

2010

Q3 REPORT



OUR BUSINESS

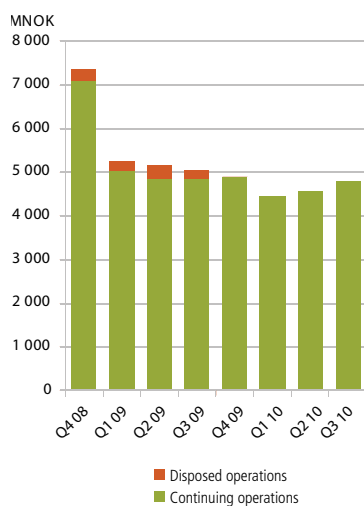
Norske Skog is a world leading producer of newsprint and magazine paper. The group has 14 fully and partly owned mills in 11 countries and an annual production capacity of 4.5 million tonnes. Through 44 sales offices and agents, newsprint and magazine paper is sold to over 80 countries. The group has 5 400 employees.

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

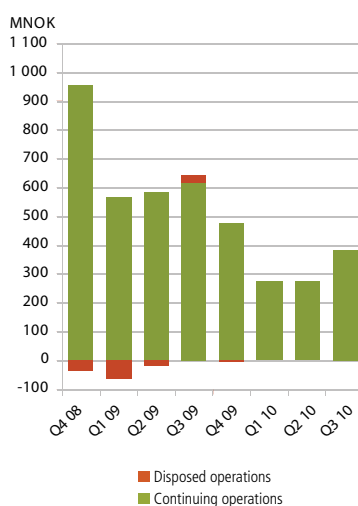
KEY FIGURES (UNAUDITED)

| | JUL-SEP 2010 | APR-JUN 2010 | JUL-SEP 2009 | YTD 2010 | YTD 2009 |
|---|--------------|--------------|--------------|----------|----------|
| INCOME STATEMENT | | | | | |
| Operating revenue | 4 795 | 4 577 | 5 033 | 13 826 | 15 453 |
| Gross operating earnings | 384 | 275 | 642 | 934 | 1 713 |
| Operating earnings | (326) | (643) | (872) | (2 333) | (2 400) |
| Net profit/loss for the period | (244) | (874) | (418) | (2 270) | (2 066) |
| Earnings per share (NOK) | (1.28) | (4.60) | (2.31) | (11.92) | (9.89) |
| CASH FLOW | | | | | |
| Net cash flow from operating activities | 336 | (153) | 730 | 284 | 1 160 |
| Net cash flow from investing activities | 724 | (198) | (56) | 454 | (232) |
| Cash flow per share (NOK) | 1.77 | (0.81) | 3.85 | 1.50 | 6.12 |
| OPERATING MARGIN AND PROFITABILITY (%) | | | | | |
| Gross operating margin | 8.0 | 6.0 | 12.8 | 6.8 | 11.1 |
| Return on capital employed | (0.7) | (1.2) | 0.0 | (3.3) | (1.1) |
| Return on equity | (2.4) | (8.1) | (3.6) | (20.5) | (16.6) |
| Return on assets | (1.0) | (2.1) | (2.3) | (7.4) | (5.7) |
| PRODUCTION / DELIVERIES / CAPACITY UTILISATION | | | | | |
| Production (1 000 tonnes) | 1 005 | 992 | 975 | 2 947 | 2 929 |
| Deliveries (1 000 tonnes) | 1 017 | 983 | 1 016 | 2 950 | 2 888 |
| Production / capacity (%) | 90 | 89 | 81 | 88 | 77 |
| BALANCE SHEET | | | | | |
| Non-current assets | 20 023 | 20 873 | 22 235 | 23 546 | 20 067 |
| Current assets | 9 573 | 9 674 | 9 336 | 9 609 | 15 335 |
| Total assets | 29 596 | 30 547 | 31 571 | 33 155 | 35 401 |
| Equity | 10 136 | 10 478 | 11 044 | 12 015 | 11 263 |
| Net interest-bearing debt | 8 998 | 10 299 | 9 465 | 9 595 | 10 017 |
| Gearing (net interest-bearing debt / equity) | 0.89 | 0.98 | 0.86 | 0.80 | 0.89 |

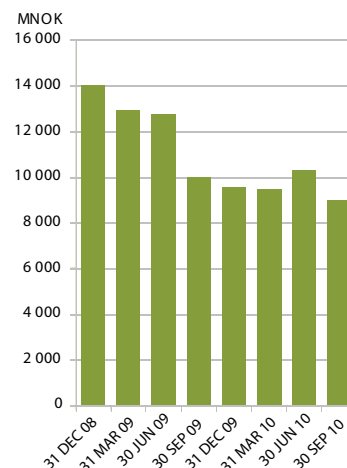
OPERATING REVENUE



GROSS OPERATING EARNINGS



NET INTEREST-BEARING DEBT





REPORT OF THE BOARD OF DIRECTORS

THIRD QUARTER OF 2010

- // Underlying gross operating earnings of NOK 276 million - unchanged from the second quarter of 2010 when the reversal of provision for environmental liabilities of NOK 108 million is excluded
- // Somewhat higher production and sales volumes in the third quarter
- // Net loss in the third quarter of 2010 of NOK 244 million, compared to a loss of NOK 874 million in the previous quarter. The third quarter is impacted by currency gains presented under financial items
- // Net interest-bearing debt is reduced by NOK 1.3 billion during the third quarter, as a result of payments received from sale of energy, currency effects and positive cash flow from operating activities of NOK 336 million in the third quarter

INCOME STATEMENT

| | | JUL-SEP 2010 | APR-JUN 2010 | JUL-SEP 2009 | YTD 2010 | YTD 2009 |
|--|----------|--------------|--------------|--------------|----------|----------|
| Operating revenue | NOK mill | 4 795 | 4 577 | 5 033 | 13 826 | 15 453 |
| Gross operating earnings ^{*)} | NOK mill | 384 | 275 | 642 | 934 | 1 713 |
| Gross operating earnings after depreciation ^{**)} | NOK mill | (129) | (226) | (7) | (608) | (253) |
| Operating earnings | NOK mill | (326) | (643) | (872) | (2 333) | (2 400) |
| Profit/loss before income taxes | NOK mill | (278) | (1 176) | (330) | (3 060) | (1 906) |
| Net profit/loss for the period | NOK mill | (244) | (874) | (418) | (2 270) | (2 066) |

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

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

Both of these income statement lines include the reversal of provisions for environmental liabilities of NOK 108 million at Norske Skog Boyer in the third quarter of 2010.

COMPARABILITY

Norske Skog's total production capacity was 1 121 000 tonnes in the third quarter of 2010. This is unchanged from the two previous quarters, so that capacity so far this year is 3 362 000 tonnes. The equivalent capacity in the third quarter of 2009 was 1 204 000 tonnes, and 3 798 000 tonnes in the first three quarters of 2009. The reduction from last year to this year is due to closure of a paper machine at Norske Skog Parengo in June 2009 and the sale of two factories in China with accounting impact from 1 July and 1 November 2009.

In the third quarter of 2010, income of NOK 108 million was recognised in connection with a review of environmental liabilities at Norske Skog Boyer in Australia. The amount is presented in the income statement line Other operating expenses, and is thus included within gross operating earnings in the segment Newsprint outside Europe. The amount must be excluded when making comparison with earlier periods.

GROUP COMMENT -
GROSS OPERATING EARNINGS

Third quarter 2010 compared with second quarter 2010

Gross operating earnings in the third quarter of 2010 were NOK 276 million when the one-off item of NOK 108 million is excluded. This is in line with the second quarter. Costs relating to wood, recovered paper and market pulp continued to increase during the third quarter. The result was also negatively affected by currency translation differ-

ences on accounts receivable due NOK being stronger against GBP and USD at the end of the quarter. These effects are offset by slightly higher sales volumes, increased prices for magazine paper and newsprint outside Europe and a somewhat better result in the Energy segment.

Third quarter 2010 compared with third quarter 2009

When the one-off item in the third quarter of 2010 is excluded, gross operating earnings are NOK 366 million lower than in the third quarter of 2009. As with previous quarters in 2010, the decline in earnings is due to a sharp fall in prices in Europe from the beginning of 2010, higher prices for recovered paper and market pulp, and a stronger NOK. These effects are offset to some extent by higher sales volumes and an increase in capacity utilisation from 81 per cent in the third quarter of 2009 to 90 per cent in the third quarter of 2010. Furthermore, there is a stronger result in the Energy segment.

First three quarters 2010 compared to first three quarters 2009

Gross operating earnings are NOK 887 million lower in 2010 when the one-off item is excluded. This is mainly due to the same reasons as mentioned in the section above. Average capacity utilisation was 88 per cent in the first three quarters of 2010 compared with 77 per cent during the same period in 2009.

SPECIAL ITEMS IN THE OPERATING EARNINGS UNDER IFRS

| | | JUL-SEP 2010 | APR-JUN 2010 | JUL-SEP 2009 | YTD 2010 | YTD 2009 |
|------------------------|----------|--------------|--------------|--------------|----------|----------|
| Restructuring expenses | NOK mill | (22) | (9) | (28) | (32) | (306) |
| Other gains and losses | NOK mill | (175) | (412) | 168 | (1 501) | (185) |
| Impairments | NOK mill | 0 | 6 | (1 006) | (192) | (1 656) |

Restructuring expenses of NOK 22 million in the third quarter of 2010 relate mainly to provisions for redundancy costs in connection with workforce reductions at Norske Skog Albury in Australia.

Other gains and losses in the third quarter of 2010 are entirely related to the reduced value of the long-term energy contracts. The amount in the previous quarter included a loss of NOK 382 million on the sale of excess energy in Southern Norway.

FINANCIAL ITEMS

| | | JUL-SEP 2010 | APR-JUN 2010 | JUL-SEP 2009 | YTD 2010 | YTD 2009 |
|---|-----------------|--------------|--------------|--------------|--------------|------------|
| Net interest costs (excluding interest-rate derivatives) | NOK mill | (207) | (195) | (228) | (593) | (720) |
| Realised and unrealised gains/losses on interest-rate derivatives | NOK mill | 8 | 2 | 38 | 21 | (44) |
| Realised/unrealised gains/losses on currency | NOK mill | 261 | (329) | 763 | (117) | 1 109 |
| Gain buy-back of bonds | NOK mill | 0 | 7 | 24 | 7 | 278 |
| Other financial items | NOK mill | (12) | (9) | (55) | (29) | (154) |
| Total financial items | NOK mill | 50 | (524) | 542 | (711) | 469 |

A considerable portion of the positive currency effects in the third quarter of 2010 is currency translation differences on balance sheet items that can not be recognised directly in equity. The rest is realised and unrealised gains from cash flow hedging. Both of these factors are due to the fact that NOK was stronger against both GBP and USD

as at 30 September 2010 compared with 30 June 2010. This currency development results in a short-term gain on financial items, but has a negative impact on operations.

So far this year, total financial items are nearly NOK 1.2 billion weaker than 2009, mainly due to the different currency movements in the two years.

CASH FLOW

| | | JUL-SEP 2010 | APR-JUN 2010 | JUL-SEP 2009 | YTD 2010 | YTD 2009 |
|--|----------|--------------|--------------|--------------|----------|----------|
| Gross operating earnings | NOK mill | 384 | 275 | 642 | 934 | 1 713 |
| Change in working capital and adjustments *) | NOK mill | (42) | (152) | 151 | (433) | 27 |
| Cash from net financial items | NOK mill | 3 | (406) | (36) | (322) | (470) |
| Taxes paid | NOK mill | (9) | 131 | (27) | 104 | (111) |
| Net cash flow from operating activities | NOK mill | 336 | (153) | 730 | 284 | 1 160 |
| Purchases of fixed assets | NOK mill | (85) | (106) | (124) | (274) | (399) |

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

Cash flow from operating activities, after paid financial items and taxes, was nearly NOK 500 million better in the third quarter of 2010 compared with the previous quarter. The main reason is lower interest payments and realised gains from currency hedging in the third quarter, but there has also been a positive development in working capital. The income recognised in connection with environmental provisions at Norske Skog Boyer has no cash impact.

Year to date cash flow is significantly lower than for the corresponding period last year. This is mainly caused by much lower gross operating earnings, but the figures for 2010 are also affected by provisions for workforce reductions that were made in 2009 and paid in 2010.

BALANCE SHEET

| | | 30 SEP 2010 | 30 JUN 2010 | 31 DEC 2009 | 30 SEP 2009 |
|-------------------------------------|----------|-------------|-------------|-------------|-------------|
| Non-current assets | NOK mill | 20 023 | 20 873 | 23 546 | 20 067 |
| Cash and cash equivalents | NOK mill | 4 461 | 3 662 | 4 241 | 4 560 |
| Other current assets | NOK mill | 5 112 | 6 012 | 5 368 | 10 775 |
| Total assets | NOK mill | 29 596 | 30 547 | 33 155 | 35 401 |
| Equity including minority interests | NOK mill | 10 136 | 10 478 | 12 015 | 11 263 |
| Non-current liabilities | NOK mill | 16 104 | 16 815 | 17 316 | 18 246 |
| Current liabilities | NOK mill | 3 356 | 3 254 | 3 824 | 5 893 |
| Net interest-bearing debt | NOK mill | 8 998 | 10 299 | 9 595 | 10 017 |

Total assets are reduced by approximately NOK 1 billion from the previous quarter-end. This is mainly because capitalised investments are significantly lower than depreciation. Cash and cash equivalents have increased by around NOK 800 million, mainly due to the receipt of consideration from the sale of excess energy in Southern Norway. This is offset by a reduction in other current assets, because the same amount was booked as a receivable as at 30 June 2010.

Equity including minority interests was NOK 10 136 million as at 30 September 2010, compared to NOK 10 478 million as at 30 June 2010. Equity per share was NOK 53. A more detailed specification of the changes in equity is provided later in the quarterly report.

Net interest-bearing debt was reduced by NOK 1.3 billion during the third quarter of 2010, and amounted to NOK 9 billion as at 30 September 2010. The reduction is due to positive cash flow from operations, settlement from the sale of excess energy and the reduced value of USD-denominated debt when converted to NOK. The average time to maturity on interest-bearing gross debt was 5.3 years. The gearing ratio (net interest-bearing debt to equity) was 0.89 as at 30 September 2010, compared with 0.98 at the end of the previous quarter.

In August, the rating company Standard & Poor's changed its credit rating on Norske Skog's long-term debt from B to B- and maintained its negative outlook.

SEGMENT INFORMATION

From the first quarter of 2010, the geographical regions in the Newsprint segment were changed, such that the figures were presented for Newsprint Europe and Newsprint outside Europe. Sales offices and

other administrative entities are reported separately, as earlier, and not allocated to the geographical regions.

| Newsprint total - Key figures | | JUL-SEP 2010 | APR-JUN 2010 | JUL-SEP 2009 | YTD 2010 | YTD 2009 |
|---|--------------|--------------|--------------|--------------|----------|----------|
| Operating revenue | NOK mill | 2 944 | 2 840 | 3 227 | 8 397 | 10 073 |
| Gross operating earnings ^{*)} | NOK mill | 352 | 238 | 444 | 815 | 1 301 |
| Gross operating earnings after depreciation ^{*)} | NOK mill | (20) | (126) | (25) | (302) | (148) |
| Gross operating margin | % | 12.0 | 8.4 | 13.8 | 9.7 | 12.9 |
| Production | 1 000 tonnes | 688 | 684 | 678 | 2 026 | 2 133 |
| Deliveries | 1 000 tonnes | 693 | 679 | 722 | 2 016 | 2 105 |
| Production / capacity | % | 89 | 88 | 80 | 88 | 78 |

^{*)} Both of these income statement lines include the reversal of provisions for environmental liabilities of NOK 108 million at Norske Skog Boyer in the third quarter of 2010.

Around 55 per cent of the Newsprint segment's production capacity is in Europe, 30 per cent is in Australasia and the rest is in South America and in Asia. Gross operating earnings are still very poor, and in line with the previous quarter when the one-off item is excluded.

Based on preliminary statistics, the global demand for standard newsprint increased by 3.3 per cent in the first three quarters of 2010 compared with the equivalent period in 2009.

| Newsprint Europe - Key figures | | JUL-SEP 2010 | APR-JUN 2010 | JUL-SEP 2009 | YTD 2010 | YTD 2009 |
|---|--------------|--------------|--------------|--------------|----------|----------|
| Operating revenue | NOK mill | 1 374 | 1 402 | 1 460 | 4 091 | 4 650 |
| Gross operating earnings | NOK mill | (18) | 2 | 164 | 2 | 628 |
| Gross operating earnings after depreciation | NOK mill | (174) | (143) | (41) | (463) | (7) |
| Gross operating margin | % | (1.3) | 0.1 | 11.3 | 0.1 | 13.5 |
| Production | 1 000 tonnes | 388 | 390 | 329 | 1 145 | 1 058 |
| Deliveries | 1 000 tonnes | 386 | 394 | 331 | 1 137 | 1 034 |
| Production / capacity | % | 88 | 88 | 75 | 87 | 74 |

Gross operating earnings in the third quarter of 2010 are NOK 20 million weaker than in the previous quarter. There have been moderate price increases in some markets during the quarter, but this is offset by higher prices for recovered paper and wood in Norway, in addition to unfavourable currency movements towards the end of the quarter.

The result for the year so far, both in the third quarter and year-to-date, is considerably weaker compared with 2009. The main reason is that sales prices are around 20 per cent lower in most European markets in 2010. There has also been a sharp increase in recovered paper prices, while sales volumes and capacity utilisation have improved in 2010.

Demand for standard newsprint in Europe was around one per cent higher in the first three quarters of 2010 compared with the corresponding period in 2009. As a result of strong demand in Asia, and the corresponding need for imports, total shipments from the newsprint industry in Europe increased by around four per cent in the same timeframe. The increase in deliveries, together with fewer imports from Canada and the closure of some capacity, have resulted in an improved market balance compared with a year ago.

REPORT OF THE BOARD OF DIRECTORS - THIRD QUARTER 2010

Newsprint outside Europe – Key figures

| | | JUL-SEP 2010 | APR-JUN 2010 | JUL-SEP 2009 | YTD 2010 | YTD 2009 |
|---|--------------|--------------|--------------|--------------|----------|----------|
| Operating revenue | NOK mill | 1 495 | 1 375 | 1 618 | 4 113 | 4 527 |
| Gross operating earnings ^{*)} | NOK mill | 369 | 231 | 274 | 796 | 666 |
| Gross operating earnings after depreciation ^{*)} | NOK mill | 153 | 12 | 11 | 145 | (145) |
| Gross operating margin | % | 24.7 | 16.8 | 16.9 | 19.3 | 14.7 |
| Production | 1 000 tonnes | 300 | 295 | 350 | 881 | 1 075 |
| Deliveries | 1 000 tonnes | 307 | 284 | 391 | 879 | 1 071 |
| Production / capacity | % | 91 | 89 | 85 | 89 | 82 |

^{*)} Both of these income statement lines include the reversal of provisions for environmental liabilities of NOK 108 million at Norske Skog Boyer in the third quarter of 2010.

The region Newsprint outside Europe comprises the operations in Australasia, South America and Asia. Total annual production capacity is 1 320 000 tonnes, of which 880 000 tonnes are in Australasia. As mentioned in the introduction to this report, 2010 is not directly comparable with 2009, because of the two mills in China that were sold in the second half of 2009. These two mills had low production levels and weak operating earnings. In the third quarter of 2010, NOK 108 million was recognised as income in connection with reversal of provision for environmental liabilities, as mentioned earlier.

When the one-off item is excluded, gross operating earnings in the third quarter of 2010 are slightly better than the second quarter. The

improved results are essentially in Australasia, and are related to the increase in local price levels from 1 July. When it comes to volume increases, these are largely related to Norske Skog Bio Bio in Chile, where production is proceeding as normal after the earthquake in February that resulted in a two-month production interruption.

In all of the three regions outside of Europe where Norske Skog has production, there has been an increase in shipments in the first three quarters of 2010 compared with the equivalent period in 2009. Based on preliminary statistics, demand for newsprint in these areas increased by around 10 per cent in this timeframe. It must be assumed that some of the increase is due to customers increasing their inventory levels.

Magazine paper - Key figures

| | | JUL-SEP 2010 | APR-JUN 2010 | JUL-SEP 2009 | YTD 2010 | YTD 2009 |
|---|--------------|--------------|--------------|--------------|----------|----------|
| Operating revenue | NOK mill | 1 606 | 1 488 | 1 607 | 4 598 | 4 598 |
| Gross operating earnings | NOK mill | 41 | 40 | 201 | 136 | 528 |
| Gross operating earnings after depreciation | NOK mill | (90) | (85) | 34 | (255) | 45 |
| Gross operating margin | % | 2.5 | 2.7 | 12.5 | 3.0 | 11.5 |
| Production | 1 000 tonnes | 317 | 308 | 297 | 921 | 796 |
| Deliveries | 1 000 tonnes | 324 | 304 | 294 | 935 | 782 |
| Production / capacity | % | 91 | 88 | 85 | 88 | 76 |

Gross operating earnings in the third quarter of 2010 were in line with the previous quarter. There were negative currency translation differences on trade receivables in the third quarter, while the opposite was the case in the previous quarter. When this is taken into account, there is a slight improvement in earnings, mainly due to higher prices.

The results in 2010 are considerably weaker when compared with 2009. As for Newsprint Europe, this is primarily due to the large fall in prices in early 2010, in addition to a sharp increase in prices for market pulp, which is an important input factor for magazine paper.

Norske Skog Saugbrugs has been ranked as the best supplier of paper for the IKEA catalogue in 2010.

Demand in Europe for uncoated (SC) magazine paper in the first three quarters of 2010 was three per cent lower than the same period in 2009, while for coated (LWC/CMR) magazine paper, there was an increase of 10 per cent. For both qualities, there is strong demand in export markets, so that total shipments from the industry in Europe have increased by around 10 per cent. This has resulted in higher capacity utilisation and price increases on a significant portion of the sales volume from July 2010.

REPORT OF THE BOARD OF DIRECTORS - THIRD QUARTER 2010

Energy - Key figures

| | | JUL-SEP 2010 | APR-JUN 2010 | JUL-SEP 2009 | YTD 2010 | YTD 2009 |
|---|----------|--------------|--------------|--------------|----------|----------|
| Operating revenue | NOK mill | 527 | 495 | 408 | 1 611 | 1 302 |
| Gross operating earnings | NOK mill | 30 | 18 | 12 | 94 | 14 |
| Gross operating earnings after depreciation | NOK mill | 30 | 18 | 12 | 94 | 14 |
| Operating earnings | NOK mill | (144) | (385) | 108 | (1 437) | (364) |

The ordinary activities of the segment consist primarily of the purchase and resale of energy to the Norwegian mills and Norske Skog Pisa in Brazil. For accounting purposes, purchase of energy for these mills is booked as a cost of materials in the segment, with resale at contract prices. Other revenue is related to sale to third parties of excess energy that Norske Skog has in Norway and Brazil. Excess energy in Norway has arisen due to the closure of a paper machine at Norske Skog Follum in the summer of 2008, and the closure of Norske Skog Union in 2006. Gross operating earnings in the Energy segment were higher in the third quarter of 2010 compared with the previous quarter, primarily due to slightly higher average prices on excess energy.

In addition to the results from the ordinary activities of the segment

mentioned above, the operating earnings under IFRS in the Energy segment also include changes in the value of the energy contracts and embedded derivatives. The contracts are recognised in the balance sheet in accordance with IAS 39 *Financial Instruments: Recognition and Measurement*, which means that the value consists of the difference between the estimated market price and the contract price over the contract term, discounted to present value. The group has recognised amounts in the balance sheet relating to contracts in Norway, Brazil and New Zealand. The value can fluctuate significantly from quarter to quarter due to changes in expected future energy prices, and is also affected by changes in currency, price indices and the discount rate used.

Other activities - Key figures

| | | JUL-SEP 2010 | APR-JUN 2010 | JUL-SEP 2009 | YTD 2010 | YTD 2009 |
|---|----------|--------------|--------------|--------------|----------|----------|
| Operating revenue | NOK mill | 504 | 536 | 487 | 1 568 | 1 540 |
| Gross operating earnings | NOK mill | (38) | (21) | (15) | (111) | (129) |
| Gross operating earnings after depreciation | NOK mill | (49) | (33) | (27) | (144) | (165) |

Other activities include unallocated group costs and trading activities relating to recovered paper.

COST REDUCTIONS

In June 2009 a series of measures were implemented to reduce fixed costs and improve cash flow. The main elements were closure of capacity, workforce reductions at mills and at corporate headquarters, and other cost reductions in areas such as maintenance. The target cost reduction was NOK 600-700 million in total, and further potential cost reductions of NOK 150-200 million have subsequently been identified. At the end of third quarter of 2010, the level of fixed costs was reduced by around NOK 600 million, calculated on an annual basis and compared with the cost level in the first half of 2009. It is expected that the total amount of NOK 750-900 million will be achieved during 2010, so that the level of fixed costs will be around NOK 4.3 billion.

In addition to reduced fixed costs, programmes have also been established for the reduction of costs relating to purchasing and logistics and reduction in consumption factors for variable cost elements. Moreover, investment levels have been reduced

HEALTH AND SAFETY

The H-value (the number of lost-time injuries per million working hours) was 1.2 in the 12-month period from 1 October 2009 to 30 September 2010. Eight of the mills had no lost-time injuries in the period. The H-value for the previous 12-month period was 1.3.

CLIMATE REPORTING

Norske Skog was recently ranked as the best Norwegian company with respect to climate change reporting and openness regarding climate challenges. This ranking was achieved in an international survey carried out by the Carbon Disclosure Project. Norske Skog's long-term objective is a reduction in greenhouse gas emissions by 25 per cent by 2020, compared with 2006.

SHARES

The foreign ownership share was 35 per cent at 30 September 2010, which is 10 per cent higher than at year-end. In the first three quarters of 2010, 354 million Norske Skog shares were traded, compared with 395 million in the equivalent period in 2009.

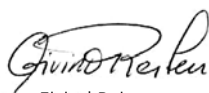
OUTLOOK FOR THE REST OF 2010

As reported earlier in the year, there are still few clear signs of increased demand for newsprint in Europe and North America, while there is relatively good growth in other parts of the world. Based on seasonal fluctuations, demand for both newsprint and magazine paper can be slightly higher in the fourth quarter. No significant changes in price levels are expected, and continued high costs for recovered paper and market pulp are anticipated.

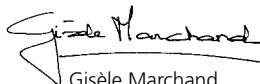
The board emphasizes that there is considerable uncertainty associated with the assessment of future prospects.

Lysaker, 3 November 2010

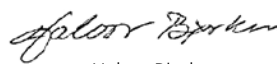
The Board of Directors of Norske Skogindustrier ASA




Eivind Reiten
Chair



Gisèle Marchand
Deputy chair



Halvor Bjørken
Board member



Helge Evju
Board member



Alexandra Bech Gjørv
Board member



Einar J. Greve
Board member



Paul Kristiansen
Board member



Inge Myrland
Board member



Svein Erik Veie
Board member



Ingrid Wiik
Board member



Sven Ombudstvedt
President and CEO

INTERIM FINANCIAL STATEMENTS - THIRD QUARTER 2010

INCOME STATEMENT

| NOK MILLION | Note | JUL-SEP 2010 | APR-JUN 2010 | JUL-SEP 2009 | YTD 2010 | YTD 2009 |
|--|------|--------------|----------------|--------------|----------------|----------------|
| Operating revenue | 4 | 4 795 | 4 577 | 5 033 | 13 826 | 15 453 |
| Distribution costs | | (476) | (465) | (453) | (1 373) | (1 297) |
| Cost of materials | | (2 910) | (2 782) | (2 680) | (8 412) | (8 767) |
| Change in inventories | | (39) | 52 | (112) | 13 | 44 |
| Employee benefit expenses | | (712) | (737) | (777) | (2 119) | (2 374) |
| Other operating expenses | 3 | (273) | (371) | (369) | (1 002) | (1 345) |
| Gross operating earnings | | 384 | 275 | 642 | 934 | 1 713 |
| Depreciation | 7 | (513) | (501) | (649) | (1 542) | (1 966) |
| Gross operating earnings after depreciation | | (129) | (226) | (7) | (608) | (253) |
| Restructuring expenses | 9 | (22) | (9) | (28) | (32) | (306) |
| Other gains and losses | | (175) | (412) | 168 | (1 501) | (185) |
| Impairments | 3, 7 | 0 | 6 | (1 006) | (192) | (1 656) |
| Operating earnings | | (326) | (643) | (872) | (2 333) | (2 400) |
| Share of profit in associated companies | | (1) | (10) | 1 | (16) | 25 |
| Financial items | | 50 | (524) | 542 | (711) | 469 |
| Profit/loss before income taxes | | (278) | (1 176) | (330) | (3 060) | (1 906) |
| Income taxes | | 34 | 303 | (88) | 790 | (160) |
| Net profit/loss for the period | | (244) | (874) | (418) | (2 270) | (2 066) |
| Majority share of net profit/loss for the period | | (244) | (872) | (438) | (2 262) | (1 876) |
| Minority share of net profit/loss for the period | | 1 | (1) | 20 | (9) | (191) |
| Basic/diluted earnings per share | | (1.28) | (4.60) | (2.31) | (11.92) | (9.89) |

STATEMENT OF COMPREHENSIVE INCOME

| NOK MILLION | JUL-SEP 2010 | APR-JUN 2010 | JUL-SEP 2009 | YTD 2010 | YTD 2009 |
|--|--------------|--------------|--------------|----------------|----------------|
| Net profit/loss for the period | (244) | (874) | (418) | (2 270) | (2 066) |
| Other comprehensive income | | | | | |
| Currency translation differences | (238) | 361 | (901) | 265 | (1 726) |
| Tax expense on translation differences | 0 | 0 | 4 | 0 | (11) |
| Hedge of net investment in foreign operations | 135 | (34) | 585 | 137 | 1 645 |
| Tax expense on net investment hedge | 0 | (21) | (24) | (17) | (64) |
| Cash flow hedge | 0 | 0 | 0 | 0 | 44 |
| Reclassifications to income statement (divestment of operations) | 0 | 0 | (58) | 0 | (173) |
| Tax expense on reclassifications | 0 | 0 | 0 | 0 | 0 |
| Other items | 2 | 0 | 1 | 4 | 0 |
| Tax expense on other items | 0 | 0 | 0 | 0 | (18) |
| Other comprehensive income | (100) | 307 | (393) | 389 | (303) |
| Other comprehensive income for the period before taxes | (100) | 328 | (374) | 406 | (210) |
| Tax expense on other comprehensive income | 0 | (21) | (20) | (17) | (93) |
| Other comprehensive income | (100) | 307 | (393) | 389 | (303) |
| Comprehensive income | (344) | (567) | (811) | (1 882) | (2 370) |
| Majority share of comprehensive income | (344) | (566) | (801) | (1 875) | (2 130) |
| Minority share of comprehensive income | 0 | (1) | (10) | (7) | (240) |

INTERIM FINANCIAL STATEMENTS - THIRD QUARTER 2010

BALANCE SHEET

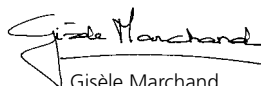
| NOK MILLION | NOTE | 30 SEP 2010 | 30 JUN 2010 | 31 DEC 2009 | 30 SEP 2009 |
|--|------|---------------|---------------|---------------|---------------|
| Deferred tax asset | | 111 | 122 | 128 | 119 |
| Other intangible assets | | 193 | 202 | 208 | 215 |
| Property, plant and equipment | 7 | 16 194 | 16 810 | 17 561 | 19 244 |
| Investment in associated companies | | 214 | 217 | 228 | 223 |
| Other non-current assets | 6 | 3 311 | 3 522 | 5 420 | 265 |
| Total non-current assets | | 20 023 | 20 873 | 23 546 | 20 067 |
| Inventories | | 2 030 | 2 106 | 2 003 | 2 240 |
| Receivables | | 2 288 | 3 083 | 2 511 | 2 577 |
| Cash and cash equivalents | 5 | 4 461 | 3 662 | 4 241 | 4 560 |
| Other current assets | 6, 8 | 795 | 822 | 853 | 5 958 |
| Total current assets | | 9 573 | 9 674 | 9 609 | 15 335 |
| Total assets | | 29 596 | 30 547 | 33 155 | 35 401 |
| Paid-in equity | | 12 303 | 12 303 | 12 302 | 12 302 |
| Retained earnings and other reserves | | (2 191) | (1 847) | (315) | (1 068) |
| Minority interests | | 23 | 21 | 28 | 29 |
| Total equity | | 10 136 | 10 478 | 12 015 | 11 263 |
| Pension obligations | | 683 | 655 | 665 | 604 |
| Deferred tax liability | | 989 | 1 095 | 1 836 | 1 596 |
| Interest-bearing non-current liabilities | 5 | 13 505 | 14 008 | 13 892 | 13 984 |
| Other non-current liabilities | 6 | 927 | 1 057 | 922 | 2 062 |
| Total non-current liabilities | | 16 104 | 16 815 | 17 316 | 18 246 |
| Interest-bearing current liabilities | 5 | 315 | 363 | 355 | 1 032 |
| Trade and other payables | | 2 809 | 2 652 | 3 196 | 3 430 |
| Tax payable | | 32 | 43 | 35 | 48 |
| Other current liabilities | 6 | 200 | 196 | 237 | 1 383 |
| Total current liabilities | | 3 356 | 3 254 | 3 824 | 5 893 |
| Total liabilities | | 19 460 | 20 069 | 21 140 | 24 138 |
| Total equity and liabilities | | 29 596 | 30 547 | 33 155 | 35 401 |

Lysaker, 3 November 2010

The Board of Directors of Norske Skogindustrier ASA




Eivind Reiten
Chair



Gisèle Marchand
Deputy chair



Halvor Bjørken
Board member



Helge Evju
Board member



Alexandra Bech Gjørv
Board member



Einar J. Greve
Board member



Paul Kristiansen
Board member



Inge Myrlund
Board member



Svein Erik Veie
Board member



Ingrid Wiik
Board member



Sven Ombudstvedt
President and CEO

INTERIM FINANCIAL STATEMENTS - THIRD QUARTER 2010

CASH FLOW STATEMENT

| NOK MILLION | JUL-SEP 2010 | APR-JUN 2010 | JUL-SEP 2009 | YTD 2010 | YTD 2009 |
|--|--------------|--------------|--------------|--------------|----------------|
| Cash generated from operations | 4 738 | 4 598 | 5 011 | 13 902 | 16 089 |
| Cash used in operations | (4 397) | (4 476) | (4 218) | (13 401) | (14 348) |
| Cash from net financial items | 3 | (406) | (36) | (322) | (470) |
| Taxes paid | (9) | 131 | (27) | 104 | (111) |
| Net cash flow from operating activities ¹⁾ | 336 | (153) | 730 | 284 | 1 160 |
| Purchases of fixed assets | (85) | (106) | (124) | (274) | (399) |
| Sales of fixed assets | 44 | 5 | 14 | 60 | 25 |
| Dividend received | 0 | 0 | 0 | 0 | 68 |
| Acquisition of shares in companies and other financial instruments | 0 | (102) | 0 | (102) | (2) |
| Sales of shares in companies and other financial instruments | 766 | 5 | 54 | 770 | 76 |
| Net cash flow from investing activities | 724 | (198) | (56) | 454 | (232) |
| New loans raised | 30 | 2 | 0 | 47 | 4 747 |
| Repayments of loans | (158) | (151) | (351) | (348) | (6 085) |
| Dividend paid | 0 | 0 | 0 | 0 | 0 |
| Purchase/sale of treasury shares | 0 | 1 | 0 | 1 | (1) |
| New equity | 0 | 0 | 0 | 1 | 0 |
| Net cash flow from financing activities | (126) | (148) | (351) | (298) | (1 339) |
| Foreign currency effects on cash and cash equivalents | (135) | 26 | (228) | (185) | (868) |
| Total change in cash and cash equivalents | 799 | (473) | 95 | 254 | (1 279) |
| ^{1) Reconciliation of net cash flow from operating activities} | | | | | |
| Gross operating earnings | 384 | 275 | 642 | 934 | 1 713 |
| Restructuring expenses | (22) | (9) | (28) | (32) | (306) |
| Change in working capital | 73 | (151) | 190 | (235) | 336 |
| Other items in operating earnings with/without cash effects | (93) | 8 | (11) | (166) | (3) |
| Cash flow from net financial items | 3 | (406) | (36) | (322) | (470) |
| Taxes paid | (9) | 131 | (27) | 104 | (111) |
| Net cash flow from operating activities | 336 | (153) | 730 | 284 | 1 160 |

STATEMENT OF CHANGES IN GROUP EQUITY

| NOK MILLION | PAID-IN EQUITY | RETAINED EARNINGS | HEDGE ACCOUNTING | OTHER EQUITY RESERVES | TOTAL BEFORE MINORITY INTERESTS | MINORITY INTERESTS | TOTAL EQUITY |
|--------------------------------------|----------------|-------------------|------------------|-----------------------|---------------------------------|--------------------|---------------|
| Equity 1 January 2009 | 12 310 | 621 | (1 335) | 1 766 | 13 362 | 269 | 13 632 |
| Comprehensive income for the period | 0 | (1 456) | 1 063 | (936) | (1 329) | (230) | (1 559) |
| Change in holding of treasury shares | (8) | 0 | 0 | 9 | 1 | 0 | 1 |
| Equity 30 June 2009 | 12 302 | (835) | (272) | 839 | 12 034 | 39 | 12 074 |
| Comprehensive income for the period | 0 | (438) | 560 | (923) | (801) | (10) | (811) |
| Equity 30 September 2009 | 12 302 | (1 273) | 288 | (84) | 11 233 | 29 | 11 263 |
| Comprehensive income for the period | 0 | 689 | 61 | 3 | 753 | (1) | 752 |
| Equity 31 December 2009 | 12 302 | (583) | 349 | (81) | 11 987 | 28 | 12 015 |
| Comprehensive income for the period | 0 | (2 015) | (15) | 501 | (1 530) | (7) | (1 537) |
| Change in holding of treasury shares | 2 | 0 | 0 | 0 | 2 | 0 | 2 |
| Change in ownership in subsidiaries | 0 | 0 | 0 | (1) | (1) | 0 | (1) |
| Equity 30 June 2010 | 12 303 | (2 599) | 334 | 419 | 10 457 | 21 | 10 478 |
| Comprehensive income for the period | 0 | (246) | 135 | (233) | (344) | 0 | (344) |
| Change in ownership in subsidiaries | 0 | 0 | 0 | 0 | 0 | 2 | 2 |
| Equity 30 September 2010 | 12 303 | (2 845) | 469 | 186 | 10 113 | 23 | 10 136 |

NOTES TO THE INTERIM FINANCIAL STATEMENTS

1. GENERAL INFORMATION

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

All amounts in the interim financial statements are presented in NOK million unless

otherwise stated. Due to rounding, there may be differences in the summation of columns.

The interim financial statements were authorised for issue by the board of directors in Norske Skogindustrier ASA on 3 November 2010.

2. ACCOUNTING POLICIES

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

The accounting policies applied in the preparation of the interim financial statements

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

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

3. ESTIMATES, JUDGMENTS AND ASSUMPTIONS

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

Estimated decline in value of intangible assets and tangible fixed assets

Intangible assets which have an indefinite useful life and goodwill are not subject to amortisation, but are tested annually for impairment. Tangible fixed assets and intangible assets that are subject to amortisation are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Since the carrying amount of the net assets in the group at the end of the third quarter of 2010 is higher than its market capitalisation, an impairment evaluation of the recoverable amount of the group's cash-generating units has been made. The recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. Value in use is the present value of the future cash flows expected to be derived from a cash-generating unit. The group's cash-generating units are Europe newsprint, Europe magazine paper (light weight coated (LWC)), Australasia newsprint, South America newsprint, Saugbrugs (super calendared (SC)), Follum magazine paper and Singburi newsprint. Calculation of value in use requires use of estimates. When estimating the value in use at 30 September 2010, there was no indication that further impairments should be made in the interim financial statements for the third quarter of 2010.

Total impairments in the first three quarters of 2010 amount to NOK 192 million. This consists of NOK 150 million related to Norske Skog Singburi in Thailand and NOK 42 million related to Norske Skog Bio Bio in Chile. The impairment at Norske Skog Bio Bio was made as a result of the earthquake that hit Chile in February 2010.

The possibility of reversing impairment losses in prior periods on tangible fixed assets and intangible assets (except goodwill) has also been evaluated at 30 September 2010. No reversals of previous impairments have been recognised in the interim financial statements for the third quarter of 2010.

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

Commodity contracts and embedded derivatives in commodity contracts measured at fair value

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

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

Provisions

Provisions for environmental restoration, dismantling costs, restructuring activities and legal claims are recognised when the group has a present legal or constructive obligation as a result of past events, an outflow of resources is more likely than not to be required to settle the obligation and the amount can be reliably estimated.

Provisions for future environmental- and dismantling liabilities are based on a number of assumptions made using management's best judgment. Changes in any of these assumptions could have an impact on the group's provisions and costs.

During 2010, there has been a new review of environmental liabilities at Norske Skog Boyer in Australia. As a result of the review, the provision for environmental liabilities has been reduced by NOK 108 million in the interim financial statements for the third quarter of 2010. The amount is presented in the income statement line Other operating expenses.

See Note 26 in the annual financial statements for 2009 for more information regarding provisions for environmental- and dismantling liabilities.

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

INTERIM FINANCIAL STATEMENTS - THIRD QUARTER 2010

4. OPERATING SEGMENTS

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

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

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

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

OPERATING REVENUE AND EXPENSES PER OPERATING SEGMENT

| JUL-SEP 2010 | NEWSPRINT | MAGAZINE PAPER | ENERGY | OTHER ACTIVITIES | ELIMINATIONS | NORSKE SKOG GROUP |
|--|--------------|----------------|--------------|------------------|--------------|-------------------|
| Operating revenue | 2 944 | 1 606 | 527 | 504 | (786) | 4 795 |
| Distribution costs | (281) | (168) | 0 | (27) | 0 | (476) |
| Cost of materials | (1 721) | (995) | (497) | (371) | 674 | (2 910) |
| Change in inventories | (6) | (27) | 0 | (6) | 0 | (39) |
| Employee benefit expenses | (413) | (235) | 0 | (64) | 0 | (712) |
| Other operating expenses | (171) | (141) | 0 | (73) | 111 | (273) |
| Gross operating earnings | 352 | 41 | 30 | (38) | 0 | 384 |
| Depreciation | (372) | (130) | 0 | (11) | 0 | (513) |
| Gross operating earnings after depreciation | (20) | (90) | 30 | (49) | 0 | (129) |
| Restructuring expenses | (22) | 0 | 0 | 0 | 0 | (22) |
| Other gains and losses | (5) | 2 | (174) | 2 | 0 | (175) |
| Impairments | 0 | 0 | 0 | 0 | 0 | 0 |
| Operating earnings | (47) | (88) | (144) | (47) | 0 | (326) |

| JAN-SEP 2010 | NEWSPRINT | MAGAZINE PAPER | ENERGY | OTHER ACTIVITIES | ELIMINATIONS | NORSKE SKOG GROUP |
|--|--------------|----------------|----------------|------------------|----------------|-------------------|
| Operating revenue | 8 397 | 4 598 | 1 611 | 1 568 | (2 348) | 13 826 |
| Distribution costs | (814) | (468) | 0 | (90) | 0 | (1 373) |
| Cost of materials | (4 917) | (2 848) | (1 514) | (1 142) | 2 009 | (8 412) |
| Change in inventories | 34 | (17) | 0 | (4) | 0 | 13 |
| Employee benefit expenses | (1 217) | (702) | 0 | (200) | 0 | (2 119) |
| Other operating expenses | (669) | (426) | (3) | (242) | 339 | (1 002) |
| Gross operating earnings | 815 | 136 | 94 | (111) | 0 | 934 |
| Depreciation | (1 117) | (391) | 0 | (34) | 0 | (1 542) |
| Gross operating earnings after depreciation | (302) | (255) | 94 | (144) | 0 | (608) |
| Restructuring expenses | (27) | (1) | 0 | (4) | 0 | (32) |
| Other gains and losses | 15 | 2 | (1 530) | 13 | 0 | (1 501) |
| Impairments | (192) | 0 | 0 | 0 | 0 | (192) |
| Operating earnings | (506) | (255) | (1 437) | (135) | 0 | (2 333) |

| JAN-SEP 2009 | NEWSPRINT | MAGAZINE PAPER | ENERGY | OTHER ACTIVITIES | ELIMINATIONS | NORSKE SKOG GROUP |
|--|----------------|----------------|--------------|------------------|----------------|-------------------|
| Operating revenue | 10 073 | 4 598 | 1 302 | 1 540 | (2 060) | 15 453 |
| Distribution costs | (805) | (424) | 0 | (68) | 0 | (1 297) |
| Cost of materials | (5 646) | (2 458) | (1 286) | (1 071) | 1 694 | (8 767) |
| Change in inventories | 17 | 29 | 0 | (3) | 0 | 44 |
| Employee benefit expenses | (1 373) | (774) | 0 | (227) | 0 | (2 374) |
| Other operating expenses | (965) | (444) | (2) | (300) | 366 | (1 345) |
| Gross operating earnings | 1 301 | 528 | 14 | (129) | 0 | 1 713 |
| Depreciation | (1 449) | (482) | 0 | (35) | 0 | (1 966) |
| Gross operating earnings after depreciation | (148) | 45 | 14 | (165) | 0 | (253) |
| Restructuring expenses | (290) | (16) | 0 | 0 | 0 | (306) |
| Other gains and losses | 169 | 0 | (378) | 24 | 0 | (185) |
| Impairments | (1 807) | 150 | 0 | 0 | 0 | (1 656) |
| Operating earnings | (2 075) | 180 | (364) | (141) | 0 | (2 400) |

INTERIM FINANCIAL STATEMENTS - THIRD QUARTER 2010

OPERATING SEGMENT NEWSPRINT

The Newsprint segment encompasses production and sale of standard newsprint and other paper qualities used in newspapers, inserts, catalogues etc. Norske Skog

has an annual production capacity of 3.1 million tonnes as at the end of the third quarter of 2010.

| | JUL-SEP 2010 | APR-JUN 2010 | JUL-SEP 2009 | YTD 2010 | YTD 2009 |
|--|--------------|--------------|--------------|--------------|----------------|
| INCOME STATEMENT | | | | | |
| Operating revenue | 2 944 | 2 840 | 3 227 | 8 397 | 10 073 |
| Distribution costs | (281) | (282) | (283) | (814) | (805) |
| Cost of materials | (1 721) | (1 655) | (1 625) | (4 917) | (5 646) |
| Change in inventories | (6) | 9 | (132) | 34 | 17 |
| Employee benefit expenses | (413) | (416) | (457) | (1 217) | (1 373) |
| Other operating expenses | (171) | (259) | (285) | (669) | (965) |
| Gross operating earnings | 352 | 238 | 444 | 815 | 1 301 |
| Depreciation | (372) | (364) | (469) | (1 117) | (1 449) |
| Gross operating earnings after depreciation | (20) | (126) | (25) | (302) | (148) |
| Restructuring expenses | (22) | (5) | (28) | (27) | (290) |
| Other gains and losses | (5) | (10) | 60 | 15 | 169 |
| Impairments | 0 | 6 | (808) | (192) | (1 807) |
| Operating earnings | (47) | (135) | (801) | (506) | (2 075) |
| Share of operating revenue from external parties (%) | 98 | 98 | 98 | 98 | 99 |
| OPERATING REVENUE PER REGION | | | | | |
| Newsprint Europe | 1 374 | 1 402 | 1 460 | 4 091 | 4 650 |
| Newsprint outside Europe | 1 495 | 1 375 | 1 618 | 4 113 | 4 527 |
| Sales offices and other activities | 1 167 | 1 123 | 1 176 | 3 305 | 3 486 |
| Eliminations | (1 092) | (1 060) | (1 027) | (3 112) | (2 590) |
| Total | 2 944 | 2 840 | 3 227 | 8 397 | 10 073 |
| GROSS OPERATING EARNINGS PER REGION | | | | | |
| Newsprint Europe | (18) | 2 | 164 | 2 | 628 |
| Newsprint outside Europe | 369 | 231 | 274 | 796 | 666 |
| Sales offices and other activities | 1 | 5 | 6 | 17 | 7 |
| Eliminations | 0 | 0 | 0 | 0 | 0 |
| Total | 352 | 238 | 444 | 815 | 1 301 |

OPERATING SEGMENT MAGAZINE PAPER

The Magazine paper segment encompasses production and sale of the paper qualities super calandered (SC), machine finished coated (MFC) and light weight coated (LWC). Magazine paper is used for magazines, catalogues and advertising materials.

Norske Skog has an annual production capacity of 1.4 million tonnes as at the end of the third quarter of 2010.

| | JUL-SEP 2010 | APR-JUN 2010 | JUL-SEP 2009 | YTD 2010 | YTD 2009 |
|--|--------------|--------------|--------------|--------------|--------------|
| INCOME STATEMENT | | | | | |
| Operating revenue | 1 606 | 1 488 | 1 607 | 4 598 | 4 598 |
| Distribution costs | (168) | (149) | (146) | (468) | (424) |
| Cost of materials | (995) | (938) | (897) | (2 848) | (2 458) |
| Change in inventories | (27) | 39 | 24 | (17) | 29 |
| Employee benefit expenses | (235) | (254) | (256) | (702) | (774) |
| Other operating expenses | (141) | (146) | (131) | (426) | (444) |
| Gross operating earnings | 41 | 40 | 201 | 136 | 528 |
| Depreciation | (130) | (124) | (167) | (391) | (482) |
| Gross operating earnings after depreciation | (90) | (85) | 34 | (255) | 45 |
| Restructuring expenses | 0 | (1) | 0 | (1) | (16) |
| Other gains and losses | 2 | 0 | 0 | 2 | 0 |
| Impairments | 0 | 0 | (198) | 0 | 150 |
| Operating earnings | (88) | (86) | (164) | (255) | 180 |
| Share of operating revenue from external parties (%) | 96 | 95 | 97 | 96 | 98 |

INTERIM FINANCIAL STATEMENTS - THIRD QUARTER 2010

OPERATING SEGMENT ENERGY

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

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

| | JUL-SEP 2010 | APR-JUN 2010 | JUL-SEP 2009 | YTD 2010 | YTD 2009 |
|--|--------------|--------------|--------------|----------------|--------------|
| INCOME STATEMENT | | | | | |
| Operating revenue | 527 | 495 | 408 | 1 611 | 1 302 |
| Distribution costs | 0 | 0 | 0 | 0 | 0 |
| Cost of materials | (497) | (476) | (396) | (1 514) | (1 286) |
| Change in inventories | 0 | 0 | 0 | 0 | 0 |
| Employee benefit expenses | 0 | 0 | 0 | 0 | 0 |
| Other operating expenses | 0 | (1) | 0 | (3) | (2) |
| Gross operating earnings | 30 | 18 | 12 | 94 | 14 |
| Depreciation | 0 | 0 | 0 | 0 | 0 |
| Gross operating earnings after depreciation | 30 | 18 | 12 | 94 | 14 |
| Restructuring expenses | 0 | 0 | 0 | 0 | 0 |
| Other gains and losses | (174) | (403) | 96 | (1 530) | (378) |
| Impairments | 0 | 0 | 0 | 0 | 0 |
| Operating earnings | (144) | (385) | 108 | (1 437) | (364) |
| Share of operating revenue from external parties (%) | 46 | 42 | 36 | 48 | 38 |

OTHER ACTIVITIES

Activities in the group that do not fall into any of the three operating segments are presented under Other activities. This includes corporate functions, real estate

activities, trading and sorting of recovered paper, purchase and resale of wood, and the group's activities related to bio-fuel.

| | JUL-SEP 2010 | APR-JUN 2010 | JUL-SEP 2009 | YTD 2010 | YTD 2009 |
|--|--------------|--------------|--------------|--------------|--------------|
| INCOME STATEMENT | | | | | |
| Operating revenue | 504 | 536 | 487 | 1 568 | 1 540 |
| Distribution costs | (27) | (34) | (24) | (90) | (68) |
| Cost of materials | (371) | (383) | (321) | (1 142) | (1 071) |
| Change in inventories | (6) | 4 | (5) | (4) | (3) |
| Employee benefit expenses | (64) | (67) | (63) | (200) | (227) |
| Other operating expenses | (73) | (78) | (90) | (242) | (300) |
| Gross operating earnings | (38) | (21) | (15) | (111) | (129) |
| Depreciation | (11) | (12) | (12) | (34) | (35) |
| Gross operating earnings after depreciation | (49) | (33) | (27) | (144) | (165) |
| Restructuring expenses | 0 | (4) | 0 | (4) | 0 |
| Other gains and losses | 2 | 0 | 12 | 13 | 24 |
| Impairments | 0 | 0 | 0 | 0 | 0 |
| Operating earnings | (47) | (36) | (15) | (135) | (141) |
| Share of operating revenue from external parties (%) | 26 | 30 | 34 | 29 | 32 |
| OPERATING REVENUE | | | | | |
| Recovered paper | 220 | 208 | 144 | 626 | 411 |
| Real estate activities | 4 | 4 | 5 | 13 | 12 |
| Bio-fuel | 0 | 0 | 0 | 0 | 0 |
| Corporate functions | 59 | 68 | 66 | 193 | 198 |
| Miscellaneous | 234 | 270 | 284 | 780 | 957 |
| Eliminations | (13) | (14) | (13) | (45) | (38) |
| Total | 504 | 536 | 487 | 1 568 | 1 540 |
| GROSS OPERATING EARNINGS | | | | | |
| Recovered paper | 6 | 6 | 1 | 21 | 7 |
| Real estate activities | 0 | (3) | 1 | (5) | (1) |
| Bio-fuel | (3) | (4) | (3) | (13) | (14) |
| Corporate functions | (30) | (31) | (33) | (124) | (150) |
| Miscellaneous | (11) | 12 | 19 | 9 | 29 |
| Eliminations | 0 | 0 | 0 | 0 | 0 |
| Total | (38) | (21) | (15) | (111) | (129) |

5. INTEREST-BEARING DEBT

NET INTEREST-BEARING DEBT

Norske Skog has recognised an amount in the balance sheet as a result of the termination of a large part of the fair value hedge portfolio in the first half of 2009. A hedge reserve (deferred income) amounting to NOK 354 million is included in interest-bearing debt as at 30 September 2010. The corresponding figure as at 31 December 2009 was NOK 411 million.

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

| | 30 SEP 2010 |
|--|--------------|
| Interest-bearing non-current liabilities | 13 505 |
| Interest-bearing current liabilities | 315 |
| - Hedge reserve | 354 |
| - Fair value hedge | 7 |
| - Cash and cash equivalents | 4 461 |
| = Net interest-bearing debt | 8 998 |
| Equity less minority interests | 10 113 |
| Gearing | 0.89 |

DEBT REPAYMENT SCHEDULE

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

| | 30 SEP 2010 |
|-----------------------|---------------|
| 2010 – fourth quarter | 82 |
| 2011 | 1 963 |
| 2012 | 3 899 |
| 2013 | 32 |
| 2014 | 956 |
| 2015 | 1 032 |
| 2016 | 32 |
| 2017 | 3 962 |
| 2018 | 33 |
| 2019 | 90 |
| 2020 to 2033 | 1 265 |
| Total | 13 345 |

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

LOAN COVENANTS

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

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

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

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

| | ASSETS 30 SEP 2010 | | LIABILITIES 30 SEP 2010 | |
|---|--------------------|--------------|-------------------------|-------------|
| | CURRENT | NON-CURRENT | CURRENT | NON-CURRENT |
| Energy contracts and embedded derivatives in energy contracts | 430 | 2 904 | 52 | 159 |
| Other raw material contracts | 2 | 3 | 1 | 12 |
| Other derivatives and financial instruments carried at fair value | 76 | 108 | 50 | 73 |
| Total | 508 | 3 015 | 103 | 244 |

7. PROPERTY, PLANT AND EQUIPMENT

| | JAN-SEP 2010 |
|---------------------------------------|---------------|
| Carrying value at beginning of period | 17 561 |
| Depreciation | (1 523) |
| Impairments | (192) |
| Acquisitions | 302 |
| Disposals | (183) |
| Currency translation difference | 229 |
| Carrying value at period end | 16 194 |

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

8. ACQUISITIONS AND DISPOSALS

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

Depreciation of the assets has, in accordance with the same standard, been stopped from May 2010. The assets are in the segment reporting classified as part of Other activities.

9. RESTRUCTURING EXPENSES

Restructuring expenses in the third quarter of 2010 included NOK 20 million relating to Norske Skog Albury in Australia where provisions have been made for redundancy costs associated with outsourcing of certain functions at the mill, and a downsizing project that aims to change the staffing and management structure at the mill. In addition, provisions made in previous periods relating to Norske Skog Boyer in Australia have been increased by NOK 2 million.

Restructuring expenses in the second quarter of 2010 included NOK 20 million relating to the reorganisation of the European sales organisation, and reversal of NOK 11 million of the provision made in previous periods at Norske Skog Tasman. There were no restructuring expenses in the first quarter of 2010.

10. CONTINGENT LIABILITIES

In 1998, Norske Skogindustrier ASA finalised a lease-and-buyback arrangement with three American investors for PM5 and PM6 at Norske Skog Saugbrugs. The arrangements with two of the investors were terminated in December 2008 and January 2009. The arrangement with the third and final investor was terminated in August 2010. This termination results in the annulment of a contingent liability for potential losses to the investor if Norske Skogindustrier ASA was not able to meet

the requirements of the leasing agreement. The contingent liability amounted to USD 20.8 million as at 31 December 2009. A more detailed description is given in Note 30 to the annual financial statements for 2009. Costs related to the termination are mainly booked against guarantee provisions. The income statement impact is therefore minimal.

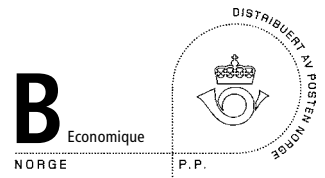
INTERIM FINANCIAL STATEMENTS - THIRD QUARTER 2010

11. NORSKE SKOG GROUP – QUARTERLY FIGURES

| | JUL-SEP 2010 | APR-JUN 2010 | JAN-MAR 2010 | OCT-DEC 2009 | JUL-SEP 2009 | APR-JUN 2009 |
|---|--------------|----------------|----------------|--------------|--------------|--------------|
| INCOME STATEMENT | | | | | | |
| Operating revenue | 4 795 | 4 577 | 4 455 | 4 909 | 5 033 | 5 160 |
| Distribution costs | (476) | (465) | (431) | (452) | (453) | (424) |
| Cost of materials | (2 910) | (2 782) | (2 720) | (2 678) | (2 680) | (2 938) |
| Change in inventories | (39) | 52 | 0 | (175) | (112) | 22 |
| Employee benefit expenses | (712) | (737) | (670) | (726) | (777) | (789) |
| Other operating expenses | (273) | (371) | (358) | (406) | (369) | (462) |
| Gross operating earnings | 384 | 275 | 275 | 472 | 642 | 568 |
| Depreciation | (513) | (501) | (528) | (499) | (649) | (666) |
| Gross operating earnings after depreciation | (129) | (226) | (252) | (27) | (7) | (98) |
| Restructuring expenses | (22) | (9) | 0 | (90) | (28) | (277) |
| Other gains and losses | (175) | (412) | (913) | 1 418 | 168 | 872 |
| Impairments | 0 | 6 | (198) | (226) | (1 006) | (651) |
| Operating earnings | (326) | (643) | (1 364) | 1 075 | (872) | (153) |
| Share of profit in associated companies | (1) | (10) | (4) | 0 | 1 | 7 |
| Financial items | 50 | (524) | (237) | (188) | 542 | 69 |
| Profit/loss before income taxes | (278) | (1 176) | (1 606) | 887 | (330) | (77) |
| Income taxes | 34 | 303 | 453 | (220) | (88) | (461) |
| Net profit/loss for the period | (244) | (874) | (1 153) | 667 | (418) | (538) |
| OPERATING REVENUE PER SEGMENT | | | | | | |
| Newsprint | 2 944 | 2 840 | 2 613 | 2 999 | 3 227 | 3 518 |
| Magazine paper | 1 606 | 1 488 | 1 503 | 1 674 | 1 607 | 1 387 |
| Energy | 527 | 495 | 589 | 435 | 408 | 445 |
| Other activities | 504 | 536 | 528 | 523 | 487 | 487 |
| Eliminations | (786) | (784) | (778) | (723) | (696) | (676) |
| Total | 4 795 | 4 577 | 4 455 | 4 909 | 5 033 | 5 160 |
| GROSS OPERATING EARNINGS PER SEGMENT | | | | | | |
| Newsprint | 352 | 238 | 225 | 383 | 444 | 512 |
| Magazine paper | 41 | 40 | 56 | 162 | 201 | 125 |
| Energy | 30 | 18 | 46 | (32) | 12 | (8) |
| Other activities | (38) | (21) | (52) | (40) | (15) | (61) |
| Eliminations | 0 | 0 | 0 | 0 | 0 | 0 |
| Total | 384 | 275 | 275 | 472 | 642 | 568 |
| SHARE OF OPERATING REVENUE FROM EXTERNAL PARTIES (%) | | | | | | |
| Newsprint | 98 | 98 | 97 | 98 | 100 | 100 |
| Magazine paper | 96 | 95 | 95 | 97 | 99 | 100 |
| Energy | 46 | 42 | 54 | 39 | 36 | 39 |
| Other activities | 26 | 30 | 30 | 37 | 34 | 32 |

THE NORSKE SKOG SHARE

| | 30 SEP 2010 | 30 JUN 2010 | 31 MAR 2010 | 31 DEC 2009 | 30 SEP 2009 | 30 JUN 2009 |
|--------------------------------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Share price (NOK) | 11.75 | 7.43 | 8.99 | 9.55 | 11.39 | 9.42 |
| Book value of equity per share (NOK) | 53.25 | 55.06 | 58.10 | 63.30 | 59.22 | 63.44 |



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