08

Q3 REPORT

Future on Paper

Norske Skog

Norske Skog

Q3 08

KEY FIGURES (UNAUDITED)

		JUL - SEP 2008	APR - JUN 2008	JUL - SEP 2007	YTD 2008	YTD 2007
Operating revenue	NOK mill	6 317	6 528	6 641	19 114	20 161
Gross operating earnings *)	NOK mill	712	601	851	1 802	3 156
Gross operating margin *)	%	11.3	9.2	12.8	9.4	15.6
Gross operating earnings after depreciation **)	NOK mill	111	(35)	138	(156)	995
Operating earnings	NOK mill	(466)	1 269	208	(187)	501
Profit before taxes	NOK mill	(1 113)	996	280	(1 225)	318
Net profit	NOK mill	(1 212)	695	205	(1 483)	227
Earnings per share	NOK	(6.35)	3.74	1.20	(7.67)	1.38
Net cash flow from operating activities	NOK mill	119	295	772	1 245	1 645
Cash flow per share	NOK	0.62	1.56	4.07	6.57	8.68
Total assets	NOK mill	42 633	43 447	44 214	42 633	44 214
Net interest-bearing debt	NOK mill	12 654	15 678	16 231	12 654	16 231
Gearing (net interest bearing debt / equity)		0.89	1.07	0.98	0.89	0.98
Production	1 000 tonnes	1 239	1 517	1 529	4 225	4 573
Deliveries	1 000 tonnes	1 226	1 502	1 523	4 170	4 427

*) Operating earnings before depreciations, restructuring expenses, other gains / losses and impairments

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

THE THIRD QUARTER OF 2008

- Operating revenue NOK 6 317 million (NOK 6 528 million in the second quarter including sold operations in Korea).
- Gross operating earnings NOK 712 million (NOK 601 million in the second quarter including sold operations in Korea).
- The improved earnings are due to price increases in several markets, currency effects and the profit improvement program which has contributed with NOK 2.75 billion on an annual basis.
- The sale of the mills in Korea has been finalized, and the sale compensation was received on 11 September.
- Significantly improved liquidity and reduced debt ratio: Cash and liquid assets were NOK 5.7 billion at 30 September 2008, and the debt ratio (net interest-bearing debt/ equity) was 0.89 compared to 1.07 at 30 June 2008.

Income Statement

		JUL - SEP 2008	APR - JUN 2008	JUL - SEP 2007	YTD 2008	YTD 2007
Operating revenue	NOK mill	6 317	6 528	6 641	19 114	20 161
Gross operating earnings *)	NOK mill	712	601	851	1 802	3 156
Gross operating earnings after depreciations **)	NOK mill	111	(35)	138	(156)	995
Operating earnings - IFRS	NOK mill	(466)	1 269	208	(187)	501
Profit before tax	NOK mill	(1 113)	996	280	(1 225)	318
Net profit	NOK mill	(1 212)	695	205	(1 483)	227
Comparable gross operating earnings***)	NOK mill	712	497	736	1 614	2 581
Comparable gross operating earnings after depreciations***)	NOK mill	111	(73)	130	(148)	738

*) Operating earnings before depreciations, restructuring expenses, other gains/ losses and impairments
**) Operating earnings before restructuring expenses, other gains/losses and impairments
***) Operating earnings excluding the operations in Korea

Comparability

Earnings from sold operations are not included in the operating profit for the third quarter of 2008, and prior periods have, in accordance with ordinary practice, not been restated. The sold operations achieved gross operating earnings of NOK 105 million in the second quarter of 2008, NOK 188 million in the first half of 2008 and NOK 574 million during the period January to September 2007.

Accumulated profit and loss items before tax relating to the sold operations have been classified as “Other gains and losses” (and thus included in operating earnings - IFRS), and amount in total to a loss of approximately NOK 600 million. This includes minus NOK 783 million in accumulated foreign exchange translation differences arising from the sold mills in Korea, and does not have any cash effect or impact on the group equity. This item is described in more detail later in this report.

As regards operating revenue from the sold units in Korea, agreements have been entered into to the effect that the export volumes from Korea will be sold on a commission basis through Norske Skog’s sales office in Singapore. This covers 40 – 50 per cent of total production from the two mills, and is recognized as operating income from and including the third quarter under the segment Newsprint and sub segment Other activities.

Group comment - Underlying operations

JULY-SEPTEMBER 2008

When the operations in Korea are excluded, produced and sold tonnes have fallen by approximately 30 000 tonnes from the second to the third quarter of 2008. This is due to the closures of Norske Skog Steti and PM 2 at Norske Skog Follum.

Comparable gross operating earnings in the third quarter of 2008 are NOK 215 million higher than in the second quarter. This increase consists of increased selling prices/ improved market mix of approximately NOK 100 million, positive currency effects of approximately NOK 50 million, a reduction in fixed costs of approximately NOK 90 million and increased profit from the energy segment of NOK 56 million. In addition, previously paid indirect taxes in Brazil amounting to NOK 37 million have been recognized as income. This is partially offset by a price increase on input factors of slightly over NOK 100 million.

The positive effects of increased selling prices and improved market mix apply to all segments with the exception of Australasia, where prices for standard newsprint fell by 7 per cent from 1 July 2008. The currency effect of NOK 50 million is a net amount, as the South America segment has negative currency effects as a result of the weakening of BRL against the USD. The amount of NOK 50 million is made up of roughly NOK 25 million in net translation difference on accounts receivable and trade creditors, and the rest is a direct positive effect on income and costs. The reduction in fixed costs is mainly a result of shut down paper machines and cost reductions at group level, whilst increased direct costs relate to recovered paper, energy in Asia and on the European Continent, and to chemicals whose price is linked to the oil price.

Gross operating earnings after depreciation in the third quarter of 2008 are affected by the same issues as mentioned above, and in addition the depreciation cost has increased by NOK 33 million as a result of a new assessment of the remaining useful life of four of the newsprint mills. The new assessment is valid from 1 January 2008 and the amount of NOK 33 million therefore includes increased depreciations for the period January to September 2008. Most of the change applies to newsprint Europe.

JANUARY-SEPTEMBER 2008

Comparable gross operating earnings are NOK 967 million lower than for the same period in 2007. The main reasons for this decrease are lower prices for newsprint in Europe and Australasia, substantially increased prices on input factors, and negative currency effects. All of the segments within paper production show reduced operating profit compared with the same period last year, with the exception of magazine paper.

"I am pleased that we have managed to improve the operating result even after selling two of our mills in Korea. The positive effects on the result are mainly due to a weaker Norwegian currency, higher magazine paper prices and a continued reduction of our costs. I will, however, emphasize that the profitability is far lower than what we aim for," says CEO Christian Rynning-Tønnesen.

PROFIT IMPROVEMENT PROGRAM

The program was initiated in the autumn of 2006, with the objective of achieving annual profit improvements of NOK 3 billion by the end of 2008, measured against the base year 2005. Improvements achieved at the end of the third quarter of 2008 amount to NOK 2.75 billion when annualized. This represents an increased annualized improvement of NOK 250 million compared with equivalent figures for the second quarter of 2008.

The goal of improving the result by NOK 3 billion by the end of 2008 is maintained. This includes achieved improvements at the mills which have now been sold in Korea and at the closed mill Norske Skog Steti.

Special items in the operating earnings under IFRS

		JUL - SEP 2008	APR - JUN 2008	JUL - SEP 2007	YTD 2008	YTD 2007
Restructuring expenses	NOK mill	(11)	0	0	(209)	0
Other gains and losses	NOK mill	(567)	1 336	69	1 464	(521)
Impairments	NOK mill	0	(32)	0	(1 286)	26

"Other gains and losses" of in total minus NOK 567 million include gains from property sales of NOK 43 million. The remaining amount consists mainly of pre-tax profit and loss effects from sold operations, with cumulative foreign exchange translation differences of minus NOK 783 million, and other positive profit and loss elements of approximately NOK 170 million before tax. The foreign exchange differences have arisen as a result of the weakening of KRW against NOK during Norske Skog's ownership period. These foreign exchange differences were previously charged directly to equity, but are booked to the profit and loss account upon sale of the operations, in line with the all-inclusive income concept. This does not have any effect on equity, since the full amount has already been booked as a reduction in equity.

The other profit and loss elements arising from the sale of the mills in Korea consist of the result from 1 July 2008 until the settlement of the sale, as well as the gain on the sale corrected for currency hedging and after deducted transaction costs.

The total effect after tax of the Korea transaction is, as previously communicated, approximately minus NOK 800 million. This consists mainly of accumulated foreign exchange translation differences.

As from the third quarter of 2008, the value of the energy contracts in Brazil has been recognized in the balance sheet at fair value. Previously, only the effect of embedded derivatives in these energy contracts was recognized for accounting purposes. The contracts were entered into in connection with the planned relocation of a paper machine to Norske Skog Pisa, and after this project was stopped, Norske Skog has surplus energy for the period up to 2025. Total volume on the contracts in Brazil is in the order of 15-20 TWh for the entire period, of which barely half will be used for the existing production in Pisa. The fact that the energy contracts in Brazil are recognized in the balance sheet gives a value increase on the group's energy portfolio, however this is offset by the fall in value of the Norwegian energy portfolio as a result of lower future prices in the Scandinavian energy market. Consequently, there is a marginal change in the book value of the energy portfolio in the third quarter, whilst there was an increase in value of approximately NOK 1.3 billion in the preceding quarter.

Financial Items

		JUL - SEP 2008	APR - JUN 2008	JUL - SEP 2007	YTD 2008	YTD 2007
Net interest costs	NOK mill	(266)	(270)	(291)	(827)	(810)
Interest rate derivatives	NOK mill	(140)	59	14	(39)	35
Realised currency gain/loss cash flow hedging	NOK mill	16	124	60	284	69
Unrealised currency gain/loss cash flow hedging	NOK mill	(63)	(131)	120	(244)	324
Other currency items	NOK mill	(149)	(13)	190	(82)	247
Other financial items	NOK mill	(47)	(45)	(25)	(134)	(83)
Total financial items	**NOK mill**	**(649)**	**(275)**	**66**	**(1 042)**	**(219)**

Interest costs are practically unchanged in the third quarter of 2008 compared with the second quarter, as lower net interest-bearing debt was materialised only towards the end of the quarter. Interest rate instruments have resulted in a cost of NOK 140 million in the third quarter. This is to a large extent related to the increase in swap interest from the second to the third quarter, and must also be viewed in the context of gains in the first half of 2008. In the long term there will not be any significant results arising from interest rate hedging.

The Norwegian krone has weakened by 4.5 per cent compared to Norske Skog's trade-weighted currency basket in the period 30 June 2008 to 30 September 2008. This has resulted in considerable losses on currency hedging, something which in the long term is more than compensated for by the improved operating profits. Unrealized losses from cash flow hedging are relatively low because of the low hedge ratio towards USD during the period. "Other currency items" relate mainly to the effects of balance sheet hedging which does not qualify for hedge accounting and which is therefore booked directly to equity.

Total financial items in 2008 are significantly higher than for the corresponding period in 2007, mainly due to an entirely different development in currencies in the two years.

Cash flow

KEY FIGURES:		JUL - SEP 2008	APR - JUN 2008	JUL - SEP 2007	YTD 2008	YTD 2007
Change working capital (- = increase)	NOK mill	(118)	117	197	603	(679)
Net financial payments and disbursements	NOK mill	(450)	(422)	(120)	(807)	(694)
Net operating cash flow	NOK mill	119	295	722	1 245	1 645
Investments in tangible fixed assets	NOK mill	(244)	(272)	(449)	(906)	(1 147)
Dividends paid	NOK mill	0	0	0	0	(1 049)
Sold operations*)	NOK mill	3 812	0	0	3 812	0

*) Consists of payment for the shares in Norske Skog Korea and redemption of an intra-group loan given to Norske Skog Korea by Norske Skog ASA

The operating cash flow after paid-up financial items and taxes paid has fallen in the third quarter of 2008 compared with the previous quarter. This is to a large extent due to increased accounts receivable. There has not been any significant increase in the volume of finished goods inventory.

During the period January to September this year the operating cash flow was NOK 400 million lower than the corresponding period last year, whilst comparable gross operating earnings are nearly a billion kroner lower than last year. Working capital has fallen in the first three quarters of 2008 viewed as a whole, while there was some increase in working capital during the same period last year.

Capitalised investments are kept at a low level. In addition to the part of Pisa PM 2 project which has been capitalized, there are two other ongoing projects of some size. One of these is a project to replace fibre with fillers in parts of the production installation at Skogn, and the other is a project to replace eucalyptus with whitebark pine at Boyer.

The sale of the mills in Korea has resulted in a total cash payment of NOK 3 812 million. Of this amount, approximately NOK 3 billion is related to payment for the shares, and approximately NOK 800 million relates to an intra-group loan from the parent company to Norske Skog Korea, which is redeemed by the buyers.

Balance sheet

KEY FIGURES:		30 SEP 2008	30 JUN 2008	31 DEC 2007
Non-current Assets	NOK mill	23 020	22 556	29 307
Cash and liquid assets	NOK mill	5 668	1 993	1 792
Other current assets	NOK mill	13 944	18 898	12 161
Total assets	NOK mill	42 633	43 447	43 260
Equity incl. minority interests	NOK mill	14 467	14 867	15 957
Long term liabilities	NOK mill	21 483	20 706	21 533
Short term liabilities	NOK mill	6 682	7 874	5 770
Net interest-bearing liabilities	NOK mill	12 659	15 678	16 408

Total assets as at 30 September 2008 are NOK 814 million lower than at the start of the previous quarter. During the quarter, assets have increased by around NOK 1 billion as a result of currency translation differences; however this is offset by investments being lower than depreciations and by other factors. The book value of the sold mills in Korea was included as "Other current assets" as at 30 June 2008, such that the main effect of the transaction is that Other current assets have been reduced and liquid assets have increased. The group's energy portfolio had a book value of approximately NOK 6.7 billion as at 30 September 2008, which is unchanged from the previous settlement date.

Gross interest-bearing liabilities have increased by around NOK 1 billion during the third quarter, mainly due to currency translation differences as the Norwegian kroner has become significantly weaker. In connection with the sale of the mills in Korea, the buyers took over external liabilities of around NOK 300 million, which in accordance with IFRS 5 – Non-current assets held for sale and discontinued operations - were classified as short-term liabilities in the balance sheet as at 30 June 2008.

Net interest-bearing debt has fallen by approximately NOK 3 billion during the quarter. This is due to payment received from sales in Korea, after deduction for currency effects and negative cash flow following investments. The gearing ratio (net interest-bearing debt/equity) has been reduced from 1.07 at the end of the second quarter to 0.89 as at 30 September 2008.

The available liquidity, including undrawn credit facilities, was NOK 8.9 billion as at 30 September 2008. This consists of cash and liquid assets of NOK 5.7 billion and also an undrawn credit facility of EUR 400 million which expires in 2012. The average time to maturity on debt was 5.4 years as at 30 September 2008. Outstanding debt which is due for payment in the fourth quarter of 2008 amounts to approximately NOK 600 million and consists mainly of local loans in subsidiaries which will be rolled forward. Liabilities that fall due in 2009 amount to approximately NOK 1.7 billion at the balance sheet date, of which a Norwegian bond loan amounted to NOK 840 million. Just over NOK 100 million of the nominal value of this loan was repurchased in October. The repurchase did not influence net interest-bearing debt. Most of the other maturities in 2009 apply to loans in subsidiaries.

Segment information
Operations and market conditions

Newsprint total - Key figures

		JUL -SEP 2008	APR -JUN 2008	JUL – SEP 2007	YTD 2008	YTD 2007
Operating revenue	NOK mill	4 093	4 659	4 696	13 179	14 795
Gross operating earnings	NOK mill	531	525	766	1 459	2 902
Gross operating earnings after depreciations	NOK mill	57	9	228	(127)	1 252
Gross operating margin	%	13.0	11.3	16.3	11.1	19.6
Deliveries	1 000 tonnes	887	1 177	1 171	3 207	3 478
Production	1 000 tonnes	900	1 182	1 199	3 214	3 613
Production/capacity	%	96	95	96	93	96
Comparable gross operating earnings*)	NOK mill	531	420	651	1 271	2 328
Comparable deliveries*)	1 000 tonnes	887	939	929	2 721	2 744
Comparable production*)	1 000 tonnes	900	933	956	2 719	2 867

*) Excluding Korea for all periods

JULY-SEPTEMBER 2008

On a comparable basis, gross operating earnings in the third quarter for the main segment Newsprint are NOK 111 million better than in the previous quarter. In the third quarter, the production capacity was around 65 000 tonnes lower than in the second quarter due to closures of two paper machines in Europe. All geographical sub segments show improved results, with the exception of Australasia where prices have fallen. As stated previously, the main segment Newsprint contains operating income as well as some operating earnings from sales offices, particularly the office in Singapore.

JANUARY-SEPTEMBER 2008

Comparable gross operating earnings are NOK 1 057 million lower than for the same period in 2007. The most important elements are lower prices in certain markets, price increases on input factors and negative currency effects.

MARKET

The worldwide estimated demand for newsprint for the period January - September 2008 was approximately 1.5 per cent lower than for the same period last year. The substantial reduction in the demand in North America continues, and there is also some reduction in Europe, whilst growth is good in Asia and South America.

Newsprint Europe - Key figures

		JUL -SEP 2008	APR -JUN 2008	JUL – SEP 2007	YTD 2008	YTD 2007
Operating revenue	NOK mill	1 915	1 942	2 087	5 680	6 444
Gross operating earnings	NOK mill	217	175	381	562	1 335
Gross operating earnings after depreciations	NOK mill	2	(19)	208	(52)	800
Gross operating margin	%	11.3	9.0	18.3	9.9	20.7
Deliveries	1 000 tonnes	472	505	510	1 447	1 524
Production	1 000 tonnes	473	512	525	1 465	1 598
Production/capacity	%	96	94	95	92	97

JULY-SEPTEMBER 2008

The result in the third quarter of 2008 is stronger than in the second quarter, due to currency effects and lower fixed costs after two paper machines have been closed down and certain other cost reductions. To a certain extent, this has been counterbalanced by the continued price increase of input factors. Volumes are lower due to closures, but a significant part of the decrease has been compensated for by an increase in volumes at other mills, in particular at Norske Skog Parenco and Norske Skog Skogn.

JANUARY-SEPTEMBER 2008

The result for the first three quarters of 2008 is significantly weaker than for the same period in 2007. During this period, the average price level, measured in NOK, has fallen by 7 per cent, due to prices in local currency being around 5 per cent lower. Furthermore, the Norwegian krone has strengthened considerably, especially against GBP and USD, measured as an average exchange rate for the first three quarters. In all, the costs per tonne have been slightly higher, due to a large extent to the price of recovered paper

MARKET

Measured in local currencies, there has been a stable price level in Europe in 2008. The demand for newsprint in Europe was 3 per cent lower in the first three quarters of 2008 compared with the corresponding period last year. Imports from Canada are approximately 20 per cent lower than last year.

Due to comprehensive close-downs of capacity in Europe and in North America, the market balance for newsprint has improved considerably during 2008. Based on this, Norske Skog has announced price increases in the range of EUR 75 to EUR 100 for 2009. Some volumes have already been sold at prices within this interval.

Newsprint Asia - Key figures

		JUL -SEP 2008	APR -JUN 2008	JUL – SEP 2007	YTD 2008	YTD 2007
Operating revenue	NOK mill	467	1 275	1 312	3 008	4 101
Gross operating earnings	NOK mill	42	134	134	264	669
Gross operating earnings after depreciations	NOK mill	(13)	15	(29)	(94)	177
Gross operating margin	%	8.9	10.5	10.2	8.8	16.3
Deliveries	1 000 tonnes	120	379	381	883	1 137
Production	1 000 tonnes	133	388	385	893	1 165
Production/capacity	%	88	96	96	93	96
Comparable gross operating earnings*)	NOK mill	42	29	19	76	95
Comparable deliveries*)	1 000 tonnes	120	141	139	397	403
Comparable production*)	1 000 tonnes	133	139	142	398	419

*) Excluding Korea for all periods

JULY-SEPTEMBER 2008

The result for the third quarter of 2008 is weak, although there is some improvement on a comparable basis since the second quarter. This is mainly due to implemented price increases in China and several other Asian markets, however this effect is offset by the continuing price increases on input factors. There is still local overcapacity in China, although this is substantially lower than it was a year ago. As a result, there has been some production curtailment at the mill in Hebei during the third quarter.

JANUARY-SEPTEMBER 2008

The result is slightly weaker than during the same period last year. This is caused to a large extent by the higher prices on recovered paper and energy.

MARKET

Market developments in Asia continues to be positive for newsprint, with an estimated increase in demand of 3.5 per cent during the period January to September 2008 compared with the corresponding period last year, when Japan is excluded. As expected in China we have seen a certain weakening in the market following the end of the Olympic Games in Beijing. This type of event often generates a rise in demand in advance of the event.

Newsprint Australasia - Key figures

		JUL -SEP 2008	APR -JUN 2008	JUL – SEP 2007	YTD 2008	YTD 2007
Operating revenue	NOK mill	911	977	895	2 840	2 778
Gross operating earnings	NOK mill	148	167	201	455	714
Gross operating earnings after depreciations	NOK mill	(23)	(5)	26	(62)	190
Gross operating margin	%	16.3	17.0	22.5	16.0	25.7
Deliveries	1 000 tonnes	218	222	200	659	590
Production	1 000 tonnes	218	212	211	636	622
Production/capacity	%	100	97	96	97	95

JULY-SEPTEMBER 2008

The results for the third quarter of 2008 are as expected poorer than in the second quarter, because of a 7 per cent reduction in the price for standard newsprint in Australia from 1 July. This effect is partly outweighed by reduced energy costs at Norske Skog Tasman in New Zealand since the geothermal power station was put into operation.

JANUARY-SEPTEMBER 2008

The results for the first three quarters of 2008 are significantly weaker than for the same period last year. During this period, there have been price reductions in Australia both 1 July last year and 1 July this year, and a price reduction in New Zealand from 1 January this year.

MARKET

The advertising market has weakened in the region, and demand for newsprint is approximately 7 per cent lower in the period January to September 2008 compared with the same period last year.

Newsprint - South America - Key figures

		JUL -SEP 2008	APR -JUN 2008	JUL – SEP 2007	YTD 2008	YTD 2007
Operating revenue	NOK mill	364	295	318	928	979
Gross operating earnings	NOK mill	87	35	46	124	196
Gross operating earnings after depreciations	NOK mill	54	5	20	30	83
Gross operating margin	%	23.8	11.9	14.5	13.3	20.0
Deliveries	1 000 tonnes	77	71	80	215	227
Production	1 000 tonnes	77	70	78	219	228
Production/capacity	%	97	90	100	94	97

JULY-SEPTEMBER 2008

As mentioned previously, the results for the third quarter include previously paid indirect tax of NOK 37 million that has now been recognised as income. Excluding the effect of this item, the results have improved by NOK 15 million, which is mainly as a result of an upturn in prices.

JANUARY-SEPTEMBER 2008

The result in the first three quarters of 2008 is considerably weaker than for the same period in 2007. The average price achieved measured in NOK is approximately 5 per cent lower, but the largest impact on results has been a steep rise in prices for wood and energy.

MARKET

The development in demand in Brazil and several other South American countries is good, with an estimated increase of 11 per cent in the period January to September 2008 compared with 2007. It is assumed that there has been some accumulation of inventories held by customers during the course of 2008.

Magazine paper – Key figures

		JUL -SEP 2008	APR -JUN 2008	JUL – SEP 2007	YTD 2008	YTD 2007
Operating revenue	NOK mill	1 856	1 642	1 719	5 013	4 838
Gross operating earnings	NOK mill	201	130	138	485	438
Gross operating earnings after depreciations	NOK mill	86	22	(9)	150	(12)
Gross operating margin	%	10.8	7.9	8.0	9.7	9.1
Deliveries	1 000 tonnes	339	326	352	964	952
Production	1 000 tonnes	339	335	330	1 010	960
Production/capacity	%	97	96	95	97	92

JULY-SEPTEMBER 2008

The results for this segment in the third quarter are considerably improved compared with the previous quarter. This is to a large extent due to the higher prices on a large part of the tonnage in the third quarter, as well as positive currency effects.

JANUARY-SEPTEMBER 2008

Magazine paper is the only paper segment to show improved results compared with the same period last year. Over this period, average prices measured in NOK have increased by 2 per cent, and costs per tonne are practically unchanged.

MARKET

So far this year the demand for CMR (coated) magazine paper in Europe is practically unchanged compared with last year, while there has been an increase in demand of 6 per cent for uncoated (SC) magazine paper.

Energy - Key figures

		JUL -SEP 2008	APR -JUN 2008	JUL – SEP 2007	YTD 2008	YTD 2007
Operating revenue	NOK mill	426	289	246	1 134	782
Gross operating earnings	NOK mill	40	(16)	(23)	19	(55)
Gross operating earnings after depreciations	NOK mill	40	(16)	(23)	19	(55)
Other gains and losses	NOK mill	11	1 332	127	2 329	(422)
Operating profit/loss - IFRS	NOK mill	51	1 316	104	2 348	(477)

The ordinary business for the segment consists 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. More than half of the total operating income in this segment in the third quarter comes from sale to the newsprint and magazine paper segments. The remaining turnover is sale to external parties. The sale of surplus energy following the indefinitely idling of Follum PM 2 is included within this external turnover.

Operating earnings under IFRS in the energy segment include the previously described changes in value of energy contracts and built-in derivatives. The contracts are recognized in the balance sheet in accordance with IAS 39, which means that the value consists of the difference between the expected market price and the contract price over the contract period, discounted to present value. The value may fluctuate substantially from quarter to quarter due to changes in future energy prices, and is also influenced by currency, price indexes, and the discount rate applied. The main elements in the energy contracts that are shown in the balance sheet relate to Norway, Brazil and New Zealand. The total changes to the balance sheet values during the third quarter of 2008 were relatively minor, whereas there was a substantial increase both in the first and second quarters.

Other activities - Key figures

		JUL -SEP 2008	APR -JUN 2008	JUL – SEP 2007	YTD 2008	YTD 2007
Operating revenue	NOK mill	931	941	922	2 795	2 730
Gross operating earnings	NOK mill	(60)	(38)	(44)	(162)	(170)
Gross operating earnings after depreciations	NOK mill	(71)	(50)	(70)	(198)	(230)

The segment includes group functions and various unallocated costs, as well as purchase and resale of timber and purchase and resale of recovered paper.

Health, safety and the environment

The H value (injuries with absence per million working hours) was 1.7 in the 12-month period from 1 October 2007 to 30 September 2008. Eight of the mills had no lost time as a result of injuries during the period.

Norske Skog has focused for a number of years on health, safety and the environment. The company defined its own environmental policy as early as in 1990, and the annual reports contain comprehensive reporting on sustainability. Norske Skog is actively working towards reducing the group's CO2 emissions, and has stipulated an ambitious target figure for reduction of greenhouse gas emissions by 25 per cent within 2020. Norske Skog has participated in an international survey; the Carbon Disclosure Project, into how the largest companies worldwide handle the climate challenge. The report from this project is now published, and shows that Norske Skog comes in as the seventh best company in Scandinavia, and next best company in Norway.

Debt reduction and sale of businesses

One of Norske Skog's main priorities is to reduce debt by generating sufficient cash flow from operations and transactions. So far in 2008, agreements have been entered into for the sale of several production facilities and properties. Most of the transactions have also been completed, which has resulted in a substantial reduction in net interest-bearing debt during the year, and significantly greater financial flexibility as a result. Work on further reduction of debt will still continue.

The most important transaction was the sale of the two the mills Jeonju and Cheongwon in Korea, where the agreement was entered into at the end of June and final settlement took place on 11 September. The effect from these sales in the accounts has been described previously in this report.

In the third quarter of 2008 Norske Skog entered into agreements for the sale of three properties in Norway, of which the sale of Hauger Gård has already been completed with receipt of a payment of NOK 43 million. The sale of an agricultural holding in Trondheim has also been agreed. This will give a payment of around NOK 70 million and will be completed in 2009.

In September, a contract was entered into for the sale of the company headquarters at Oxenøen outside Oslo. The agreed selling price is NOK 429.5 million, and the profit on the sale for accounting purposes will be around NOK 230 million. The transaction will be recognized in the accounts for the fourth quarter of 2008. A leasing agreement has been entered into between Norske Skog and the new owners, meaning that Norske Skog will remain at Oxenøen for some time ahead.

An agreement has also been entered into for the sale of the closed paper machine at Norske Skog Steti. It is not expected that this sale, which will be formally completed in 2009, will result in a significant profit or loss.

The transactions mentioned above will result in a total reduction in net interest-bearing debt of approximately NOK 4.8 billion.

Biofuel

The company Xynergo was established in June 2008 to build a prototype facility for the production of synthetic diesel based on wood at Norske Skog Follum. Such diesel will be almost CO2 neutral. The production of fuel based on wood also means that the raw materials do not conflict or compete with food production. Norske Skog owns 71 per cent of the shares in Xynergo and other shareholders are three regional forest owner associations as well as Statskog. The share capital initially amounts to NOK 30 million and will be paid up during the third quarter. Management have been employed in Xynergo, and the company is consolidated in the group accounts from and including the third quarter.

Organisation

In September, Terry Hamilton was appointed senior vice president with responsibility for Norske Skog's businesses in Asia and Australasia. Terry Hamilton has more than 20 years of experience from the paper industry, both in Canada and Asia. During the two last years he has been in charge of NSPS (Norske Skog Production System) which is global program for optimisation of the operation at the Norske Skog mills.

Shares

As at 30 September 2008, the foreign ownership was 43.3 per cent, compared to 37.6 per cent as at 30 June 2008 and 49 per cent at year-end. During the period January to September 2008 a total of 660 million Norske Skog shares were traded.

Lysaker, 5 November 2008

The Board of directors of Norske Skogindustrier ASA

Kim Wahl
Chair

Øystein Stray Spetalen
Deputy chair

Trond Andersen
Board member

Halvor Bjørken
Board member

Stein-Roar Eriksen
Board member

Wenche Holen
Board member

Gisèle Marchand
Board member

Svein Rennemo
Board member

Ingrid Wiik
Board member

Kåre Leira
Board member

Christian Rynning-Tønnesen
CEO

INTERIM FINANCIAL STATEMENTS THIRD QUARTER 2008

INCOME STATEMENT

MILLION KRONER	JUL - SEP 2008	APR - JUN 2008	JUL - SEP 2007	YTD 2008	YTD 2007
Operating revenue	**6 317**	**6 528**	**6 641**	**19 114**	**20 161**
Distribution costs	(597)	(600)	(631)	(1 775)	(1 808)
Cost of materials	(3 829)	(3 961)	(3 778)	(11 703)	(11 505)
Change in inventories	56	44	31	220	617
Employee benefit expenses	(783)	(884)	(875)	(2 541)	(2 634)
Other operating expenses	(452)	(528)	(537)	(1 513)	(1 675)
Gross operating earnings	**712**	**601**	**851**	**1 802**	**3 156**
Depreciations	(601)	(636)	(712)	(1 958)	(2 160)
Gross operating earnings after depreciations	**111**	**(35)**	**138**	**(156)**	**995**
Restructuring expenses	(11)	0	0	(209)	0
Other gains and losses	(567)	1 336	69	1 464	(521)
Impairments	0	(32)	0	(1 286)	26
Operating earnings	**(466)**	**1 269**	**208**	**(187)**	**501**
Share of profit in associated companies	3	3	6	4	36
Financial items	(649)	(275)	66	(1 042)	(219)
Profit before taxes	**(1 113)**	**996**	**280**	**(1 225)**	**318**
Taxes	(98)	(301)	(75)	(258)	(91)
Net profit	**(1 212)**	**695**	**205**	**(1 483)**	**227**
Attributable to minority interests	(9)	(11)	(16)	(30)	(35)
Attributable to equity holders of the company	(1 203)	706	221	(1 453)	262
Earnings per share	(6.35)	3.74	1.20	(7.67)	1.38

BALANCE SHEET

MILLION KRONER	30 SEP 2008	30 JUN 2008	31 DEC 2007	30 SEP 2007
Deferred tax asset	8	8	11	99
Other intangible assets	181	189	132	2 945
Property, plant and equipment	22 042	21 646	28 401	30 621
Investment in associated companies	249	224	234	219
Other non-current assets	541	489	529	416
Total non-current assets	**23 020**	**22 556**	**29 307**	**34 300**
Inventories	2 784	2 610	2 731	3 130
Receivables	3 585	3 120	3 811	3 765
Cash and cash equivalents	5 668	1 993	1 792	1 966
Other current assets	7 575	13 168	5 619	1 053
Total current assets	**19 613**	**20 891**	**13 953**	**9 914**
Total assets	**42 633**	**43 447**	**43 260**	**44 214**
Paid-in equity	12 310	12 310	12 310	12 310
Retained earnings	1 909	2 334	3 282	4 168
Minority interests	248	223	365	386
Total equity	**14 467**	**14 867**	**15 957**	**16 864**
Pension obligations	514	483	519	503
Deferred tax	1 785	1 922	2 033	1 492
Interest bearing non-current liabilities	17 557	16 618	17 294	17 111
Other non-current liabilities	1 628	1 682	1 687	1 931
Total non-current liabilities	**21 483**	**20 706**	**21 533**	**21 037**
Interest-bearing current liabilities	1 077	1 005	1 141	1 201
Trade and other payables	4 689	4 127	3 702	3 573
Tax payable	327	84	73	186
Other current liabilities	589	2 658	854	1 353
Total current liabilities	**6 682**	**7 874**	**5 770**	**6 313**
Total liabilities	**28 165**	**28 580**	**27 303**	**27 350**
Total equity and liabilities	**42 633**	**43 447**	**43 260**	**44 214**

CASH FLOW

MILLION KRONER	JUL - SEP 2008	APR - JUN 2008	JUL - SEP 2007	YTD 2008	YTD 2007
Cash flow from operating activities					
Cash generated from operations	6 030	6 609	6 834	18 971	20 301
Cash used in operations	(5 445)	(5 863)	(5 798)	(16 848)	(17 789)
Cash from net financial items	(450)	(422)	(120)	(807)	(694)
Taxes paid	(16)	(30)	(144)	(71)	(173)
Net cash flow from operating activities	**119**	**295**	**772**	**1 245**	**1 645**
Cash flow from investing activities					
Investments in operational fixed assets	(244)	(272)	(449)	(906)	(1 147)
Sales of operational fixed assets	53	36	4	194	6
Dividend received	5	0	0	5	0
Net cash from purchase/sale of shares in companies	3 051	(127)	0	2 924	87
Net cash flow from investing activities	**2 865**	**(363)**	**(445)**	**2 217**	**(1 054)**
Cash flow from financing activities					
Net change in long-term liabilities	680	65	(417)	541	3 302
Net change in current liabilities	(56)	(50)	(1 449)	(163)	(1 262)
Purchase/sale of treasury shares	0	12	0	(3)	0
Paid-in equity	9	0	0	9	0
Dividend paid	0	0	0	0	(1 049)
Net cash flow from financing activities	**633**	**27**	**(1 866)**	**384**	**991**
Translation differences	50	(6)	(15)	28	(34)
Total change in liquid assets	**3 667**	**(48)**	**(1 554)**	**3 874**	**1 548**

CHANGES IN EQUITY

	Paid-in equity	Retained earnings	Minority interests	Total equity
Equity 1 January 2008	**12 310**	**3 282**	**365**	**15 957**
Currency translation adjustment and other	0	80	(87)	(7)
Net profit for the period	0	(1 453)	(30)	(1 483)
Equity 30 September 2008	**12 310**	**1 909**	**248**	**14 467**

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 2007.

The Group implemented IFRS 8 Operating Segments in the first quarter of 2008. The implementation is described in more detail below.

Due to rounding adjustments, the numbers in one or more columns may not add up to the total of that column.

The interim financial statements are unaudited.

IMPLEMENTATION OF IFRS 8 OPERATING SEGMENTS

IASB issued IFRS 8 Operating Segments in November 2006. The standard replaces IAS 14 Segment Reporting and becomes mandatory for accounting periods beginning on or after 1 January 2009. Earlier adoption is permitted.

Norske Skog has implemented IFRS 8 in the first quarter of 2008. Comparative figures for 2007 have been restated in accordance with the revised segment structure, to the extent that this information has been available.

Under IFRS 8 the activities in the group are divided into three operating segments; Newsprint, Magazine paper and Energy. The segment selection is based on product and on the organizational structure used in the group to evaluate performance and make decisions regarding resource allocation.

The group has 16 fully or partly owned mills on four continents. Two of the mills produce only magazine paper, two produce both magazine paper and newsprint and 12 produce newsprint only. Both the Newsprint and the Magazine paper segment represent an aggregation of the paper machines in the group producing the two paper qualities.

The Energy segment includes primarily purchase and sale of energy to the Norwegian entities in the group and the fair value of certain energy contracts and embedded derivatives in energy contracts.

Activities in the group that do not fall into any of the three operating segments are presented under Other activities.

Recognition and measurement applied in the segment reporting are consistent with the accounting policies of the annual financial statements for the year ended 31 December 2007.

2. Operating Segments

INCOME STATEMENT PER OPERATING SEGMENT – JUL-SEP 2008	Newsprint	Magazine paper	Energy	Other activities	Eliminations/ reclass.	Norske Skog Group
Operating revenue	**4 093**	**1 856**	**426**	**931**	**(989)**	**6 317**
Distribution costs	(365)	(195)	0	(36)	0	(597)
Cost of materials	(2 495)	(1 048)	(385)	(777)	877	(3 829)
Change in inventories	71	(16)	0	1	0	56
Employee benefit expenses	(446)	(244)	0	(93)	0	(783)
Other operating expenses	(326)	(152)	(2)	(84)	112	(452)
Gross operating earnings	**531**	**201**	**40**	**(60)**	**0**	**712**
Depreciations	(474)	(115)	0	(12)	0	(601)
Gross operating earnings after depreciations	**57**	**86**	**40**	**(71)**	**0**	**111**
Restructuring expenses	(11)	0	0	0	0	(11)
Other gains and losses	(613)	0	11	36	0	(567)
Impairments	0	0	0	0	0	0
Operating earnings	**(567)**	**86**	**51**	**(36)**	**0**	**(466)**

INCOME STATEMENT PER OPERATING SEGMENT – YTD 2008	Newsprint	Magazine paper	Energy	Other activities	Eliminations/ reclass.	Norske Skog Group
Operating revenue	**13 179**	**5 013**	**1 134**	**2 795**	**(3 006)**	**19 114**
Distribution costs	(1 167)	(518)	0	(91)	0	(1 775)
Cost of materials	(7 933)	(3 029)	(1 113)	(2 294)	2 667	(11 703)
Change in inventories	31	202	0	(13)	0	220
Employee benefit expenses	(1 528)	(735)	0	(277)	0	(2 541)
Other operating expenses	(1 123)	(447)	(2)	(281)	339	(1 513)
Gross operating earnings	**1 459**	**485**	**19**	**(162)**	**0**	**1 802**
Depreciations	(1 586)	(335)	0	(36)	0	(1 958)
Gross operating earnings after depreciations	**(127)**	**150**	**19**	**(198)**	**0**	**(156)**
Restructuring expenses	(191)	0	0	(18)	0	(209)
Other gains and losses	(900)	(1)	2 329	36	0	1 464
Impairments	(1 293)	0	0	7	0	(1 286)
Operating earnings	**(2 512)**	**149**	**2 348**	**(172)**	**0**	**(187)**

INCOME STATEMENT PER OPERATING SEGMENT –YTD 2007	Newsprint	Magazine paper	Energy	Other activities	Eliminations/ reclass.	Norske Skog Group
Operating revenue	**14 795**	**4 838**	**782**	**2 730**	**(2 984)**	**20 161**
Distribution costs	(1 253)	(510)	0	(46)	1	(1 808)
Cost of materials	(8 221)	(2 774)	(837)	(2 382)	2 709	(11 505)
Change in inventories	523	18	0	77	(1)	617
Employee benefit expenses	(1 684)	(707)	0	(244)	1	(2 634)
Other operating expenses	(1 258)	(427)	0	(305)	315	(1 675)
Gross operating earnings	**2 902**	**438**	**(55)**	**(170)**	**41**	**3 156**
Depreciations	(1 650)	(450)	0	(60)	0	(2 160)
Gross operating earnings after depreciations	**1 252**	**(12)**	**(55)**	**(230)**	**41**	**996**
Restructuring expenses	0	0	0	0	0	0
Other gains and losses	(130)	5	(422)	54	(28)	(521)
Impairments	0	0	0	26	0	26
Operating earnings	**1 122**	**(7)**	**(477)**	**(150)**	**13**	**501**

NEWSPRINT

Income statement	JUL - SEP 2008	APR - JUN 2008	JUL - SEP 2007	YTD 2008	YTD 2007
Operating revenue	4 093	4 659	4 696	13 179	14 795
Distribution costs	(365)	(410)	(427)	(1 167)	(1 253)
Cost of materials	(2 495)	(2 791)	(2 640)	(7 933)	(8 221)
Change in inventories	71	1	115	31	523
Employee benefit expenses	(446)	(538)	(560)	(1 528)	(1 684)
Other operating expenses	(326)	(395)	(418)	(1 123)	(1 258)
Gross operating earnings	**531**	**525**	**766**	**1 459**	**2 902**
Depreciations	(474)	(516)	(538)	(1 586)	(1 650)
Gross operating earnings after depreciations	**57**	**9**	**228**	**(127)**	**1 252**
Restructuring expenses	(11)	0	0	(191)	0
Other gains and losses	(613)	1	(126)	(900)	(130)
Impairments	0	(32)	0	(1 293)	0
Operating earnings	**(567)**	**(22)**	**102**	**(2 512)**	**1 122**
Key Figures					
Gross operating margin (%)	13.0	11.3	16.3	11.1	19.6
Production / Capacity	96	95	96	93	96
Operating Revenue per region					
Europe	1 915	1 942	2 087	5 680	6 444
Asia	467	1 275	1 312	3 008	4 101
Australasia	911	977	895	2 840	2 778
South America	364	295	318	928	979
Other activities Newsprint	1 652	1 471	1 323	4 378	4 135
Eliminations	(1 216)	(1 300)	(1 238)	(3 656)	(3 642)
Total	**4 093**	**4 659**	**4 696**	**13 179**	**14 795**
Gross operating earnings per region					
Europe	217	175	381	562	1 335
Asia	42	134	134	264	669
Australasia	148	167	201	455	714
South America	87	35	46	124	196
Other activities Newsprint	38	15	3	55	(13)
Eliminations	0	0	0	0	0
Total	**531**	**525**	**766**	**1 459**	**2 902**
Production per region					
Europe	473	512	525	1 465	1 598
Asia	133	388	385	893	1 165
Australasia	218	212	211	636	622
South America	77	70	78	219	228
Total	**900**	**1 182**	**1 199**	**3 214**	**3 613**
Deliveries per region					
Europe	472	505	510	1 447	1 524
Asia	120	379	381	883	1 137
Australasia	218	222	200	659	590
South America	77	71	80	215	227
Total	**887**	**1 177**	**1 171**	**3 207**	**3 478**

MAGAZINE PAPER

Income Statement	JUL - SEP 2008	APR - JUN 2008	JUL - SEP 2007	YTD 2008	YTD 2007
Operating revenue	1 856	1 642	1 719	5 013	4 838
Distribution costs	(195)	(163)	(180)	(518)	(510)
Cost of materials	(1 048)	(988)	(934)	(3 029)	(2 774)
Change in inventories	(16)	46	(95)	202	18
Employee benefit expenses	(244)	(255)	(233)	(735)	(707)
Other operating expenses	(152)	(153)	(139)	(447)	(427)
Gross operating earnings	**201**	**130**	**138**	**485**	**438**
Depreciations	(115)	(108)	(147)	(335)	(450)
Gross operating earnings after depreciations	**86**	**22**	**(9)**	**150**	**(12)**
Restructuring expenses	0	0	0	0	0
Other gains and losses	0	4	5	(1)	5
Impairments	0	0	0	0	0
Operating earnings	**86**	**25**	**(4)**	**149**	**(7)**
Key Figures					
Gross operating margin (%)	10.8	7.9	8.0	9.7	9.1
Production / Capacity	97	96	95	97	92
Deliveries and production					
Production	339	335	330	1 010	960
Deliveries	339	325	352	964	952

ENERGY

Income Statement	JUL - SEP 2008	APR - JUN 2008	JUL - SEP 2007	YTD 2008	YTD 2007
Operating revenue	426	289	246	1 134	782
Distribution costs	0	0	0	0	0
Cost of materials	(385)	(305)	(269)	(1 113)	(837)
Change in inventories	0	0	0	0	0
Employee benefit expenses	0	0	0	0	0
Other operating expenses	(2)	0	0	(2)	0
Gross operating earnings	**40**	**(16)**	**(23)**	**19**	**(55)**
Depreciations	0	0	0	0	0
Gross operating earnings after depreciations	**40**	**(16)**	**(23)**	**19**	**(55)**
Restructuring expenses	0	0	0	0	0
Other gains and losses	11	1 332	127	2 329	(422)
Impairments	0	0	0	0	0
Operating earnings	**51**	**1 316**	**104**	**2 348**	**(477)**

OTHER ACTIVITIES

Income Statement	JUL - SEP 2008	APR - JUN 2008	JUL - SEP 2007	YTD 2008	YTD 2007
Operating revenue	931	941	922	2 795	2 730
Distribution costs	(36)	(26)	(25)	(91)	(46)
Cost of materials	(777)	(768)	(782)	(2 294)	(2 382)
Change in inventories	1	(2)	11	(13)	77
Employee benefit expenses	(93)	(91)	(82)	(277)	(244)
Other operating expenses	(84)	(92)	(88)	(281)	(305)
Gross operating earnings	**(60)**	**(38)**	**(44)**	**(162)**	**(170)**
Depreciations	(12)	(12)	(26)	(36)	(60)
Gross operating earnings after depreciations	**(71)**	**(50)**	**(70)**	**(198)**	**(230)**
Restructuring expenses	0	0	0	(18)	0
Other gains and losses	36	0	64	36	54
Impairments	0	0	0	7	26
Operating earnings	**(36)**	**(50)**	**(6)**	**(172)**	**(150)**
Operating revenue					
Recovered paper	473	397	401	1 285	1 074
Real estate activities	7	8	4	21	4
Bio fuel	0	0	0	0	0
Corporate functions	88	88	84	270	247
Miscellaneous	374	458	449	1 257	1 444
Eliminations	(11)	(10)	(16)	(37)	(39)
Total	**931**	**941**	**922**	**2 795**	**2 730**
Gross operating earnings					
Recovered paper	11	6	4	23	17
Real estate activities	3	3	4	5	4
Bio fuel	(2)	0	0	(2)	0
Corporate functions	(49)	(43)	(45)	(165)	(155)
Miscellaneous	(22)	(4)	(7)	(22)	(36)
Eliminations	0	0	0	0	0
Total	**(60)**	**(38)**	**(44)**	**(162)**	**(170)**

3. Assets Held for Sale

Non-current assets and disposal groups classified as held for sale are reported in the condensed balance sheet under Other current assets and Other current liabilities.

DIVESTMENT OF ACTIVITIES IN SOUTH KOREA

Norske Skog announced in June that the group had entered into an agreement to sell its two mills in South Korea. The transaction was completed in the third quarter. Net loss from the sale amounts to NOK 823 million, of which NOK 783 million relates to cumulative foreign exchange translation differences which have arisen during the group's ownership period and which were charged directly to the equity in accordance with IAS 21.

NORSKE SKOG STETI

Production at the Steti mill ceased at the end of May 2008 and the shares in Norske Skog Steti a.s. will be sold to Mondi Steti a.s. Closing of the transaction is subject to approval from Czech and EU competition authorities, as well as other customary closing conditions for such transactions. The transaction is expected to be completed in the first quarter of 2009.
Net loss from the operations in Steti is NOK 5 million in the third quarter.

MAIN OFFICE PROPERTY LYSAKER

The main office property has been reclassified from Tangible fixed assets to Other current assets from the first quarter of 2008 as a result of the plan to sell the property. The transaction is expected to be completed in the fourth quarter of 2008.

Summary of non-current assets and disposal groups held for sale

	30 SEP 2008	30 JUN 2008	31 DES 2007	30 SEP 2007
Non-current assets	235	3 668	0	0
Current assets	45	904	0	0
Total assets	**280**	**4 572**	**0**	**0**
Non-current liabilities	9	472	0	0
Current liabilities	31	561	0	0
Total liabilities	**40**	**1 033**	**0**	**0**

4. Norske Skog Group – Quarterly Figures

INCOME STATEMENT

	JUL - SEP 2008	APR - JUN 2008	JAN - MAR 2008	OCT - DEC 2007	JUL - SEP 2007
Operating revenue	6 317	6 528	6 269	6 956	6 641
Distribution costs	(597)	(600)	(579)	(592)	(631)
Cost of materials	(3 829)	(3 961)	(3 913)	(3 709)	(3 778)
Change in inventories	56	44	120	(473)	31
Employee benefit expenses	(783)	(884)	(874)	(860)	(875)
Other operating expenses	(452)	(528)	(534)	(544)	(537)
Gross operating earnings	**712**	**601**	**489**	**778**	**851**
Depreciations	(601)	(636)	(721)	(719)	(712)
Gross operating earnings after depreciations	**111**	**(35)**	**(232)**	**59**	**138**
Restructuring expenses	(11)	0	(198)	0	0
Other gains and losses	(567)	1 336	694	4 983	69
Impairments	0	(32)	(1 254)	(4 866)	0
Operating earnings	**(466)**	**1 269**	**(990)**	**176**	**208**
Share of profit in associated companies	3	3	(1)	1	6
Financial items	(649)	(275)	(117)	(259)	66
Profit before taxes	**(1 113)**	**996**	**(1 108)**	**(82)**	**280**
Taxes	(98)	(301)	142	(828)	(75)
Net profit	**(1 212)**	**695**	**(966)**	**(910)**	**205**

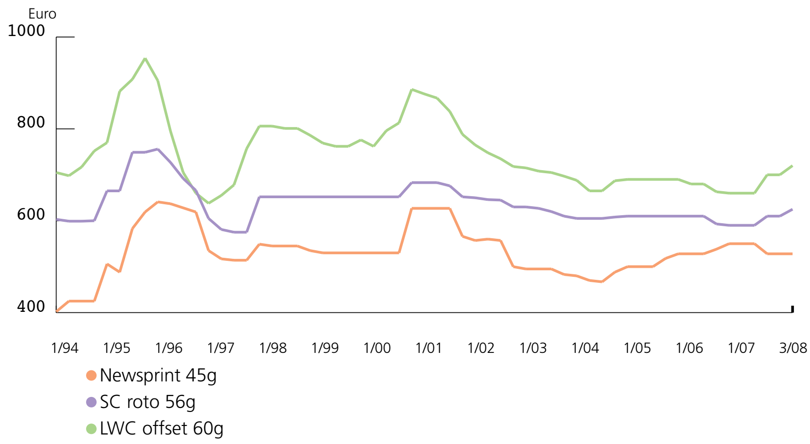
OPERATING REVENUE PER SEGMENT

	JUL - SEP 2008	APR - JUN 2008	JAN - MAR 2008	OCT - DEC 2007	JUL - SEP 2007
Newsprint	4 093	4 659	4 427	4 998	4 696
Magazine paper	1 856	1 642	1 514	1 671	1 719
Energy	426	289	418	335	246
Other activities	931	941	923	956	922
Eliminations	(989)	(1 004)	(1 013)	(1 004)	(942)
Norske Skog Group	**6 317**	**6 528**	**6 269**	**6 956**	**6 641**

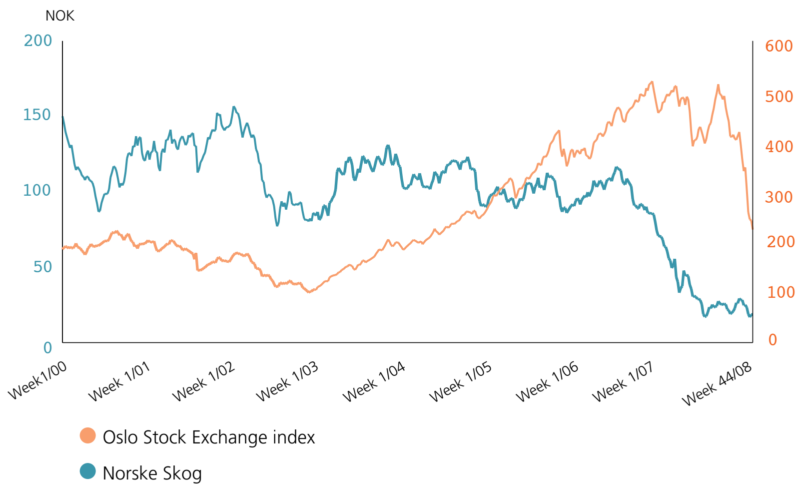
SHARE OF OPERATING REVENUE FROM EXTERNAL PARTIES

	JUL - SEP 2008	APR - JUN 2008	JAN - MAR 2008	OCT - DEC 2007	JUL - SEP 2007
Newsprint	100 %	100 %	100 %	100 %	100 %
Magazine paper	100 %	100 %	100 %	100 %	100 %
Energy	44 %	14 %	27 %	27 %	13 %
Other activities					
Recovered paper	20 %	12 %	18 %	14 %	13 %
Real estate activities	38 %	41 %	23 %	32 %	0 %
Corporate functions	1 %	3 %	2 %	1 %	4 %
Miscellaneous	32 %	35 %	38 %	29 %	26 %

PRICE DEVELOPMENT NEWSPRINT, SC, LWC - GERMANY



SHARE PRICE DEVELOPMENT 2000-2008



THE NORSKE SKOG SHARE

KEY FIGURES	**JANUARY - SEPTEMBER 2008**						**AT 05.11.2008**	
	02-01-08	30-09-08	High	Low	Earnings per share	Book equity per share	Share price	Market value NOK mill.
Norske Skog	**45,85**	**23,70**	**45,85**	**16,10**	**-7,67**	**74,97**	**24,70**	**4 684**

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