0	(72)	44	(78)
Reclassifications to income statement, divestment of operations	18	(58)	0	(155)	722
Tax expense on reclassifications	0	0	0	0	17
Other items	(1)	1	(3)	(1)	(18)
Tax expense on other items	(16)	0	0	(34)	0
<b>Other comprehensive income after taxes</b>	<b>85</b>	<b>(393)</b>	<b>447</b>	<b>(218)</b>	<b>562</b>
Other comprehensive income for the year before taxes	126	(374)	375	(83)	484
Tax expense on other comprehensive income	(41)	(20)	72	(135)	78
<b>Other comprehensive income after taxes</b>	<b>85</b>	<b>(393)</b>	<b>447</b>	<b>(218)</b>	<b>562</b>
<b>Comprehensive income after taxes</b>	<b>752</b>	<b>(811)</b>	<b>(835)</b>	<b>(1 618)</b>	<b>(2 203)</b>
Comprehensive income attributable to:					
Equity holders of the company	753	(801)	(856)	(1 377)	(2 214)
Minority interests	(1)	(10)	21	(241)	11

INTERIM FINANCIAL STATEMENTS - FOURTH QUARTER 2009

BALANCE SHEET

NOK MILLION	NOTE	31 DEC 2009	30 SEP 2009	31 DEC 2008
Deferred tax asset		128	119	73
Other intangible assets		208	215	287
Property, plant and equipment		17 561	19 244	25 139
Investment in associated companies		228	223	295
Other non-current assets		5 420	265	1 186
<b>Total non-current assets</b>		<b>23 546</b>	<b>20 067</b>	<b>26 980</b>
Inventories		2 003	2 240	2 703
Receivables		2 511	2 577	3 885
Cash and cash equivalents	3	4 241	4 560	6 036
Other current assets		853	5 958	5 587
<b>Total current assets</b>		<b>9 609</b>	<b>15 335</b>	<b>18 211</b>
<b>Total assets</b>		<b>33 155</b>	<b>35 401</b>	<b>45 191</b>
Paid-in equity		12 302	12 302	12 310
Retained earnings and other reserves		(315)	(1 068)	1 052
Minority interests		28	29	269
<b>Total equity</b>		<b>12 015</b>	<b>11 263</b>	<b>13 632</b>
Pension obligations		665	604	644
Deferred tax liability		1 836	1 596	1 588
Interest-bearing non-current liabilities	3	13 892	13 984	18 820
Other non-current liabilities		922	2 062	2 226
<b>Total non-current liabilities</b>		<b>17 316</b>	<b>18 246</b>	<b>23 277</b>
Interest-bearing current liabilities	3	355	1 032	2 339
Trade and other payables		3 196	3 430	4 999
Tax payable		35	48	89
Other current liabilities		237	1 383	855
<b>Total current liabilities</b>		<b>3 824</b>	<b>5 893</b>	<b>8 282</b>
<b>Total liabilities</b>		<b>21 140</b>	<b>24 138</b>	<b>31 559</b>
<b>Total equity and liabilities</b>		<b>33 155</b>	<b>35 401</b>	<b>45 191</b>

CASH FLOW STATEMENT

NOK MILLION	OCT-DEC 2009	JUL-SEP 2009	OCT-DEC 2008	YTD 2009	YTD 2008
Cash generated from operations	5 056	5 011	7 668	21 144	26 639
Cash used in operations	(4 386)	(4 218)	(6 726)	(18 734)	(23 574)
Cash from net financial items	(78)	(36)	80	(548)	(727)
Taxes paid	(55)	(27)	(290)	(166)	(361)
<b>Net cash flow from operating activities<sup>1)</sup></b>	<b>537</b>	<b>730</b>	<b>732</b>	<b>1 697</b>	<b>1 977</b>
Investments in operational fixed assets	(180)	(124)	(377)	(580)	(1 283)
Sales of operational fixed assets	20	14	424	45	618
Dividend received	0	0	25	68	30
Acquisition of shares in companies	0	0	0	(2)	(127)
Sales of shares in companies	(193)	54	0	(117)	3 051
<b>Net cash flow from investing activities</b>	<b>(354)</b>	<b>(56)</b>	<b>72</b>	<b>(587)</b>	<b>2 289</b>
New loans raised	6	0	122	4 753	1 511
Repayments of loans	(816)	(351)	(1 522)	(6 901)	(2 533)
Dividend paid	0	0	0	0	0
Purchase/sale of treasury shares	0	0	0	(1)	(3)
New equity	0	0	0	0	9
<b>Net cash flow from financing activities</b>	<b>(810)</b>	<b>(351)</b>	<b>(1 400)</b>	<b>(2 149)</b>	<b>(1 016)</b>
Foreign currency effects on cash and cash equivalents	(47)	(228)	1 031	(915)	1 059
<b>Total change in cash and cash equivalents</b>	<b>(675)</b>	<b>95</b>	<b>435</b>	<b>(1 954)</b>	<b>4 309</b>
<b><sup>1) Reconciliation of net cash flow from operating activities</sup></b>					
Gross operating earnings	472	642	922	2 185	2 723
Restructuring expenses	(90)	(28)	(12)	(396)	(221)
Change in working capital	257	190	(161)	593	442
Other items in operating earnings with/(without) cash effects	30	(11)	193	28	120
Cash from net financial items	(78)	(36)	80	(548)	(727)
Taxes paid	(55)	(27)	(290)	(166)	(361)
<b>Net cash flow from operating activities</b>	<b>537</b>	<b>730</b>	<b>732</b>	<b>1 697</b>	<b>1 977</b>

INTERIM FINANCIAL STATEMENTS - FOURTH QUARTER 2009

STATEMENT OF CHANGES IN GROUP EQUITY

NOK MILLION	SHARE CAPITAL AND OTHER PAID-IN EQUITY	RETAINED EARNINGS	HEDGE ACCOUNTING	OTHER EQUITY RESERVES	MINORITY INTERESTS	TOTAL
<b>Equity 1 January 2008</b>	<b>12 310</b>	<b>3 354</b>	<b>1 305</b>	<b>(1 377)</b>	<b>365</b>	<b>15 957</b>
Comprehensive income for the period	0	(1 468)	(575)	685	(10)	(1 368)
Dividend paid	0	0	0	0	(2)	(2)
Change in holding of own shares	0	0	0	(1)	0	(1)
Change in ownership in subsidiaries	0	0	0	(15)	(105)	(120)
<b>Equity 30 September 2008</b>	<b>12 310</b>	<b>1 886</b>	<b>730</b>	<b>(708)</b>	<b>248</b>	<b>14 467</b>
Comprehensive income for the period	0	(1 265)	(2 065)	2 474	21	(835)
Dividend paid	0	0	0	0	0	0
Change in holding of own shares	0	0	0	0	0	0
Change in ownership in subsidiaries	0	0	0	0	0	0
<b>Equity 31 December 2008</b>	<b>12 310</b>	<b>621</b>	<b>(1 335)</b>	<b>1 766</b>	<b>269</b>	<b>13 632</b>
Comprehensive income for the period	0	(1 894)	1 624	(1 860)	(240)	(2 370)
Dividend paid	0	0	0	0	0	0
Change in holding of own shares	(8)	0	0	9	0	1
Change in ownership in subsidiaries	0	0	0	0	0	0
<b>Equity 30 September 2009</b>	<b>12 302</b>	<b>(1 273)</b>	<b>288</b>	<b>(84)</b>	<b>29</b>	<b>11 263</b>
Comprehensive income for the period	0	689	61	3	(1)	752
Dividend paid	0	0	0	0	0	0
Change in holding of own shares	0	0	0	0	0	0
Change in ownership in subsidiaries	0	0	0	0	0	0
<b>Equity 31 December 2009</b>	<b>12 302</b>	<b>(583)</b>	<b>349</b>	<b>(81)</b>	<b>28</b>	<b>12 015</b>

NOTES TO THE INTERIM FINANCIAL STATEMENTS

1. ACCOUNTING POLICIES

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

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

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

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

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

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

**Other amendments to existing standards and interpretations**

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

INTERIM FINANCIAL STATEMENTS - FOURTH QUARTER 2009

2. OPERATING SEGMENTS

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

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

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

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

OPERATING REVENUE AND EXPENSES PER OPERATING SEGMENT

OCT-DEC 2009	NEWSPRINT	MAGAZINE PAPER	ENERGY	OTHER ACTIVITIES	ELIMINATIONS	NORSKE SKOG GROUP
<b>Operating revenue</b>	<b>2 999</b>	<b>1 674</b>	<b>435</b>	<b>523</b>	<b>(723)</b>	<b>4 909</b>
Distribution costs	(272)	(155)	0	(26)	0	(452)
Cost of materials	(1 490)	(916)	(467)	(394)	589	(2 678)
Change in inventories	(136)	(46)	0	6	0	(175)
Employee benefit expenses	(440)	(221)	0	(65)	0	(726)
Other operating expenses	(279)	(174)	0	(85)	134	(406)
<b>Gross operating earnings</b>	<b>383</b>	<b>162</b>	<b>(32)</b>	<b>(40)</b>	<b>0</b>	<b>472</b>
Depreciation	(326)	(163)	0	(10)	0	(499)
<b>Gross operating earnings after depreciation</b>	<b>57</b>	<b>(2)</b>	<b>(32)</b>	<b>(50)</b>	<b>0</b>	<b>(27)</b>
Restructuring expenses	(70)	(18)	0	(2)	0	(90)
Other gains and losses	32	0	1 368	17	0	1 418
Impairments	(27)	(200)	0	0	0	(226)
<b>Operating earnings</b>	<b>(7)</b>	<b>(219)</b>	<b>1 336</b>	<b>(34)</b>	<b>0</b>	<b>1 075</b>

YTD 2009	NEWSPRINT	MAGAZINE PAPER	ENERGY	OTHER ACTIVITIES	ELIMINATIONS	NORSKE SKOG GROUP
<b>Operating revenue</b>	<b>13 073</b>	<b>6 272</b>	<b>1 736</b>	<b>2 064</b>	<b>(2 783)</b>	<b>20 362</b>
Distribution costs	(1 076)	(579)	0	(94)	0	(1 749)
Cost of materials	(7 136)	(3 374)	(1 752)	(1 465)	2 283	(11 445)
Change in inventories	(118)	(16)	0	3	0	(132)
Employee benefit expenses	(1 813)	(995)	0	(292)	0	(3 100)
Other operating expenses	(1 244)	(618)	(2)	(386)	500	(1 751)
<b>Gross operating earnings</b>	<b>1 684</b>	<b>689</b>	<b>(18)</b>	<b>(170)</b>	<b>0</b>	<b>2 185</b>
Depreciation	(1 775)	(645)	0	(45)	0	(2 465)
<b>Gross operating earnings after depreciation</b>	<b>(91)</b>	<b>44</b>	<b>(18)</b>	<b>(215)</b>	<b>0</b>	<b>(280)</b>
Restructuring expenses	(360)	(34)	0	(2)	0	(396)
Other gains and losses	201	0	990	41	0	1 233
Impairments	(1 833)	(49)	0	0	0	(1 883)
<b>Operating earnings</b>	<b>(2 083)</b>	<b>(39)</b>	<b>972</b>	<b>(175)</b>	<b>0</b>	<b>(1 325)</b>

YTD 2008	NEWSPRINT	MAGAZINE PAPER	ENERGY	OTHER ACTIVITIES	ELIMINATIONS	NORSKE SKOG GROUP
<b>Operating revenue</b>	<b>17 933</b>	<b>7 244</b>	<b>1 549</b>	<b>3 663</b>	<b>(3 920)</b>	<b>26 468</b>
Distribution costs	(1 512)	(710)	0	(118)	0	(2 340)
Cost of materials	(10 657)	(4 051)	(1 512)	(2 977)	3 426	(15 771)
Change in inventories	(140)	(16)	0	(19)	0	(176)
Employee benefit expenses	(1 996)	(991)	0	(393)	0	(3 381)
Other operating expenses	(1 525)	(660)	(1)	(386)	494	(2 077)
<b>Gross operating earnings</b>	<b>2 102</b>	<b>816</b>	<b>37</b>	<b>(231)</b>	<b>0</b>	<b>2 723</b>
Depreciation	(2 116)	(460)	0	(48)	0	(2 623)
<b>Gross operating earnings after depreciation</b>	<b>(14)</b>	<b>356</b>	<b>37</b>	<b>(279)</b>	<b>0</b>	<b>100</b>
Restructuring expenses	(201)	(3)	0	(17)	0	(221)
Other gains and losses	(731)	(2)	(24)	255	0	(502)
Impairments	(1 791)	1 000	0	7	0	(785)
<b>Operating earnings</b>	<b>(2 737)</b>	<b>1 352</b>	<b>12</b>	<b>(34)</b>	<b>0</b>	<b>(1 407)</b>



INTERIM FINANCIAL STATEMENTS - FOURTH QUARTER 2009

NEWSPRINT

	OCT-DEC 2009	JUL-SEP 2009	OCT-DEC 2008	YTD 2009	YTD 2008
<b>INCOME STATEMENT</b>					
<b>Operating revenue</b>	<b>2 999</b>	<b>3 227</b>	<b>4 754</b>	<b>13 073</b>	<b>17 933</b>
Distribution costs	(272)	(283)	(346)	(1 076)	(1 512)
Cost of materials	(1 490)	(1 625)	(2 724)	(7 136)	(10 657)
Change in inventories	(136)	(132)	(171)	(118)	(140)
Employee benefit expenses	(440)	(457)	(468)	(1 813)	(1 996)
Other operating expenses	(279)	(285)	(402)	(1 244)	(1 525)
<b>Gross operating earnings</b>	<b>383</b>	<b>444</b>	<b>643</b>	<b>1 684</b>	<b>2 102</b>
Depreciation	(326)	(469)	(530)	(1 775)	(2 116)
<b>Gross operating earnings after depreciation</b>	<b>57</b>	<b>(25)</b>	<b>113</b>	<b>(91)</b>	<b>(14)</b>
Restructuring expenses	(70)	(28)	(9)	(360)	(201)
Other gains and losses	32	60	169	201	(731)
Impairments	(27)	(808)	(498)	(1 833)	(1 791)
<b>Operating earnings</b>	<b>(7)</b>	<b>(801)</b>	<b>(225)</b>	<b>(2 083)</b>	<b>(2 737)</b>
<b>KEY FIGURES</b>					
Gross operating margin (%)	12.8	13.8	13.5	12.9	11.7
Production / capacity (%)	82	80	91	79	93
<b>OPERATING REVENUE PER REGION</b>					
Europe	1 549	1 460	2 396	6 199	8 076
Asia	92	262	382	1 071	3 390
Australasia	992	1 030	917	3 571	3 757
South America	285	327	387	1 256	1 316
Sales offices and other activities	1 055	1 176	1 556	4 541	5 934
Eliminations	(974)	(1 028)	(884)	(3 566)	(4 540)
<b>Total</b>	<b>2 999</b>	<b>3 227</b>	<b>4 754</b>	<b>13 073</b>	<b>17 933</b>
<b>GROSS OPERATING EARNINGS PER REGION</b>					
Europe	151	164	369	779	931
Asia	2	33	8	(7)	272
Australasia	200	178	173	650	628
South America	13	63	87	239	211
Sales offices and other activities	17	6	5	24	60
Eliminations	0	0	0	0	0
<b>Total</b>	<b>383</b>	<b>444</b>	<b>643</b>	<b>1 684</b>	<b>2 102</b>
<b>PRODUCTION PER REGION (1 000 TONNES)</b>					
Europe	350	329	458	1 408	1 923
Asia	37	81	97	318	990
Australasia	198	193	217	791	853
South America	68	76	78	268	297
<b>Total</b>	<b>653</b>	<b>678</b>	<b>849</b>	<b>2 786</b>	<b>4 063</b>
<b>DELIVERIES PER REGION (1 000 TONNES)</b>					
Europe	371	331	517	1 405	1 964
Asia	33	88	81	326	964
Australasia	213	227	222	802	881
South America	75	77	79	265	294
<b>Total</b>	<b>693</b>	<b>722</b>	<b>899</b>	<b>2 798</b>	<b>4 106</b>

INTERIM FINANCIAL STATEMENTS - FOURTH QUARTER 2009

MAGAZINE PAPER

	OCT-DEC 2009	JUL-SEP 2009	OCT-DEC 2008	YTD 2009	YTD 2008
<b>INCOME STATEMENT</b>					
<b>Operating revenue</b>	<b>1 674</b>	<b>1 607</b>	<b>2 232</b>	<b>6 272</b>	<b>7 244</b>
Distribution costs	(155)	(146)	(192)	(579)	(710)
Cost of materials	(916)	(897)	(1 022)	(3 374)	(4 051)
Change in inventories	(46)	24	(218)	(16)	(16)
Employee benefit expenses	(221)	(256)	(256)	(995)	(991)
Other operating expenses	(174)	(131)	(213)	(618)	(660)
<b>Gross operating earnings</b>	<b>162</b>	<b>201</b>	<b>331</b>	<b>689</b>	<b>816</b>
Depreciation	(163)	(167)	(124)	(645)	(460)
<b>Gross operating earnings after depreciation</b>	<b>(2)</b>	<b>34</b>	<b>206</b>	<b>44</b>	<b>356</b>
Restructuring expenses	(18)	0	(3)	(34)	(3)
Other gains and losses	0	0	(1)	0	(2)
Impairments	(200)	(198)	1 000	(49)	1 000
<b>Operating earnings</b>	<b>(219)</b>	<b>(164)</b>	<b>1 203</b>	<b>(39)</b>	<b>1 352</b>
<b>KEY FIGURES</b>					
Gross operating margin (%)	9.6	12.5	14.8	11.0	11.3
Production / capacity (%)	89	85	87	79	94
<b>PRODUCTION AND DELIVERIES (1 000 TONNES)</b>					
Production	313	297	302	1 109	1 313
Deliveries	314	294	343	1 096	1 307

ENERGY

	OCT-DEC 2009	JUL-SEP 2009	OCT-DEC 2008	YTD 2009	YTD 2008
<b>INCOME STATEMENT</b>					
<b>Operating revenue</b>	<b>435</b>	<b>408</b>	<b>415</b>	<b>1 736</b>	<b>1 549</b>
Distribution costs	0	0	0	0	0
Cost of materials	(467)	(396)	(398)	(1 752)	(1 512)
Change in inventories	0	0	0	0	0
Employee benefit expenses	0	0	0	0	0
Other operating expenses	0	0	1	(2)	(1)
<b>Gross operating earnings</b>	<b>(32)</b>	<b>12</b>	<b>18</b>	<b>(18)</b>	<b>37</b>
Depreciation	0	0	0	0	0
<b>Gross operating earnings after depreciation</b>	<b>(32)</b>	<b>12</b>	<b>18</b>	<b>(18)</b>	<b>37</b>
Restructuring expenses	0	0	0	0	0
Other gains and losses	1 368	96	(2 353)	990	(24)
Impairments	0	0	0	0	0
<b>Operating earnings</b>	<b>1 336</b>	<b>108</b>	<b>(2 335)</b>	<b>972</b>	<b>12</b>

INTERIM FINANCIAL STATEMENTS - FOURTH QUARTER 2009

OTHER ACTIVITIES

	OCT-DEC 2009	JUL-SEP 2009	OCT-DEC 2008	YTD 2009	YTD 2008
<b>INCOME STATEMENT</b>					
<b>Operating revenue</b>	<b>523</b>	<b>487</b>	<b>868</b>	<b>2 064</b>	<b>3 663</b>
Distribution costs	(26)	(24)	(27)	(94)	(118)
Cost of materials	(394)	(321)	(682)	(1 465)	(2 977)
Change in inventories	6	(5)	(6)	3	(19)
Employee benefit expenses	(65)	(63)	(116)	(292)	(393)
Other operating expenses	(85)	(90)	(105)	(386)	(386)
<b>Gross operating earnings</b>	<b>(40)</b>	<b>(15)</b>	<b>(69)</b>	<b>(170)</b>	<b>(231)</b>
Depreciation	(10)	(12)	(11)	(45)	(48)
<b>Gross operating earnings after depreciation</b>	<b>(50)</b>	<b>(27)</b>	<b>(80)</b>	<b>(215)</b>	<b>(279)</b>
Restructuring expenses	(2)	0	0	(2)	(17)
Other gains and losses	17	12	218	41	255
Impairments	0	0	0	0	7
<b>Operating earnings</b>	<b>(34)</b>	<b>(15)</b>	<b>138</b>	<b>(175)</b>	<b>(34)</b>
<b>OPERATING REVENUE</b>					
Recovered paper	157	144	342	567	1 627
Real estate activities	3	5	6	14	27
Bio fuel	0	0	0	0	0
Corporate functions	59	66	116	257	386
Miscellaneous	319	284	413	1 276	1 670
Eliminations	(14)	(13)	(9)	(52)	(47)
<b>Total</b>	<b>523</b>	<b>487</b>	<b>868</b>	<b>2 064</b>	<b>3 663</b>
<b>GROSS OPERATING EARNINGS</b>					
Recovered paper	1	1	(5)	7	18
Real estate activities	(5)	1	3	(6)	7
Bio fuel	(5)	(3)	(3)	(19)	(5)
Corporate functions	(36)	(33)	(65)	(187)	(230)
Miscellaneous	5	19	1	34	(21)
Eliminations	0	0	0	0	0
<b>Total</b>	<b>(40)</b>	<b>(15)</b>	<b>(69)</b>	<b>(170)</b>	<b>(231)</b>

3. INTEREST-BEARING DEBT

Norske Skog has recognised an item in the balance sheet as a result of the termination of a large part of the fair value hedge portfolio in the first half of 2009. A hedge reserve (deferred income) amounting to NOK 411 million is included in interest-bearing debt as at 31 December 2009. The corresponding figure as at 30 September 2009 was NOK 438 million and NOK 49 million as at 31 December 2008.

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

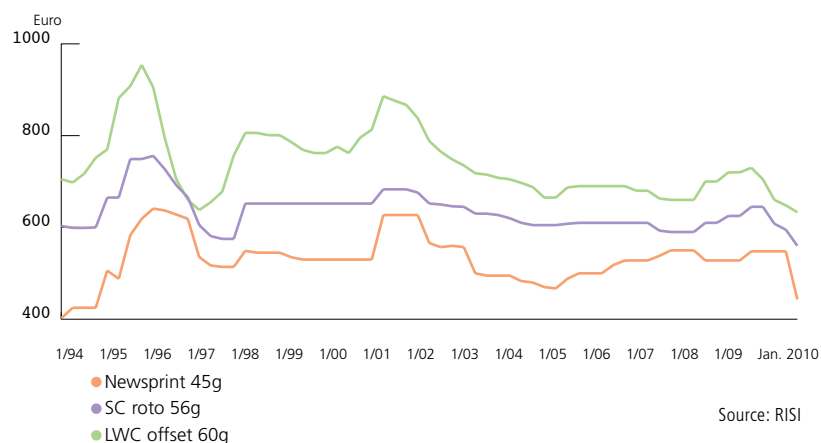
	31 DEC 2009
Interest-bearing non-current liabilities	13 892
Interest-bearing current liabilities	355
- Hedge reserve	411
- Cash and cash equivalents	4 241
<b>= Net interest-bearing debt</b>	<b>9 595</b>
Equity less minority interests	11 987
<b>Gearing</b>	<b>0.80</b>

INTERIM FINANCIAL STATEMENTS - FOURTH QUARTER 2009

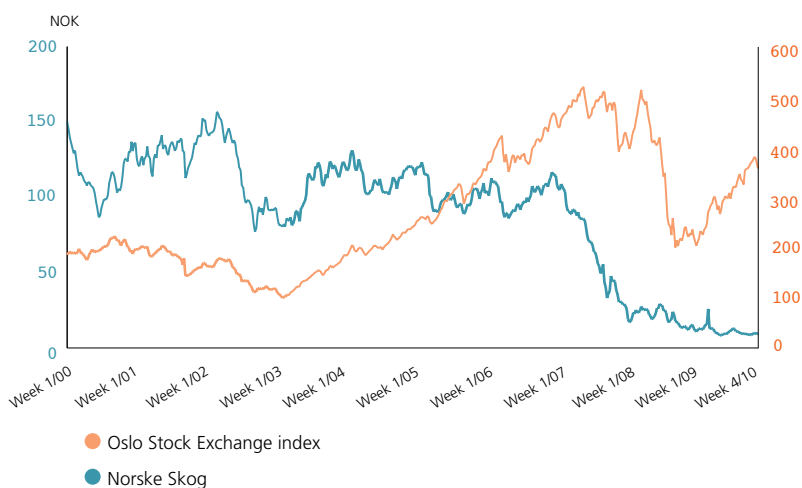
4. NORSKE SKOG GROUP – QUARTERLY FIGURES

	OCT-DEC 2009	JUL-SEP 2009	APR-JUN 2009	JAN-MAR 2009	OCT-DEC 2008
<b>INCOME STATEMENT</b>					
<b>Operating revenue</b>	<b>4 909</b>	<b>5 033</b>	<b>5 160</b>	<b>5 259</b>	<b>7 354</b>
Distribution costs	(452)	(453)	(424)	(419)	(565)
Cost of materials	(2 678)	(2 680)	(2 938)	(3 149)	(4 068)
Change in inventories	(175)	(112)	22	134	(396)
Employee benefit expenses	(726)	(777)	(789)	(809)	(840)
Other operating expenses	(406)	(369)	(462)	(513)	(564)
<b>Gross operating earnings</b>	<b>472</b>	<b>642</b>	<b>568</b>	<b>504</b>	<b>922</b>
Depreciation	(499)	(649)	(666)	(652)	(665)
<b>Gross operating earnings after depreciation</b>	<b>(27)</b>	<b>(7)</b>	<b>(98)</b>	<b>(149)</b>	<b>256</b>
Restructuring expenses	(90)	(28)	(277)	(1)	(12)
Other gains and losses	1 418	168	872	(1 225)	(1 966)
Impairments	(226)	(1 006)	(651)	0	502
<b>Operating earnings</b>	<b>1 075</b>	<b>(872)</b>	<b>(153)</b>	<b>(1 374)</b>	<b>(1 220)</b>
Share of profit in associated companies	0	1	7	17	26
Financial items	(188)	542	69	(143)	(360)
<b>Profit/loss before income taxes</b>	<b>887</b>	<b>(330)</b>	<b>(77)</b>	<b>(1 500)</b>	<b>(1 553)</b>
Income taxes	(220)	(88)	(461)	389	271
<b>Net profit/loss for the period</b>	<b>667</b>	<b>(418)</b>	<b>(538)</b>	<b>(1 111)</b>	<b>(1 282)</b>
<b>OPERATING REVENUE PER SEGMENT</b>					
Newsprint	2 999	3 227	3 518	3 329	4 754
Magazine paper	1 674	1 607	1 387	1 603	2 232
Energy	435	408	445	449	415
Other activities	523	487	487	567	868
Eliminations	(723)	(696)	(676)	(688)	(914)
<b>Total</b>	<b>4 909</b>	<b>5 033</b>	<b>5 160</b>	<b>5 259</b>	<b>7 354</b>
<b>GROSS OPERATING EARNINGS PER SEGMENT</b>					
Newsprint	383	444	512	345	643
Magazine paper	162	201	125	201	331
Energy	(32)	12	(8)	10	18
Other activities	(40)	(15)	(61)	(53)	(69)
Eliminations	0	0	0	0	0
<b>Total</b>	<b>472</b>	<b>642</b>	<b>568</b>	<b>504</b>	<b>922</b>
<b>SHARE OF OPERATING REVENUE FROM EXTERNAL PARTIES</b>					
Newsprint	98%	100%	100%	100%	100%
Magazine paper	97%	99%	100%	100%	100%
Energy	39%	36%	39%	38%	50%
Other activities	37%	34%	32%	32%	30%

PRICE DEVELOPMENT NEWSPRINT, SC, LWC - GERMANY

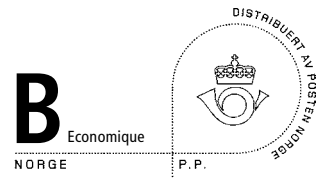


SHARE PRICE DEVELOPMENT 2000-2009



THE NORSKE SKOG SHARE

KEY FIGURES	JANUARY - DECEMBER 2009				Earnings per share	Book equity per share	AT 03.02.2010	
	02.01.09	31.12.09	High	Low			Share price	Market value NOK mill.
<b>Norske Skog</b>	<b>14.45</b>	<b>9.55</b>	<b>17.60</b>	<b>7.93</b>	<b>-6.36</b>	<b>63.30</b>	<b>9.55</b>	<b>1 812</b>



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