Norske Skog

ANNUAL REPORT 2012

NORWEGIAN PAPER TRADITION
THROUGH 50 YEARS

12

CONTENTS

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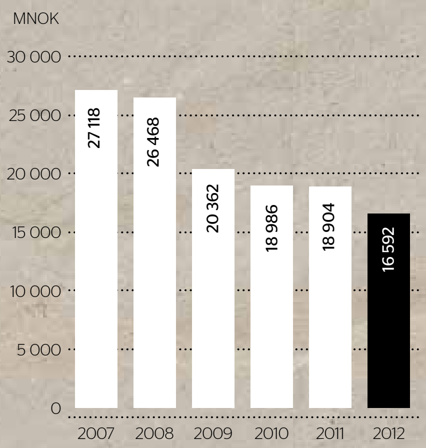
KEY FIGURES

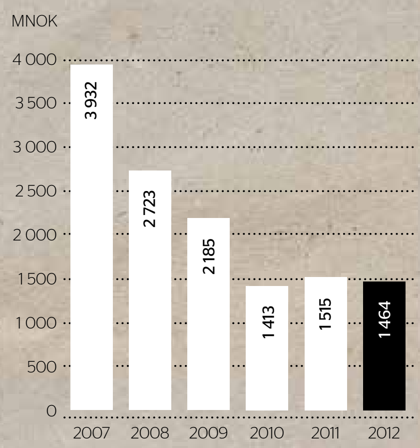
	DEFINITIONS	2012	2011	2010	2009	2008	2007
INCOME STATEMENT							
Operating revenue		16 592	18 904	18 986	20 362	26 468	27 118
Gross operating earnings	1	1 464	1 515	1 413	2 185	2 723	3 932
Operating earnings		-2 684	-2 701	-2 379	-1 325	-1 407	677
Net profit/loss for the year		-2 781	-2 545	-2 469	-1 400	-2 765	-683
Earnings per share (NOK)		-14.63	-13.36	-12.97	-6.36	-14.33	-3.26
CASH FLOW							
Net cash flow from operating activities		982	455	397	1 697	1 977	2 166
Net cash flow from investing activities		300	470	415	-587	2 289	-1 644
Cash flow per share (NOK)		5.18	2.40	2.09	8.95	10.43	11.43
OPERATING MARGIN AND PROFITABILITY (%)							
Gross operating margin	2	8.8	8.0	7.4	10.7	10.3	14.5
Return on capital employed	3	4.2	-0.9	-3.1	-1.2	0.3	3.0
Return on equity	4	-47.3	-28.9	-22.2	-10.9	-18.7	-4.0
Return on assets	5	-14.6	-8.7	-7.5	-3.1	-2.8	1.8
PRODUCTION / DELIVERIES / CAPACITY UTILISATION							
Production (1 000 tonnes)		3 555	3 832	3 998	3 895	5 377	6 049
Deliveries (1 000 tonnes)		3 588	3 857	4 013	3 894	5 412	6 027
Production / capacity (%)		87	87	89	79	93	95

		31.12.2012	31.12.2011	31.12.2010	31.12.2009	31.12.2008	31.12.2007
BALANCE SHEET							
Non-current assets		11 411	15 803	19 271	23 546	26 980	29 307
Current assets		4 650	6 171	10 027	9 609	18 211	13 953
Total assets		16 061	21 974	29 297	33 155	45 191	43 260
Equity		4 314	7 433	10 183	12 015	13 632	15 957
Net interest-bearing debt	6	6 021	7 863	8 889	9 595	14 047	16 408
Gearing (net interest-bearing debt / equity)	7	1.40	1.06	0.87	0.80	1.05	1.05

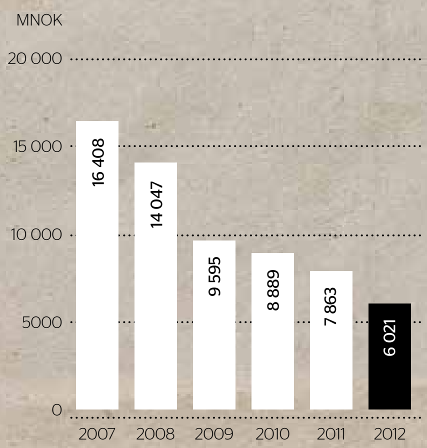
OPERATING REVENUE



GROSS OPERATING EARNINGS



NET INTEREST-BEARING DEBT



DEFINITIONS KEY FIGURES

1. Gross operating earnings = Operating earnings + Ordinary depreciation + Restructuring expenses + Other gains and losses + Impairments
2. Gross operating margin = Gross operating earnings : Operating revenue
3. Return on capital employed = Gross operating earnings after depreciation : Capital employed (average)
4. Return on equity = Net profit/loss for the year : Equity (average)
5. Return on total assets = Earnings before financial expenses : Total assets (average)
6. The calculation of net interest-bearing debt is presented in Note 11 in the annual financial statements for the group
7. Gearing = Net interest-bearing debt : Equity

NORSKE SKOG

2012

1

JANUARY

Norske Skog signed a long-term energy contract with NTE (Nord-Trøndelag Elektrisitetsverk) for the supply of electricity for the paper mill at Skogn. The new agreement, together with an agreement that was signed with Statkraft last year, secures Norske Skog Skogn sufficient energy for full operation of the mill.

2

FEBRUARY

Norske Skog reported improved gross operating earnings, partly due to lower costs, for the fourth quarter 2011.

Norske Skog reached an agreement to sell back excess power in southern Norway to Statkraft.

3

MARCH

The 50th anniversary of Norske Skog was celebrated. Norske Skog was established 1 March 1962 by Norwegian forest owners.

Norske Skog agreed to sell Norske Skog Bio Bio in Chile to Group BO, a consortium of Chilean investors.

Norske Skog entered into an agreement to sell the Follum mill to Viken Skog, which has ambitious, future plans for the site. This happened after Norske Skog's decision to close the mill at Follum.

4

APRIL

Norske Skog's annual general meeting elected Eilif Due, Siri Beate Hatlen, Karen Kvalevåg and Jon-Aksel Torgersen as new members to the board of directors. Eivind Reiten was re-elected as chair of the board. The annual general meeting also resolved to dissolve the corporate assembly.

5

MAY

The report for the first quarter showed that lower costs strengthened Norske Skog's gross operating earnings compared with the same quarter last year, while net interest-bearing debt during the quarter was reduced from NOK 7.9 billion to NOK 7.1 billion.

6

JUNE

Norske Skog announced plans to invest NOK 220 million in an expansion and renewal of the thermomechanical pulp plant at Norske Skog Saugbrugs in Halden. The old pulp plant will be replaced by a modern facility, which will supply pulp to the paper machines at a much lower cost than today.

8

AUGUST

Higher capital utilisation and lower costs strengthen Norske Skog's gross operating earnings in the second quarter compared with the same quarter last year, reported Norske Skog.

Norske Skog entered into an agreement to sell its paper mill Parenco in Renkum in the Netherlands and the global recovered paper business, Reparco, to investment firm H2 Equity Partners.

9

SEPTEMBER

Golbey celebrated 20 years of operations. Golbey was Norske Skog's first newsprint site outside Norway, and today the French mill is the most modern and best run mill in the whole Norske Skog Group.

It was announced that a machine at the Boyer mill in Australia will be converted to the production of coated grades, and that one newsprint machine at the Tasman mill in New Zealand will close.

11

NOVEMBER

Norske Skog reported that good capacity utilisation, with high export levels and lower costs, counteracted the effects of the weak market development in Europe and Australia in the third quarter. During the quarter, the net interest-bearing debt was reduced from NOK 6.9 billion to NOK 6.3 billion.

12

DECEMBER

Norske Skog and the environmental foundation Bellona signed a partnership agreement to create a more environmentally-friendly supply chain. The collaboration aims to reduce the environmental impact of current production, utilising logs in a better way and finding the right commercial environmental solutions for production of bio-energy and bio-waste.

11 PLACES AROUND THE WORLD

Skogn, Norway
Saugbrugs, Norway
Golbey, France
Walsum, Germany
Bruck, Austria
Pisa, Brazil
Singburi, Thailand
MNI, Malaysia – 34%
Albury, Australia
Boyer, Australia
Tasman, New Zealand

PRODUCTION CAPACITY

TONNES PER BUSINESS UNIT 31.12.2012

	NEWSPRINT (INCL IMPROVED NEWSPRINT)	SC (MAGAZINE PAPER)	LWC/MFC (MAGAZINE PAPER)	TOTAL
Norske Skog Skogn, Norway	550 000			550 000
Norske Skog Saugbrugs, Norway		530 000		530 000
Norske Skog Golbey, France	630 000			630 000
Norske Skog Bruck, Austria	125 000		270 000	395 000
Norske Skog Walsum, Germany			425 000	425 000
Sum Europa	**1 305 000**	**530 000**	**695 000**	**2 530 000**
Norske Skog Albury, Australia	280 000			280 000
Norske Skog Boyer, Australia	270 000			270 000
Norske Skog Tasman, New Zealand	315 000			315 000
Sum Australasia	**865 000**			**865 000**
Norske Skog Pisa, Brazil	185 000			185 000
Sum South America	**185 000**			**185 000**
Norske Skog Singburi, Thailand	125 000			125 000
Total capacity	**2 480 000**	**530 000**	**695 000**	**3 705 000**

Norske Skog's production capacity has been re-assessed during 2012.

SUSTAINABLE CHALLENGES

During 2012, Norske Skog has continued its aggressive measures to strengthen the group in a demanding market. We have cut costs and reduced debt, but we have also announced targeted investments in order to become even more competitive.

Demand for newsprint and magazine paper has been characterised by weak economic conditions, particularly in Europe. However, the situation is not unambiguous. Demand was mainly reduced in western markets and Australasia, while the situation was better in Asia and Latin America.

In the longer term, there have been significant geographical changes in the demand for publication paper. While Europe and North America previously dominated the market, the rest of the world has now become more important.

In 2012, Norske Skog has continued to take action in order to adapt to a changing market, even when this means that we must make difficult decisions. We closed down production at Norske Skog Follum in the spring, following which the related properties were sold. Furthermore, we sold Norske Skog Bio Bio in Chile and Norske Skog Parenco in the Netherlands in 2012. In addition, we announced the closure of one of two paper machine at Norske Skog Tasman in New Zealand during January 2013. We have, after closure and sale of 5 machines in 2013, now 18 paper machines in operations at 10 locations.

Norske Skog has reduced the group's debt significantly in recent years. In two years, net interest-bearing debt has been reduced by almost NOK 3 billion, from NOK 8.9 billion to NOK 6,0 billion. Debt was reduced by NOK 1,9 billion in 2012 alone, and the level of debt is now beginning to approach our goal.

While we continued our efforts to reduce debt and costs in 2012, we also announced certain investments to increase our competitiveness. For example, we have announced significant investments to convert a newsprint machine at Norske Skog Boyer in Australia to magazine paper production, and we have reported a significant modernisation and streamlining of the pulp process at Norske Skog Saugbrugs in Halden. We will implement such targeted initiatives in the future, but will still maintain a low level of investments and reduce debt further.

Norske Skog is willing to invest, yet at the same time we are forced to speak out about the political framework that limits our ability to make investments in Norway. This applies, for example, to transport laws, property laws, generally high duties and taxes and regulations.

It is no secret that digital media has created challenges for the paper industry, yet it is clear that paper and digital media will exist side by side in the future. Paper is a proven and highly effective channel for communicating news, advertising and other information.

For Norske Skog, it is also important to emphasise that paper is an environmentally friendly product. It is based on a renewable resource, and furthermore paper is largely recycled, while bark and other waste are used for bio-energy. In December, we entered into a partnership with the Bellona Foundation for making Norske Skog even more environmentally friendly and resource efficient.

This year, as last year, I wish to express my heartfelt thanks to all of the employees in Norske Skog. You have shown dedication and commitment to Norske Skog, which has been essential in the situation we have been in. These are skills that will also be valuable to the company in the years to come. Although the market remains challenging, we have carried out such powerful changes in Norske Skog during the past few years, that I look to the future with optimism.

5 MAIN PRIORITIES:

1. **Increased profitability through adaption of production to demand**
2. **Increased competitiveness through reduction of fixed costs and more efficient use of energy and fibre**
3. **Identification and divestment of non-core activities**
4. **Reduction of net debt**
5. **Influence the sustainability framework**

Sven Ombudstvedt
President and CEO

50

YEARS
OF
NORWEGIAN
PAPER
TRADITION

Sven Ombudstvedt
President and CEO

Norske Skog was established in 1962, but several of our mills have been in operation much longer. Until around 1990, the company grew in Norway, acquiring businesses in paper and pulp production as well as wood based construction materials.

Through the nineties, Norske Skog expanded internationally, first with the construction of a mill in France and later through acquisition of other newsprint and magazine paper companies all over the world. The activities within other paper grades, market pulp and construction materials were sold off.

In recent years, Norske Skog has seen weaker results due to surplus capacity and partly lower prices for finished products, while prices for input factors have been generally higher. As a result, it has been necessary to adapt capacity through shut-downs, comprehensive cost reductions and sale of assets to reduce debt.

Today, Norske Skog has 11 wholly and partly-owned mills in 9 countries and is one of the world's largest producers of publication paper to newspapers, magazines, periodicals and for advertising purposes. Norske Skog is listed on the Oslo Stock Exchange and had 3 986 employees at year-end 2012.

1962

Norske Skog was established by Norwegian forest owners. The purpose was to exploit timber resources in central Norway, and a newsprint mill was built in Skogn, starting production in 1966.

1970-1990

Expansion in Norway, within paper and pulp industry and wood based construction materials. Norske Skog merged with two other publication paper companies.

1992

Start-up of production in Golbey in France, our first business outside of Norway.

1996-1997

Purchase of paper mills in Austria and the Czech Republic.

1999

Global expansion: establishment of the joint venture PanAsia Paper.

2000

Sale of mass mills in Norway. Purchase of Fletcher paper in New Zealand, a firm that had business in Australasia, South America, Canada and Asia.

2001

Purchase of mills in Germany and the Netherlands. Comprehensive restructuring of the business, and divestment of activities outside the defined core area of newsprint and magazine paper.

2006

Five newsprint machines shut down, shares in the Canadian business sold.

2008

Sale of two mills in South Korea, sale of property, shut-down of two paper machines in Europe.

2009

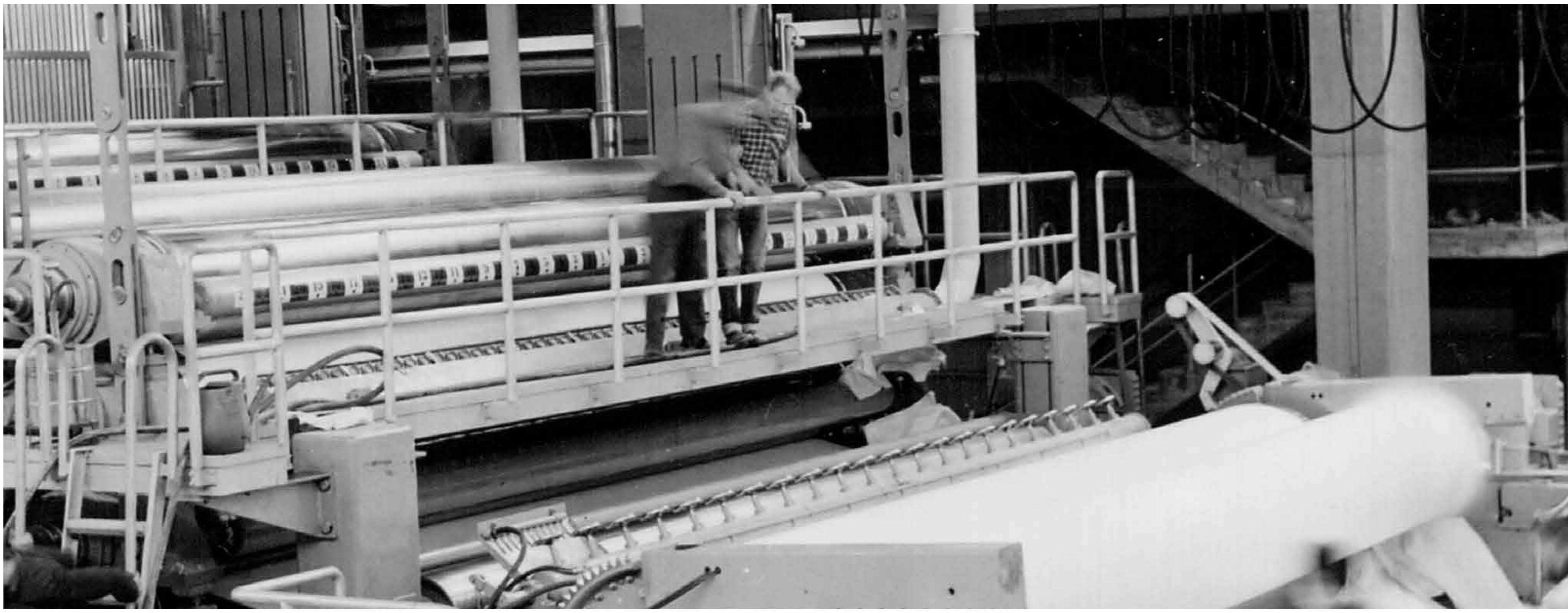
Sale of two mills in China, shut-down of one paper machine in Europe.

2012

Sale of two mills in Chile and Netherlands, shut-down of Follum paper mill in Norway.





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The CEO Sven Ombudstvedt and VP Communication Carsten Dybevig receive the award on behalf of Norske Skog in a ceremony in Oslo. (Photo by Anna Angell)

AWARDED BEST ANNUAL REPORT

Norske Skog wins the prestigious award "Farmandprisen" for best 2011 annual report for companies listed on Oslo Stock Exchange.

The award is the most prestigious and oldest award for annual reports in Norway. Winning the award is a great honor and achievement in light of the fact that the text, tables, graphs and images are mainly produced by our own staff.

"This is a rock solid and transparent report where the presentation and design reflects last year's activities in a very good way. It also provides a thorough introduction to the company's operations and production with complementary quantitative information. Accounts are extensive and detailed, and there is added a very good review and discussion of issues related to the environment and sustainability," the prize jury noted at the award ceremony September 2012.

Norske Skog won the award also in 1991 and 1999.

GOLBEY CELEBRATES 20 YEARS OF OPERATIONS

The start-up of production in Golbey is a milestone in Norske Skog's 50 years of history. Golbey was the first newsprint site outside Norway.

The celebration of the mill's first 20 years of operations took place in September 2012. During the ceremony, there were speeches from local mayors, the President & CEO Sven Ombudstvedt and Managing Director Yves Bailly.

Golbey is the most modern and best run mill in the whole Norske Skog Group. Over the years, Golbey PM2 has beaten the world speed record about 30 times and PM2 still has an average speed of more than 1800 meter per minute. Golbey is actually one of the world's most efficient paper mills. These achievements are the main factors in order to understand the success of Golbey and its unique position, both within the paper industry and also as one of the most important business units of Norske Skog. Amongst all of Norske Skog's factories around the world, Golbey has the highest output of paper measured in tonnes, and it is one of the most competitive business units.

"These impressive accomplishments had not been possible without the skills, dedication and professionalism of the employees at Golbey. Moreover, I want to emphasize that over these 20 years the good leadership, smart recruitment, French thoroughness and structure combined with the Norwegian values of openness and honesty, have created a world class mill," said Ombudstvedt in his speech.

"I want to send my regards to the regional and local governments and especially to the citizens of Epinal for their contribution from the early days until today. I hope we will still meet the same collaborative culture also in the future," Yves Bailly emphasized.

The Norske Skog family congratulates all Norske Skog Golbey employees with these first 20 years of operations, and wishes all good luck for the future.

Photo from left: President & CEO Sven Ombudstvedt, President of Vosgues District Christian Poncolet, Mayor of Epinal Michel Heinrich, Vincent Berton, Managing Director Yves Bailly and representative from Lorraine District Jean Pierre Moinau.

BOARD OF DIRECTORS

Eivind Reiten (59)

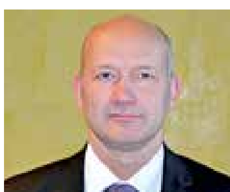
BOARD MEMBER AND CHAIRMAN SINCE 2009

Residence:	Oslo
Education:	Master of Science in Economics (Cand. oecon.), University of Oslo (Norway)
Position:	Senior director
Director-ships:	Chairman of the board D&H Solutions AS, Turtle Ship Partners AS, Agr Drilling Services Holdings AS, Mocca Invest AS, Anaxo Capital AS, Constructor Group AS, Backe Entreprenør Holding AS, Klaveness Marine Holding AS and Agr Group ASA. Board member AS Værdalsbruket and AS Backe.

Åse Aulie Michelet (60)

BOARD MEMBER SINCE 2011

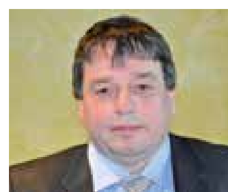
Residence:	Oslo
Education:	Master of Science in Pharmacy (Cand Pharm), University of Oslo (Norway), Pharmacy studies at Eidgenössische Technische Hochschule (ETH) Zürich (Switzerland)
Position:	Chief executive officer (CEO) Teres Medical Group AS
Director-ships:	Chaiman of the board Photocure ASA. Board member Cermaq ASA.



Kjetil Bakkan (51)

BOARD MEMBER SINCE 2012

Residence:	Verdal
Education:	Industrial mechanic
Position:	Manager maintenance Norske Skog Skogn
Director-ships:	Employee representative in the union (FLT-LO), deputy chairman in local department of FLT-LO and member of Norske Skog Works Council Norway.



Eilif Due (58)

BOARD MEMBER SINCE 2012

Residence:	Levanger
Education:	Master of Science in Engeneering, Norwegian University of Science and Technology (NTNU) (Norway), Foundation program in business administration, Norwegian Business School (BI) (Norway)
Position:	Consultant/Farmer
Director-ships:	Chairman of the board Allskog SA, Hoff SA and Allskog Holding SA. Board member Arcus-Gruppen Holding AS, Arcus-Gruppen AS and Aasen Sparebank.

Siri Beate Hatlen (55)

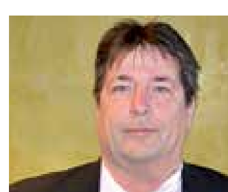
BOARD MEMBER SINCE 2012

Residence:	Bærum
Education:	Master of Business Administration, INSEAD (France), Master of Chemical Engineering, Norwegian University of Science and Technology (NTNU) (Norway)
Position:	Senior director
Director-ships:	Chairman of the board Sevan Marine ASA, Youth 2016 Olympics, The Norwegian Board of Technology, Norwegian University of Life Science and Entra Eiendom AS. Board member Kitron ASA, Eksportkreditt AS, Unibuss AS, Norwegian Glacier Museum and Nobel Peace Center.

Finn Johnsson (66)

BOARD MEMBER SINCE 2011

Residence:	Lysekil, Sweden
Education:	Master of Business Administration, The Stockholm School of Economics (SSE) (Sweden)
Position:	Senior director
Director-ships:	Chairman of the board Thomas Concrete Group AB, Luvata, European Furniture Group AB, West Sweden Chamber of Commerce, Geveko AB, Ovako Steel, DVSM AB and Poseidon AB.



Paul Kristiansen (57)

BOARD MEMBER SINCE 2009

Residence:	Halden
Education:	Certificate of apprenticeship as process operator
Position:	Line driver at Norske Skog Saugbrugs
Director-ships:	Main employee representative Norske Skog Saugbrugs, chairman Norske Skog Works Council Norway, deputy chair European Works Council (EWC), member Global Works Council, member the section council Fellesforbundet and board member Halden Municipality Pension Fund.

Karen Kvalevåg (46)

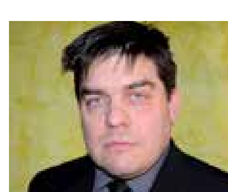
BOARD MEMBER SINCE 2012

Residence:	Bærum
Education:	Chartered Accountant, Norwegian School of Economics (NHH) (Norway)
Position:	Chief executive officer (CEO) Umoe Restaurant Group AS
Director-ships:	Chairman of the board American Bistro Scandinavia AS, King Food AS, Epicure Invest AS, Umoe Restaurant Group Coffee AS, Blender AS, Umoe Konseptrestauranter AS and Peppes Pizza AS. Board member Norwegian Hospitality Association (NHO Reiseliv) and Rail Gourmet Togservice Norge AS.

Jon-Aksel Torgersen (60)

BOARD MEMBER AND DEPUTY CHAIRMAN SINCE 2012

Residence:	Oslo
Education:	Master of Business Administration, University of St. Gallen (Switzerland)
Position:	Chief executive officer (CEO) Astrup Fearnley AS and Vergjedalsbruket A/S
Director-ships:	Chairman of the board Atlantic Container Line AB, Fearnleys A/S, Fearnleys Asia Singapore PTE. LTD., Rødskog Shipbrokers LTD., Fearnley Offshore A/S, Fearnley Offshore Supply A/S, Fearnley Securities A/S, Fearnley Finans A/S, Libra Fearnley Energy A/S, Fearngas (Singapore) PTE.LTD. and Fiducia A/S. Board member I.M. Skaugen SE, Finnlines Plc, Awilco LNG, AS Meraker Brug and Foundation Thomas Fearnley, Heddy and Nils Astrup.



Svein Erik Veie (40)

BOARD MEMBER SINCE 2010

Residence:	Skogn
Education:	Process operator and industrial mechanic
Position:	1. Machine operator Skogn
Director-ships:	Main employee representative Norske Skog Skogn, chairman Fellesforbundet dept. 461, representative to Fellesforbundet board, deputy chairman of Norske Skog Works Council Norway, member of EWC and GEF, chairman of Fellesforbundets Avdelingslederforum Nord-Trøndelag, council member in Levanger municipality (Labour Party) and deputy chairman Plans- and development committee Levanger municipality.

CORPORATE MANAGEMENT

Rune Gjessing (50)

CHIEF FINANCIAL OFFICER (CFO)
In Norske Skog since 2002

BACKGROUND:	
2012 – dd	Chief financial officer (CFO)
2010 – 2012	SVP Australasia, Asia and South America
2007 – 2010	Senior vice president strategy
2006 – 2007	Vice president strategic business analysis
2006 –	Vice president corporate controlling
2002 – 2006	Director investor relations and Corporate secretary
1998 – 2002	Equity analyst National Bank Financial (Canada)
1992 – 1998	Finance and market analyst Simons Consulting Group (Canada)
EDUCATION:	Bachelor in Wood Science from University of British Columbia (Canada), Master in Business Administration from Simon Fraser University (Canada)

Sven Ombudstvedt (46)

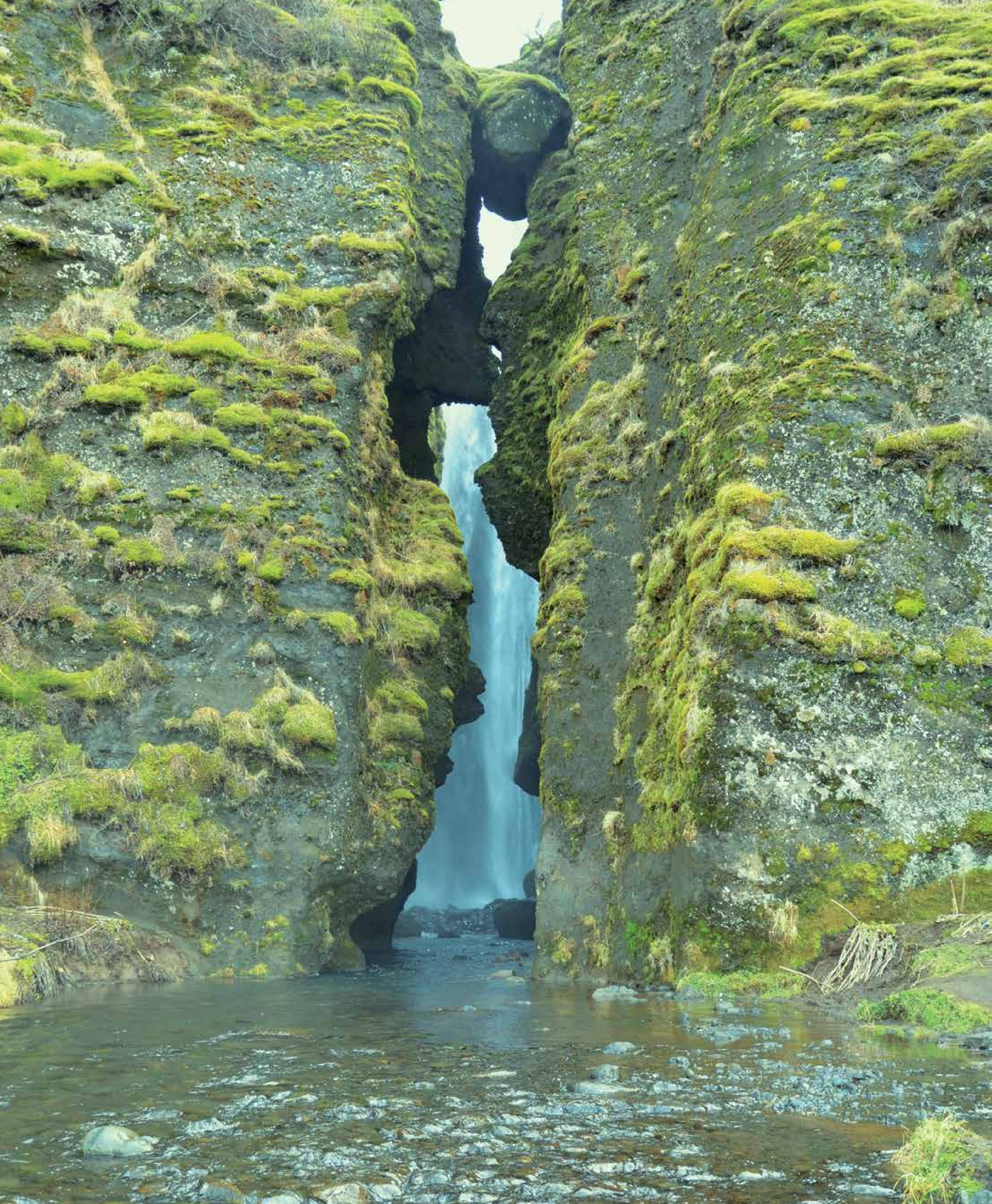
CEO
In Norske Skog since 2010

BACKGROUND:	
2010 – dd	CEO Norske Skog ASA
2008 – 2009	Senior vice president SCD SAS
2006 – 2008	Chief financial officer and Head of strategy Yara International ASA
2003 – 2006	Senior vice president upstream operations Yara International ASA
2002 – 2003	Senior vice president corporate strategy Norsk Hydro ASA
1999 – 2002	Senior vice president commercial policy and industrial restructuring Hydro Agri
1995 – 1999	Vice president market strategy and planning Hydro Agri
1991 – 1995	Various positions within Norsk Hydro
EDUCATION:	Bachelor in Business Administration from Pacific Lutheran University (USA), Master in International Management from Thunderbird University (USA)

Trond Stangeby (63)

CHIEF OPERATING OFFICER (COO)
In Norske Skog since 2011

BACKGROUND:	
2012 – dd	Chief operating officer (COO)
2011 – 2012	Senior vice president organisation development
2010 – 2011	Business unit manager Technical Nitrates Yara International
2008 – 2009	Operations manager Ineos Chlor Vinyl Scandinavia
2007 – 2008	Operation manager Norsk Hydro Petrochemicals
2000 – 2006	Business unit manager global plants Hydro Agri/ Yara International
1999 – 2000	Head of integrated nitrogen plants Hydro Agri
1993 – 1999	Senior vice president Hydro Rafnes Complex
1992 – 1993	Vice president Hydro Polymers
1975 – 1992	Various positions within Norsk Hydro
EDUCATION:	Master of Science in Chemical Engineering from Norwegian University of Science and Technology (NTNU) (Norway)



CORPORATE SOCIAL RESPONSIBILITY IN NORSKE SKOG

Our three core values openness, honesty and cooperation guide our behavior, decisions and daily work. In order to promote responsible and profitable decisions and activities, we practice open communication with various stakeholders. The steering documents lay out principles for our decisions and activities in the areas health and safety, environment, people, financial management, reporting, and corporate conduct, and the steering documents are supported by corporate standards. The Group's operating model emphasizes the business units' responsibility for their own results in all areas, hereunder social responsibility and compliance.

Norske Skog sets high goals for its environmental work, both at corporate and unit level. Clear environmental targets are set for each individual production unit, and the company has procedures for internal reporting of environmental performance. The group's annual report is prepared in accordance with the Global Reporting Initiative (GRI). Norske Skog signed the UN Global Compact treaty in 2003. Companies that have signed the treaty undertake to comply with the principles of human rights, employee rights, the environment and anti-corruption work. Norske Skog puts great emphasis on having a comprehensive and transparent reporting of environment and social corporate responsibility.

The chief executive officer has the overall responsibility for the company's CSR performance. However, each entity is given the responsibility to ensure the Group's standards for corporate social responsibility is followed locally.

All business units have dedicated people to facilitate and follow up efforts and results within health, environment and safety. Sales offices and other units are similarly bound by Norske Skog's requirements for responsible conduct.

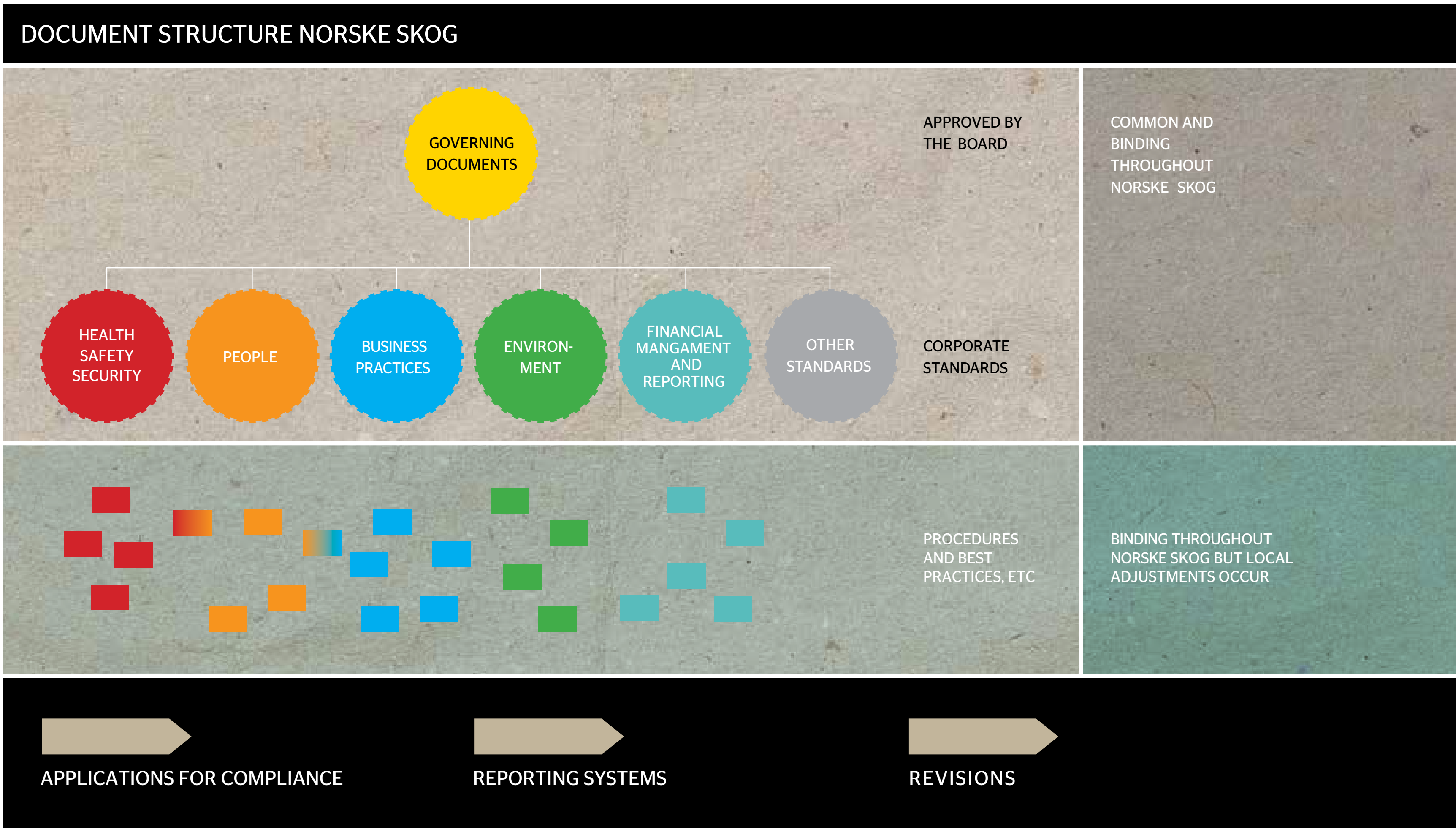
COMPLIANCE

The risk of non-compliance may entail unethical conduct and legal- and financial consequences, and may affect our reputation negatively. Norske Skog emphasizes that the line organisation has the responsibility to comply with the Steering Documents. Compliance must take place where the risk lies, primarily in the production and commercial operations and their associated activities.

Norske Skog has common standards for conduct for all business units and all employees. This strengthens the quality of our operations and promotes our predictability and credibility with customers, suppliers and other partners. In this manner, the compliance work strengthens the company's commercial position. Compliance is included as specific topic in the Group's risk reporting, and is followed up centrally in order to ensure systematic follow-up locally.

The company has established a system where a compliance officer for the Group, ensures that that the Steering Documents be updated and ensure that adequate internal control systems exist globally and locally.

It has existed for a long time a whistle-blowing channel, where employees can report irregular conditions or matters he/she finds difficult to confront with superiors. Norske Skog considers it important that each employee is ensured confidential and serious treatment of reported issues. Whistle blowing can be reported to: compliance@norskeskog.com.



CSR TARGETS

Norske Skog measures a number of CSR elements. Some of the results for 2012 are shown below. Some of the targets are long-term targets. The results will be discussed further in the following pages.

When companies suffer difficult financial times, cost cuts have to be made. In order to investigate how these cuts have affected the CSR work in Norske Skog a survey was conducted as part of a MA study at the University of Leeds by Aurora Grilstad Prois. The findings suggest that Norske Skog's negative financial performance has affected the subsidiaries approach to CSR. Sponsorship, environmental investments, uncertainty and employee motivation during downsizing and mill closures and shareholders return on investment are the indicators that have been negatively affected due to the financial situation of the company. Moreover, it was evident that environmental performance and employee health and safety have not been affected to the same degree, the two measures are even proven better results, indicating that these CSR measures are seen as the most important by the subsidiaries and Norske Skog. Having a strong CSR focus will not necessarily guarantee good financial performance, meaning adding economic value to the company.

HEALTH AND SAFETY

Health and Safety has the highest priority for Norske Skog, twenty four hours a day, seven days a week. Norske Skog's health and safety programme at the business units, called "Take Care 24 hours", is adapted to our different cultures, requirements and local requirements where we operate, but shall always meet the requirements of our health and safety standards for international activities. Our goal is a safe working environment where health and safety receive equal attention in planning and in the daily operations of the company.

All employees in Norske Skog must take responsibility for improving the working environment for themselves, their colleagues, visitors and sub-contractors. Internal cooperation, involving sharing of experience and best practice, enables us to adapt preventive activities to all our mills. Through the activities in Take Care 24 hours, the group stimulates and encourages the same attitudes and behaviour at work and during our spare time, for our own employees and their families.

At Norske Skog we believe that issues relating to health, safety and the environment must be fully integrated into all our activities at every level and not managed as a separate and distinct functions . That is why everyone working in Norske Skog – whether an employee or contractor – is accountable for the company's health, environmental and safety performance.

The Process for Safety Excellence (PSE) is an ongoing, structured process integrated into the day-to-day business of the company. Its aim is to achieve the highest level of health, safety and environmental performance. It applies to every organisation within Norske Skog and every activity carried out by its employees and contractors.

PSE focuses on three management components, people, assets and systems. Each component include nine elements (standards), which provide the framework for health, safety and loss prevention efforts.

Our identified nine key elements (standards) are:

- Leadership commitment
- Employee participation and safe behavior
- Training and competence
- Hazard and risk management
- Management systems, reviews, audits, inspections
- Performance measurement and reporting
- Emergency prep. and response
- Health
- Contractors

These Standards are applicable to all operations, throughout Norske Skog, which have the potential to adversely affect the health and safety of people, including employees, contractors, visitors and the public.

The objectives of these Standards are as follows:

- To define the minimum requirements for the Health and Safety Systems at all levels of operation,
- To provide a framework for Health and Safety Systems measurement,
- To encourage a consistent approach to Health and Safety Systems,
- To assist with the identification and sharing of current best practice between Mills/Units,
- To provide the Mills/Units the opportunity to assess

themselves against the Standards and continually improve their systems,
- To enable inter-Mill/Unit reviews to provide an external perspective and recommendations for improvement.

Where Norske Skog has no operational responsibility, but has an equity stake, or where significant Norske Skog assets are involved in a subcontracting site, arrangements shall be made to ensure that comparable standards of safety are maintained. We strongly believe in Behavioral Based Safety Observations and Audits. These are observations of people's workplace behavior that enables positive feedback for safe behavior, recognition and correction of unsafe acts.

Norske Skog had an absence rate due to sickness of 3.6 per cent in 2012, similar to last year. We achieved an H1 level, lost time injuries per million working hours, of 2.37 compared with 1.99 in 2011. Norske Skog Business units received several awards in 2012 for safety programs and initiatives.

In addition to achieving a 40% reduction in H2 injuries Norske Skog Tasman was awarded the New Zealand Workplace Health and Wellbeing Award in recognition of promoting the health and wellbeing of employees at the highest level. This result was possible as a consequence of the employees taking individual ownership for their safety performance and through strong safety leadership, having clear expectations and communicating and following them up.

Norske Skog Golbey, France, was recognised with a prize from ATIP, Association technique de l'Industrie Papetiere for their work with personal risk control for operators working with felt shift. The new work procedure was developed through extensive consultation with operators and key stakeholders with regard to the risk assessment, design and implementation of the new way of working and controlling risk.

Norske Skog Boyer, Tasmania, Australia, was awarded a prize for their "warehouse barricade system" in the 2012 Work Safe Tasmania Awards. The category was; best solution to an identified workplace health and safety issue. The system was developed through extensive consultation with operators and key stakeholders with regard to the risk assessment, design and implementation of the new physical barriers in the warehouse.

Subject	Target 2012	Result 2012	Comments
Health & Safety			
H1[1)]	0	2.37	Increased from 1.99 in 2011
H2[2)]	11	12.7	Increased from 9.8 in 2011
Absence due to sickness [3)]	3	3.6	Same as in 2011
Environment			
Percentage certified fibre (%)	100	78.8	1.5% better than 2011 results
Environmental index	1.07	1.05	Improved from 1.10 in 2011
Greenhouse gas reduction (%)	25 (2020)	20.6	20,6% below base year 2006
People and value creation			
CSR survey	Carry out	Carried out	

1) Lost time injuries per million working hours
2) Total number of injuries with and without lost time per million working hours
3) The target is for no business unit to have a higher absence due to sickness than 3%

In August 2012 Norske Skog Bruck was awarded a prize from the Austrian Social Insurance For Occupational Risks (AUVA) for its outstanding service to workplace health and safety.

EMPLOYEES

Norske Skog has highly qualified and dedicated employees at all levels and in all units. Due to challenging developments in the paper industry, downsizing and restructuring have been an inevitable consequence of cost-cutting over recent years, and 2012 has been no exception. However, Norske Skog employees have managed to maintain a high level of expertise, with improvements in certain areas. Our goal to develop an organisation with business-oriented, international and highly competent people still applies. Due to the group's situation, employees are given challenging tasks and significant responsibilities. Structured on the job training and rewarding achievements provide excellent career development opportunities and the best results for the company. This ensures mutual attractiveness for our employees and for Norske Skog as employer.

Norske Skog recognises the value of having a work force based on diversity, and any discrimination on the basis of gender, nationality, colour or ethnicity, religious or political beliefs, sexual orientation, physical disabilities or similar factors violate our obligations of equality and threaten the company's interests and objectives. Our leaders have a special responsibility for developing and coaching their sub-ordinates and, through visible leadership, demonstrate what is expected from Norske Skog employees and leaders. Our employee representatives contribute in strategic and major decisions in accordance with our values of openness, honesty and cooperation.

NORSKE SKOG AND LOCAL COMMUNITIES

Our activities affect employees, suppliers, customers and partners in many countries, regions, towns and villages. Our decisions and activities, production and sales have an impact on a multitude of individuals, groups and companies, both financially and otherwise. We recognise our impact and take this into consideration when making decisions.

Sales revenue from production in Norske Skog in 2012 traced back to key stakeholders:
- Purchase of goods and services: NOK 12.5 billion
- Capital expenditures: NOK 0.5 billion
- Salaries NOK: 2.2 billion
- Taxes and public fees: NOK 0.3 billion
- Financial costs and working capital: NOK 0.6 billion

The list shows that Norske Skog is important for many parts of society. Further down the value chain, our paper is the source of income for newspapers and magazines, with all their journalists and other contributors, and a natural source of ideas for business people and other readers throughout the world. This network of businesses, communities and individuals generates significant value in the public and private sectors, as well as stability and other benefits to all affected individuals.

In order to improve our role in society, and to maintain our role as an important employer in local communities, our business units are encouraged to be pro-active and open in their communication with their local stakeholders. Examples include reports to neighbours and other local stakeholders, open days for the public to inform about paper production, engagement in nature protection projects, support to local museums, involvement in sports and cultural initiatives, support to charitable organisations, as well as integration of immigrants and disabled persons through vocational training. Most business units co-operate with educational institutions at different levels. This co-operation includes visits from schools, colleges, high schools and universities, scholarships for students, trainees and apprentices working at our mills or engaged in project work.

NATIONAL RECOGNITION FOR PIONEERING REDUCTION IN ABSENCE DUE TO ILLNESS

Norske Skog Saugbrugs receives recognition from the Norwegian Confederation of Trade Unions (LO) and director general of the Confederation of Norwegian Enterprise (NHO) for its work to reduce sick leave.

Ten years ago Norske Skog Saugbrugs became the world's first company to introduce an agreement between the labour union and the company to reduce absence from sickness and to promote an inclusive working life (IA agreement).

In February 2012, the Saugbrugs's HR manager Bernt Kristian Berntsen and employee representative Paul Kristiansen received the award from the leaders of LO and NHO.

Both Kristiansen and Berntsen say the IA-agreement has been of great significance for Saugbrugs as a company: "The collaboration has contributed to the ability to take care of expertise, and to the creation of culture." They believe the agreement created unity and an awareness of how everybody depends on each other in a work place. The number of self-certification days was extended, but the absence due to illness decreased. Illness is still considered a private matter, but absence is not, they said.

At the diploma ceremony it was announced that Saugbrugs had an absence rate due to illness of 3.5 per cent, which is half of the average absence rate in Norway.

From left: HR manager Bernt Kristian Berntsen and employee representative Paul Kristiansen received national recognition. (Photo by Erik Sandersen)

KEY FIGURES – EMPLOYEES

Business Unit	Number of employees (FTE) End of December 2012			Average age of ord. employees	Average seniority of ord. employees	Female
	Ordinary	Other employees	Total	End 2012	End 2012	End 2012
Saugbrugs	526	79	605	45.0	22.0	9.0
Skogn	401	39	440	48.8	23.9	5.0
HQ and corporate functions	59	23	82	47.7	11.2	24.0
Norway total	**986**	**141**	**1 127**	**46.7**	**22.1**	**8.3**
Bruck	407	60	467	39.8	18.0	9.0
Parec	20	-	20	51.4	25.5	-
Golbey	393	38	431	44.2	16.0	14.1
Walsum	448	56	504	50.0	26.0	4.0
Sales offices Europe	86	1	87	42.1	9.5	58.0
Antwerp	2	1	3	50.0	7.0	100.0
Europe total	**1 356**	**156**	**1 512**	**44.8**	**19.6**	**11.9**
Albury	179	16	195	45.3	14.2	7.0
Boyer	259	42	301	47.0	22.5	6.6
New Zealand	269	19	288	50.6	21.4	10.0
Australia non mills	20	3	23	44.4	12.1	30.0
Singapore	7	-	7	44.4	10.5	86.0
Australasia total	734	80	814	47.8	19.7	9.3
Brazil	286	8	294	41.0	13.0	8.0
Thailand	239		239	42.8	14.0	25.5
Other	525	8	533	41.7	13.4	15.7
Group total	**3 601**	**385**	**3 986**	**45.5**	**19.4**	**11.0**


VOLVO

YOUNG READERS

In 2012, Norske Skog completed a nine-year programme of support for actions of the World Association of Newspapers and News Publishers (WAN-IFRA) to help newspapers, parents and teachers work together to create a literate, civic-minded new generation of readers all over the world. In all, millions of teachers and children benefitted from this work, which concentrated on cost-effective, sustainable tools and actions.

Highlights for 2012 included:

- I-Next of India has been designated the 2012 World Young Reader Newspaper of the Year in the annual Young Reader Prize competition. "In short, I-Next did an excellent job," the prize jury noted. "We found it especially interesting that youth considered corruption the number one topic of concern."
- Botswana has become the latest African country to introduce News in Education (NIE), an international programme to increase children's academic skills by using the newspaper as a teaching tool.
- Jordanian teachers have produced a new guide to help their counterparts all over the region use newspapers as a tool for media literacy.
- 21 World Young Reader Prizes were awarded to projects in 13 countries during WAN-IFRA's First Asia-Pacific Young Reader Summit, held in Bangkok. These awards encourage newspaper excellence in engaging the young.

Social objectives:

- Encourage children to become good citizens, improve their reading skills and stimulate their interest in newspaper reading.
- Contribute to promote freedom of expression and the development of new democracies.
- Strengthen the educational role of newspapers.

Commercial goals:

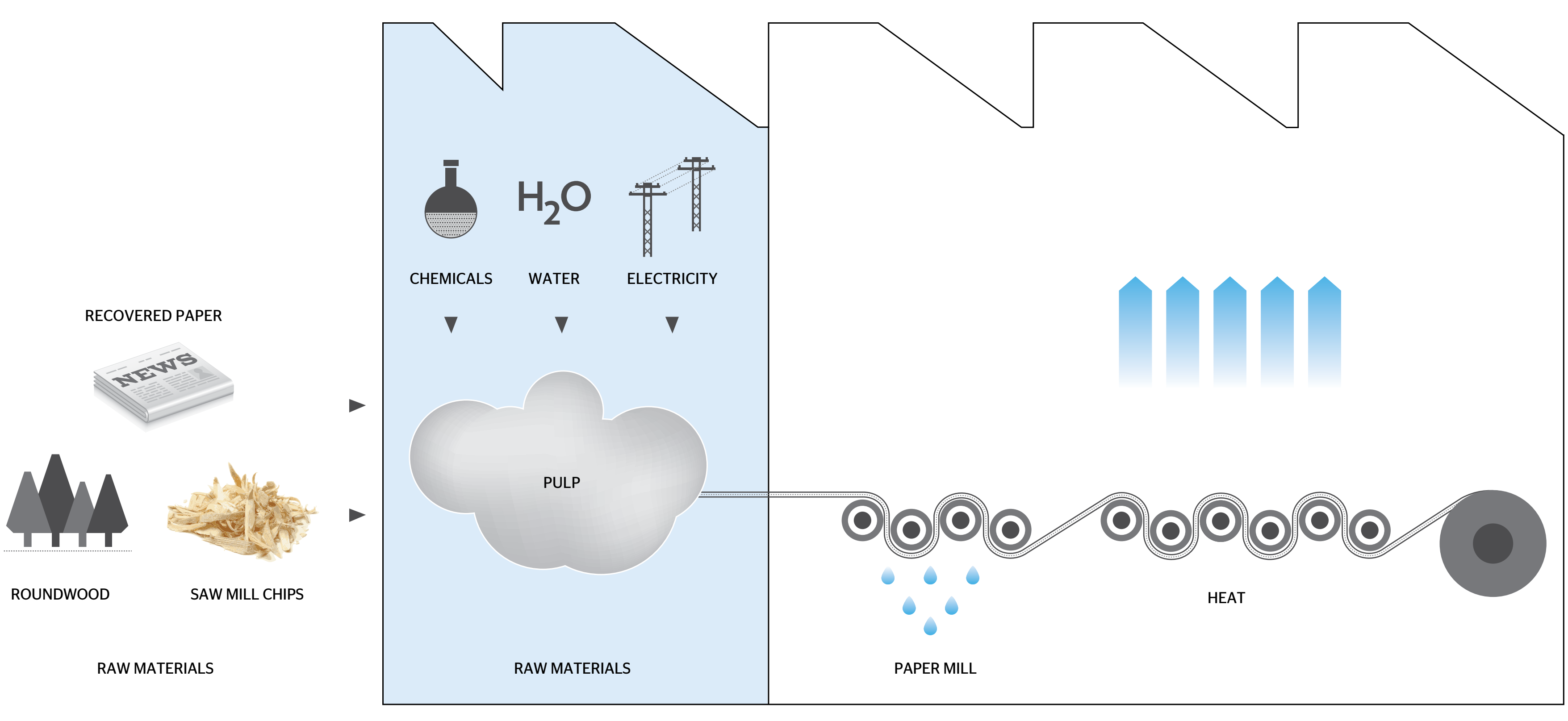
- Further sales activities through increased goodwill and building relations.
- Strengthen the reputation of the company.
- Contribute to ensure that the newspapers have a customer base in the new generations.
- Build internal pride and commitment.

PAPER PRODUCTION

Norske Skog has the capacity to produce 3.7 million tonnes of publication paper each year, of this is 2.5 million tonnes newsprint and 1.2 million tonnes magazine paper. During 2012, Norske Skog has sold and closed down totally 680 thousand tonnes of production capacity.

The figures in this report contains the 100% owned mills as per end of December 2012 and comparison with 2011 is done on adjusted 2011 figures (taking out the units sold or closed in 2012)

The highly simplified diagram illustrates the paper production process. In reality, the paper machines differ quite significantly. The raw materials consist mainly of wood and/or recovered paper, as well as electricity and chemicals. The wood- and recovered fibres are separated during pulp production in two different processes. Pulp production based on recovered paper consumes less energy than production from fresh fibre because the fibres in recovered paper are more easily separated than those within wood. In the paper machine, the pulp passes along a web, firstly through a wet section, then a press section and finally through a drying section. The paper is finally rolled up on reels and then cut to sizes ordered by the customer. During this process more than 90 per cent of the wood fibres in trees are converted to paper products.



EVALUATION OF OUR ENVIRONMENTAL PERFORMANCE

It is important for us to identify our environmental challenges, continuously improve our environmental standards throughout the value chain and report openly on our performance.

In the pulp and paper industry, environmental topics that we focus on are fibre supply, energy sources and use, greenhouse gas emissions, the efficiency of mill production processes, and the fate of our products at the end of the life cycle. The importance of these topics varies at local, regional and national levels. Norske Skog uses a combination of fresh fibres and recovered paper as raw material, depending on local conditions. Both sources are necessary to exploit the global fibre resources in a sustainable manner.

All our mills have traceability certificates for timber purchase to ensure that they come from sustainably managed forests. We do not source raw materials from controversial areas. Our suppliers comply with local rules and regulations and, where possible, we source wood locally to minimise costs and transport emissions. Our goal is to have a 100 per cent certified wood supply. In Europe, the growth of forests is increasing in all countries where we purchase wood. In South America and Australasia, we source only fresh fibre from plantations. In Asia, only recovered paper is used as a raw material.

In a world where increasing demands are being placed upon finite natural resources, and the ecosystems which supply them are more and more strained, it is important that our production processes are efficient and continuously improving. In addition to environmental management systems, Norske Skog has developed an internal environmental index to set targets and review our work to improve our resource use efficiency and reduce our emissions on a continuous basis. The goal is to use technology that meets the requirements of what the EU defines as the best available technology (as described in the EU's IPPC reference document). We have also implemented a water profile tool to compare, optimise, and reduce our water consumption.

Climate change is the environmental issue receiving the greatest attention today. In 2007, Norske Skog established a greenhouse gas reduction target of 25 per cent in total emissions by 2020. Greenhouse gas emissions differ considerably between our mills. The main reason for this lies in the different energy sources used both for externally purchased energy and for energy produced on-site. Purchased energy is mainly electrical energy used for fibre processing and to operate machinery. On-site produced energy is mainly used to dry paper on the production line. In many cases, we use energy several times through heat recovery systems. The main strategies available to reduce greenhouse gas emissions involve reducing the consumption of energy and/or changing the source of the energy we use.

The forest-based industry has a unique position when it comes to the environment. The raw material is renewable, the products are highly recyclable and both the raw materials and products store carbon. Sustainably managed forests will absorb the carbon dioxide from the combustion of forest-based material. At the end of their life cycle the products can be used to produce bio-energy.

JOINED FORCES WITH BELLONA TO BETTER ENVIRONMENT

Norske Skog and the environmental foundation Bellona signs partnership agreement to create a more environmentally-friendly supply chain.

The collaboration aims to reduce the environmental impact of current production, by using logs in a better way and finding the right commercial environmental solutions for production of bio-energy and bio-waste.

"Paper is environmentally friendly. It is based on a renewable resource, and paper is recycled to a large extent. Bark and other waste products are used for bio-energy. We want a partnership to examine possibilities for creating better commercial environmental solutions than we have today. A concrete example of the cooperation is that we hope to find good and environmentally friendly uses of ash that occurs as a by-product at Norske Skog's mills in Skogn and Halden," says President and CEO in Norske Skog, Sven Ombudstvedt.

"Industry must take responsibility for environmental and climate-related matters. Bellona's vision is that we have a sustainable land-based industry in Norway. Together, Norske Skog and Bellona can find and implement solutions that are in line with our vision and simultaneously provide a viable industry," says Frederic Hauge, technical manager at the Bellona Foundation.

Bellona endeavors to develop tomorrow's environmental solutions in cooperation with the industry. Emphasis is placed on the long term. The partnership agreement gives the parties room to develop shared visions and strengthen each other's expertise. In addition, Norske Skog will contribute an agreed annual amount to Bellona.

During the last 20 years, Norske Skog has made significant investments to optimise energy consumption and reduce greenhouse gas emissions. These efforts have received recognition from the international Carbon Disclosure Project (CDP) for social responsibility through its reporting of greenhouse gas emissions and targets for emission reductions.

"For example, we are investing in a new and more energy efficient pulp plant at Norske Skog Saugbrugs in Halden. Furthermore, we see that we must do even more in the future, and we have great expectations for our cooperation with Bellona," says Ombudstvedt.

"We need manufacturing jobs, and the industry produces goods we depend on. At the same time, all manufacturing operations lead to increased use of energy and emissions to our environment. The goal must be to reduce these drawbacks as much as possible, and we in Bellona wish to contribute to Norske Skog being a pioneer in this area, says Frederic Hauge.

President Bellona Frederic Hauge, Minister of Trade and Industry Trond Giske and CEO Norske Skog Sven Ombudstvedt

TASMAN (NEW ZEALAND)

- THE WORLD'S ONLY PAPER MILL USING 100% GEOTHERMAL ENERGY

Norske Skog Tasman is a world leader in the use of renewable energy, utilising geothermal energy from New Zealand's largest industrial geothermal field, at Kawerau, to operate its mill. The ability to manufacture products with a low environmental impact gives Tasman economical and environmental benefits. Geothermal energy is ultimately derived from heat contained in the core of the Earth, this energy source is a consistent, reliable and renewable which unlike other renewable energy sources is not affected by climatic conditions .

In 2012, the Tasman site commissioned its own 21MW geothermal power station, which along with Mighty River Power's adjacent geothermal power station (100MW), supplies Tasman will all of its electrical power requirements. In addition to geothermal power generation, the Kawerau geothermal field supplies all Tasman's heat requirements for paper production. Geothermal energy has significantly lower greenhouse gas emissions when compared with fossil fuel alternatives, giving Tasman one of the lowest production carbon footprint of any paper manufacturing sites in the world.

SUSTAINABLE RAW MATERIALS

Forestry and use of forest products play an important role in the combat of climate change. For the forest value chain to be a part of the climate change solution, the forests must be managed sustainably. Norske Skog has several systems and processes to make sure that all wood used in Norske Skog's products comes from sustainably managed forests. All Norske Skog mills utilising fresh fibre have third party verified Chain of Custody (CoC) certification systems in place. The average share of certified fresh fibre in 2012 was 79 per cent, an improvement of 1.5 per cent compared to 2011.

FRESH FIBRE

In 2012, Norske Skog consumed 1,9 million tons of fresh fibre, of which 79 per cent was certified. Our goal is to have 100 per cent certified fibre in our products. Norske Skog is not a significant forest owner. A very small proportion of the wood we use comes from our own forests in Australia. The ability to increase the share of certified wood therefore depends largely on decisions taken by forest owners. Norske Skog encourages its suppliers to adopt forest certification. These certificates are the most credible way to demonstrate our responsible procurement of wood fibre. The most environmentally friendly purchases are delivered by local, certified forests.

Today, only a relatively small portion of the global forest area is certified. The two main global certification systems are the Forest Stewardship Council (FSC), and the Programme for the Endorsement of Forest Certification (PEFC). PEFC is now the dominant global certification system, with a certified forest area twice as large as FSC. Norske Skog regards the two systems as equally valuable tools to demonstrate responsible management and stewardship of the forest resources that our company and customers rely upon. Both systems are based on inspections and auditing by independent third parties. We recognise our responsibility as the purchaser of wood through our global procurement rules. They state that all wood used in our paper shall originate from sustainably managed forests. Such forests are defined as:

- Certified forests – we recognize the system from FSC and PEFC
- Forests declared to be managed according to national laws and regulations

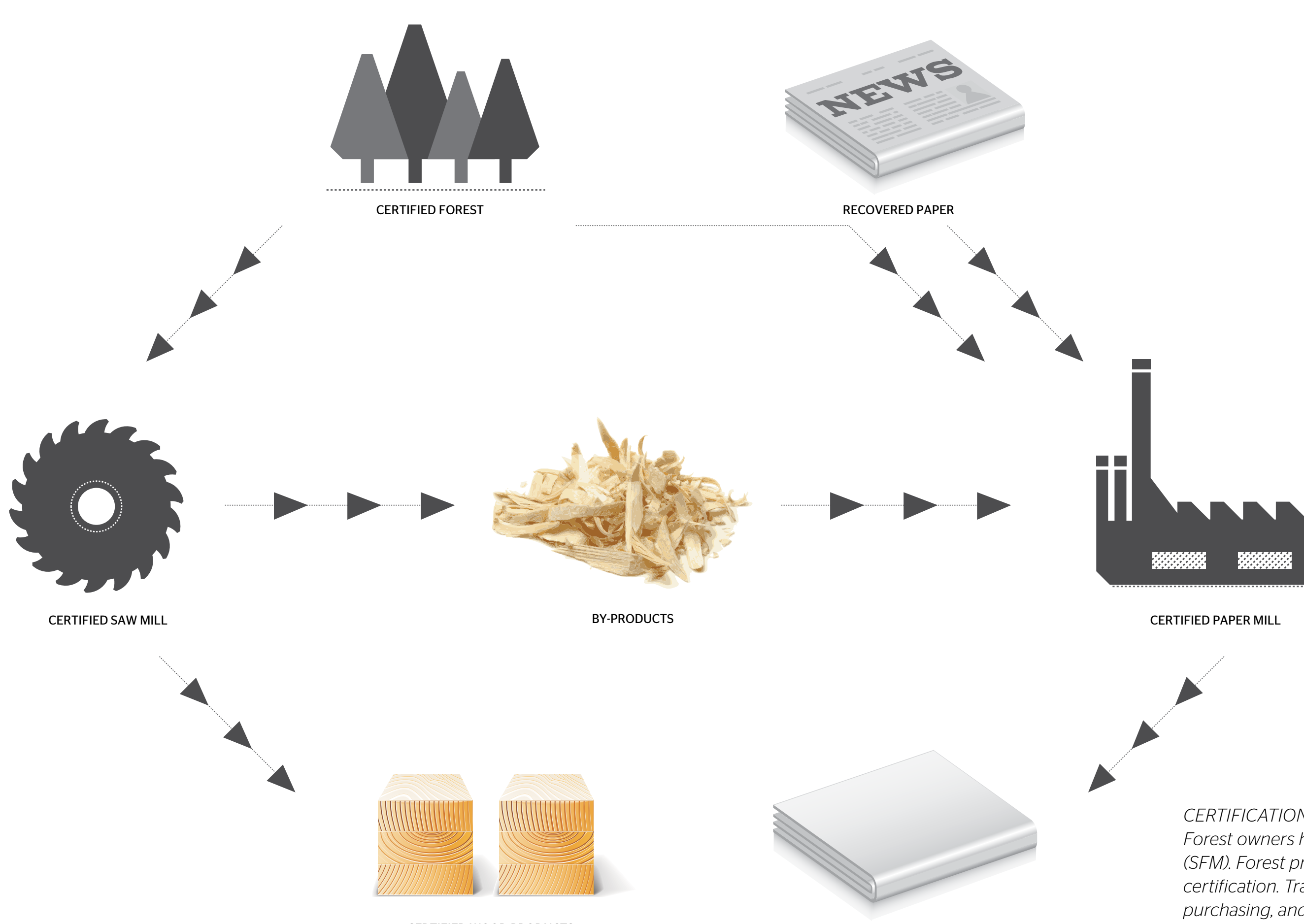
All Norske Skog's business units that buy fresh fibre have traceability certificates. The choice of the mill certification system depends on the certification system used in the forests or plantations.

Roundwood accounted for 64 per cent of our consumption of fresh fibres in 2012. Sawmill chips, a by-product from the sawmill industry, accounted for the remaining 36 per cent. The roundwood component of our fresh fibre came from both forests (51 per cent) and plantations (49 per cent). In all countries where Norske Skog sources wood, except Brazil, the area of land under forest is increasing. In Brazil, Norske Skog's wood supply comes exclusively from plantations.

The main global forest challenges are related to deforestation in developing countries and forest biodiversity degradation through the logging of high conservation areas in many parts of the world. In order to meet these challenges, we need to ensure that more of the world's forest areas are managed on a sustainable basis. Forest certification is an important tool in this context.

CERTIFICATION OF FRESH FIBRE THROUGH THE VALUE CHAIN

Forest owners have systems for sustainable forest management (SFM). Forest product traders rely on chain of custody (CoC) certification. Traceability is important to ensure responsible purchasing, and to halt illegal logging. CoC tools make it possible to control and report the share of certified raw materials through the value chain from forest to finished product. CoC systems also require responsible purchasing of non-certified wood.



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RECYCLED FIBRE

Recovered paper is an important fibre source for Norske Skog. In 2012, recycled fibre made up 31 per cent of the raw materials used in our products. Mills utilising recovered paper consumed in total 1.1 million tonnes in 2012.

Some customers want paper based entirely on recovered paper. However, a value chain based only on recovered paper is not sustainable. About one third of the paper is lost in the recovered paper cycle. Factors such as consumer awareness, waste disposal and collection systems and alternative uses for used paper influence its collection rate. The structure and strength of the fibres of paper degrade with successive use. Recovered paper fibres that are no longer suitable for paper making are rejected in our mill pulping processes and are generally used as a source of renewable energy.

To make the recovered paper value chain sustainable, fresh fibre from forests, plantations or sawmill by-products must be added.

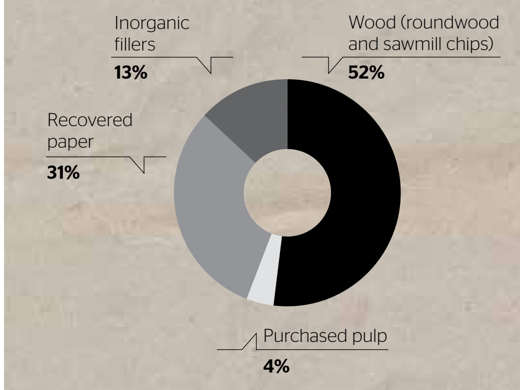
On a tonnage basis, our largest consumption of recovered paper takes place in continental Europe and Asia. Our mill in Thailand use recovered paper as sole raw material. The fibre source used at the different Norske Skog mills depends upon availability and economic considerations. The minimisation of transport distances and costs is an increasingly important economic and environmental consideration.

FORESTS AND CLIMATE CHANGE

The main global challenges related to forest management and climate change are deforestation in developing countries. The use of forests, forest products and bio-energy can, however, be a sound climate change strategy, depending on where and how the forest biomass is harvested. It is important to distinguish between forest types and the existing use of the forest. In forest areas where biomass is accumulated (annual growth exceeds annual harvest), the use of forest resources for renewable products and energy will be possible while still keeping the forest stock stable. Forest land soil will release carbon dioxide after harvesting but this is partly compensated by increased radiation reflection from the same area (the Albedo effect). As long as only the net forest growth is harvested, the carbon stock will be left stable and bio-energy and forest products can substitute more carbon intensive products and fuels and thereby give a positive climate effect.

There is a large potential to use the forest resource more efficient. Today forest residues, waste from the harvest operation, are not utilised to a full extent. As long as removal of forest residues does not lead to loss of nutrients in the forest soil, these residues can be used for bio-energy purposes and to substitute fossil fuels. By-products from the forest value chain, such as sawmill chips, should be used for making products before being used as bio-energy at the end of their life-cycle.

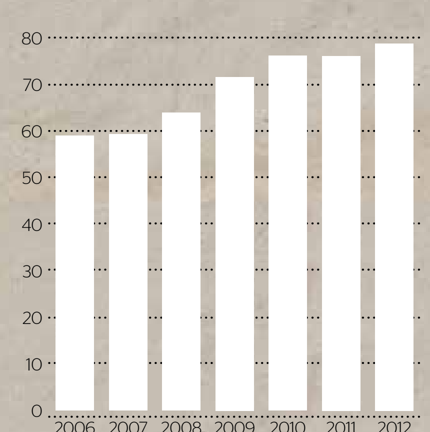
CONSUMPTION OF RAW MATERIAL



RECOVERED PAPER IN NEWSPRINT PRODUCTION

Norske Skog Albury, Australia	32 %
Norske Skog Bruck, Austria	91 %
Norske Skog Golbey, France	62 %
Norske Skog Skogn, Norway	32 %
Norske Skog Singburi, Thailand	100 %

CERTIFIED PROPORTION OF FRESH FIBRE (%)



ENERGY CONSUMPTION

Norske Skog has comprehensive programmes in place to continuously reduce energy consumption and to make it more environmentally friendly. We are already a large producer of bio-energy.

The production of paper is an energy intensive process. Energy is consumed mainly for two purposes:

- To separate, process and transport fibre and water (electrical energy)
- To provide process heat and to dry the paper (thermal energy)

The major use of electrical energy in mills which process fresh fibre is the process which mechanically converts wood chips into fibres. This process is called the thermo-mechanical pulping process (TMP). Paper production based on recovered paper consumes less energy because the fibres from recovered paper are more easily separated than those within wood. The group's average energy consumption per tonne of paper produced in 2012 is lower than in 2011. Four mills had lower or similar energy consumption per tonne of paper in 2012 compared to 2011.

53 per cent of the total energy consumed by the group is electricity. In 2012, the remaining energy sources were fossil fuel (14 per cent), bio-fuel (14 per cent), heat recovery from TMP (ten per cent) and other sources such as geothermal energy and heat (steam) purchased from third parties (nine per cent).

In 2012, 93.6 per cent of electricity was purchased from the grid. A number of mills can generate a proportion of the electricity requirement themselves, based on bio-fuel, natural gas or geothermal sources.

Norske Skog is a large producer of bio-energy. Organic waste from the production processes is used as bio-fuel where possible. Some mills also purchase bio-fuel from external suppliers.

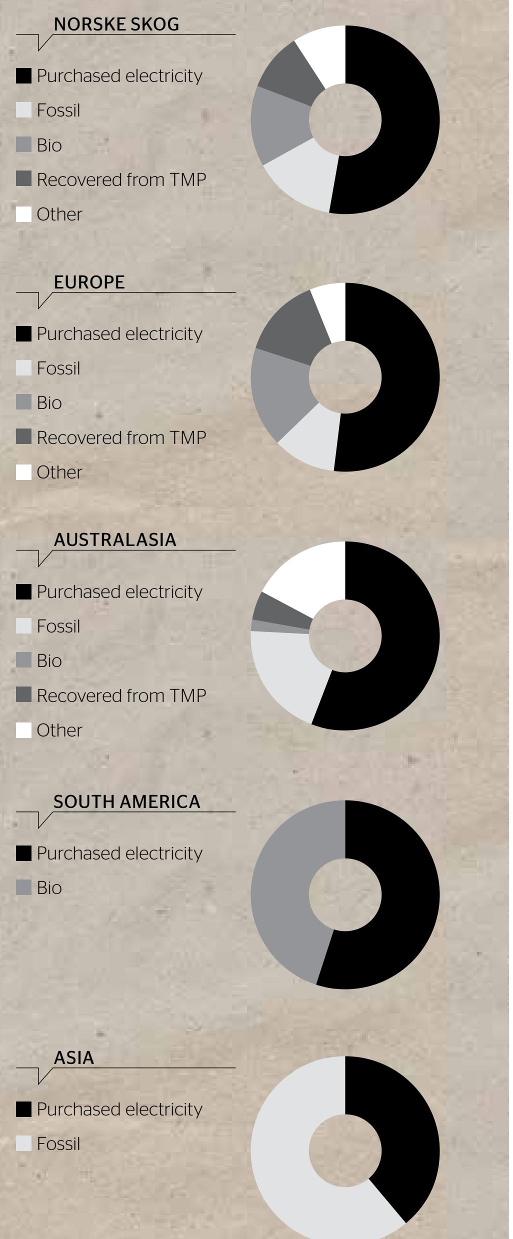
Natural gas is the most commonly used fossil fuel, with a share of 63 per cent, down two per cent from 2011. Coal constitutes 29 per cent of fossil fuel consumption, up two per cent from 2011. Oil makes up 7.5 per cent similar to 2011.

Thermal energy is used for heating and drying of paper. In contrast with electrical energy, thermal energy is mostly generated within the mill. The sources of this energy include recovered heat from the thermo-mechanical pulping or effluent treatment processes, combustion of mill residues, purchased bio-fuel, oil, gas or coal. In some cases, the thermal energy is supplied by third parties located externally to the mill or in the form of geothermal energy.

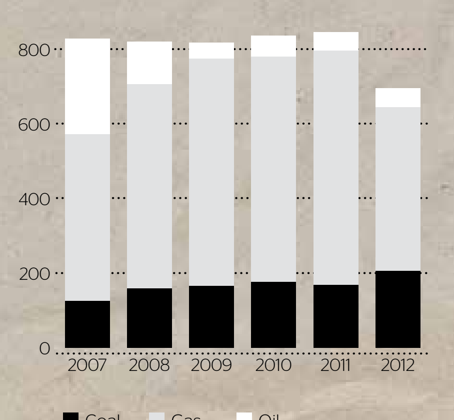
The share of purchased energy makes up about half of the energy consumption in Europe, 57 per cent in Australasia and South America and about 40 per cent in Asia. There is, however, significant variation in thermal energy sources used between different geographic regions. The South American mill uses only bio-energy. The Thai mill uses only fossil fuel. Australasian mills mainly use fossil and geothermal energy. In Europe, the mills use mainly bio-fuel, fossil fuel and heat recovered from the production of thermo-mechanical pulp from fresh fibre.

NORSKE SKOG ENERGY CONSUMPTION (TOTAL AND BY REGION)

Total 12670 GWh; 3.89 MWh/tonne of paper



CONSUMPTION OF FOSSIL FUEL (KWh/TONNE OF PAPER)



NORSKE SKOG'S GREENHOUSE GAS EMISSIONS

As a large industry player, Norske Skog recognises its responsibility to reduce the greenhouse gas emissions. In 2007, we established our goal to, within 2020, have 25 per cent lower greenhouse gas emissions compared with emissions in 2006. As of 2012, our emissions were 20,6 per cent lower than in 2006.

Norske Skog has integrated reduction of greenhouse gas emissions as a key part of our business strategy. The goal is to reduce energy consumption, change the sources of energy and to optimise the use of process chemicals and transport.

In the work to reduce greenhouse gas emissions, we report on a greenhouse gas reduction target and our carbon footprint. The reduction target is based on the WRI/WBCSD Greenhouse Gas Protocol, the Pulp and Paper Workbook. The carbon footprint is built on the Confederation of the European Paper Industries' (CEPI) tool developed in 2007. The CEPI carbon footprint is related to the products we make and covers the whole value chain, whilst the Norske Skog reduction target is focused on the paper production process and covers Scopes 1 and 2 as shown in the figure. Both the Norske Skog emission reduction target and the carbon footprint are based on greenhouse gas emission data from our 10 wholly-owned mills.

OUR REDUCTION TARGET

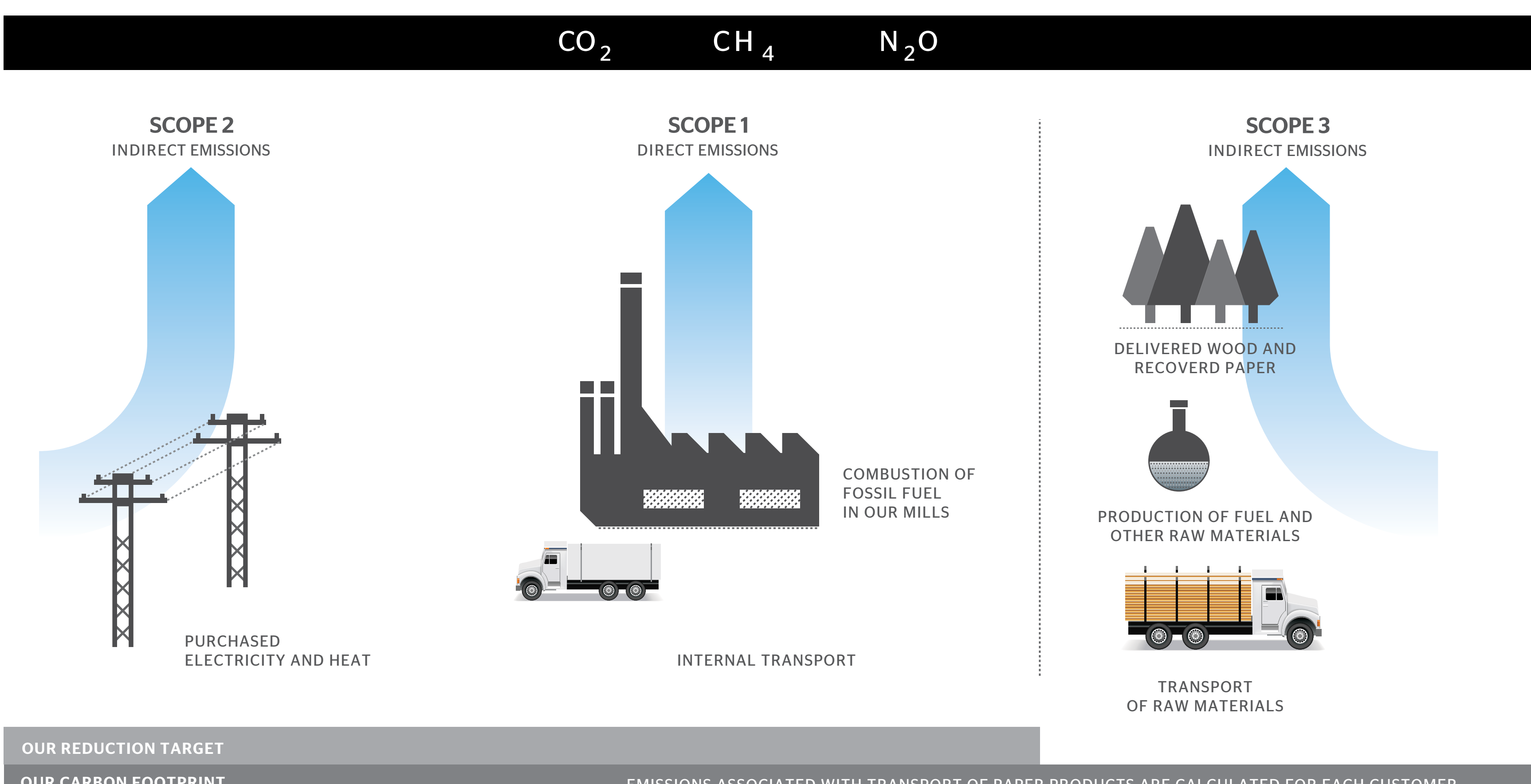
Norske Skog's target for reducing greenhouse gas emissions covers direct emissions (referred to as 'Scope 1' in the Greenhouse Gas Protocol) from the combustion of fossil fuels in boilers, combined heat and power plants, infrared drying equipment, mobile machinery and other mill site based equipment, and indirect emissions ('Scope 2') from the purchase of electricity and heat.

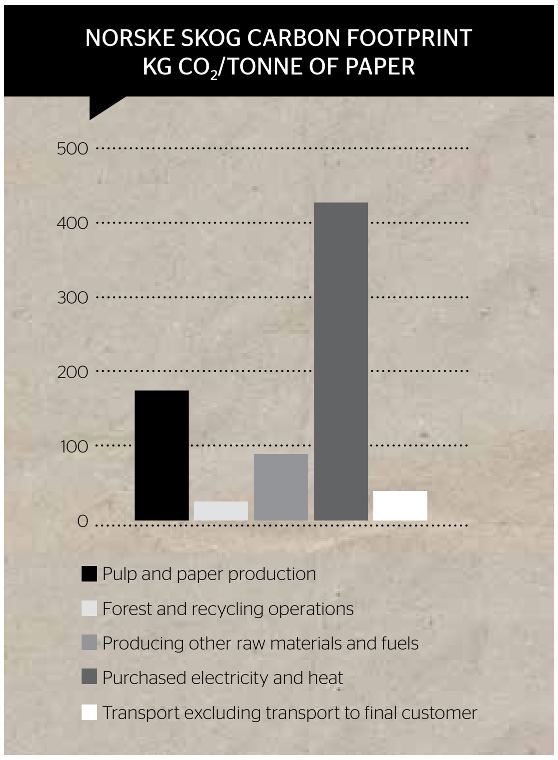
Based on the above scope and emission estimation processes, Norske Skog operations emitted 1.94 million tonnes of fossil fuel derived CO_2-equivalents (including CO_2, CH_4 and N_2O) in 2012. The total emissions from our mills were reduced by 6.5 per cent in 2012 compared to emissions in 2011. This is due to both lower paper production and reduced emissions per tonne of paper in 2012 compared to 2011. The total emission reduction achieved to date, compared to our revised base year 2006 is 20.6 per cent.

The greenhouse gas emissions arising from the combustion of bio-fuels are deemed to be 'carbon neutral' as only the net forest growth is harvested from sustainably managed forests and plantations leaving the carbon stock stable. Direct emissions of biologically sequestered CO_2 from the combustion of organic residues such as wood and bark are estimated to be approximately 570 000 tonnes.

NORSKE SKOG GREENHOUSE GAS EMISSIONS	CO_2 1 000	CH_4	N_2O	CO_2-equiv 1 000
Direct (Scope 1) Emissions	**tonnes**	**tonnes**	**tonnes**	**tonnes**
Direct emissions from stationary fuel combustion	524	23	3	538
Direct emissions from transportation and mobile sources	9	0	1	10
Total direct emissions	534	23	4	547
Indirect (Scope 2) Emissions				
Indirect emissions from steam and power imports	1 389	0	0	1 389
Total Fossil Fuel Based Emissions (Direct & Indirect)				
Direct & Indirect	1 922	23	4	1 936
CO_2 emissions from combustion of biomass *	570			

** Wood and bark residues only*





OUR CARBON FOOTPRINT

Based on the CEPI carbon footprint tool, our carbon footprint covers emissions from the following elements of our value chain:

- Pulp and paper production
- Forest and recycling operations
- Producing other raw materials and fuels
- Purchased electricity and heat
- Transport- excluding transport to final customer which is calculated on a case by case basis
- Carbon stored in forest products (biogenic carbon) is reported separately.

The average global carbon footprint per tonne of paper produced by the Norske Skog mills in 2012 was 754 kg/tonne fossil CO_2 equivalents. This represents a reduction of 6.5 per cent compared to 2011. 1 300 kg/tonne biogenic CO_2 is estimated to be contained in the product.

As seen in the figure, the largest contributor to our carbon footprint is purchased electricity and heat, which make up 57 per cent of the emissions per tonne of paper. Pulp and paper production makes up 23 per cent, forest and recycling operations three per cent, production of other raw materials 12 per cent and transport to the mills five per cent of the total emissions per tonne of paper.

The carbon footprint varies considerably between the mills and regions depending on the source of electricity and the type of fuel used to produce process heat. The emissions per tonne of paper production ranged between 484 kg CO_2-equivalents/tonne of paper in Europe to 1 573 kg CO_2-equivalents/tonne in Australasia.

CONTINUOUSLY IMPROVING OUR PRODUCTION PROCESSES

Norske Skog's environmental policy commits us to continuous improvement in the environmental performance of our business units.

The wish to measure this continuous improvement in our mills and as a company over the short and long term led us to implement an environment index (E-index) several years ago. The E-index forms part of the regular reporting by the mills to corporate management and the board. In addition to being a performance reporting tool it allows us to:

- establish and review mill specific targets
- identify areas for additional investment
- demonstrate the environmental improvements following process changes or investments.

Mill performance is measured in the index against a standard which should be attainable with the use of best available technology (BAT) or best practice, as described in the European Union IPPC reference document. An index value of 1.0 or less indicates that the mill has an environmental standard which satisfies the ambitious levels which can be attained with BAT or best practice. The BAT level of performance is mill specific and is a function of age, technology, investment history and operational performance.

The environmental index for the whole group is calculated as an average of each mill's index score weighted by production volumes.

The table below shows the targets for 2012 and 2013 for the parameters included in the E-index, as well as the results achieved during the last four years. These figures represent production-weighted averages for all mills. In 2012, five mills reached their E-index targets. Better results were achieved for four of the six specific parameters compared to 2011. Overall there was a significant improvement compared to 2011 and the group's ambitious 2012 target was reached. Changes in production levels and process changes within mills will impact the individual mill and company E-Index scores.

ENVIRONMENTAL INDEX

	Achieved 2009	Achieved 2010	Achieved 2011	Achieved 2012	Target 2012	Target 2013
Discharged process water m3/tonne	19.3	18.7	18.5	18.9	17.9	16.4
COD kg/tonne	5.37	4.79	4.2	3.8	4.1	3.7
Suspended solids kg/tonne	0.62	0.56	0.50	0.40	0.48	0.40
Nitrogen oxides g/GJ	93	106	98	94	101	99
Waste to landfill kg/tonne	20.4	21.4	23.2	24.6	21.3	22.0
Total energy consumption GJ/tonne	12.5	12.6	12.7	12.6	12.6	12.3
Environmental index	**1.15**	**1.14**	**1.10**	**1.05**	**1.07**	**1.00**

KEY FIGURES
FOR NORSKE SKOG'S WHOLLY-OWNED MILLS

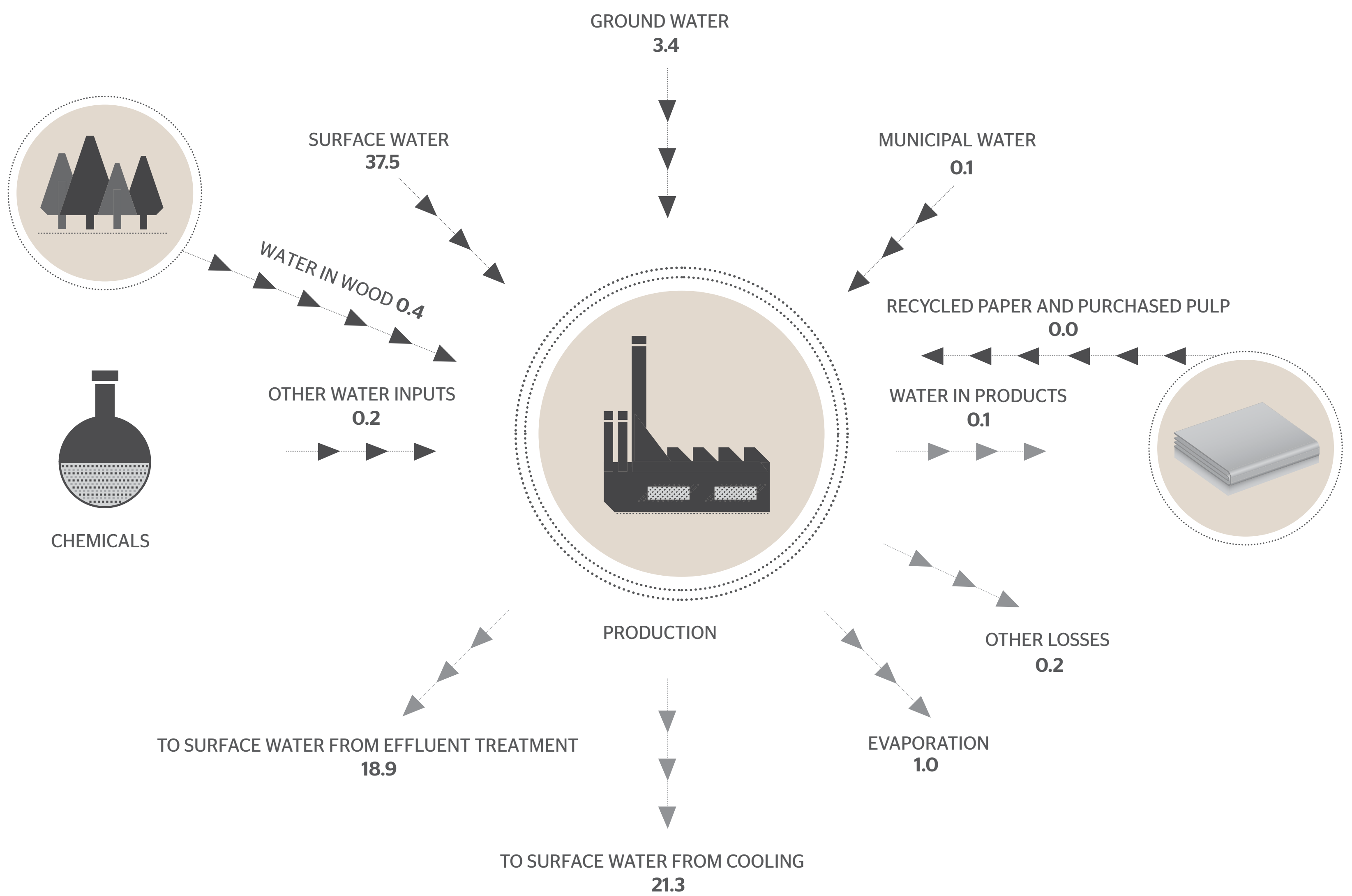
Consumption of raw materials		
Roundwood	m^3	2 938 000
Sawmill chips	m^3	1 645 000
Recovered paper	tonnes	1 097 000
Purchased pulp	tonnes	153 000
Inorganic fillers	tonnes	474 000
Energy		
Electricity	GWh	7 165
Heat	GWh	5 510
Discharges to water		
Discharged process water	mill m^3	62
Organic material (COD)	tonnes	12 260
Suspended Solid (SS)	tonnes	1 305
Phosphorus (Tot-P)	tonnes	50
Emission to air		
CO_2-equivalents (direct)	tonnes	548 000
SO_2	tonnes	368
NO_X	tonnes	992
Production waste		
Sludge (dry)	tonnes	334 000
Bark	tonnes	129 000
Other	tonnes	41 000
Products		
Newsprint grades	tonnes	2 181 000
Magazine paper	tonnes	1 075 000
Total	tonnes	3 256 000

WATER FOOTPRINT: THE TOTAL WATER CONSUMPTION IN THE PAPER VALUE CHAIN

Humans increasing use of freshwater resources place strain on global water resources. Policies and practices for sustainable use of this natural resource are a prerequisite for a sustainable global development. To help assessing the impact of different products on water resources, different water footprint tools are under development. Water footprint accounting includes both direct and indirect use of freshwater, measured over the full supply chain. For paper products, this includes water evaporated during tree growth (green water), water consumed during the production phase (blue water) and the water required to assimilate the discharged pollutants based on existing ambient water quality standards (grey water).

It is important to realise that the water footprint figure itself does not reveal much about the actual impact of operations at the local watershed level. A low water footprint could be less sustainable than a high water footprint. For instance, the water footprint for paper depends mainly on the time it takes for trees to grow. Trees use a lot of water to grow and paper will therefore have a large water footprint. Boreal forests are characterised by a humid climate, where precipitation is higher than evaporation. Forests sustain and slow down the surface runoff preventing flooding, erosion and leaching of nutrients. A sustainability assessment using many indicators is needed to gain understanding on whether mill operation and forest management practices are within the boundaries of what a water catchment can sustainably support.

Norske Skog will implement water footprint reporting when an international standard has been agreed. In the meantime we will report our water profile. Water scarcity is not an issue in any of the forest or plantation areas supplying Norske Skog or in any area where our mills are located. 97 per cent of the water entering Norske Skog mills is returned to rivers and lakes after treatment. All mills operate in accordance with local operating permits.



THE NORSKE SKOG WATER PROFILE GLOBAL AVERAGE WATER USE M³/TONNE OF PAPER

The figure presents the 2012 water profile for Norske Skog. The profile has been developed by examining the major inputs and outputs of water in the manufacturing process. The data presented is a combination of all 10 wholly-owned mills and represents a 'group average'. The total water use per tonne of paper in 2012 increased by four per cent compared to 2011. The increase was due to increased use of cooling water. 97 per cent of the water entering our mills is returned to rivers and lakes after treatment. Approximately three per cent is returned to the atmosphere as water vapour, retained in the products or used for irrigation of forest plantations or agricultural areas.

WATER SUPPLY

The majority of fresh water used by Norske Skog's mills (90.2 per cent) originates from surface water sources. A further 8.3 per cent is supplied from ground water supplies and a relatively small amount, 0.2 per cent, comes from municipal water supplies.

Water also enters the manufacturing process through the raw materials which are purchased. Fibre based raw materials (wood, wood chips, recycled fibre and purchased pulp) constitute proximately one per cent of water input. Non-fibre raw materials (such as chemicals and steam) make up the balance.

WATER USE

The majority of water which enters our mills (51 per cent) is used to cool machinery and equipment performing electricity or steam generation and/or pulp and paper manufacturing activities. The rest of the water is used in the papermaking processes ("process" water).

Most mill effluents are discharged to river and lake systems after treatment. No effluent is discharged to groundwater aquifers.

EMISSIONS TO AIR AND DISCHARGE TO WATER

Manufacturing pulp and paper requires raw materials and energy. Norske Skog's environmental policy requires us to make efficient use of these resources and to continuously reduce our emissions and discharges.

SOLID RESIDUES AND EMISSIONS TO AIR

Emissions to air occur primarily from energy generation processes, and the majority of solid wastes occur from the processing of fibre inputs (wood or recovered paper) and from the treatment of effluent (fibre and biological solids). Most of our mills have their own boilers or incinerators for producing thermal energy from these solid residues. Fossil fuels in the form of natural gas, oil and coal may also be used. The main emissions associated with these activities include carbon dioxide, particulates, sulphur dioxide and nitrogen oxides. A number of technologies are used to reduce and control these discharges. Ash residues result from combustion processes involving solid fuels.

In 2012, the emission of sulphur dioxide per tonne of paper was down by 14 per cent compared to 2011 due to reduced use of fossil fuel. The emissions of NOx per tonne of paper were down by eight per cent compared to last year.

The total quantity of production waste generated by the group in 2012 was 504 000 dry tonnes. This is a decrease of about 30 000 tonnes compared to 2011. In 2012, 150 000 tonnes of ash were generated from combustion, a decrease of 11 000 tonnes compared to 2011.

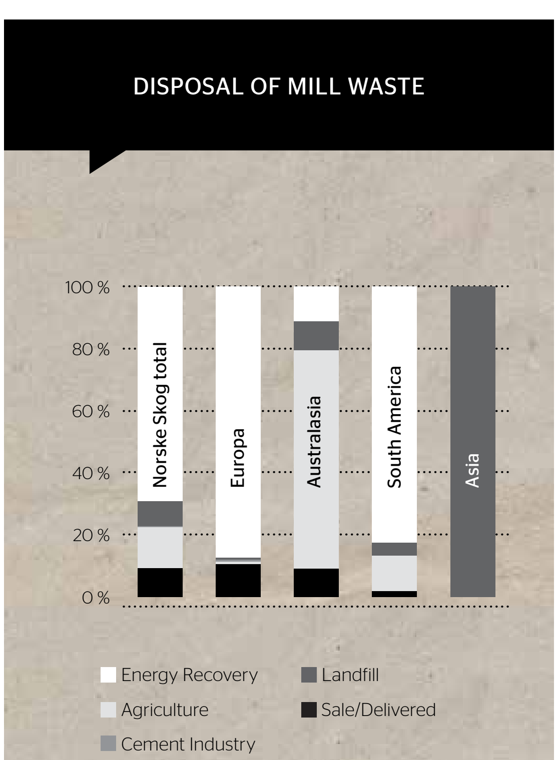
The residues from the production processes are reused or disposed of in a number of ways as shown in the figure. Where possible, process residues are used to generate energy for the pulp and paper manufacturing process. In 2012 68 per cent of the waste was used as bio-fuel, down from 71 per cent in 2011. Other residues, for example ash, are used in concrete or brick making, or in road construction. Agricultural re-use is also an option for some ash and organic materials. Part of the production residues are deposited in landfills. Many of our mills participate in projects to find alternative or additional methods of reusing the by-products from the production processes.

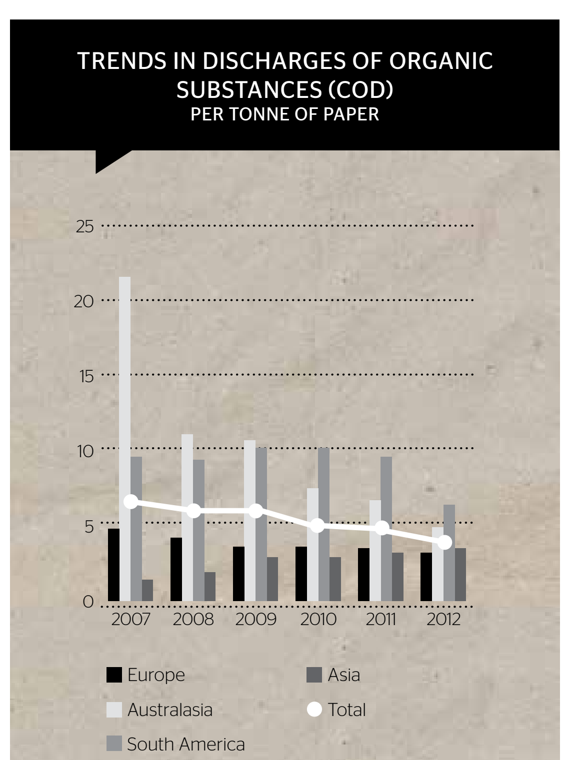
Hazardous waste amounted to 426 tonnes in 2012. Hazardous waste is disposed through authorised collection systems in accordance with national regulations.

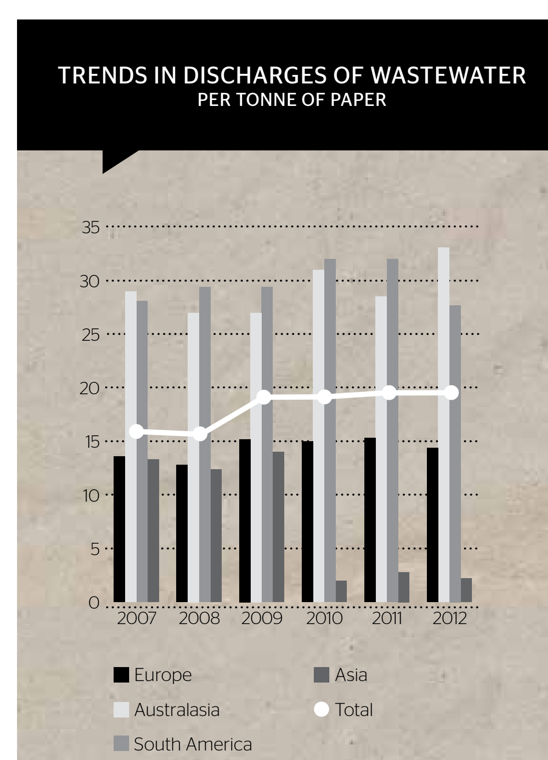
WATER DISCHARGES

Water is generally used and recovered multiple times through the pulp and paper-making processes before finally being discharged to a number of treatment stages. These treatments remove solid particles as well as dissolved organic material, making the water suitable for safe return to the natural environment. In 2012, the water consumption in the production process per tonne of paper was up 1.7 per cent compared to 2011. The discharges of dissolved organic material, suspended matter and nitrogen per tonne of paper were reduced by nine per cent, twenty per cent and five per cent respectively compared to 2011. The discharge of phosphorous increased by 10 per cent compared to 2011. The difference in results from one year to the next is the result of many factors, including process improvements, utilisation of equipment, production issues and product changes.

Norske Skog does not use bleaching chemicals containing chlorine in any mills. Chlorinated organic compounds are therefore not created and AOX is not included in our emission reporting.







ENVIRONMENT-RELATED INVESTMENTS, OPERATING COSTS AND TRANSPORT

ENVIRONMENT-RELATED INVESTMENTS

Environmental investments of NOK 32,8 million were made at our mills in 2012. Most of the investments regarded waste handling, energy saving and reduction of emissions to the receiving water. Most mills implemented a number of smaller environmental related initiatives as part of their continuous improvement programs.

The presentation of environment related investments often only covers the expenditure side of the equation. While some investments are made to meet changes in regulations, a large proportion of investments are also made to provide financial or other business benefits. For example, investments in new equipment or technology which reduce water use will also reduce energy consumption because a lower volume of water is pumped, heated or treated. Investments in solid waste handling systems are often made to improve the suitability of the waste for combustion and heat recovery. Improvements in chemical handling often have an improved health and safety dimension.

ENVIRONMENT-RELATED OPERATING COSTS

Approximately NOK 220 million of environment-related operating costs were incurred in 2012, equivalent to approximately NOK 68 per tonne of paper produced. The cost per tonne of paper decreased by 11 per cent compared to 2011. The main decrease was related to the cost of chemicals in treatment plants and sludge dewatering which accounted for 28 per cent. Payroll costs and maintenance were responsible for 20 and 11 per cent of the environment-related operating costs respectively. Government taxes and other charges relating to operating and monitoring treatment plants and waste management accounted for the remainder.

TRANSPORT

Norske Skog strives continually to have efficient logistics systems for the materials it purchases and for its products. Efficient systems contribute to the reduction of transport-related costs and greenhouse gas emissions. The ongoing optimisation of our logistics arrangements is done in co-operation with our transport providers.

TRANSPORT OF RAW MATERIALS

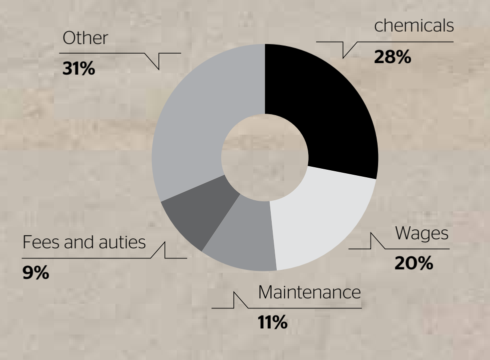
The most environmentally friendly form of wood sourcing is to be supplied by local, certified wood sources, because it minimises transport distances and requires sustainable logging. Recycled fibre is a globally traded commodity, with the same environmental considerations as when purchasing wood. Truck transport is the primary raw material transport method, accounting for approximately 80 per cent of inwards transport in 2012. Transport via ship and train accounted for 13 and seven per cent respectively.

TRANSPORT OF PRODUCTS

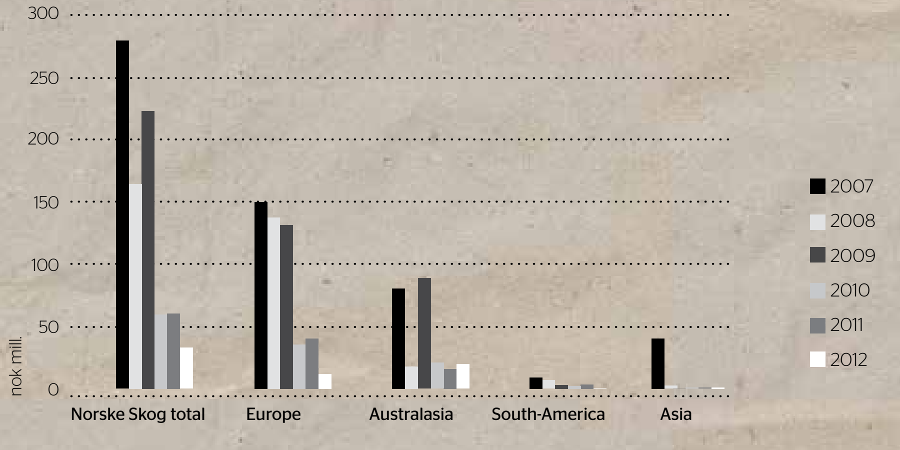
In 2012, we transported 3.3 million tonnes of paper to our customers. A large proportion of the paper is exported. This means that the distribution methods used to transport our finished products differ from the transport methods for raw materials.

There was a small change in transport methods compared to 2011. Truck transport continues to be the dominant distribution method, with 45 per cent of our finished products being transported by truck (46 per cent in 2011). Rail and ship transportation amounted to 22 and 33 per cent respectively.

ENVIRONMENT - RELATED OPERATING COSTS, BY TYPE OF COST



ENVIRONMENT-RELATED INVESTMENTS



MILL FIGURES

		Bruck	Golbey	Saugbrugs	Skogn
PRODUCTION					
Paper	tonnes	357 275	555 357	441 946	468 725
CONSUMPTION					
Roundwood	1 000 m^3	198	203	545	541
Sawmill chips	1 000 m^3	0	367	101	207
Recovered paper	1 000 tonnes	205	448	0	189
Purchased pulp	1 000 tonnes	22	0	41	1
Pigments and fillers	1 000 tonnes	87	18	178	27
Electric power	MWh/tonne	1.18	1.68	2.70	2.26
	GWh	421	935	1 195	1 058
Thermal energy[1]	GJ/tonne	4.37	5.05	5.86	5.88
	TJ	1 561	2 805	2 590	2 756
DISCHARGE TO WATER					
Treated process water	m^3/tonne	13.1	9.9	16.4	16.3
	1000 m^3	4 684	5 525	7 261	7 629
Organic material (COD)	kg/tonne	3.3	1.9	4.4	3.6
	tonnes	1 168	1 027	1 945	1 669
Suspended solids (SS)	kg/tonne	0.3	0.1	0.2	0.5
	tonnes	96	62	106	211
Phosphorus (tot-P)	g/tonne	3.1	19.9	8.9	14.8
	tonnes	1.0	11.0	3.9	7.0
AIR EMISSIONS[2]					
CO_2-e (fossil) (total direct)	tonne/tonne	0.56	0.02	0.01	0.01
CO_2-e (fossil) (indirect)	tonne/tonne	0.03	0.13	0.02	0.01
CO_2-e (fossil) (total)	1000 tonnes	210	84	9	12
WASTE[3]					
Waste to landfill	kg/tonne	0.3	1.9	21.9	45.5
	tonnes	111	1 060	9 682	21 325
MANAGEMENT SYSTEMS					
Environmental MS[4]	Certificate	ISO/EMAS	ISO	ISO	ISO
CoC-systems	Certificate	PEFC/FSC	PEFC/FSC	PEFC/FSC	PEFC/FSC
FORESTRY CERTIFICATION[5]					
Certified (PEFC or FSC)	%	82	66	89	82

[1] Includes heat recovered from the production process
[2] Emissions from production, internal transport and purchased energy
[3] Production waste (organic and inorganic)
[4] ISO = ISO 14001. EMAS = EU Eco management and audit scheme
[5] Of the quantity roundwood + sawmill chips + purchased pulp
[6] 100% Recovered fibre

Walsum	Albury	Boyer	Tasman	Pisa	Singburi
397 342	250 603	238 657	260 074	165 029	120 658
0	412	569	151	319	0
423	0	8	469	71	0
0	100	0	0	0	156
72	0	2	0	15	0
151	0	4	10	0	0
1.91	2.57	3.04	3.42	2.61	0.88
759	643	726	890	431	106
6.28	6.96	8.12	7.93	7.73	4.85
2 495	1 744	1 938	2 062	1 276	585
13.2	11.0	31.6	55.8	27.7	16.1
5 241	2 743	7 543	14 509	4 576	270
3.3	3.0	8.0	4.0	6.4	3.5
1 299	740	1 897	1 043	1 051	421
0.2	0.2	1.1	1.6	0.0	0.3
83	40	260	411	5	30
5.8	4.6	51.5	n.r.	64.5	6.0
2.3	1.2	12.3	n.r.	10.6	1.0
0.05	0.24	0.84	0.00	0.01	0.35
0.97	2.28	0.38	0.62	0.13	0.50
408	633	291	163	24	102
0.0	8.7	58.36	14.9	6.8	239.2
1	2 173	13 928	3 878	1 116	28 857
ISO/EMAS	ISO	ISO	ISO	ISO	ISO
PEFC/FSC	PEFC	PEFC/FSC	FSC	FSC	
87	61	98	64	88	0[6)]

INDEPENDENT AUDITOR'S REPORT

TO THE MANAGEMENT OF NORSKE SKOGINDUSTRIER ASA

We have reviewed the environmental information presented in Norske Skog's 2012 Annual Report, pages 20 – 36 ("the Report"). The Report is the responsibility of and has been approved by the management of the Company. Our responsibility is to draw a conclusion based on our review.

We have based our work on the international standard ISAE 3000 "Assurance Engagements other than Audits or Reviews of Historical Financial Information", issued by the International Auditing and Assurance Standards Board. The objective and scope of the engagement were agreed with the management of the Company and included those subject matters on which we have concluded below.

Based on an assessment of materiality and risks, our work included analytical procedures and interviews as well as a review on a sample basis of evidence supporting the subject matters.

We believe that our work provides an appropriate basis for us to conclude with a limited level of assurance on the subject matters. In such an engagement, less assurance is obtained than would be the case had an audit-level engagement been performed.

CONCLUSION

In conclusion, in all material respects, nothing has come to our attention that causes us not to believe that:

- The environmental aspects presented in the Report comprise the most significant ones at corporate level.
- Norske Skog has applied procedures, as summarised on page 36, for the purpose of collecting, compiling and validating environmental data from its reporting units for inclusion in the Report.
- The aggregated information accumulated as a result of the procedures noted above is consistent with the data reported from reporting units and appropriately reflected in the Report.
- The environmental information for 2012 reported from a sample of two reporting units (Norske Skog Walsum and Norske Skog Golbey) was reported according to the procedures noted above and was consistent with the source documentation presented to us.
- Norske Skog applies a reporting practice for its environmental reporting aligned with the Global Reporting Initiative (GRI) Sustainability Reporting Guidelines reporting principles. The GRI Index referred to on page 36 in the Report appropriately reflects where relevant information on each of the elements and performance indicators of the GRI guidelines is to be found within the Norske Skog Annual Report 2012. The UN Global Compact table referred to on page 36, appropriately reflects where relevant information is presented in the Norske Skog Annual Report 2012.

Oslo, 1 March 2013
Deloitte AS

Eivind Skaug
State Authorized Public Accountant

Frank Dahl
Deloitte Sustainability

ENVIRONMENT AND CORPORATE SOCIAL RESPONSIBILITY REPORTING

The environment report contains information which Norske Skog believes covers the material environmental aspects of the value chain of the company's activities. Environmental data for 2012 includes wholly owned paper mills which were part of the group as of 31 December 2012.

Comparison with 2011 is done on adjusted 2011 figures (taking out the units sold or closed in 2012)

Environmental data has been collected from the mills using established reporting routines. These include monthly standardised reporting for the key environmental data as well as a standardised collection of supplementary information on an annual basis. The monthly reporting includes production, consumption of raw materials, energy consumption, emissions and discharges and waste. Data from this reporting is collated by the environment manager on the group level in standardised monthly reports to the corporate management and to the board quarterly. Basis and methodology for the reporting on greenhouse gas emissions and the Environmental Index is described on pages 27 and 29. The figures in the environmental report are collated and processed with a view towards an as uniform and practical presentation of data as possible.

Norske Skog also supports the work to develop a global standard for reporting of sustainable development. We therefore use the Global Reporting Initiative's (GRI) guidelines for reporting relating to sustainability as a tool in our work to report environmental and corporate responsibility. Our reporting practice is, in our view, for all practical purposes in line with the GRI reporting routines. On our website, (www.norskeskog.com/gri.aspx), there is a GRI table containing references to where in the annual report relevant information about the various elements and key indicators in GRI can be found. In our opinion, our reporting for 2012 meets with the Level B requirements in accordance with the guidelines.

Norske Skog is committed to contribute to sustainable development. We have signed the UN Global Compact, are members of Global Compact Nordic Network (GCNN), where participants from Denmark, Finland, Norway and Sweden discuss common challenges and the implementation of the ten principles in the UN Global Compact. There is a UN Global Compact table, with reference to where in the annual report relevant information about the ten principles can be found, on our website www.norskeskog.com/globalcompact.aspx

REPORT OF THE BOARD OF DIRECTORS

Norske Skog is one of the world's leading producers of newsprint and magazine paper. Around two thirds of the group's production capacity is located in Europe, consisting of a balanced portfolio of newsprint and magazine paper, while the remaining third is newsprint capacity located in Australasia, Brazil and Thailand.

Demand for publication paper in mature markets is structurally declining, with migration of advertising and content from print to digital media. However, paper has unique characteristics in obtaining attention when utilised for advertising and has shown to be more efficient in transferring knowledge. Paper is also a renewable product with a carbon footprint comparable to new digital devices. The role of paper as a media form is therefore changing, but paper will continue to be a key medium for distribution of information.

The sovereign debt crisis in Europe with resulting uncertainty, austerity measures and high unemployment hit retail and advertising spending hard in 2012. Demand for publication paper thus decreased more than the underlying secular decline from migration to digital media. Also during 2012, capacity was closed as a result of declining markets. Prices remained relatively stable last year despite a demand decline of close to 10% in Europe. In Australasia demand was off by more than 10% with a strategic shift at a large publisher, a weak retail economy and structural decline from a high level of paper usage per capita.

Global demand for newsprint declined by 3% in 2012. For magazine paper the decrease was 4% and 8% for uncoated and coated, respectively.

NORSKE SKOG IN 2012

Norske Skog managed to generate an operating result on level with the two previous years despite a marked decline in demand and significant capacity reductions. Norske Skog closed the Follum BU in Norway last year, sold its Chilean operations and disposed of the Parenco BU in the Netherlands. These changes reduced the group capacity with 680 000 tonnes, or by 15%.

An appreciating Norwegian krone and an unfavourable regulatory framework continued to put pressure on the Norwegian operations and challenged the rational for operating full capacity in Norway.

Restructuring initiatives were taken in Australasia to adapt to the lower demand. It was decided to close one machine at Norske Skog Tasman in New Zealand to reduce the low-margin exports out of the region. To further balance the newsprint market in Australasia, Norske Skog is converting a machine at Boyer on Tasmania to magazine paper production. Together these two initiatives will reduce newsprint capacity in the region by approximately 300 000 tonnes.

INCOME STATEMENT AND CASH FLOW

Norske Skog's operating revenue in 2012 was NOK 17 billion (NOK 19 billion in 2011). The reduction was largely driven by reduced capacity in the group through the year. Delivery volumes were down 7% to 3.6 million tonnes.

Gross operating earnings were NOK 1 464 million in 2012 (NOK 1 515 million). Depreciation was NOK 935 million in 2012 (NOK 1 658 million). The lower depreciation level reflected an extension of useful life, impairments and disposals of assets.

Gross operating earnings after depreciation but before restructuring costs, other gains and losses, and impairments, were NOK 529 million in 2012 (NOK -143 million).

Restructuring expenses in 2012 amounted to NOK 118 million (NOK 387 million) and were mainly provisions related to the decision to close one machine at Norske Skog Tasman in New Zealand. Other gains and losses in 2012 were NOK -1 009 million (NOK -201 million) and were largely due to reduced mark to market valuation of the group's energy contracts. Impairments totalled NOK 2 086 million in 2012 (NOK 1 969 million). The impairments in 2012 mainly reflected lower sales price expectations, reduced cash flow horizon and the closure of one machine at Norske Skog Tasman. Operating earnings after these non-recurring items were NOK -2 684 million in 2012 (NOK -2 701 million).

Net financial items in 2012 were NOK -96 million (NOK -629 million). Net interest expense was NOK 585 million in 2012 (NOK 696 million) with the reduction stemming from deleveraging efforts by the group. Total currency items, mainly realised and unrealised currency effects from hedging, were NOK 359 million in 2012 (NOK -43 million), with the gain resulting from an appreciating Norwegian krone through the year. Financial items in 2012 also included gains on bond buy-backs.

Income relating to tax in the income statement for 2012 amounted to NOK 69 million (NOK 588 million). Tax income reflects pre-tax losses.

Net profit after tax in 2012 was NOK -2 781 million (NOK -2 545 million). Earnings per share in 2012 were NOK -14.63 (NOK -13.36).

Cash flow from operations, taking into account release of working capital, paid interest, restructuring and taxes, was NOK 982 million in 2012 (NOK 455 million). Increased capital efficiency thus contributed to the strong cash flow.

BALANCE SHEET

Total assets were NOK 16 061 million at 31 December 2012, compared with NOK 21 974 million at 31 December 2011. The reduction of NOK 5 913 reflected disposals, impairments, investments below depreciation and reduced working capital. Total non-current assets were NOK 11 411 million at 31 December 2012, compared to NOK 15 803 million at 31 December 2011. Capitalised investments in property, plant and equipment were NOK 492 million in 2012 (NOK 490 million). The investment level has remained below NOK 500 million for three consecutive years.

Total current assets were NOK 4 650 million at 31 December 2012, compared with NOK 6 171 million at 31 December 2011. The decrease was primarily due to reduced working capital as mentioned above.

Total non-current liabilities were NOK 8 963 million at 31 December 2012, compared with NOK 10 184 million at 31 December 2011. The debt reduction followed mainly from bond buy-backs and an appreciating Norwegian krone.

Net interest-bearing debt was reduced by NOK 1 842 million through 2012 and amounted to NOK 6 021 million at 31 December 2012.

Equity excluding non-controlling interests was NOK 4 314 million at 31 December 2012, compared with NOK 7 433 million at 31 December 2011. The reduction of NOK 3 119 million mirrored the negative result in the financial statements and currency translation differences. Equity per share was NOK 23 at 31 December 2012, compared to NOK 39 at 31 December 2011.

The board confirms that the report of the board of directors and financial statements give a true and fair view of the company's financial position, and that the financial statements have been prepared on the going concern basis.

DIVIDEND PROPOSAL
Based on weak earnings and the company's financial position, the board recommends that no dividend is disbursed for the financial year 2012.

SEGMENT ACTIVITY AND MARKET DEVELOPMENT
Norske Skog's reporting structure in 2012 provided segment information for Newsprint Europe, Newsprint outside Europe and Magazine paper. Other activities largely comprise costs above the segment level.

Demand for newsprint and magazine paper fell in all markets except Asia and Africa in 2012. For the world as a whole, demand for newsprint fell by 3%, while magazine paper experienced a 6% decline.

The decrease reflected a weak world economy with cyclical factors significantly amplifying the secular decline in mature markets. Newsprint usage per capita is however converging in Europe, Australasia and the US. Demand has also been relatively stable in the US during the last couple of years.

NEWSPRINT EUROPE
At the end of 2012, the segment included the BUs Norske Skog Skogn, Norske Skog Golbey and one of the paper machines at Norske Skog Bruck. Production capacity was 1 305 000 tonnes, accounting for around one third of Norske Skog's total capacity.

Operating revenue was NOK 4 528 million in 2012 (NOK 6 034 million). Gross operating earnings in 2012 were NOK 363 million (NOK 387 million), and gross operating earnings were stable despite significant capacity reductions and reflected relatively stable prices, and lower fixed and variable costs. Sales volumes declined by 20% to 1 187 000 tonnes.

Demand for newsprint in Europe was 10% lower in 2012 compared to the year before, while industry shipments declined by 5% due to an increase in exports. Capacity utilisation for the group in Newsprint Europe was 88% in 2012 (90%).

NEWSPRINT OUTSIDE EUROPE
The segment includes Norske Skog's newsprint operations in Australia, New Zealand, Brazil and Thailand. Total production capacity at year end was 1 180 000 tonnes and 1 020 000 tonnes from January 2013 following the closure of one machine at Norske Skog Tasman. Approximately 70% of the segment capacity is located in Australia and New Zealand.

Operating revenue in 2012 was NOK 5 263 million (NOK 5 679 million) and gross operating earnings were NOK 880 million (NOK 915 million). The reduction in gross operating earnings was largely explained by the divestment of Norske Skog Bio Bio, which was deconsolidated in May 2012. Prices remained stable, with long term contracts running through mid 2015 in Australia and New Zealand. Sales volumes declined by 8% to 1 093 000 tonnes.

Demand for newsprint in Oceania fell by 11% in 2012. In Latin America, there was a more modest decline of 5%. Capacity utilisation for the group in Newsprint outside Europe was 88% in 2012 (91%).

MAGAZINE PAPER
At the end of 2012, the segment included the BUs Norske Skog Saugbrugs and Norske Skog Walsum, as well as one of the paper machines at Norske Skog Bruck. Production capacity was 1 260 000 tonnes, of which uncoated magazine paper was 545 000 tonnes and coated magazine paper 715 000 tonnes.

Operating revenue in 2012 was NOK 6 254 million (NOK 6 291 million). Gross operating earnings were NOK 330 million (NOK 291 million), and gross operating earnings in 2012 improved slightly compared to the previous year which was negatively impacted by a fire at Norske Skog Saugbrugs in February 2011. Relatively stable prices, lower variable costs and cost reduction efforts contributed to the better result. Sales volumes increased 11% to 1 308 000 tonnes.

Demand for both SC (uncoated) and LWC (coated) magazine paper in Europe was lower in 2012 than the year before, down 4% and 9% respectively. Capacity utilisation for the group's magazine paper operations was 87% in 2012 (79%).

OTHER ACTIVITIES
Other activities include related operational activities including purchase and resale of energy and wood to the mills and trading activities in recovered paper. The global recovered paper business, Reparco, was sold in the fourth quarter of 2012.

The negative gross operating earnings in the segment stems from unallocated group costs related to the headquarter and other support functions.

Norske Skog holds a minority stake (33.65%) in Malaysian Newsprint Industries (MNI). The holding is accounted for in accordance with the equity method, implying a one line consolidation below operating earnings in the income statement.

PROFITABILITY IMPROVEMENTS AND FINANCIAL POSITION
Prices for publication paper remained relatively stable through 2012, with very weak demand being offset by capacity closures and increased exports.

Initiatives to reduce fixed costs continued. The annual level of fixed costs for the group was around NOK 3.4 billion at the end of 2012, compared to NOK 4.1 billion the year before. Already initiated cost reduction efforts should reduce this further to around NOK 3.2 billion one year hence. The company is also investing in an environmental friendly energy efficiency project at Norske Skog Saugbrugs, which will lead to lower variable costs from 2014.

The Norwegian krone continued to appreciate against major currencies through 2012. A strong Norwegian krone is challenging for Norske Skog, which has a large cost base in Norway and most of its revenue in other currencies. In order to mitigate the currency effect on operations, the group continued its operational cash flow hedge programme in 2012.

Norske Skog has loan terms, or covenants, related to a credit facility. The covenants set requirements to the debt level (Leverage Ratio) and interest payments relative to gross operating earnings (Coverage Ratio). The group's outstanding bonds are not linked to these covenants.

At the end of the year, Norske Skog had cash holdings which gave sufficient liquidity to meet debt maturing through 2013.

COST DEVELOPMENT
The group's total costs (excluding depreciation) were NOK 15 billion in 2012, compared with NOK 17 billion in 2011. Of the total costs in 2012, 75% were variable costs and 25% fixed costs.

INPUT FACTOR COSTS
Energy is the largest single cost for Norske Skog. It accounted for 22% of the total costs payable in 2012. Purchased electricity constitutes about two thirds of energy costs, and the remaining third consists of self generated heat and purchased thermal energy. Around two thirds of the group's electricity consumption is purchased under long term contracts entered into in Norway and Australasia. The group mainly has spot exposure to electricity on the continent in Europe.

Norske Skog is a large consumer of wood in the form of logs and sawmill chips. Wood accounted for 13% of the total costs payable in 2012. Wood prices in Norway declined throughout 2012. The group mainly purchases wood under longer term purchase agreements in Australasia and Brazil.

Norske Skog contributes to recycling and reuse by utilizing recovered paper in its production. Recovered paper was the third largest variable cost element in 2012, making up more than 10% of total cost payables.

The consumption of chemical pulp, which is only used in the production of magazine paper, is relatively small, constituting only 4% of overall costs.

Both recovered paper and chemical pulp prices were relatively stable during 2012.

FIXED COSTS
The level of fixed costs was approximately NOK 3.4 billion at the end of 2012. Fixed costs include employee benefit expenses and other operating expenses.

ORGANISATION

BOARD OF DIRECTORS

Norske Skog's board of directors consists of Eivind Reiten (chair), Eilif Due, Siri Beate Hatlen, Finn Johnsson, Karen Kvalevåg, Åse Aulie Michelet, Jon-Aksel Torgersen and three employee-elected representatives Kjetil Bakkan, Paul Kristiansen and Svein Erik Veie. During 2012 the corporate assembly was dissolved, and the board is now elected by the general meeting.

CORPORATE MANAGEMENT

Norske Skog's corporate management consists of Sven Ombudstvedt (president and CEO), Rune Gjessing (CFO) and Trond Stangeby (COO).

EMPLOYEES

Norske Skog had approximately 4 000 employees at the end of 2012. At the end of 2011, there were approximately 5 000 employees.

HEALTH AND SAFETY

Norske Skog aims to have zero injuries among employees. Health and safety is a corporate responsibility, followed up by the individual business units. All near misses and injuries are reported in a global system. Experiences from every single incident are shared with the entire organisation. The H1-value, which represents lost-time injuries per million working hours, was 2.37 in 2012. Norske Skog had had an absence rate due to sickness of 3.6% in 2012.

RESEARCH AND DEVELOPMENT

Norske Skog's research and development work is performed at the individual business units and in cooperation with external research institutions. The work is coordinated centrally by Norske Skog, where the aim is to leverage synergies and best practices throughout the group.

GENDER EQUALITY, GENDER BALANCE AND DIVERSITY

The paper industry has traditionally had few female employees. The proportion of women in Norske Skog has been stable at around 10% for many years.

Norske Skog's board of directors consists of seven members elected by the shareholders and three members elected by and among the employees. There are four men and three women among the shareholder-elected members. All of the employee-elected representatives are men. An exception from the gender balance requirement for employee-elected board members is granted for companies with a total female percentage of less than 20%. Norske Skog complies with the requirement for gender balance on boards of Norwegian public limited companies.

Norske Skog works to increase awareness that discrimination based on gender, race or beliefs not only violates laws and regulations, but is also in conflict with the interests of diversity, our ethical standards and our global agreement with the Norwegian Federation of Trade Unions and ICEM for the development of good working conditions. The company complies with the purposes and provisions of the Anti Discrimination and Accessibility Act. Some of the BUs have their own equality committees.

EMPLOYEE REPRESENTATIVES

The ICEM treaty is a global agreement to safeguard employee rights. Norske Skog is a signatory to the treaty, which has been made with the Norwegian United Federation of Trade Unions and the International Federation of Chemical, Energy, Mine and General workers' unions (ICEM).

Norske Skog has global and regional forums for employee representatives. The current system was established in 2004 and is regulated by a separate agreement between corporate management and its representatives. Most regional forums held a meeting in 2012.

COOPERATION PROJECTS

Through cooperation with the World Association of Newspapers (WAN), Norske Skog contributes to a literacy programme for children in large parts of the world called Young Reader. Newspapers and magazines form the basis for the teaching. Norske Skog also sponsors WAN's initiative for development of innovative newspaper products. The project is called Shaping the Future of the Newspaper, and is a collaboration with newspaper publishers and other industry players.

RISK MANAGEMENT

Through 2012 the board was kept continually up to date on the group's performance. Norske Skog makes an annual Enterprise Risk Management (ERM) evaluation based on reports from all operating units and key functions. The report was presented to the board and is part of the group's risk management activities.

The main risk exposure for the group is linked to prices and sales volumes of newsprint and magazine paper, and the cost of key input factors such as energy, wood and recovered paper. Currency and macro economic developments remain the largest uncertainties impacting all of the above. High financial leverage amplifies the business risk.

Norske Skog's operations are mainly concentrated on the production of newsprint and magazine paper. The balanced exposure in Europe between newsprint and magazine paper gives some product related diversification, and the company's operations in Australasia, Brazil and Thailand provide some geographic diversification.

Norske Skog is not vertically integrated and has to source input factors from third parties. The supply of these input factors is largely covered by long term contracts.

Energy supply is ensured primarily through long term energy contracts. Long term contracts have been entered into in Norway and Australasia, covering most of the anticipated use. These contracts reduce the fluctuations in energy costs. In addition, some of the energy exposure is covered through financial hedging contracts, primarily forward contracts. This applies particularly to continental Europe. Financial risk management primarily includes foreign exchange risk, interest rate risk and liquidity risk.

The group has long term wood contracts in Norway, for certain BUs in Europe and in Australasia and Brazil, which ensure a stable supply of raw materials. The contracts contain pricing clauses that provide a price stabilising effect. Recovered paper is purchased by the BUs based on local contracts. Recovered paper prices are normally volatile, but were relatively stable through 2012.

Norske Skog has revenues and expenses in various currencies and currency volatility can therefore have a major impact on the group's earnings and cash flow. The group manages this risk through its active hedging programme. The group hedges a large portion of the expected cash flow in foreign currencies on a rolling basis for the next nine to 12 months. Forward contracts and options are used for cash flow hedging.

Currency fluctuations will also affect debt related covenants. The balance sheet is primarily hedged by matching the currency composition of the loan portfolio to the currency composition of assets and cash flow. Norske Skog's debt is primarily in euro and U.S. dollars, which are both currencies in which the group has positive underlying cash flow. In addition to borrowings in foreign currencies, instruments such as short forward contracts and long term currency swaps are used.

Norske Skog mainly pays fixed interest rates on the group's outstanding bond issues. The predictability in interest payments is considered appropriate given the operating risk of the business.

Norske Skog performs credit evaluations of counterparties to financial trading. These counterparties consist mainly of international banks and the requirement is that these should have a credit rating of at least A-. Assessments are also made of the counterparties in long-term contractual relationships and of the group's customers.

The group's general insurance is managed centrally through a well-established insurance programme. The group's risk factors are discussed further in note 8 to the consolidated financial statements and the group's corporate governance is discussed in the annual report under corporate governance.

ENVIRONMENT

Norske Skog sets high goals for its environmental work, both at corporate and unit level. Clear environmental targets are set for each individual production unit, and the company has procedures for internal reporting of environmental performance. The group's annual report is prepared in accordance with the Global Reporting Initiative (GRI). Norske Skog signed the UN Global Compact treaty in 2003. Companies that have signed the treaty undertake to comply with the principles of human rights, employee rights, the environment and anti-corruption work. Norske Skog puts great emphasis on having a comprehensive and transparent reporting of environment and social corporate responsibility.

Norske Skog initiated significant environmental investments in 2012, primarily aimed at energy conservation. All Norske Skog's business units are certified in accordance with ISO 14001.

RESOURCES AND GREENHOUSE GAS EMISSIONS

Use of recovered paper is an important part of the group's energy and climate work. Recovered paper requires less energy for production of new paper than wood and thereby reduces greenhouse gas emissions.

Norske Skog prioritises the procurement of logs and wood chips from certified forestry. The company's procurement policy is that all wood shall come from sustainable forests. All Norske Skog business units have traceability certificates to document the origin of wood.

Norske Skog has determined to reduce its greenhouse gas emissions by 25% from 2006 to 2020. The reduction target includes direct greenhouse gas emissions from paper production, and indirect emissions from purchased electricity and heat. The goal will be achieved through a combination of energy conservation and use of alternative energy sources.

EVENTS AFTER 31 DECEMBER 2012

One paper machine at Norske Skog Tasman in New Zealand ceased production on 9 January 2013. The machine had a newsprint capacity of 160 000 tonnes.

Norske Skog has decided to move its corporate headquarters to Skøyen in Oslo from the current registered office outside of Oslo. The new facilities are smaller in line with headquarter staff reductions, as well as more practical and less expensive. The move will take place in June 2013.

OUTLOOK FOR 2013

Norske Skog expects that the operating environment will remain challenging, with weak demand in both Europe and Australasia. Relatively stable costs and already announced industry-wide capacity closures will be supportive. Active capacity management will lead to low utilisation rates in the short term. Further Norwegian krone appreciation remains an additional risk.

NORSKE SKOGINDUSTRIER ASA (THE PARENT COMPANY)

The activities of Norske Skogindustrier ASA consist primarily of corporate functions, and purchase and resale of wood, recovered paper and energy to the BUs in Norway.

Norske Skog has energy contracts for higher volumes than the anticipated future need for own consumption. Change in value of energy contracts in Norway that are not for own use affects the parent company's income statement in a similar manner to the consolidated financial statements. A loss of NOK 775 million has been recognised in 2012 relating to change in value of energy contracts. The loss in 2012 was mainly due to lower expected future energy prices, sale of part of the contract and volumes utilised during 2012. The value of the company's energy contracts is presented in the balance sheet lines "Other non-current assets" and "Other current assets", while changes in value are presented in the income statement as "Other gains and losses".

Restructuring expenses are related to downsizing at the corporate headquarters and changes in corporate management. Financial items amounted to NOK -2 340 million in 2012. This item includes impairment of the carrying value of shares in subsidiaries of NOK 2 743 million and dividends from subsidiaries of NOK 217 million. Impairment of shares in subsidiaries is a consequence of reduced values of the underlying assets. Financial items also include net interest costs of NOK 610 million and positive currency effects of NOK 541 million.

Net cash flow from operating activities in the parent company was negative with NOK 1 048 million in 2012. This amount included financial payments of NOK 708 million. The net increase in working capital of NOK 198 million has also contributed to the negative cash flow from operations.

At the end of 2012, Norske Skogindustrier ASA (the parent company) had 82 employees, of which 20 were women.

PROFIT ALLOCATION

The net loss for the year for Norske Skogindustrier ASA (the parent company) in 2012 was NOK 3 053 million, which has been allocated in its entirety to other paid-in equity. Distributable equity in Norske Skogindustrier ASA amounted to NOK 2 336 million at 31 December 2012.

LYSAKER, 1 MARCH 2013 – THE BOARD OF DIRECTORS OF NORSKE SKOGINDUSTRIER ASA

Eivind Reiten Chair	Eilif Due Board member	Siri Beate Hatlen Board member	Finn Johnsson Board member
Karen Kvalevåg Board member	Åse Aulie Michelet Board member	Jon-Aksel Torgersen Board member	Kjetil Bakkan Board member
Paul Kristiansen Board member	Svein Erik Veie Board member	Sven Ombudstvedt President and CEO	

CONSOLIDATED FINANCIAL STATEMENTS 12

NORSKE SKOGINDUSTRIER ASA

CONSOLIDATED INCOME STATEMENT

NOK MILLION	NOTE	2012	2011
Operating revenue	3	**16 592**	**18 904**
Distribution costs		-1 645	-1 786
Cost of materials		-9 564	-11 243
Change in inventories		-156	-118
Employee benefit expenses	12	-2 512	-2 793
Other operating expenses	14	-1 252	-1 450
Gross operating earnings		**1 464**	**1 515**
Depreciation	4	-935	-1 658
Restructuring expenses	16	-118	-387
Other gains and losses	17	-1 009	-201
Impairments	4	-2 086	-1 969
Operating earnings		**-2 684**	**-2 701**
Share of profit in associated companies	20	-70	198
Financial items	5	-96	-629
Profit/loss before income taxes		**-2 849**	**-3 132**
Income taxes	18	69	588
Profit/loss for the year		**-2 781**	**-2 545**
Profit/loss for the year attributable to:			
Owners of the parent		-2 778	-2 536
Non-controlling interests	22	-3	-8
Basic/diluted earnings per share (NOK)	23	-14.63	-13.36

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

NOK MILLION	2012	2011
Profit/loss for the year	**-2 781**	**-2 545**
Other comprehensive income		
Currency translation differences	-511	69
Tax expense on translation differences	-36	-68
Hedge of net investment in foreign operations	224	19
Tax expense on net investment hedge	13	-268
Reclassified translation differences upon divestment of foreign operations	130	51
Reclassified hedging gain/loss on net investment upon divestment of foreign operations	-222	-9
Tax expense on reclassifications	62	0
Other items	2	2
Tax expense on other items	0	0
Other comprehensive income	**-337**	**-205**
Comprehensive income	**-3 118**	**-2 749**
Comprehensive income attributable to:		
Owners of the parent	-3 115	-2 740
Non-controlling interests	-3	-9

CONSOLIDATED BALANCE SHEET

NOK MILLION	NOTE	31.12.2012	31.12.2011
Assets			
Deferred tax asset	18	321	352
Intangible assets	4	232	148
Property, plant and equipment	4	9 533	12 622
Investments in associated companies	20	339	422
Other non-current assets	10	986	2 258
Total non-current assets		**11 411**	**15 803**
Inventories	19	1 370	1 867
Trade and other receivables	10	1 816	2 732
Cash and cash equivalents	8	1 194	1 200
Other current assets	19	271	372
Total current assets		**4 650**	**6 171**
Total assets		**16 061**	**21 974**
Shareholders' equity and liabilities			
Paid-in equity		12 302	12 303
Retained earnings and other reserves	23	-7 998	-4 883
Non-controlling interests	22	9	13
Total equity		**4 314**	**7 433**
Pension obligations	13	495	541
Deferred tax liability	18	498	500
Interest-bearing non-current liabilities	11	7 208	8 407
Other non-current liabilities	19	762	736
Total non-current liabilities		**8 963**	**10 184**
Interest-bearing current liabilities	11	203	931
Trade and other payables	19	2 097	2 474
Tax payable	18	43	31
Other current liabilities	19	441	920
Total current liabilities		**2 784**	**4 356**
Total liabilities		**11 747**	**14 540**
Total equity and liabilities		**16 061**	**21 974**

LYSAKER, 1 MARCH 2013 – THE BOARD OF DIRECTORS OF NORSKE SKOGINDUSTRIER ASA

Eivind Reiten
Chair

Eilif Due
Board member

Siri Beate Hatlen
Board member

Finn Johnsson
Board member

Karen Kvalevåg
Board member

Åse Aulie Michelet
Board member

Jon-Aksel Torgersen
Board member

Kjetil Bakkan
Board member

Paul Kristiansen
Board member

Svein Erik Veie
Board member

Sven Ombudstvedt
President and CEO

CONSOLIDATED STATEMENT OF CASH FLOWS

NOK MILLION	NOTE	2012	2011
Cash flow from operating activities			
Cash generated from operations		17 037	18 726
Cash used in operations		-15 261	-17 594
Cash flow from currency hedges and financial items		-77	216
Interest payments received		39	47
Interest payments made		-692	-820
Taxes paid		-64	-121
Net cash flow from operating activities [1)]	3	**982**	**455**
Cash flow from investing activities			
Purchases of property, plant and equipment and intangible assets	3	-492	-490
Sales of property, plant and equipment and intangible assets		101	246
Dividend received		10	0
Purchase of shares in companies and other investments		0	-63
Sales of shares in companies and other investments		682	777
Net cash flow from investing activities		**300**	**470**
Cash flow from financing activities			
New loans raised		1 183	1 141
Repayments of loans		-2 440	-5 311
Purchase/sale of treasury shares		-1	0
Net cash flow from financing activities		**-1 258**	**-4 170**
Foreign currency effects on cash and cash equivalents		-31	5
Total change in cash and cash equivalents		**-6**	**-3 240**
Cash and cash equivalents 1 January		1 200	4 440
Cash and cash equivalents 31 December		1 194	1 200
[1)] Reconciliation of net cash flow from operating activities			
Profit/loss before income taxes		-2 849	-3 132
Depreciation/impairments	4	3 021	3 627
Share of profit in associated companies	20	70	-198
Gains and losses from divestment of business activities and property, plant and equipment	17	-39	-354
Taxes paid		-64	-121
Change in trade and other receivables		445	-178
Change in inventories		181	59
Change in trade and other payables		-161	-246
Change in restructuring provision		-64	310
Financial items with no cash impact		-633	72
Gains and losses on commodity contracts and embedded derivatives	17	1 042	602
Adjustments for items with no cash impact		33	14
Net cash flow from operating activities		**982**	**455**

CONSOLIDATED STATEMENT OF CHANGES IN GROUP EQUITY

NOK MILLION	PAID-IN EQUITY	RETAINED EARNINGS	HEDGE ACCOUNTING	OTHER EQUITY RESERVES	TOTAL BEFORE NON-CONTROLLING INTERESTS	NON-CONTROLLING INTERESTS	TOTAL EQUITY
Equity 1 January 2011	**12 303**	**-3 048**	**489**	**416**	**10 161**	**22**	**10 183**
Profit/loss for the year	0	-2 536	0	0	-2 536	-8	-2 545
Other comprehensive income	0	0	-249	45	-204	-1	-205
Equity 31 December 2011	**12 303**	**-5 584**	**240**	**461**	**7 420**	**13**	**7 433**
Profit/loss for the year	0	-2 778	0	0	-2 778	-3	-2 781
Other comprehensive income	0	0	77	-414	-337	0	-337
Change in holding of treasury shares	-1	0	0	0	-1	0	-1
Equity 31 December 2012	**12 302**	**-8 361**	**317**	**47**	**4 305**	**9**	**4 314**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

Norske Skogindustrier ASA ("the company") and its subsidiaries (together "the group") manufacture, distribute and sell publication paper. This includes newsprint and magazine paper. The group has 11 fully and partly owned mills on four continents.

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. The consolidated financial statements were authorised for issue by the board of directors in Norske Skogindustrier ASA on 1 March 2013.

All amounts are presented in NOK million unless otherwise stated. There may be some small differences in the summation of columns due to rounding.

With effect from 2012, the annual financial statements will only be presented in English.

RECLASSIFICATION IN THE BALANCE SHEET

A review of the classification of balance sheet items was performed during 2012. This resulted in reclassification of restructuring liabilities in the balance sheet from Trade and other payables to Other current liabilities. The modified classification is applied retrospectively, and comparative figures in the balance sheet have been restated. The change had an impact of NOK 140 million at 31 December 2012 and NOK 363 million at 31 December 2011.

2. ACCOUNTING PRINCIPLES

The principal accounting policies applied in the preparation of the consolidated financial statements of Norske Skogindustrier ASA are set out below. The policies have been consistently applied to all periods presented, unless otherwise stated.

The consolidated financial statements are presented in accordance with International Financial Reporting Standards (IFRS) and interpretations from the IFRS Interpretations Committee (IFRIC), as adopted by the European Union (EU). They have been prepared under the historical cost convention, as modified by the revaluation of biological assets, available-for-sale financial assets and financial assets at fair value through profit or loss.

CONSOLIDATION

a) Subsidiaries

Subsidiaries are all entities over which the group has the power to govern the financial and operating policies generally accompanying a shareholding of more than half of the voting rights.

The group also assesses whether control exists where it does not have more than 50% of the voting power, but is able to govern the financial and operating policies by virtue of de-facto control. Important factors when assessing de-facto control are whether or not the group can choose the board of directors and whether the group's voting rights give the group the power to govern the financial and operating policies etc.

Subsidiaries are fully consolidated from the date at which control is transferred to the group. They are de-consolidated from the date on which such control ceases.

Intercompany transactions, balances, income and expenses on transactions between group companies are eliminated. Profits and losses resulting from intercompany transactions that are recognised in assets are also eliminated. The accounting policies of subsidiaries have been amended where necessary to ensure consistency with the policies adopted by the group.

b) Change in ownership interests in subsidiaries without loss of control

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions. Upon further acquisition of shares in subsidiaries from non-controlling interests, the difference between the fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary, is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

c) Disposal of subsidiaries

When the group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss where appropriate.

d) Associates

Associates are all entities over which the group exercises significant influence but not control, generally accompanying a shareholding of 20% to 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting. The investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition.

The group's share of post acquisition profit or loss is recognised in the income statement as Share of profit in associated companies and is assigned to the carrying value of the investment, together with the group's share of other comprehensive income in the associated company. When the group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

Profits and losses resulting from transactions between the group and its associates are recognised in the consolidated financial statements only to the extent of unrelated investors' interests in the associates.

At each reporting date, the group determines whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value, and recognises the amount as Share of profit in associated companies.

Dilution gains and losses arising in investments in associates are recognised in the income statement. If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to profit or loss where appropriate.

SEGMENT REPORTING

Reportable segments

The activities in the group are divided into two operating segments: newsprint and magazine paper. The newsprint segment is further segregated into two geographical regions, newsprint Europe and newsprint outside of Europe. The segment structure is in line with the group operating model implemented in 2011. The operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources, making strategic decisions and assessing performance of the group's mills, has been identified as corporate management. The mills have a direct reporting line to corporate management.

Accounting policies applied in the segment reporting

Recognition, measurement and classification applied in the segment reporting are consistent with the accounting principles applied for the consolidated income statement and balance sheet. The option in IFRS 8 allowing different accounting policies to be applied in the segment reporting and group reporting is, for transparency reasons, not applied in Norske Skog.

Performance measurement

The group assesses the performance of the operating segments based on a measure of gross operating earnings (adjusted EBITDA) and gross operating earnings after depreciation (adjusted EBIT). These items exclude the effects of expenditure not deemed to be part of the regular operating activities of the segment, such as restructuring expenses, impairments, gains and losses from sales of non-current assets and changes in fair value of certain energy contracts and biological assets.

Intercompany transactions

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 financial statements. All sales transactions between operating segments are carried out at arm's length prices as if sold or transferred to independent third parties.

FOREIGN CURRENCY TRANSLATION

a) Functional and presentational currency

Items included in the financial statements of each of the group's entities are measured using the currency of the primary economic location in which the entity operates (the "functional currency"). Functional currency for the group's activities in Brazil was changed from USD to BRL with effect from 2012, in order to more accurately reflect the primary economic environment in which the Pisa mill operates. The consolidated financial statements are presented in NOK, which is both the functional and presentational currency of the parent company.

b) Transactions and balances

Foreign currency transactions are translated into the entity's functional currency using the exchange rate prevailing on the date of the transaction. Foreign exchange gains or losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year-end exchange rates are recognised in the income statement. Gains and losses subject to hedge accounting and relating to currency positions qualifying as net investment hedges and which are hedge accounted, are booked as part of comprehensive income.

Exchange differences arising from the settlement of accounts receivable/payable and unrealised gains/losses on the same positions are recognised in Operating revenue/Cost of materials respectively. Exchange differences arising from the settlement of other items are recognised within Financial items.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the income statement as Financial items.

c) Group companies

The results and financial position of all group entities which have a functional currency different from the presentational currency are translated into the presentational currency as follows:

i. Assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet,

ii. Income and expenses for each income statement are translated at average exchange rates,

iii. All resulting exchange differences are booked to comprehensive income and presented in other equity reserves.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities, and of borrowings and other currency instruments designated as hedges of such investments, are booked as part of comprehensive income and presented in other equity reserves. When a foreign operation is fully or partially sold, such exchange differences are booked out of comprehensive income and recognised in the income statement as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity, and translated at the closing rate.

PROPERTY, PLANT AND EQUIPMENT

Land and buildings comprise mainly mills, machinery and office premises. All property, plant and equipment (PPE) is shown at historical cost less subsequent depreciation and impairments. Historical cost includes expenditure directly attributable to the acquisition of the items. The residual value of production equipment is defined as the realisable value after deduction of the estimated cost of dismantling and removal of the asset. If the estimated cost exceeds the estimated value, the net liability is added to the cost of the related asset, and a provision is recognised as a liability in the balance sheet.

Borrowing costs which are directly related to qualifying assets are recognised as part of the acquisition cost for the qualifying asset. Cost may also include transfers from equity of any gains/losses on qualifying cash flow hedges of foreign currency purchases of PPE.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repair and maintenance costs are charged to the income statement during the financial period in which they are incurred.

Land is not depreciated. Depreciation on other assets is calculated using the straight-line method to allocate their cost or revalued amounts to their residual values over their estimated useful lives.

The residual value and useful life of assets are reviewed and adjusted, if appropriate, at each balance sheet date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount, and included in the income statement line Other gains and losses.

BIOLOGICAL ASSETS

Biological assets are measured upon initial recognition and at the end of each reporting period at fair value less estimated point-of-sale costs, unless fair value cannot be reliably measured. A gain or loss arising on initial recognition, and from changes in fair value during a period, is reported in net profit or loss for the period in which it arises. When fair value cannot be reliably estimated, the asset is measured at cost less any accumulated depreciation and any accumulated impairment losses.

INTANGIBLE ASSETS

a) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose.

b) Patents and licenses
Patents and licenses have a finite useful life and are recognised at historical cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost of patents and licences over their estimated useful lives.

c) Computer software
Acquired computer software licences are capitalised on the basis of the costs incurred to acquire the specific software and bring it into use, and amortised over their estimated useful lives. Costs associated with maintaining computer software are recognised as an expense as they are incurred. Costs which are directly associated with the development of identifiable and unique software products controlled by the group, and which are likely to generate economic benefits exceeding the costs beyond one year, are recognised as intangible assets. Direct costs include the costs of software development personnel and an appropriate portion of relevant overheads. Computer software development costs recognised as assets are amortised over their estimated useful lives.

IMPAIRMENT OF NON-FINANCIAL ASSETS
Intangible assets which have an indefinite useful life, for example goodwill, are not subject to amortisation, and are tested annually for impairment. 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. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. For the purpose of assessing impairment, assets are grouped at the lowest level for which cash flows are separately identifiable (cash-generating units). At each balance sheet date, the possibility of reversing impairment losses in prior periods is evaluated (except for goodwill).

NON-CURRENT ASSETS (OR DISPOSAL GROUPS) HELD FOR SALE
Non-current assets (or disposal groups) are classified as assets held for sale when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. They are stated at the lower of carrying amount and fair value less costs to sell.

FINANCIAL ASSETS
The group classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables, and available for sale. This classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition and re-evaluates this designation at every reporting date.

a) Financial assets at fair value through profit or loss
This category has two sub-categories: financial assets held for trading, and those designated at fair value through profit or loss at inception. A financial asset is classified in this category if it was acquired principally for the purpose of short-term sale or if so designated by management. Derivatives are also categorised as held for trading unless designated as hedges. Assets in this category are classified as current assets if they are either held for trading or are expected to be realised within 12 months of the balance sheet date.

Non-financial commodity contracts where the relevant commodity is readily convertible to cash, and where the contracts are not for own use, fall within the scope of IAS 39 *Financial Instruments – recognition and measurement*. Such contracts are treated as derivatives in accordance with IAS 39. Norske Skog currently has energy contracts in Norway that do not meet the own use criteria according to IAS 39.5. The contracts must therefore be treated as derivatives and are booked to fair value through profit or loss (see also Notes 7, 8 and 9). Commodity contracts within the scope of IAS 39 are classified as current assets, unless they are expected to be realised more than 12 months after the balance sheet date. In that case, they are classified as non-current assets.

b) Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments which are not quoted in an active market. Loans and receivables maturing less than 12 months after the balance sheet date are classified as current assets and presented as Trade and other receivables or Cash and cash equivalents in the balance sheet. Items maturing later than 12 months after the balance sheet date are presented within Other non-current assets.

c) Available-for-sale financial assets
Available-for-sale financial assets are non-derivatives which are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date.

DERIVATIVES AND HEDGING
Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The group designates derivatives as either:

a) Hedges of the fair value of fixed interest loans (fair value hedge),
b) Hedging of a net investment in a foreign operation (net investment hedge),
c) Derivatives at fair value through profit or loss.

Upon inception of a transaction, the group documents the relationship between the hedging instruments and the hedged items, as well as its risk management objectives and strategy for undertaking various hedging transactions. The group also documents its assessment of whether the derivatives that are used are highly effective in offsetting changes in fair values or cash flows of hedged items. This assessment is documented both at hedge inception and on an ongoing basis through the hedging period.

Accounting for derivatives follows the intentions underlying the associated contract. At the time a contract is entered into, it is defined as either a hedging or a trading contract. Norske Skog uses hedge accounting for a large amount of its economic hedging portfolio.

a) Fair value hedge
Changes in the fair value of derivatives that qualify as hedging and which are effective, are recorded in the income statement, together with any changes in the fair value of the of the hedged asset or liability that are attributable to the hedged risk. The ineffective part of the hedging relationship is booked as an interest cost within Financial items. If the hedge no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of the hedged item for which the effective interest method is used, is amortised over the period to maturity. Hedging instruments that are terminated prior to maturity will be treated in the same way. If the underlying hedged item is realised or repurchased prior to maturity, any associated hedging reserve/amortised cost is recognised in the income statement on a one-to-one basis.

b) Net investment hedge
Gains and losses on the hedging instrument relating to the effective portion of the hedge are recognised directly in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in the income statement line Financial items. Gains and losses accumulated in equity are included in the income statement when the foreign operation is disposed of or sold.

c) Derivatives at fair value over profit or loss
Certain derivative instruments do not qualify for hedge accounting. Changes in the fair value of any of these derivative instruments are recognised in the income statement.

The fair value of quoted investments is based on the current market price. If the market for a financial asset is not active, the group applies valuation techniques to establish the fair value. These include the use of recent arm's length transactions, reference to other instruments which are substantially the same, and discounted cash flow analyses defined to reflect the issuer's specific circumstances (see also Note 9).

SHARES, BONDS, CERTIFICATES, BILLS, ETC.

Shares, bonds and certificates classified as financial assets at fair value through profit or loss are valued at market value, with changes in fair value recognised in the income statement.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash in hand, deposits held at call with banks and other short-term, highly liquid investments with original maturities of three months or less. Drawn bank overdrafts are shown as Interest-bearing current liabilities in the balance sheet.

INVENTORY

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the first-in, first-out (FIFO) method, or average purchase price. The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity). It excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

TRADE RECEIVABLES

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade receivables is established when objective evidence exists that the group will be unable to collect the entire amount due in accordance with the original terms of each receivable. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy, and default or delinquency in payments are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate.

TRADE PAYABLES

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

BORROWINGS

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost. Any difference between proceeds (net of transaction costs) and redemption value is recognised in the income statement over the period of the borrowing, using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are classified as current liabilities, unless the group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date. Interest costs are recognised in profit or loss in the period in which they are incurred.

BOND LOANS

The value of bond loans in the balance sheet is reduced by holdings of Norske Skog bonds. Amounts above or below amortised costs upon buy-back are recognised in the income statement in the same period the buy-back occurs.

CURRENT AND DEFERRED INCOME TAX

The group's income tax expense includes current tax based on taxable profit in group companies, change of deferred income taxes for the financial period and adjustments to previous periods. Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

The tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the company's subsidiaries and associates operate and generate taxable income.

Deferred tax is provided in full, using the liability method, on temporary differences arising between the carrying amount of assets and liabilities in the consolidated financial statements and their tax bases.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences and unused tax losses can be utilised. Deferred tax assets are offset against deferred tax liabilities when the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority and there is a legally enforceable right to set-off current tax assets against current deferred tax liabilities.

PENSION OBLIGATIONS, BONUS ARRANGEMENTS AND OTHER EMPLOYEE BENEFITS

a) Pension obligations

Group companies operate various pension schemes. These are generally funded through payments to insurance companies, as determined by periodic actuarial calculations. The group has both defined benefit and defined contribution plans.

A defined benefit plan is one which defines an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets, together with adjustments for unrecognised actuarial gains or losses and unrecognised past service costs. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high quality corporate bonds which are denominated in the currency in which the benefits will be paid, and which have terms to maturity approximating to the terms of the related pension liability, or alternatively a government bond interest rate if such bonds do not exist.

Cumulative actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions in excess of the greater of 10% of the value of plan assets or 10% of the defined benefit obligation are allocated to income over the employees' expected average remaining working lives.

Past-service costs are recognised immediately in income, unless changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, past-service costs are amortised on a straight-line basis over the vesting period.

A defined contribution plan is a pension plan under which the group pays fixed contributions into a separate entity. These contributions are made to publicly- or privately-administered pension insurance plans on a mandatory, contractual or voluntary basis. The group has no further payment obligations once the contributions have been made. These contributions are recognised as an employee benefit expense in the period the contribution relates to. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

b) Share-based remuneration
The group has a long-term incentive plan where the allocation of synthetic options to members of corporate management is based on the development of the company's share price in relation to a defined group of listed paper producers. The programme results in a cash payout if the options are exercised. The fair value of the liability is measured at each balance sheet date and on the settlement date. See also Note 12.

c) Bonus arrangements
The group accrues for bonus arrangements when there exists a contractual obligation, or past practice has created a constructive obligation.

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.

Restructuring provisions comprise mainly employee termination payments. Restructuring costs are costs which are not related to the ongoing operations. This includes for example severance (redundancy) payments, early retirement or other arrangements for employees leaving the company, external costs relating to coaching, counselling and assistance finding new jobs, or external costs to lawyers and legal advisors in relation to the de-manning process, and lease termination penalties. Provisions are not recognised for future operating losses.

Salary which is earned while the employee contributes to the ongoing operations is not classified as restructuring costs. This includes for example salary in the notice period when the employee is working during the notice period, or bonuses earned whilst the employee contributes to the normal operations. These are booked as normal employee benefit expenses. Costs for projects related to improvements are generally ordinary operating costs.

Where a number of similar obligations exist, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the best estimate of the expenditure required to settle the present obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised within Financial items.

REVENUE RECOGNITION
Revenue is measured at the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the group's activities. Revenue is shown net of value added tax, returns, rebates and discounts and after eliminating sales within the group. The group's revenue consists almost exclusively of the sale of goods, and the principle for recognition of revenue is the same for newsprint and magazine paper.

Revenue is recognised when the significant risks and rewards of ownership of the goods have been transferred to the buyer. This will depend upon the buyer's delivery terms and will be in the range from the finalisation of the production to delivery of the goods to the buyer.

The group's terms of delivery are based on Incoterms 2010, which are the official rules for the interpretation of trade terms issued by the International Chamber of Commerce. The timing of revenue recognition is largely dependent on these delivery terms. The group's sales are covered by the following main categories of terms:

- "D" terms, where the group delivers the goods to the purchaser at the agreed destination, usually the purchaser's premises. The point of sale is when the goods are delivered to the purchaser. If the customer is invoiced before delivery of the goods purchased, revenue is only recognised if the customer has taken over a significant part of the gain and loss potential related to those goods,
- "C" terms, where the group arranges and pays for the external transport of the goods, but the group no longer bears any responsibility for the goods once they have been handed over to the transporter in accordance with the terms of the contract. The point of sale is when the goods are handed over to the transporter contracted by the seller,
- "F" terms, where the purchaser arranges and pays for the transport. The point of sale is when the goods are handed over to the transporter contracted by the purchaser.

DIVIDEND INCOME
Dividend income is recognised when the right to receive payment is established.

INTEREST INCOME
Interest income is recognised using the effective interest method. This is the interest rate that gives a net present value of the cash flow from the loan that is equal to its carrying value.

LEASES
Leases in which the lessor retains substantially all the risks and rewards of ownership are classified as operating leases. Payments made under operating leases are charged to the income statement on a straight-line basis over the period of the lease.

Leases relating to property and equipment where the group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are recognised in the balance sheet to the lower of the fair value of the lease property and the present value of the minimum lease payments. Lease payments are apportioned between finance charge and reduction of the outstanding liability, giving a constant periodic rate of interest on the remaining balance of the liability. The leased property is depreciated according to the same principles applied for other non-current assets. The corresponding rental obligation, net of finance charges, is included in other long-term payables. If the leasing period is shorter than the economic life of the asset and it is unlikely that the group will purchase the asset at the end of the leasing period, the asset is depreciated over the leasing period.

GOVERNMENT GRANTS
Government grants (except for emission rights, described below) are recognised as income over the period necessary to match the grants on a systematic basis to the costs that they are intended to compensate for. Government grants in the form of compensation for losses which have already been incurred, or in the form of direct financial support which is not directly related to future costs, are recognised as income in the same period as they are awarded.

Government grants related to assets are presented in the balance sheet as deferred income or as a reduction of the cost price of the assets the grant relates to. The grant is then recognised in the income statement either through future periodic income recognition or as a future reduction in the depreciation charge.

EMISSION RIGHTS
There is no accounting standard or interpretation in IFRS regarding the accounting treatment for emission allowances or renewable energy certificates. Received allowances are recognised in the balance sheet as intangible assets at the market value on the date the rights are granted. The difference between fair value and the nominal amount paid for the rights is recognised in the balance as a government grant (deferred income).

Emissions are recognised in the income statement as Cost of materials, and the government grant (deferred revenue) is recognised concurrently with emission costs. Unused credits (deferred income) and used allowances are netted against the carrying amount of intangible asset recognised in the balance sheet, when the individual contracts for emission allowances fall due for settlement.

If the received allowances are sufficient to cover the company's emissions, there will be no net cost or net income in gross operating earnings. If it is necessary to acquire additional allowances on the open market, a provision is made based on actual emissions.

If the number of allowances received exceeds actual consumption, the surplus is sold in the market. The gain/loss from the sale is presented as Other gains and losses.

DIVIDEND DISTRIBUTION

Dividend distribution to the company's shareholders is recognised as a liability in the consolidated financial statements in the period in which the dividend is approved in the general meeting.

NEW AND AMENDED INTERPRETATIONS AND STANDARDS ADOPTED BY THE GROUP

There are no new standards or interpretations that are effective for annual periods for the first time for annual periods beginning on or after 1 January 2012 that have had a material impact on the consolidated financial statements.

NEW STANDARDS, INTERPRETATIONS AND AMENDMENTS TO EXISTING STANDARDS

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2012. None of these have been early adopted in 2012. New standards and amendments that are expected to have an impact on the consolidated financial statements are listed below:

IAS 1 Financial statement presentation (amendment)

The main change resulting from the amendment is that Items in the statement of other comprehensive income that will be reclassified to profit or loss at a future point in time must be presented separately from items that will never be reclassified. The amendment is effective for annual periods beginning 1 July 2012 or later.

IAS 19 Employee benefits (revised)

The revised standard requires that all actuarial gains and losses shall be recognised in other comprehensive income as they occur (i.e. elimination of the corridor approach), all past service costs shall be recognised immediately, and that interest cost and expected return on plan assets shall be replaced with a net interest amount that is calculated by applying the discount rate to the net defined benefit liability (asset). The amendment is effective for annual periods beginning 1 January 2013 or later. See Note 13 for more information regarding the impact of the revised standard.

IAS 27 Separate financial statements (revised)

The rules for consolidated financial statements are replaced by the new IFRS 10 and IFRS 12. What remains of IAS 27 is limited to accounting for subsidiaries, jointly controlled entities and associates in separate financial statements. The changes are effective for annual periods beginning 1 January 2014 or later. The changes are not expected to have a significant impact on the separate financial statements.

IAS 32 Financial instruments: presentation (amendment)

The amendments clarify some of the requirements for offsetting financial assets and financial liabilities in the balance sheet. The changes are effective for annual periods beginning on 1 January 2014 or later. It is not expected that the changes will have a significant impact on the financial statements.

IFRS 7 Financial instruments: disclosures (amendment)

The amendments require an entity to disclose information regarding the effect of netting arrangements on an entity's financial position. The changes are effective for annual periods beginning on 1 January 2013 or later. It is not expected that the changes will have a significant impact on the financial statements.

IAS 28 Investments in associates and joint ventures (revised)

As a consequence of the new IFRS 11 and IFRS 12, IAS 28 has been renamed, and the standard now describes the application of the equity method to investments in joint ventures in addition to associates. The change is effective for annual periods beginning 1 January 2014 or later. It is not expected that the change will have a significant impact on the financial statements.

IFRS 9 Financial Instruments

IFRS 9 addresses the classification, measurement and recognition of financial assets and financial liabilities and replaces the parts of IAS 39 that relate to the classification and measurement of financial instruments. The new standard requires financial assets to be classified into two measurement categories: those measured at fair value and those measured at amortised cost. The determination is made at initial recognition, and depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the financial assets. For financial liabilities, the standard retains most of the IAS 39 requirements. The standard is effective for annual periods beginning 1 January 2015 or later. The standard has not yet been endorsed by the EU. The group has not fully assessed the impact of the adoption of IFRS 9.

IFRS 10 Consolidated financial statements

IFRS 10 builds on the existing principles that define the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard provides additional guidance to assist in the determination of control. The standard is effective for annual periods beginning 1 January 2014 or later. The standard is not expected to have a material impact on the financial statements.

IFRS 11 Joint arrangements

IFRS 11 removes the option for jointly controlled entities to use proportionate consolidation. Instead, the equity method of accounting must be used. The standard specifies two main categories of joint control: joint ventures and joint operations. For joint ventures, joint control is recognised in accordance with the equity method, but for joint operations, the parties shall recognise their rights in the assets and liabilities included in the collaboration. The standard is mandatory for annual periods beginning 1 January 2014 or later. It is not expected to have a material impact on the financial statements.

IFRS 12 Disclosures of interests in other entities

The standard contains disclosure requirements for all forms of interests in other entities, including joint ventures, associated companies, special purpose entities and other off balance sheet entities. The group has not considered the impact of IFRS 12, but the standard only affects the presentation in the financial statements. The standard is mandatory for annual periods beginning 1 January 2014 or later.

IFRS 13 Fair value measurement

The standard provides a precise definition of fair value and a gives a unified description of how fair value should be determined by IFRS, and defines what additional information should be provided when fair value is used. The standard does not extend the use of fair value accounting but provides guidance on how it should be applied where its use is already required or permitted by other standards. The standard is mandatory for annual periods beginning 1 January 2013 or later. The group uses fair value as the measurement criterion for certain assets and liabilities, but has not yet fully considered the impact of IFRS 13.

Annual improvements May 2012

Various improvements to existing standards were issued in May 2012, and are mandatory for annual periods beginning 1 January 2013 or later, but have not yet been endorsed by the EU. None of the changes are expected to have a significant impact on the consolidated financial statements, but the changes which are relevant for Norske Skog are:

IAS 16 Property, plant and equipment: this improvement clarifies that major spare parts and servicing equipment that meet the definition of property, plant and equipment are not inventory.

IAS 34 Interim financial reporting: the amendment provides clarification regarding reporting of segment information for total assets in order to enhance consistency with the requirements in IFRS 8 Operating segments.

There are no other standards or interpretations that are not yet effective that are expected to have a material impact for the group.

IMPORTANT ACCOUNTING ESTIMATES AND ASSUMPTIONS

The preparation of financial statements in conformity with IFRS requires the use of accounting estimates and assumptions for the future. It also requires management to exercise its judgement in the process of applying the group's accounting policies. Estimates and assumptions which represent a substantial risk for significant changes in the capitalised value of assets and liabilities during the coming fiscal year are discussed below.

a) Estimated decline in value of intangible assets and property, plant and equipment (PPE)

The group performs periodic tests to assess whether there has been a decline in the value of intangible assets and PPE. These are written down to their recoverable amount when the recoverable amount is lower than the carrying value of the asset. The recoverable amount from assets or cash-generating units is determined by calculating the higher of fair value less costs to sell and value in use. Value in use is the present value of the future cash flows expected to be derived from an asset or cash-generating unit. Calculation of value in use requires use of estimates.

The group's cash-generating units are Europe newsprint, Australasia newsprint, Norske Skog Pisa (Brazil) newsprint, Norske Skog Singburi (Thailand) newsprint, Europe magazine paper (light weight coated (LWC)) and Norske Skog Saugbrugs (Norway) magazine paper (super-calendered (SC)). The cash-generating unit Europe newsprint consists of Norske Skog Golbey (France), Norske Skog Bruck Paper Machine 3 (Austria) and Norske Skog Skogn (Norway). The cash-generating unit Australasia newsprint consists of Norske Skog Albury (Australia), Norske Skog Boyer (Australia) and Norske Skog Tasman (New Zealand). The cash-generating unit Europe magazine paper (light weight coated (LWC)) consists of Norske Skog Walsum (Germany) and Norske Skog Bruck Paper Machine 4 (Austria). In cases where several mills are part of a cash-generating unit, this is because production can be moved between the mills, based on what gives best profitability for the group as a whole.

The capitalised value of intangible assets and PPE within the cash-generating units is measured against the value in use of intangible assets and PPE within these units. A possible future change in the composition of the group's cash-generating units could lead to changes in the value in use within these cash-generating units, which could in turn mean a future decline in the value of intangible assets and PPE.

Calculating the value in use of intangible assets and PPE within the cash-generating units is based on estimated discounted cash flows. The cash flow horizon in the impairment model is consistent with the useful life of each paper machine in the group. The board-approved operating plan for the next year forms the basis for calculating expected future cash flows. In the impairment testing, sales prices are assumed to exhibit a decline in real terms and variable costs are assumed to decline in real terms, with lower demand for input factors due to a shrinking industry.

The estimation of recoverable amount is based on assumptions regarding the future development of several factors. These include price development for finished goods, sales volumes, currency rates and interest rates. This means that there will be uncertainty when it comes to the outcome of the calculations. Norske Skog performs sensitivity analyses using the variables mentioned above to predict how fluctuations will impact recoverable amount. In relation to the assumptions made in the calculation of the present value of future cash flows, recoverable amount is most sensitive to changes in prices of finished goods, sales volumes and the discount rate used. Changes in these factors will have the effect of altering the value of cash flows and thereby also the value in use within the cash-generating units. Significant changes in prognoses and long-term prices could accordingly mean a future fall in the value of intangible assets and PPE.

The required rate of return applied when discounting future cash flows is crucial for the calculated value of intangible assets and PPE. A future increase in the required rate of return when discounting future cash flows will reduce value in use and could in turn mean a future decline in the value of intangible assets and PPE.

b) Annual assessment of the remaining economic life of PPE

The group conducts annual reviews of the remaining economic life of PPE. An increase or decrease in the remaining economic life will have an impact on future depreciation, as well as affect the cash flow horizon for calculating value in use. Economic life is estimated by considering the expected usage, physical wear and tear, as well as technical and commercial development. Assessment of future developments in demand in the markets Norske Skog's products are sold is central to the assessment of the economic life of the group's mills. Expected future demand, together with the competitiveness of Norske Skog's mills, is crucial for the determination of economic life. In addition, legal or other restrictions relating to usage could affect the economic life of the mills in the group.

c) Provision for future environmental obligations

The group's provision for future environmental obligations is 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 provision and group costs. See Note 21 for further information.

d) Residual value and dismantling provision

The residual value of the group's production equipment is valued as the anticipated realisable value on the balance sheet date, after deducting the estimated costs relating to asset dismantling, removal and restoration. If the estimated costs exceed the estimated residual values, the net liability is added to the fixed asset cost in the balance sheet and a provision is recognised as a liability. The group performs a review of the residual value of its production equipment at the end of each accounting year. Residual value is affected by short-term changes in the underlying assumptions, for example scrap metal prices. A change in the residual value could have an impact on future depreciation costs. The provision for dismantling costs is based on a number of assumptions made using management's best judgment. See Note 21 for further information.

e) Fair value of derivatives and other financial instruments

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The group uses its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at each balance sheet date. See Note 9 for more information.

f) Pensions

The present value of the pension obligation depends on several input factors that are determined by means of a number of actuarial assumptions. The assumptions used in calculating the net pension expense (income) include the discount rate. Changes in these assumptions will affect the carrying value of the pension obligation.

3. OPERATING SEGMENTS

REPORTABLE SEGMENTS

The group is divided into two operating segments: newsprint and magazine paper. The segment selection is based on the products manufactured and on the organisational structure used in the group's internal performance measurement and resource allocation. The newsprint segment is further divided into two geographical regions, newsprint Europe and newsprint outside Europe. The composition of Norske Skog's operating segments was changed with effect from 1 January 2012. Activities relating to energy, which were previously included in a separate segment, are now included within other activities. This is because there is no longer a central unit within the group for monitoring and controlling activities related to energy. The group still has operating revenue and operating expenses relating to energy, but the bulk of the revenue is from units within the group. The activities related to energy therefore have little importance for Norske Skog's ongoing operations. The comparative figures for 2011 have been restated in accordance with the new segment structure.

At the end of 2012, Norske Skog had 11 fully or partly owned paper mills on four continents. Two of the mills produce only magazine paper, one produces both magazine paper and newsprint and eight 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.

Newsprint

The newsprint segment encompasses production and sale of standard newsprint and other paper qualities used in newspapers, inserts, catalogues, etc. These paper qualities, measured in grammes per square meter, will normally be in the range 40-57 g/m^2.

Magazine paper

The magazine paper segment encompasses production and sale of the paper qualities super calendered (SC), machine finished coated (MFC) and light weight coated (LWC). These paper qualities are used in magazines, periodicals, catalogues and brochures.

Other activities

Activities in the group that do not fall into the operating segments newsprint or magazine paper are presented under other activities. This includes purchase and resale of energy to the group's mills, corporate functions, real estate activities, trading and sorting of recovered paper and purchase and resale of wood.

REVENUES AND EXPENSES NOT ALLOCATED TO OPERATING SEGMENTS

Norske Skog manages non-current debt, taxes and cash positions on a group basis. Consequently, financial items and tax expenses are presented only for the group as a whole.

The group's investment in associated companies accounted for in accordance with the equity method is primarily related to its 33.7% share in Malaysian Newsprint Industries Sdn. Bhd., which is described in more detail in Note 20 Investments in associated companies.

MAJOR CUSTOMERS

Norske Skog had a total sales volume of newsprint and magazine paper of 3 588 000 tonnes in 2012, of which sales to the group's largest customer constituted approximately 401 000 tonnes.

OPERATING REVENUE AND EXPENSES PER OPERATING SEGMENT

2012	NEWSPRINT	MAGAZINE PAPER	OTHER ACTIVITIES	ELIMINATIONS	NORSKE SKOG GROUP
Operating revenue	**10 145**	**6 254**	**2 315**	**-2 122**	**16 592**
Distribution costs	-1 021	-558	-67	1	-1 645
Cost of materials	-5 627	-3 802	-1 988	1 852	-9 564
Change in inventories	-101	-51	-4	0	-156
Employee benefit expenses	-1 350	-975	-187	0	-2 512
Other operating expenses	-795	-539	-187	269	-1 252
Gross operating earnings	**1 252**	**330**	**-118**	**0**	**1 464**
Depreciation	-705	-212	-18	0	-935
Restructuring expenses	-121	20	-17	0	-118
Other gains and losses	-41	84	-1 052	0	-1 009
Impairments	-1 338	-694	-54	0	-2 086
Operating earnings	**-953**	**-471**	**-1 259**	**0**	**-2 684**
Share of operating revenue from external parties (%)	99	96	24		100

2011	NEWSPRINT	MAGAZINE PAPER	OTHER ACTIVITIES	ELIMINATIONS	NORSKE SKOG GROUP
Operating revenue	**11 967**	**6 291**	**3 688**	**-3 042**	**18 904**
Distribution costs	-1 129	-577	-80	0	-1 786
Cost of materials	-6 904	-3 775	-3 237	2 674	-11 243
Change in inventories	-13	-104	-1	0	-118
Employee benefit expenses	-1 597	-976	-220	0	-2 793
Other operating expenses	-1 006	-568	-245	369	-1 450
Gross operating earnings	**1 318**	**291**	**-95**	**0**	**1 515**
Depreciation	-1 145	-488	-25	0	-1 658
Restructuring expenses	-160	-217	-11	0	-387
Other gains and losses	20	115	-337	0	-201
Impairments	-624	-1 345	0	0	-1 969
Operating earnings	**-589**	**-1 644**	**-468**	**0**	**-2 701**
Share of operating revenue from external parties (%)	99	95	30		100

OPERATING REVENUE PER MARKET

The allocation of operating revenue by market is based on customer location.

	2012	2011
Norway	609	996
Rest of Europe	8 864	9 695
North America	847	1 023
South America	1 026	1 507
Australasia	3 193	3 657
Asia	1 788	1 678
Africa	265	348
Total	**16 592**	**18 904**

NET CASH FLOW FROM OPERATING ACTIVITIES

	2012	2011
Newsprint	1 542	915
Magazine paper	572	262
Other activities	-338	-45
Total cash flow allocated to segments	**1 776**	**1 132**
Cash from net financial items	-729	-557
Taxes paid	-64	-121
Net cash flow from operating activities	**982**	**455**

PURCHASES OF PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

	2012	2011
Newsprint	382	325
Magazine paper	108	156
Other activities	2	9
Total	**492**	**490**

INVENTORIES

Inventories include raw materials, work in progress, finished goods and other production materials.

	31.12.2012	31.12.2011
Newsprint	833	1 088
Magazine paper	521	735
Other activities	15	44
Total	**1 370**	**1 867**

PROPERTY, PLANT AND EQUIPMENT PER GEOGRAPHICAL REGION

The table below shows property, plant and equipment allocated to Norske Skog's country of domicile and other regions in which the group holds assets. The allocation is based on the location of the production facilities.

	31.12.2012	31.12.2011
Norway	2 921	2 994
Rest of Europe	2 239	3 155
Australasia	3 635	5 157
Asia	83	159
South America	379	855
Activities not allocated to regions	277	302
Total	**9 533**	**12 622**

4. INTANGIBLE ASSETS AND PROPERTY, PLANT AND EQUIPMENT

INTANGIBLE ASSETS	GOODWILL	LICENSES AND PATENTS	OTHER INTANGIBLE ASSETS	TOTAL
Acquisition cost 1 January 2011	5 684	111	225	6 020
Additions	0	0	99	99
Disposals	0	0	-81	-81
Currency translation differences	0	0	2	2
Acquisition cost 31 December 2011	**5 684**	**111**	**245**	**6 040**
Accumulated depreciation and impairments 1 January 2011	5 626	90	144	5 860
Depreciation	0	3	0	22
Amortisation of credit facility	0	0	9	9
Disposals	0	0	-1	-1
Currency translation differences	0	0	2	2
Accumulated depreciation and impairments 31 December 2011	**5 626**	**93**	**173**	**5 892**
Carrying value 31 December 2011	**58**	**18**	**72**	**148**
Acquisition cost 1 January 2012	5 684	111	245	6 040
Additions	0	1	251	252
Disposals	-931	0	-126	-1 057
Currency translation differences	0	-5	-8	-13
Acquisition cost 31 December 2012	**4 753**	**107**	**362**	**5 222**
Accumulated depreciation and impairments 1 January 2012	5 626	93	173	5 892
Depreciation	0	3	20	23
Impairments	0	1	1	2
Amortisation of credit facility	0	0	16	16
Disposals	-931	0	0	931
Currency translation differences	0	-4	-8	-12
Accumulated depreciation and impairments 31 December 2012	**4 695**	**93**	**202**	**4 990**
Carrying value 31 December 2012	**58**	**14**	**160**	**232**

Goodwill is not depreciated. Licenses, patents and other intangible assets are depreciated over a period from five to 20 years.

Other intangible assets consist mainly of capitalised development costs related to customising of software.

GOODWILL SPECIFIED PER ACQUISITION	ACQUISITION YEAR	31.12.2012	31.12.2011
Norske Skog Golbey	1995	58	58

PROPERTY, PLANT AND EQUIPMENT	BIOLOGICAL ASSETS	MACHINERY AND EQUIPMENT	LAND AND BUILDINGS	FIXTURES AND FITTINGS	PLANT UNDER CONSTRUCTION	TOTAL
Acquisition cost 1 January 2011	438	42 430	9 055	943	176	53 042
Additions	0	50	68	7	408	533
Disposals	-120	-279	-136	-76	-8	-619
Change in dismantling provision	0	3	0	0	0	3
Reclassification	0	-138	138	0	0	0
Reclassified from plant under construction	16	59	207	4	-286	0
Currency translation differences	8	261	-4	-1	4	268
Acquisition cost 31 December 2011	**342**	**42 386**	**9 328**	**877**	**294**	**53 227**
Accumulated depreciation and impairments 1 January 2011	105	30 659	5 549	820	0	37 133
Depreciation	7	1 192	408	29	0	1 636
Impairments	14	1 478	410	22	45	1 969
Value changes	-35	0	0	0	0	-35
Reclassification	0	-65	65	0	0	0
Disposals	74	-230	-16	-76	0	-248
Currency translation differences	4	147	-1	0	0	150
Accumulated depreciation and impairments 31 December 2011	**169**	**33 181**	**6 415**	**795**	**45**	**40 605**
Carrying value 31 December 2011	**173**	**9 205**	**2 913**	**82**	**249**	**12 622**
Acquisition cost 1 January 2012	342	42 386	9 328	877	294	53 227
Additions	0	58	3	2	426	489
Disposals	-13	-5 615	-1 874	-133	-13	-7 648
Change in dismantling provision	0	-9	0	0	0	-9
Reclassified from plant under construction	0	131	23	4	-158	0
Currency translation differences	-18	-2 818	-315	-38	-11	-3 200
Acquisition cost 31 December 2012	**311**	**34 133**	**7 165**	**712**	**538**	**42 859**
Accumulated depreciation and impairments 1 January 2012	169	33 181	6 415	795	45	40 605
Depreciation	0	723	167	22	0	912
Impairments	0	1 774	293	9	8	2 084
Value changes	-7	0	0	0	0	-7
Disposals	-17	-5 348	-1 796	-128	0	-7 289
Currency translation differences	-9	-2 708	-227	-35	0	-2 979
Accumulated depreciation and impairments 31 December 2012	**136**	**27 622**	**4 852**	**663**	**53**	**33 326**
Carrying value 31 December 2012	**175**	**6 511**	**2 313**	**49**	**485**	**9 533**

Norske Skog owns forests in Australia and Brazil. These assets are valued at fair value less estimated point-of-sale costs. Changes in value are reported in the income statement line Other gains and losses. Machinery and equipment is depreciated over a period from ten to 25 years. Buildings and other property are depreciated over a period from ten to 40 years. Fixtures and fittings are depreciated over a period from three to ten years. Land and plant under construction are not depreciated.

The difference between total additions and purchases of property, plant, equipment and intangible assets in the cash flow statement is due to capitalised allocated emission allowances, finance leases and accruals for payments. In 2011, acquisition costs of NOK 138 million and accumulated depreciation of NOK 65 million were reclassified from machinery to land and buildings.

Disposals in 2012 were primarily related to the divestments of Papeles Norske Skog Bio Bio S.A. in Chile, Norske Skog Follum AS in Norway, Norske Skog Parenco B.V. in the Netherlands and the global recovered paper business, Reparco. Disposals in 2011 were primarily related to the sale of Norske Skog Florestal Ltda. in Brazil and scrapping of fully depreciated assets that no longer have any technical value.

NON-CURRENT ASSETS HELD FOR SALE

Norske Skog did not have any non-current assets held for sale per 31 December 2012.

ASSUMPTIONS APPLIED WHEN CALCULATING THE RECOVERABLE AMOUNT

PPE and intangible non-current assets are written down to their recoverable amount when this is lower than the carrying value of the asset. The recoverable amount of an asset or cash-generating unit is the higher of its fair value less costs to sell and its value in use. Value in use is the present value of future cash flows expected to arise from an asset or cash-generating unit. Norske Skog applies the value in use approach when calculating recoverable amount for its cash-generating units.

When calculating value in use, the group is divided into the following cash-generating units: Europe newsprint, Australasia newsprint, Norske Skog Pisa (Brazil) newsprint, Norske Skog Singburi (Thailand) newsprint, Europe magazine paper (light weight coated (LWC)) and Norske Skog Saugbrugs (Norway) magazine paper (super-calendered (SC)). The cash-generating unit Europe newsprint consists of Norske Skog Golbey (France), Norske Skog Bruck Paper Machine 3 (Austria) and Norske Skog Skogn (Norway). The cash-generating unit Australasia newsprint consists of Norske Skog Albury (Australia), Norske Skog Boyer (Australia) and Norske Skog Tasman (New Zealand). The cash-generating unit Europe magazine paper (light weight coated (LWC)) consists of Norske Skog Walsum (Germany) and Norske Skog Bruck Paper Machine 4 (Austria). In cases where several mills are part of a cash-generating unit, this is because production can be moved between the mills, based on what gives best profitability for the group as a whole.

Norske Skog has made some changes with respect to how value in use is calculated in the impairment testing performed at 31 December 2012. From the fourth quarter of 2012, the adjusted present value model (APV) for calculating the present value of future cash flows has been replaced by a weighted average cost of capital model (WACC).

Nominal cash flow is estimated in the currency in which it will be generated. The value is calculated by discounting based on a required rate of return on capital that is relevant for the cash-generating unit or the individual asset. The required rate of return is based on the interest rate on ten year government bonds in the currency of the cash flow estimate, an industry debt yield premium, industry beta and an equity risk premium. In certain instances, a country-specific risk premium relevant to the cash-generating unit or individual asset has been added.

When calculating value in use at the end of 2012, the discount rate after tax was in the interval from 6.3% to 14.6% (8.6% to 12.4% in 2011, but then calculated as adjusted present value (APV) and hence not directly comparable). The calculations are based on cash flow and the required rate of return after tax. The applied discount rate for Europe newsprint was in the interval from 6.9% to 7.1%, Australasia newsprint was in the interval from 7.9% to 8.3 %, Norske Skog Pisa (Brazil) newsprint was 14.6%, Norske Skog Singburi (Thailand) newsprint was 10.1%, Europe magazine paper (light weight coated (LWC)) was in the interval from 6.3% to 6.9% and Norske Skog Saugbrugs (Norway) magazine paper (super-calendered (SC)) was 7.1%.

Cash flow is calculated individually for each business unit, based on the estimated useful life. The paper industry is a capital intensive industry where investment decisions are made based on projects with a long time horizon. The production machines have a long technical life. The estimated remaining useful life of the individual paper machines forms the basis for determining the length of the cash flow period. For both sales prices and input prices, a continued decline in real terms is expected, as historically observed. In the impairment testing at 31 December 2012, real term sales prices are assumed to decline by approximately 10% during the next ten year period, while sales volumes are expected to develop in accordance with the useful lives of the different paper machines in the group. Projection of these assumptions will result in a gradual improvement in margins, from levels at the bottom of the business cycle to a normalisation with return to trend economic growth. The impairment testing at 31 December 2012 was based on the operating plan for the group for 2013 as approved by the board of directors.

The cash flow decreases gradually over time as the capacity of the group declines, reflecting assumed closures of machines as they reach the end of their useful lives.

SENSITIVITY TO ESTIMATES OF RECOVERABLE AMOUNT

The estimation of recoverable amount is based on assumptions regarding the future development of several factors. These include price development for finished goods, sales volumes, currency rates and interest rates. This means that there will be uncertainty when it comes to the outcome of these calculations. Norske Skog has performed sensitivity analyses using the variables mentioned above to predict how fluctuations will impact recoverable amount. In relation to the assumptions made in the calculation of the present value of future cash flows, recoverable amount is most sensitive to changes in prices of finished goods, sales volumes and the discount rate used. A reduction in sales price and sales volumes for the whole group in the cash flow period of 5% will cause a reduction in recoverable amount in the order of NOK 4 800 million and NOK 1 700 million respectively. Correspondingly, a 1% increase in the discount rate will cause a reduction in the recoverable amount of NOK 800 million. An appreciation of NOK of 1% against all other functional currencies in the Norske Skog group will cause a reduction in the recoverable amount of NOK 300 million.

IMPAIRMENT LOSSES RECOGNISED IN 2012

Norske Skog assessed the recoverable amount at each quarter-end during 2012. Total impairments recognised in 2012 amounted to NOK 2 086 million. These impairments consisted of NOK 1 338 million in the operating segment newsprint outside Europe, NOK 694 million in the operating segment magazine paper and NOK 54 million in other activities. The impairments arose mainly as a result of lower sales price expectations and reduced cash flow horizon.

The table below shows machinery and equipment and land and buildings allocated to Norske Skog's cash-generating units.

31.12 2012	MACHINERY AND EQUIPMENT	LAND AND BUILDINGS
Europe newsprint	2 048	898
Australasia newsprint	3 018	246
Norske Skog Pisa (Brazil) newsprint	318	45
Norske Skog Singburi (Thailand) newsprint	41	41
Europe magazine paper (light weight coated (LWC))	382	350
Norske Skog Saugbrugs (Norway) magazine paper (super-calendered (SC))	701	628
Other activities	3	105
Carrying value	**6 511**	**2 313**

EXPECTED USEFUL LIFE

Norske Skog has conducted sensitivity analyses with respect to changes in expected useful life of the group's paper machines. If the expected useful life of all the group's paper machines is reduced by one year, the annual depreciation charge will increase by around NOK 150 million.

In connection with the year-end closing process for 2012, Norske Skog performed a review of the expected remaining useful lives of PPE. The outcome of the review was that the lifetimes of some of the group's paper machines were reduced with effect from 1 January 2013. The reduced useful lives were reflected in the cash flow horizon, resulting in impairments in the operating segments newsprint and magazine paper. Due to impairment losses recognised in 2012, the future annual depreciation will decrease.

5. FINANCIAL ITEMS

FINANCIAL INCOME	2012	2011
Dividends received	10	1
Interest income	29	74
Other financial income [1]	187	206
Total	**226**	**281**

FINANCIAL EXPENSES	2012	2011
Interest costs	-615	-770
Other financial expenses	-66	-54
Total	**-681**	**-868**
Realised/unrealised gains on foreign currency	**359**	**-43**
Financial items	**-96**	**-629**

[1] Other financial income includes gains on the buy-back of bonds.

6. MORTGAGES

LOANS SECURED BY MORTGAGES ON PROPERTY	31.12.2012	31.12.2011
Other mortgage debt	212	148

CARRYING VALUE OF ASSETS SECURING THIS DEBT	31.12.2012	31.12.2011
Property, plant and equipment	179	172

Norske Skogindustrier ASA has negative pledge clauses in its bank and bond agreements, with the possibility to give security up to certain thresholds. Mortgage loans per 31 December 2012 and 31 December 2011 consisted of facilities secured by land and forest areas taken up at Norske Skog Boyer in Australia, and were executed within the negative pledge limits.

7. FINANCIAL INSTRUMENTS

CATEGORIES OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

31.12.2012	NOTE	FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS	LOANS AND RECEIVABLES	AVAILABLE-FOR-SALE FINANCIAL ASSETS	NON-FINANCIAL ASSETS	TOTAL
Other non-current assets	10	831	24	110	21	986
Trade and other receivables	10	0	1 637	0	178	1 816
Cash and cash equivalents		0	1 194	0	0	1 194
Other current assets	19	217	54	0	0	271
Total		**1 048**	**2 908**	**110**	**199**	

	NOTE	FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS	OTHER FINANCIAL LIABILITIES AT AMORTISED COST	NON-FINANCIAL LIABILITIES	TOTAL
Interest-bearing non-current liabilities	11	0	7 208	0	7 208
Interest-bearing current liabilities	11	0	203	0	203
Other non-current liabilities	19	165	0	597	762
Trade and other payables	19	0	2 097	0	2 097
Other current liabilities	19	32	140	269	441
Total		**198**	**9 647**	**866**	

31.12.2011	NOTE	FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS	LOANS AND RECEIVABLES	AVAILABLE-FOR-SALE FINANCIAL ASSETS	NON-FINANCIAL ASSETS	TOTAL
Other non-current assets	10	2 029	39	117	73	2 258
Trade and other receivables	10	0	2 614	0	117	2 732
Cash and cash equivalents		0	1 200	0	0	1 200
Other current assets	19	327	45	0	0	372
Total		**2 356**	**3 898**	**117**	**190**	

	NOTE	FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS	OTHER FINANCIAL LIABILITIES AT AMORTISED COST	NON-FINANCIAL LIABILITIES	TOTAL
Interest-bearing non-current liabilities	11	0	8 407	0	8 407
Interest-bearing current liabilities	11	0	931	0	931
Other non-current liabilities	19	191	0	546	736
Trade and other payables	19	0	2 474	0	2 474
Other current liabilities	19	320	363	237	920
Total		**511**	**12 175**	**783**	

FINANCIAL ASSETS AND LIABILITIES

	31.12.2012		31.12.2011	
	CARRYING AMOUNT	FAIR VALUE	CARRYING AMOUNT	FAIR VALUE
Derivatives	237	237	12	12
Commodity contracts	594	594	2 017	2 017
Miscellaneous other non-current assets	155	155	229	229
Other non-current assets	**986**	**986**	**2 258**	**2 258**
Accounts receivable	1 508	1 508	2 373	2 373
Other receivables	129	129	241	241
Prepaid VAT	179	179	117	117
Trade and other receivables	**1 816**	**1 816**	**2 732**	**2 732**
Cash and cash equivalents	1 194	1 194	1 200	1 200
Derivatives	157	157	18	18
Commodity contracts	60	60	309	309
Current investments	54	54	45	45
Other current assets	**271**	**271**	**372**	**372**
Interest-bearing non-current liabilities [1]	7 208	6 351	8 407	5 473
Interest-bearing current liabilities [2]	203	203	931	931
Total interest-bearing liabilities	**7 411**	**6 554**	**9 338**	**6 403**
Derivatives	128	128	0	0
Commodity contracts	37	37	190	190
Non-financial non-current liabilities	597	597	546	546
Other non-current liabilities	**762**	**762**	**736**	**736**
Accounts payable	1 071	1 071	1 189	1 189
Other payables	1 026	1 026	1 285	1 285
Trade and other payables	**2 097**	**2 097**	**2 474**	**2 474**
Derivatives	3	3	201	201
Commodity contracts	29	29	119	119
Non-financial current liabilities	409	409	616	616
Other current liabilities	**441**	**441**	**920**	**920**

[1] The fair value of non-current bank loan debt is based on cash flows discounted using the swap rate, plus the credit default swap (CDS). The fair value of foreign bonds is calculated using price indications from banks. The fair value of Norwegian bonds is based on quotes from Bloomberg, when these are available. In other instances, published assessment values at 1 January 2013 are used.
[2] The fair value of current borrowings equals their carrying amount, as the impact of discounting is not considered to be significant.

There is uncertainty as to the calculated fair value of interest-bearing liabilities. The fair value calculation is based on acknowledged valuation principles according to IFRS, but is not necessarily an estimate of the amount the group would have to cover if it were to repay all its debt to all lenders.

8. FINANCIAL RISK AND HEDGE ACCOUNTING

FINANCIAL RISK FACTORS

Norske Skog is exposed to various financial risk factors through the group's operating activities, including market risk (interest rate risk, currency risk and commodity risk), liquidity risk and credit risk. Norske Skog seeks to minimise losses and volatility on the group's earnings caused by adverse market movements. Moreover, Norske Skog monitors and manages financial risk based on internal policies and standards set forth by corporate management and approved by the board of directors. These written policies provide principles for the overall risk management as well as standards for managing currency risk, interest rate risk, credit risk, liquidity risk and the use of financial derivatives and non-derivative financial instruments. Compliance with policies and standards is continuously monitored. There were no breaches of these policies during 2012 or 2011.

MARKET RISK

a) Interest rate risk

The goal of interest rate risk management is to secure the lowest possible interest rate payments over time within acceptable risk limits. In the current challenging situation in the publication paper market, Norske Skog has secured most of the interest rate payments by primarily paying fixed interest rates on its loan obligations.

INTEREST-BEARING ASSETS AND LIABILITIES WITH CORRESPONDING HEDGES	31.12.2012			31.12.2011		
	FLOATING	FIXED	TOTAL	FLOATING	FIXED	TOTAL
Interest-bearing liabilities	613	6 694	7 307	1 564	7 481	9 045
Interest-bearing assets	-1 194	0	-1 194	-1 200	0	-1 200
Net exposure before hedging	**-581**	**6 694**	**6 113**	**364**	**7 481**	**7 845**
Fair value hedge	0	0	0	195	-195	0
Net exposure after hedging	**-581**	**6 694**	**6 113**	**559**	**7 286**	**7 845**

All amounts presented in the table are notional amounts. Total interest-bearing liabilities will therefore differ from booked amounts due to bond discounts/premiums, hedge reserve, and unrealised effects from fair value hedging (see Note 11 Interest-bearing liabilities). Floating rate exposure is calculated without accounting for potential future refinancing.

Interest rate risk - fair value hedge

Changes in the fair value of derivatives which are designated and qualify as fair value hedges in accordance with IAS 39 *Financial Instruments – recognition and measurement* are recorded in the income statement together with any changes in the fair value of the hedged asset or liability which are attributable to the hedged risk. The market value of hedging instruments terminated before maturity remains within interest-bearing debt as an adjustment of amortised cost, until the underlying hedged item is realised. The remaining interest rate swap in the fair value hedge portfolio was terminated in 2012.

CHANGE IN FAIR VALUE OF INTEREST RATE DERIVATIVES AND CORRESPONDING HEDGED ITEMS	2012 [2]	2011
Changes in fair value of interest rate swaps	0	3
Changes in fair value of underlying debt (hedged item)	0	-4
Ineffectiveness recognised in the income statement [1]	0	1

[1] Ineffectiveness is presented in the income statement line Financial items.

[2] The hedge accounting was terminated at 31 December 2011.

Interest rate sensitivity analysis
In accordance with IFRS 7 *Financial instruments - disclosures*, an interest rate sensitivity analysis is presented showing the effects of changes in market interest rates on interest costs and interest income, as well as equity where applicable. The analysis is based on the following assumptions:

- Floating rate debt is exposed to changes in market interest rates, i.e. the interest costs or interest income associated with such instruments will fluctuate based on changes in market rates. These changes are accounted for in the sensitivity analysis. The result is based on the assumption that all other factors are kept constant.

- Changes in market rates on fixed rate debt will only affect the income statement if they are measured at fair value. Thus, fixed rate instruments recognised at amortised cost will not represent an interest rate risk as defined by IFRS 7. Such instruments will therefore not have any influence on the sensitivity analysis.

- Change in fair value of interest rate swaps that are designated as fair value hedge on the group's fixed rate bonds will not influence the sensitivity calculation of either the income statement or equity. As a result of fair value hedge accounting, the changes in fair value of interest rate swaps recognised in the income statement are, to a large extent, offset by opposite changes in fair value of the underlying hedged item. Potential ineffectiveness stemming from retrospective effectiveness testing of the hedging relationship is regarded as insignificant to this analysis.

- Changes in fair value of interest rate derivatives that are not designated as a fair value hedge of the group's liabilities, and which are subsequently measured at fair value through profit or loss, are taken into consideration in the sensitivity analysis.

- Currency derivatives will only affect the sensitivity analysis to a very limited extent upon changes in the discount rate.

- Results are presented net of tax, using the Norwegian statutory tax rate of 28%.

The interest rate sensitivity analysis is based on a parallel shift in the yield curve for each relevant currency to which Norske Skog is exposed. Following a 50 basis point downward/upward parallel shift in the yield curve in all interest rate markets to which Norske Skog is exposed, net earnings would have been NOK 3 million higher/lower at 31 December 2012 (NOK 2 million lower/higher at 31 December 2011). Change in net interest payments accounts for NOK 1 million, and the total change in market values of derivatives carried at fair value through profit or loss accounts for NOK 2 million. Floating rate debt has decreased in 2012 due to repayments.

b) Currency risk
Transaction risk - cash flow hedge
The group has revenues and expenses in various currencies. The major currencies are NOK, EUR, USD, GBP, AUD and NZD. Transaction risk arises because the group has a different currency split on income and expenses. Norske Skog calculates a 12-month future cash flow exposure in each currency on a rolling basis. The result of the hedging is included in Financial items in the income statement. Norske Skog does not use hedge accounting for the rolling cash flow hedge. The rolling cash flow hedge generated a gain of NOK 149 million in 2012 (loss of NOK 13 million in 2011). Over time, currency losses or earnings are expected to offset increased or reduced future gross operating earnings.

Translation risk - net investment hedge
The presentational currency of the Norske Skog group is NOK. Currency translation risk arises when the financial statements of subsidiaries, presented in local currencies, are translated into NOK. In order to reduce translation risk, assets and liabilities are allocated to the same currency. In addition to traditional debt instruments, all combined currency and interest rate swaps and forward exchange contracts are also used for hedging net investments in foreign subsidiaries.

Norske Skog's net investment hedging is carried out in accordance with IAS 39. Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognised in equity and offset by translation differences from assets in subsidiaries. The gain or loss related to the ineffective portion is immediately recognised in the income statement. There was no ineffectiveness related to net investment hedge in 2012 or 2011. The effective portion recognised in equity was a gain of NOK 2 million in 2012 (gain of NOK 19 million in 2011). The portion of the debt portfolio to which hedge accounting does not apply was somewhat smaller in 2012 than in 2011. Hedge accounting of USD loans was stopped in the first quarter of 2012 due to the divestment of Papeles Norske Skog Bio Bio S.A. in Chile and change of functional currency from USD to BRL for Norske Skog Pisa Ltda. in Brazil. Foreign exchange gains and losses from such liabilities are recognised in the income statement under Financial items. Cumulative currency translation differences of NOK -30 million were reclassified to the income statement in 2012 as a result of the divestments of Papeles Norske Skog Bio Bio S.A. in Chile, Norske Skog Parenco B.V, in the Netherlands and the global recovered paper business, Reparco. During 2011, cumulative currency translation differences of NOK 12 million were reclassified to the income statement as a result of the divestment of the sales office Norske Skog (USA) Inc.

CHANGE IN FAIR VALUE OF DERIVATIVES AND OTHER FINANCIAL INSTRUMENTS DESIGNATED AS NET INVESTMENT HEDGE	2012	2011
Changes in spot value of financial instruments [1]	206	-91
Effective portion recognised in equity	2	19
Portion without hedge accounting recognised in the income statement	204	-110

[1] Includes the change in the value of FX forward contracts, cross-currency swap contracts and bonds.

Foreign exchange - sensitivity analysis on financial instruments
The following foreign exchange sensitivity analysis calculates the sensitivity of derivatives and non-derivative financial instruments on net profit and equity, based on a defined appreciation/depreciation of NOK against relevant currencies, keeping all other variables constant. The analysis is based on several assumptions, including:

- Norske Skog as a group comprises entities with different functional currencies. Derivative and non-derivative financial instruments of a monetary nature, denominated in currencies different from the functional currency of the entity, create foreign exchange rate exposure on the consolidated income statement. Moreover, foreign currency risk will also affect equity.

- Financial instruments denominated in the functional currency of the entity have no currency risk and will therefore not be applicable to this analysis. Furthermore, the foreign currency exposure of translating financial accounts of subsidiaries into the group's presentational currency is not part of this analysis.

- Sensitivity on commodity contracts and embedded derivatives is presented separately under "Commodity risk".

- Currency derivatives and foreign currency debt that are designated as net investment hedges and qualify for hedge accounting according to IAS 39 will only affect equity.

- Other currency derivatives that are recognised at fair value through profit and loss will affect the income statement. These effects come mainly from currency derivatives designated as hedging of the group's 12-month rolling cash flow exposure, and financial liabilities managed as economic net investment hedges which do not qualify for hedge accounting according to IAS 39.

- Other non-derivative financial instruments accounted for in the analysis comprise cash and cash equivalents, accounts payable, accounts receivable and borrowings denominated in currencies different from the functional currency of the entity.

- Correlation effects between currencies are not taken into account. Figures are presented net of tax.

At 31 December 2012, if NOK had appreciated 10% against all currencies to which the group has significant exposure, net profit after tax from financial instruments would have been NOK 292 million higher (NOK 464 million higher at 31 December 2011). If NOK had depreciated by 10% at 31 December 2012 against all currencies to which the group has significant exposure, net profit after tax from financial instruments would have been NOK 292 million lower (NOK 503 million lower at 31 December 2011). Net profit after tax is affected in a non-linear manner due to changes in the fair value of options. The effect of the sensitivity analysis on the income statement is mainly caused by changes in fair value of derivatives designated as rolling cash flow hedge, and foreign exchange gains/losses on the translation of EUR and USD denominated debt for which there is no hedge accounting. Due to the fact that the portion of debt has decreased in relation to the portion of cash, the effect on the income statement is lower in 2012 compared to 2011.

Given a 10% appreciation/depreciation of NOK, equity would have been NOK 180 million higher/lower (NOK 378 million higher/lower at 31 December 2011) as a result of foreign exchange gains/losses on financial instruments designated as net investment hedges. The sensitivity analysis on equity excludes the effects from the sensitivity analysis on the income statement, calculated above.

c) Commodity risk
A major part of Norske Skog's global commodity demand is secured through long-term contracts. Norske Skog only uses financial instruments to a limited extent to hedge these contracts. The hedging ratio represents a trade-off between risk exposure and the opportunity to take advantage of short-term price drops in the spot market. Hedging levels are regulated through mandates approved by the board of directors.

Some of Norske Skog's purchase and sales contracts are defined as financial instruments, or contain embedded derivatives, which fall within the scope of IAS 39. These financial instruments and embedded derivatives are measured in the balance sheet at fair value with value changes recognised through profit or loss. Commodity contracts are either financial contracts for the purpose of trading or hedging, or physical commodity contracts that are not for the purpose of own use. The embedded derivatives are common in physical commodity contracts and comprise a wide variety of derivative characteristics.

Changes in fair value of commodity contracts reflect unrealised gains or losses and are calculated as the difference between market price and contract price, discounted to present value. Some commodity contracts are bilateral contracts or embedded derivatives in bilateral contracts, for which there exists no active market. Hence, valuation techniques, with the use of available market information, are used as much as possible. Techniques that reflect how the market could be expected to price instruments are used in non-observable markets.

Norske Skog's portfolio of commodity contracts consists mostly of physical energy contracts. Fair value of commodity contracts is therefore especially sensitive to future changes in energy prices. The fair value of embedded derivatives in physical contracts depends on currency and price index fluctuations.

In March 2012, Norske Skog sold long-term excess energy in Norway for NOK 170 million and in May 2011, Norske Skog sold the energy company Enerpar-Energias do Paraná Ltda. in Brazil for NOK 410 million.

Sensitivity analysis for commodity contracts
Trading and hedging mandates have been established for energy activity. Financial trading and hedging activities are carried out bilaterally with banks and trading companies. The trading portfolio for energy in Norway was terminated in 2011.

When calculating fair value of future and forward contracts, cash flows are by principle assumed to occur in the middle of the period. Currency effects arise when contract values nominated in foreign currencies are translated into the reporting currency. Net profit after tax is affected in a non-linear manner due to changes in the fair value of options.

COMMODITY CONTRACTS WITHIN THE SCOPE OF IAS 39		FAIR VALUE 31.12.2012	RESULT NET OF TAX CHANGE DOWN	RESULT NET OF TAX CHANGE UP
Energy price	change 25%	588	-835	835
Currency	change 10%	588	-27	26

Sensitivity analysis for embedded derivatives

Embedded derivatives are common features in physical commodity contracts. The most common embedded derivatives are price indices, hereunder national consumer price and producer price indices. Some embedded derivatives have option features. The analysis below combines all indices into one price index. Currency effects will arise when contract values nominated in foreign currencies are translated to NOK.

EMBEDDED DERIVATIVES		FAIR VALUE 31.12.2012	RESULT NET OF TAX CHANGE DOWN	RESULT NET OF TAX CHANGE UP
Currency	change 10%	217	195	-225
Price index	change 2.5%	217	10	-10

LIQUIDITY RISK

Norske Skog is exposed to liquidity risk in a scenario when the group's cash flow from operating activities is not sufficient to cover payments of financial liabilities. In order to effectively mitigate liquidity risk, Norske Skog's liquidity risk management strategy focuses on maintaining sufficient cash, as well as securing available financing through committed credit facilities. Managing liquidity risk is centralised on a group level.

In order to uncover future liquidity risk, Norske Skog forecasts both short- and long-term cash flows. Cash flow forecasts include cash flows stemming from operations, investments, financing activities and financial instruments. The group had current investments, cash and cash equivalents of NOK 1 194 million at 31 December 2012 (NOK 1 200 million at 31 December 2011) and an undrawn credit facility of NOK 1 028 million at 31 December 2012 (fully drawn credit facilities of NOK 1 086 million at 31 December 2011). See Note 11 for more information regarding the maturity of facilities. Restricted bank deposits amounted to NOK 211 million at 31 December 2012 (NOK 172 million at 31 December 2011).

The following table shows the contractual maturities of non-derivative financial liabilities and other derivative financial instruments. All amounts disclosed in the table are undiscounted cash flows. Furthermore, amounts denominated in foreign currency are translated to NOK using closing rates at 31 December. These amounts consist of trade payables, interest payments and principal payments on derivative and non-derivative financial instruments. Variable rate interest cash flows are calculated using the forward yield curve. Projected interest payments are based on the maturity schedule at 31 December without accounting for forecasted refinancing and/or other changes in the liability portfolio. All other cash flows are based on the group's positions held at 31 December 2012.

MATURITY OF FINANCIAL LIABILITIES AND FINANCIAL INSTRUMENTS

31.12.2012	0 - 6 MONTHS	6 - 12 MONTHS	2014-2015	2016-2017	> 2017
Non-derivative financial instruments					
Principal payment on interest-bearing debt	-54	-150	-1 901	-3 911	-1 291
Projected interest payment on interest-bearing debt	-345	-233	-1 012	-628	-1 282
Trade payables	-1 071	0	0	0	0
Total	**-1 470**	**-383**	**-2 913**	**-4 539**	**-2 573**
Net settled derivative financial instruments					
Interest rate swaps - net cash flows	-3	-3	-13	0	0
Commodity contracts	4	-1	5	0	0
Total	**1**	**-4**	**8**	**0**	**0**
Gross settled derivative financial instruments					
Foreign exchange contracts - outflows	-2 204	-434	0	0	0
Foreign exchange contracts - inflows	2 251	444	0	0	0
Cross-currency swaps - outflows	-5	-5	-244	0	0
Cross-currency swaps - inflows	3	3	205	0	0
Total	**45**	**9**	**-39**	**0**	**0**
Total 2012	**-1 424**	**-379**	**-2 960**	**-4 539**	**-2 573**

31.12.2011	0 - 6 MONTHS	6 - 12 MONTHS	2013-2014	2015-2016	> 2016
Non-derivative financial instruments					
Principal payment on interest-bearing debt	-764	-167	-1 008	-2 176	-4 930
Projected interest payment on interest-bearing debt	-414	-253	-1 276	-926	-1 710
Trade payables	-2 837	0	0	0	0
Total	**-4 015**	**-420**	**-2 284**	**-3 102**	**-6 640**
Net settled derivative financial instruments					
Interest rate swaps - net cash flows	-14	4	-2	-5	1
Commodity contracts	0	0	0	0	0
Total	**-14**	**4**	**-2**	**-5**	**1**
Gross settled derivative financial instruments					
Foreign exchange contracts - outflows	-3 617	-267	0	0	0
Foreign exchange contracts - inflows	3 483	266	0	0	0
Cross-currency swaps - outflows	-542	-6	-271	0	0
Cross-currency swaps - inflows	449	5	213	0	0
Total	**-241**	**2**	**-60**	**-5**	**1**
Total 2011	**-4 270**	**-414**	**-2 346**	**-3 112**	**-6 638**

CREDIT RISK

Norske Skog makes a credit evaluation of all financial trading counterparties. The credit risk evaluation is based on credit rating and CDS (Credit Default Swap). Based on the evaluation, a limit on credit exposure is established for each counterparty. These limits are monitored continuously in relation to unrealised profit on financial instruments and placements. The maximum credit risk arising from financial instruments is represented by the carrying amount of financial assets in the balance sheet. This includes derivatives with positive market value except for embedded derivatives. Embedded derivatives are not subjected to credit risk, as there are no future cash flows associated with such derivatives.

Norske Skog trades with a group of large Nordic and international banks which are publicly rated in the interval from AA- to A-. The credit risk on deposits and derivative transactions is spread across these banks.

Norske Skog's procedures for credit management of European trade receivables, and the authority to approve credit lines to customers of European business units, are regulated by a policy drafted and maintained by a centralised credit management function at the head office. The operational responsibility to act within the guidelines as set out by this policy lies with each business unit. For operations outside of Europe, customer credit management is handled locally.

9. DERIVATIVES

Fair value of derivatives

The table below classifies financial instruments measured in the balance sheet at fair value, by valuation method. The different valuation methods are described as levels and are defined as follows:
Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.
Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
Level 3: Inputs for the asset or liability are not based on observable market data (i.e. unobservable inputs).

31.12.2012	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
Financial assets at fair value through profit or loss				
Trading derivatives	0	80	0	80
Derivatives used for hedging	0	13	0	13
Commodity contracts	0	8	947	955
Total	**0**	**101**	**947**	**1 048**
Financial liabilities at fair value through profit or loss				
Trading derivatives	0	-46	0	-46
Derivatives used for hedging	0	-2	0	-2
Commodity contracts	0	0	-150	-150
Total	**0**	**-48**	**-150**	**-198**

31.12.2011	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
Financial assets at fair value through profit or loss				
Trading derivatives	0	23	0	23
Derivatives used for hedging	0	8	0	8
Commodity contracts	0	7	2 317	2 324
Total	**0**	**38**	**2 317**	**2 355**
Financial liabilities at fair value through profit or loss				
Trading derivatives	0	-177	0	-177
Derivatives used for hedging	0	-21	0	-21
Commodity contracts	0	0	-309	-309
Total	**0**	**-198**	**-309**	**-507**

The following table shows the changes in level 3 instruments at 31 December 2012.

	ASSETS	LIABILITIES
Opening balance	2 317	-309
Investments in the period	0	0
Compensation from sales in the period [1)]	-170	0
Transfers into level 3	0	0
Transfers out of level 3	0	0
Gains and losses recognised in profit or loss	-1 200	159
Closing balance	**947**	**-150**

[1)] Sales in the period consist of sale of excess energy from one of the contracts in Norway. Gains and losses related to the realised volume from contracts in level 3 are recognised in the income statement line Other gains and losses.

The fair value of derivatives that are not traded in an active market (over-the-counter derivatives) is determined using various valuation techniques. Interest rate swaps, cross-currency swaps, forward rate agreements and foreign currency forward contracts are all valued by estimating the present value of future cash flows. Currency options are valued using recognised option pricing models. Quoted cash and swap rates are used as input for calculating zero coupon curves used for discounting. The exchange rates used are the quoted closing rates at 31 December.

The fair value of commodity contracts recognised in the balance sheet is calculated by using quotes from actively traded markets when available. Otherwise, price forecasts from acknowledged external sources are used. Commodity contracts that fail to meet the own-use exemption criteria in IAS 39 are recognised in the balance sheet and valued on the same principle as financial contracts. Some of these are long-term energy contracts. In calculating the fair value of embedded derivatives, valuation techniques are used in the absence of observable market inputs. Embedded currency options are calculated using a Black 76 valuation model, where some input assumptions have been made in absence of an active long-term option market.

The following table is presented in accordance with IFRS 7.27, showing the fair value of commodity contracts in level 3 given a change in assumptions to a reasonably possible alternative.

FAIR VALUE OF DERIVATIVES IN LEVEL 3 GIVEN A REASONABLY POSSIBLE ALTERNATIVE	31.12.2012	31.12.2011
Assets		
Commodity contracts	827	2 220
Liabilities		
Commodity contracts	-145	-314

The electricity prices for long-term electricity contracts in Norway and New Zealand are not directly observable in the market for the whole contract length. A change in the forecast to a reasonably possible alternative would change the fair value. For the energy contracts in Norway, a reasonably possible alternative at 31 December 2012 would be a downwards parallel shift of the forward curve of 3% (downwards shift of 3% in 2011). In New Zealand, a reasonably possible alternative at 31 December 2012 would be a downwards parallel shift of the long end of the forward curve of 3% (upwards shift of 2% in 2011).

	31.12.2012		31.12.2011	
DERIVATIVES	ASSETS	LIABILITIES	ASSETS	LIABILITIES
Net investment hedge				
Forward contracts	13	0	0	-18
Cross-currency contracts	0	-2	0	-3
Total	**13**	**-2**	**0**	**-21**
Fair value hedge [1]				
Interest rate swaps	0	0	8	0
Total	**0**	**0**	**8**	**0**
Other derivatives [2]				
Interest rate swaps	0	-16	0	-19
Forward rate contracts	0	-4	3	-3
Currency options	30	-18	12	-21
Forward contracts	50	-8	8	-134
Commodity contracts	654	-66	2 201	-182
Embedded derivatives	301	-84	123	-127
Total	**1 035**	**-196**	**2 347**	**-486**
Total derivatives				
Interest rate swaps	0	-16	8	-19
Forward rate contracts	0	-4	3	-3
Currency options	30	-18	12	-21
Forward contracts	63	-8	8	-152
Cross-currency contracts	0	-2	0	-3
Commodity contracts	654	-66	2 201	-182
Embedded derivatives	301	-84	123	-127
Total	**1 048**	**-198**	**2 355**	**-507**

The table above includes only derivatives, and the total amount may differ compared to other tables showing financial assets and liabilities.

[1] Norske Skog terminated the remaining interest rate swap in the fair value hedge portfolio in 2012. The notional principal amount of the underlying debt was NOK 195 million at 31 December 2011.

[2] Includes the active mandate portfolio, embedded derivatives in physical contracts, commodity hedging contracts and rolling cash flow hedging. Norske Skog does not use hedge accounting for rolling cash flow hedging and hedging of commodity costs. These contracts are presented at fair value through profit or loss.

10. RECEIVABLES AND OTHER NON-CURRENT ASSETS

	NOTE	31.12.2012	31.12.2011
Trade and other receivables			
Accounts receivable		1 508	2 373
Provision for bad debt		-80	-98
Other receivables		130	267
VAT receivables		178	117
Prepaid expenses		80	73
Total		**1 816**	**2 732**
Other non-current assets			
Loans to employees		2	12
Long-term shareholdings	24	110	117
Miscellaneous non-current receivables		22	27
Derivatives	7	237	12
Commodity contracts	7	594	2 017
Pension plan assets	13	21	73
Total		**986**	**2 258**

The credit risk on trade and other receivables is continuously monitored, independent of due date. The group's sales are mainly to large customers with a low degree of default. Collateral as security is not normally requested. Further information regarding the group's credit policy for sales is provided in Note 8.

AGEING OF THE GROUP'S CURRENT RECEIVABLES	31.12.2012	31.12.2011
Not due	1 561	2 416
0 to 3 months	260	327
3 to 6 months	5	10
Over 6 months	70	77
Total [1]	**1 896**	**2 830**

[1] Does not include provision for bad debt.

The maximum credit risk exposure at the year-end is the fair value of each class of receivable mentioned above.

11. INTEREST-BEARING LIABILITIES

	31.12.2012	31.12.2011
Bonds	6 787	8 616
Debt to financial institutions	624	722
Total	**7 411**	**9 338**

INTEREST-BEARING DEBT BY CURRENCY	CURRENCY AMOUNT 31.12.2012	NOK 31.12.2012	NOK 31.12.2011
USD	328	1 826	2 442
EUR	570	4 185	4 678
NZD	0	0	30
AUD	42	242	319
THB	105	19	85
Total interest-bearing debt in foreign currencies		**6 272**	**7 554**
Interest-bearing debt in NOK		1 139	1 784
Total interest-bearing debt		**7 411**	**9 338**

The average interest rate at 31 December 2012 was 7.5% (6.6% at 31 December 2011).

DEBT REPAYMENT

MATURITY OF THE GROUP'S DEBT AT 31.12.2012	DEBT BANKS	BONDS	TOTAL
2013	204	0	204
2014	64	888	952
2015	68	881	949
2016	67	951	1 018
2017	42	2 852	2 893
2018	35	0	35
2019	35	0	35
2020	36	0	36
2021-2033	72	1 112	1 185
Total	**623**	**6 684**	**7 307**

MATURITY OF THE GROUP'S DEBT AT 31.12.2011	DEBT BANKS	BONDS	TOTAL
2012	276	655	931
2013	58	0	58
2014	52	898	950
2015	41	1 027	1 068
2016	38	1 070	1 108
2017	35	3 483	3 518
2018	35	0	35
2019	66	0	66
2020-2033	112	1 199	1 311
Total	**714**	**8 330**	**9 045**

Total debt listed in the repayment schedule may differ from booked debt. This is due to premiums or discounts on issued bonds, hedge reserves and fair value hedging. At 31 December 2012, the financial statements included a discount of NOK 57 million (discount of NOK 91 million at 31 December 2011). Premiums or discounts on issued bonds are amortised in the income statement over the lifetime of the issued bonds. See Note 6 for loans secured by mortgage.

As a result of the termination of a large part of the fair value hedge portfolio in the beginning of 2009, an amount was reclassified in the balance sheet. A hedge reserve (deferred income) amounting to NOK 196 million was included in interest-bearing debt as at 31 December 2012 (NOK 270 million at 31 December 2011). The hedge reserve does not constitute any payment obligation for the group, but will be amortised in the income statement over the term of the debt that has been hedged.

Total interest-bearing debt is impacted by unrealised currency effects on forward contracts and on cross-currency swap contracts. This will also differ from booked debt. At 31 December 2012, this effect decreased debt by NOK 132 million (debt was decreased by NOK 84 million at 31 December 2011).

At 31 December 2012, the group's holding of own bonds amounted to NOK 163 million of Norwegian bonds (NOK 361 million at 31 December 2011). The group's holding of own bonds in foreign currency amounted to USD 42 million and EUR 132 million, respectively (USD 29 million and EUR 63 million at 31 December 2011). These holdings are deducted from interest-bearing debt in NOK.

LOAN COVENANTS

The financial loan covenants in the group's credit facility of EUR 140 million consist of an interest coverage ratio (adjusted EBITDA / net interest expense) and a debt ratio (adjusted net interest-bearing debt / adjusted EBITDA). According to the agreement, all key figures are calculated using a 12-month average exchange rate. The group's bond loans do not include financial covenants.

31.12.2012	REPORTED KEY FIGURES	KEY FIGURES ACCORDING TO LOAN AGREEMENT [1]
Interest-bearing non-current liabilities	7 208	7 385
Interest-bearing current liabilities	203	207
- Hedge reserve	196	205
- Cash and cash equivalents	1 194	1 221
Net interest-bearing debt	**6 021**	**6 166**
Adjusted net interest-bearing debt [2]		6 248

[1] Calculated using the average exchange rate per month for the last 12-month period.
[2] Adjusted net interest-bearing debt according to definition in loan agreement.

31.12.2012	REPORTED FIGURES	LOAN COVENANTS [2]
EBITDA (last 12 months)	1 464	
Adjusted EBITDA 1) (last 12 months)	1 395	
Net interest expense (last 12 months)	586	
Adjusted net interest-bearing debt / Adjusted EBITDA	4.48	<4.75
EBITDA / Net interest expense	2.38	>2.25

[1] Adjusted EBITDA consists of gross operating earnings for the group, excluding units that have been sold during the last 12 months.
[2] The loan covenants presented in the table are at 31 December 2012.

LOAN COVENANTS 2012	31.03.2012	30.06.2012	30.09.2012	31.12.2012
Adjusted net interest-bearing debt / Adjusted EBITDA	<6.00	<5.50	<5.00	<4.75
Adjusted EBITDA / Net interest expense	>1.75	>2.00	>2.25	>2.25

LOAN COVENANTS 2013	31.03.2013	30.06.2013	30.09.2013	31.12.2013
Adjusted net interest-bearing debt / Adjusted EBITDA	<4.25	<4.00	<3.75	<3.50
Adjusted EBITDA / Net interest expense	>2.50	>2.50	>2.75	>2.75

LOAN COVENANTS 2014	31.03.2014
Adjusted net interest-bearing debt / Adjusted EBITDA	<3.50
Adjusted EBITDA / Net interest expense	>2.75

12. EMPLOYEE BENEFIT EXPENSES

EMPLOYEE BENEFIT EXPENSES	NOTE	2012	2011
Salaries including holiday pay		1 944	2 199
Social security contributions		224	249
Pension costs	13	83	66
Other employee benefit expenses		261	279
Total		**2 512**	**2 793**

NUMBER OF EMPLOYEES BY REGION	31.12.2012	31.12.2011
Europe	2 557	3 352
South America	294	533
Australasia	814	854
Asia	239	238
Corporate functions (head office)	82	98
Total	**3 986**	**5 075**

The base salary for the president and chief executive officer (CEO) Sven Ombudstvedt at 31 December 2012 was NOK 4 200 000. Total salary and other benefits received by Ombudstvedt in 2012 amounted to NOK 5 119 025.

The CEO's retirement age is 64. Early retirement benefits and salary over 12 G (base amount in the Norwegian national insurance scheme) are covered by a supplementary agreement for corporate management. The CEO entered the company's defined contribution pension plan from 1 January 2011.

The mutual period of notice for the CEO is six months. If circumstances arise in which the company and the CEO, by mutual agreement, terminate the contract of employment in the best interests of the company, the company issues a guarantee equivalent to payment of base salary for 18 months after the end of the notice period. The amount receivable by other members of corporate management under the same circumstances is severance pay equivalent to payment of base salary for 12 months and a guarantee of six months.

The annual bonus agreements for the CEO and other members of corporate management specify a maximum payment of 50% of base salary. The basis for calculating this bonus is set annually by the board and CEO. No members of corporate management have been given loans or granted securities or guarantees from the employer.

The total remuneration for the board of directors in 2012 was NOK 4 198 596. For the corporate assembly (dissolved March, 2012), the total remuneration was 338 500. For the election- and remuneration committe, the total remuneration was NOK 192 000.

Please see Note 10 in the parent company financial statements for further information on remuneration to executive employees.

REMUNERATION FOR MEMBERS OF CORPORATE MANAGEMENT
(in NOK 1 000)

In accordance with the code of conduct for corporate governance recommended by the Oslo Stock Exchange, salary, payments in kind and bonus for members of corporate management are specified below.

	BASE SALARY 31.12.2012	PAYMENTS IN KIND ETC. FOR 2012 [1]	BONUS 2012 [2]
Sven Ombudstvedt (CEO)	4 200	1 187	500
Rune Gjessing (CFO)	2 400	576	451

[1] Includes car allowance, provision in connection with the book reserve pension scheme, salary compensation for the transition to defined contribution pension, free telephone, etc.
[2] Based on results achieved in 2011, paid in 2012.

The chief operating officer (COO), Trond Stangeby, is hired in as a consultant. Total consultancy fees for 2012 were NOK 2 665 875. No other bonus or payments in kind were paid to the COO during 2012.

Long-term incentive programme

The board of directors adopted new principles for the long-term incentive programme in 2007, whereby the criteria for awarding synthetic shares to corporate management is related to Total Shareholder Return (TSR – development of the share price including dividend payments), such that this must be above average for a defined group of paper manufacturers, including Norske Skog. A positive TSR for the period is also an absolute condition. This scheme will yield a 30% payout if Norske Skog performs better than the average for the reference group and a full payout if the company falls within the best quartile. Progress is measured over a three-year period, with a new period beginning each year. This scheme involves no dilution effect.

The programme was continued for 2010 with some changes: the maximum annual bonus from the programme was set to NOK 4 million for the CEO and NOK 2 million for other members of corporate management (instead of a fixed number of shares), and the bonus after tax must be used to purchase shares until the total shareholding in the company corresponds to a certain number of shares (200 000 for the CEO and 100 000 for other members of corporate management). The programme was continued for 2012. There will be no allocation under the programme for 2013.

REMUNERATION TO THE MEMBERS OF THE BOARD OF DIRECTORS AND COMMITTEE MEMBERS

(in NOK 1 000)

	SALARY	DIRECTORS FEE	REMUNERATION FOR COMMITTEE WORK
Eivind Reiten		646	26
Gisèle Marchand [1]		196	50
Kjetil Bakkan	509	207	6
Eilif Due		207	7
Helge Evju [1]		150	19
Alexandra Bech Gjørv [1]		150	33
Siri Beate Hatlen		207	43
Finn Johnsson		357	73
Paul Kristiansen	525	357	108
Karen Kvalevåg		207	50
Åse Aulie Michelet		357	26
Inge Myrlund [1]	663	150	
Jon-Aksel Torgersen		207	
Svein Erik Veie	483	357	

[1] Previous members who left the board during 2012.

AUDITORS FEES

(in NOK 1 000, excluding VAT)

	PARENT COMPANY	NORWEGIAN SUBSIDIARIES AUDITED BY THE PARENT COMPANY AUDITOR	SUBSIDIARIES AUDITED BY GROUP AUDITORS	SUBSIDIARIES AUDITED BY OTHER AUDITORS	TOTAL
Audit fee	1 849	1 053	4 651	337	7 890
Audit-related assistance [1]	0	158	256	0	414
Tax assistance	0	0	56	0	56
Other fees	2 550	2 956	1 109	0	6 615
Total	**4 399**	**4 167**	**6 072**	**337**	**14 975**

[1] Audit-related assistance includes services which only auditors can provide, such as the limited review of interim financial statements, agreed control procedures etc.

13. PENSION COSTS AND PENSION OBLIGATIONS

Norske Skog has various pension schemes in accordance with local conditions and practices in the countries in which the group operates. A total of 3 278 current and former employees are covered by such schemes. Of these, 998 people are covered by defined benefit plans and 2 280 people by defined contribution plans.

DESCRIPTION OF THE DEFINED BENEFIT PLANS

The key terms in Norske Skog's major defined benefit plans are shown in the table below.

	BENEFIT IN % OF PENSIONABLE EARNINGS	YEARS OF SERVICE	PENSIONABLE AGE	EARLY RETIREMENT AGE	NUMBER OF MEMBERS
Norske Skogindustrier ASA	65	30	67	62	52
Norske Skog Saugbrugs AS	65	30	67	62	254
Norske Skog Skogn AS	65	30	67	62	194
Norske Skog Walsum GmbH	50-70	40	65-67	63	464
Norske Skog Tasman Ltd.	50-70		65		19
Norske Skog Paper Mills (Australia) Ltd.	50		65	55	13

Plan assets of the pension schemes in Norske Skogindustrier ASA, Norske Skog Saugbrugs AS and Norske Skog Skogn AS are managed by a life insurance company and invested in accordance with the general guidelines governing investments by life insurance companies in Norway. With effect from the beginning of 2011, a new defined contribution scheme was introduced in Norway, with a contribution of 4% for earnings between 1 and 6 G and 8% between 6 and 12 G. The defined benefit plan was closed and now only covers employees born before 1 January 1959 who were employed before the closure.

When evaluating plan assets, their estimated value at 31 December is used. This estimated value is corrected every year in accordance with the figures for the market value of the assets provided by the insurance company.

Expected return on plan assets is based on historical return and the investment profile of the plan assets.

When measuring incurred obligations, the estimated obligation at 31 December is used. This estimated obligation is corrected every year in accordance with the figures for incurred pension obligations provided by the actuary.

In addition to the benefit obligation funded through insurance plans, the group has unfunded benefit obligations, of which Norske Skog Walsum GmbH is the largest. The unfunded obligations include estimated future obligations relating to the former Norwegian early retirement scheme, pensions to former owners of subsidiaries as well as pensions for senior management and directors. Obligations relating to senior management pensions are partly funded through a supplementary retirement plan with a life insurance company.

In addition to defined benefit plans, there are also various defined contribution plans.

ASSUMPTIONS MADE WHEN CALCULATING FUTURE BENEFIT OBLIGATIONS IN NORWAY	2012	2011
Discount rate	3.2%	2.6%
Expected return on plan assets	3.2%	4.1%
Salary adjustment	3.0%	3.0%
Social security increase/inflation rate	3.25%	3.0%
Pension increase	0.0%	0.1%

The discount rate applied for the pension schemes in Norway for 2012 is based on the interest rate for covered bonds, and not the interest rate for government bonds as used previously. The impact of this change is an increase in the discount rate, since the interest rate for covered bonds is higher than the interest rate on government bonds.

Subsidiaries can deviate from these assumptions if local conditions require this. The discount rates applied vary from 2.5% to 4.5%. For Norske Skog Walsum GmbH, the discount rate used is 4.5%.

NET PERIODIC PENSION COST	2012	2011
Current service cost	37	71
Interest cost	31	60
Pension cost defined contribution schemes	25	31
Expected return on plan assets	-17	-45
Accrued national insurance contributions	3	3
Expensed portion of changes in early retirement plan	0	-115
Recognised curtailment and settlement	0	38
Actuarial gains and losses	4	22
Net periodic pension cost	**83**	**66**

Estimated payments to the group's defined benefit pension schemes in 2013 amount to NOK 30 million.

RECONCILIATION OF THE PENSION PLANS' FINANCIAL STATUS WITH THE BALANCE SHEET

PARTLY OR FULLY FUNDED PENSION PLANS	31.12.2012	31.12.2011	31.12.2010	31.12.2009	31.12.2008
Projected benefit obligations	-500	-1 060	-1 543	-1 921	-2 319
Plan assets at fair value	479	962	1 475	1 692	2 122
Plan assets in excess of/less than obligations (-)	**-21**	**-97**	**-68**	**-229**	**-197**
Differences in estimates not taken to income statement	-7	147	90	370	250
Net plan assets/pension obligations (-)	**-28**	**49**	**22**	**141**	**53**
Accrued national insurance contributions	-10	-9	-17	-54	-24
Net plan assets/pension obligations in the balance sheet	**-38**	**40**	**5**	**87**	**29**

UNFUNDED PENSION PLANS	31.12.2012	31.12.2011	31.12.2010	31.12.2009	31.12.2008
Projected benefit obligations	-570	-527	-504	-635	-452
Plan assets in excess of/less than obligations (-)	**-570**	**-527**	**-504**	**-635**	**-452**
Differences in estimates not taken to income statement	141	27	35	0	-58
Net plan assets/pension obligations (-)	**-429**	**-500**	**-469**	**-635**	**-510**
Accrued national insurance contributions	-7	-9	-6	0	-22
Net plan assets/pension obligations in the balance sheet	**-436**	**-509**	**-475**	**-635**	**-532**

RECONCILIATION OF THE PENSION PLANS WITH THE BALANCE SHEET	NOTE	31.12.2012	31.12.2011
Pension assets in the balance sheet	10	21	73
Pension liabilities in the balance sheet		-495	-542
Net pension obligations		**-474**	**-469**
Net unfunded pension plans		-436	-509
Net partly or fully funded pension plans		-38	40

CHANGES IN PENSION LIABILITIES FOR PARTLY OR FULLY FUNDED PENSION PLANS	2012	2011
Balance 1 January	1 060	1 543
Divested companies	-571	0
Current year's service cost	2	39
Current year's interest cost	2	39
Pension paid	-29	-27
Actuarial gains and losses	3	17
Curtailments/settlements	10	-571
Other changes	26	22
Currency translation differences	-3	-2
Balance 31 December	**500**	**1 060**

A return on plan assets of NOK 17 million is estimated for 2012. The actual return on the plan assets in 2011 was NOK 29 million, compared with an estimated return of NOK 45 million. The difference between the actual return and the estimated return is treated as an estimate difference.

CHANGES IN PLAN ASSETS FOR PARTLY OR FULLY FUNDED PENSION PLANS	2012	2011
Balance 1 January	962	1 475
Divested companies	-487	0
Return on plan assets	17	45
Actuarial gains and losses	-8	-35
Curtailments/settlements	-4	-522
Currency translation differences	-1	-1
Balance 31 December	**479**	**962**

Actuarial gains and losses are adjusted in previous years.

CHANGES IN PENSION OBLIGATIONS FOR UNFUNDED PENSION PLANS	2012	2011
Balance 1 January	-509	-475
Divested companies	48	0
Current year's service cost	-9	-32
Current year's interest cost	-17	-21
Pension paid	6	6
Actuarial gains and losses	6	1
Contributions to the plan assets	9	6
Curtailments/settlements	-15	14
Other changes	45	-10
Currency translation differences	0	2
Balance 31 December	**-436**	**-509**

	2012		2011	
INVESTMENT PROFILE FOR PENSION FUNDS	FUNDS	DISTRIBUTION	FUNDS	DISTRIBUTION
Shares	114	24%	196	20%
Bonds	241	50%	310	32%
Properties and real estate	58	12%	295	31%
Money market	50	11%	54	6%
Other	16	3%	107	11%
Total	**479**		**962**	

The revised standard IAS 19 *Employee benefits* is effective for annual periods beginning on or after 1 January 2013, and the amendment is to be applied retrospectively. Under the revised standard, the corridor approach is removed, and all re-measurement impacts (actuarial gains and losses) are to be recognised in Other Comprehensive Income, without any subsequent recirculation through the income statement. The change implies that the real net pension obligation (asset) is reflected in the balance sheet. The impact of implementing the amended IAS 19 is shown in the table below.

EFFECT OF IMPLEMENTATION OF IAS 19R	31.12.2012	31.12.2011
Change in pension obligation (+ increase, - decrease)	134	40
Change in deferred tax (+ increase, - decrease)	-43	-12
Net change in equity (+ increase, - decrease)	-91	-28

14. OTHER OPERATING EXPENSES

	31.12.2012	31.12.2011
Maintenance materials and services	619	719
Marketing expenses	17	20
Administration, insurance, travel expenses etc.	314	351
Losses on accounts receivable	17	20
Operating leases	79	93
Research and development	3	9
Changes in environmental provisions	2	23
Miscellaneous expenses	201	216
Total	**1 252**	**1 450**
Specification of losses on accounts receivable		
Receivables written off during the period	8	3
Payments received on items previously written off	0	0
Change in provision for bad debt	9	18
Total	**17**	**20**

15. LEASES

OPERATING LEASES

The group recognised expenses of NOK 78 million in relation to operating leases in 2012. The equivalent expense in 2011 was NOK 93 million.

MINIMUM LEASE PAYMENTS RELATING TO OPERATING LEASES	31.12.2012	31.12.2011
Not later than one year	45	42
Later than one year and not later than five years	80	55
Later than five years	5	1
Total	**130**	**98**

FINANCE LEASES

Leases of property, plant and equipment where control and substantially all the risks have been transferred to the group are classified as finance leases. Finance leases are capitalised at the inception of the lease, at the lower of the fair value of the asset and net present value of the minimum lease payments. The capitalised value is depreciated on a linear basis over the estimated economic life.

MINIMUM LEASE PAYMENTS RELATING TO FINANCE LEASES	31.12.2012	31.12.2011
Not later than one year	23	27
Later than one year and not later than five years	66	72
Later than five years	52	62
Total	**141**	**161**
Future finance charges on finance leases	-105	-131
Present value of minimum lease payments	**141**	**161**

PRESENT VALUE OF MINIMUM LEASE PAYMENTS	31.12.2012	31.12.2011
Not later than one year	23	27
Later than one year and not later than five years	66	72
Later than five years	52	62
Total	**141**	**161**
Capitalised value of leased property, plant and equipment (machinery and equipment)	**125**	**146**

16. RESTRUCTURING EXPENSES

Restructuring expenses of NOK 118 million in 2012 consisted mainly of severance payments of NOK 105 million as a result of the decision to permanently close 160 000 tonnes of newsprint capacity at Norske Skog Tasman in New Zealand. Other restructuring expenses included NOK 17 million in relation to severance payments and other costs as a result of the ongoing downsizing at head office and changes in corporate management, NOK 8 million in relation to redundancies at Norske Skog Golbey in France, NOK 11 million related to severance payments and other costs following the closure of Norske Skog's shared service centre located in Antwerp in Belgium, and NOK 4 million related to planned redundancies at Norske Skog Skogn. These amounts were offset by the recognition of NOK 24 million income due to the release of provisions expensed in 2011 at Norske Skog Walsum (NOK 21 million) and Norske Skog Bruck (NOK 3 million), as a result of more employees working during the notice period than anticipated.

Restructuring expenses of NOK 387 million in 2011 consisted mainly of NOK 287 million relating to provisions for severance pay and other payroll-related costs (NOK 115 million), and direct closure costs (NOK 172 million) following the decision to shut down the paper production at Norske Skog Follum. Other restructuring expenses recognised in 2011 consisted of NOK 59 million in relation to provisions for severance pay in connection with a cost reduction programme at Norske Skog Walsum, NOK 26 million in relation to the implementation of the new group operating model in May 2011, severance pay and other costs of NOK 13 million at Norske Skog Logistics in Antwerp, NOK 3 million at Norske Skog Focus and NOK 10 million at the head office at Lysaker. There were also some smaller adjustments to restructuring provisions made in earlier periods.

17. OTHER GAINS AND LOSSES

	2012	2011
Gains and losses from divestments of business activities, property, plant and equipment	39	354
Changes in value – commodity contracts [1)]	-1 109	-652
Changes in value – embedded derivatives	220	50
Changes in value – biological assets	-7	35
Other realised gains and losses	-152	12
Total	**-1 009**	**-201**

[1)] Long-term commodity contracts that no longer meet the requirement in IAS 39.5 related to own use are measured at fair value.

The gain on divestments of business activities, property, plant and equipment in 2012 of NOK 39 million was primarily related to the divestments of Papeles Norske Skog Bio Bio S.A. in Chile, Norske Skog Follum AS in Norway, Norske Skog Parenco B.V, in the Netherlands and the global recovered paper business, Reparco (in total NOK 38 million). The remaining amount was mainly related to the sale of non-production related property.

Norske Skog's portfolio of commodity contracts consists mostly of physical energy contracts. The fair value of commodity contracts is therefore especially sensitive to future changes in energy prices. The fair value of embedded derivatives in physical contracts is influenced by currency and price index fluctuations. Note 8 provides a sensitivity analysis of the impact on profit after tax of fluctuations in energy prices, currency and price indices. Note 9 describes the valuation techniques that have been used. The loss on commodity contracts in 2012 and 2011 was due to lower expected future energy prices, and volumes utilised during 2012 and 2011. The gain on embedded derivatives in 2012 and 2011 was mainly driven by currency fluctuations.

Other realised gains and losses of NOK -152 million in 2012 were primarily related to the sale of 680 GWh of excess energy in Southern Norway. The sale generated a loss of NOK 153 million.

The gain on divestments of business activities, property, plant and equipment in 2011 of NOK 354 million was primarily related to the sale of Norske Skog Florestal Ltda. and Enerpar-Energias do Paraná Ltda. in Brazil (in total NOK 139 million) and property damage insurance compensation in connection with a fire at Norske Skog Saugbrugs (NOK 83 million). The remaining portion of the gain related primarily to the sale of non-production related property.

Other realised gains and losses of NOK 12 million in 2011 consisted mainly of gains from the sale of emission allowances.

18. INCOME TAXES

TAX EXPENSE	2012	2011
Current tax expense	-96	-195
Change in deferred tax	165	783
Total	**69**	**588**

RECONCILIATION OF THE GROUP TAX EXPENSE	2012	2011
Profit/loss before income taxes	-2 849	-3 132
Computed tax at nominal tax rate of 28%	798	877
Differences due to different tax rates	-7	-26
Result from associated companies	-19	50
Exempted income/non-deductible expenses	5	11
Change in tax legislation and tax rates	-8	-4
Divestment of subsidiaries [1)]	11	-74
Adjustment previous years and recognition of deferred tax assets	-5	122
Tax losses not recognised	-693	-379
Other items	-13	11
Total tax expense	**69**	**588**

CURRENT TAX LIABILITY	31.12.2012	31.12.2011
Norway	0	0
Rest of Europe	41	29
Outside Europe	2	2
Total	**43**	**31**

DEFERRED TAX - MOVEMENTS	2012	2011
Net deferred tax liability 1 January	148	786
Deferred tax charged in the income statement	-165	-783
Divestment of subsidiaries	224	-166
Tax expense in other comprehensive income	-39	336
Currency translation differences	9	-25
Net deferred tax liability 31 December	**177**	**148**

DEFERRED TAX ASSET AND DEFERRED TAX LIABILITY	31.12.2012	31.12.2011
Norway	-128	-26
Rest of Europe	0	0
Outside Europe	-194	-326
Deferred tax asset	**-321**	**-352**
Norway	0	0
Rest of Europe	217	204
Outside Europe	281	296
Deferred tax liability	**498**	**500**
Deferred tax liability - net	**177**	**148**

DEFERRED TAX DETAILS	31.12.2012	31.12.2011
Fixed assets, excess values and depreciation	393	401
Pensions	-63	-49
Provisions and other liabilities	82	241
Currency translation differences and financial instruments	493	512
Deferred tax current items	-41	-113
Tax losses and tax credit to carry forward	-3 753	-2 043
Deferred tax asset not recognised [2]	3 065	1 198
Net deferred tax liability	**177**	**148**

LOSSES TO CARRY FORWARD BY REGION AND EXPIRY DATE 31.12.2012	NORWAY	REST OF EUROPE	OUTSIDE EUROPE	TOTAL
2013	0	98	0	98
2014	0	74	0	74
2015	0	9	0	9
2016	0	0	0	0
2017	0	95	0	95
2018 and later	0	147	0	147
Indefinite expiry	8 709	2 411	1 308	12 428
Tax losses to carry forward	**8 709**	**2 835**	**1 308**	**12 852**
Tax losses not recognised [3]	-5 956	-2 554	-1 018	-9 528
Total tax losses to carry forward - recognised	**2 753**	**281**	**290**	**3 324**
Deferred tax asset	**771**	**97**	**82**	**950**

LOSSES TO CARRY FORWARD BY REGION AND EXPIRY DATE 31.12.2011	NORWAY	REST OF EUROPE	OUTSIDE EUROPE	TOTAL
2012	0	231	0	231
2013	0	103	0	103
2014	0	90	0	90
2015	0	19	0	19
2016	0	0	0	0
2017 and later	0	776	0	776
Indefinite expiry	2 138	2 515	916	5 569
Tax losses to carry forward	**2 138**	**3 734**	**916**	**6 788**
Tax losses not recognised	0	-3 177	0	-3 177
Total tax losses to carry forward - recognised	**2 138**	**557**	**916**	**3 611**
Deferred tax asset	**598**	**187**	**265**	**1 050**

The group has significant tax losses in several jurisdictions. These losses are included as a deferred tax asset to the extent it is expected that sufficient earnings will be earned within the time limitations applicable in the various jurisdictions. The table above summarises from which geographical areas the losses arose, as well as the portion of the losses that are not recognised as a deferred tax asset.

[1] In 2012, the amount was related to tax exemption on the divestment of subsidiaries in Norway (Norske Skog Follum AS), Chile (Norske Skog Bio Bio S.A.) and the Netherlands (Norske Skog Parenco B.V.). In 2011, the amount was related to tax on the divestment of subsidiaries in Brazil (Enerpar-Energias do Paraná Ltda. and Norske Skog Florestal Ltda.).

[2] Deferred tax asset not recognised amounted to NOK 3 065 million at 31 December 2012. NOK 2 746 million was related to tax losses to carry forward and NOK 319 million was related to other deductible temporary differences. Deferred tax asset not recognised amounted to NOK 1 198 million at 31 December 2011. NOK 937 million was related to tax losses carried forward, and NOK 261 million was related to other tax deductible temporary differences.

[3] In 2012, an amount of NOK 5 956 million was added to tax losses to carry forward in Norway. This was a result of tax deductible losses that arose following a legal restructuring of the company structure. Deferred tax asset is not recognised on the amount.

19. SPECIFICATION OF BALANCE SHEET ITEMS

	NOTE	31.12.2012	31.12.2011
Inventories			
Raw materials and other production input		789	1 010
Semi-manufactured materials		10	15
Finished goods		570	842
Total	3	**1 370**	**1 867**
Other current assets			
Derivatives	7	157	18
Commodity contracts	7	60	309
Current investments	7	54	45
Total		**271**	**372**
Trade and other payables			
Accounts payable		1 071	1 189
Accrued labour costs and taxes		595	670
Accrued expenses		368	574
Other interest-free liabilities		63	41
Total		**2 097**	**2 474**
Other current liabilities			
Derivatives	7	3	201
Commodity contracts	7	29	119
Accrued emission rights		69	37
Accrued financial costs		200	200
Restructuring provision	21	140	363
Total		**441**	**920**
Other non-current liabilities			
Derivatives	7	128	0
Commodity contracts	7	37	190
Dismantling provision	21	92	102
Environmental provision	21	250	283
Deferred recognition of emission rights		109	0
Deferred recognition of government grants		65	82
Other non interest-bearing debt		81	79
Total		**762**	**736**

20. INVESTMENTS IN ASSOCIATED COMPANIES

COMPANY	SHARE 31.12.2012	CARRYING VALUE 31.12.2012	SHARE OF PROFIT/LOSS 2012	CURRENCY TRANSLATION DIFFERENCES	IMPAIRMENTS	CARRYING VALUE 31.12.2011
Malaysian Newsprint Industries Sdn. Bhd.	33.7%	311	20	-14	-89	394
Other associated companies		28	0	0	0	28
Total		**339**	**20**	**-14**	**-89**	**422**

Investments in associated companies are accounted for in accordance with the equity method. Share of profit presented in the table above is the group's percentage share of profit after tax, adjusted for amortisation of surplus value at group level allocated to the investment at the time of acquisition. In 2011, the recognised share of loss in associated companies amounted to NOK 6 million, currency translation differences amounted to NOK 15 million and reversed impairments amounted to NOK 204 million.

MALAYSIAN NEWSPRINT INDUSTRIES SDN. BHD. (MNI)

The company is incorporated in Kuala Lumpur, Malaysia, and is a producer of newsprint. During 2012, MNI derecognised some assets in their financial statements, relating to property, plant and equipment that was no longer in use. Norske Skog's share of this derecognition was recognised in the consolidated financial statements in 2012, and amounted to NOK 183 million. Following this, Norske Skog was also able to reverse impairments previously recognised of NOK 94 million. The effect of the derecognition and reversal of previous impairments is presented net in the income statement, and is included in the line Share of profit in associated companies. The carrying value of Norske Skog's investment in MNI was NOK 311 million at 31 December 2012, which is equivalent to Norske Skog's share (33.7%) of the equity (including redeemable preference shares and share premium) in MNI's company financial statements. Based on the company's financial statements, operating revenue in 2012 was NOK 991 million (NOK 1 015 million in 2011) and net profit was NOK 59 million (NOK 16 million in 2011). Total assets amounted to NOK 1 570 million at 31 December 2012 (NOK 2 314 million at 31 December 2011) and total liabilities were NOK 918 million (NOK 1 143 million at 31 December 2011).

21. PROVISIONS

	RESTRUCTURING PROVISION	DISMANTLING PROVISION	ENVIRONMENTAL PROVISION
Balance 1 January 2011	**90**	**92**	**254**
Changes and new provisions	350	3	28
Utilised during the year	-91	0	-12
Periodic unwinding of discount	0	5	12
Divestment of subsidiaries	0	0	-6
Currency translation differences	14	2	7
Balance 31 December 2011	**363**	**102**	**283**
Changes and new provisions	99	-9	2
Utilised during the year	-182	0	-35
Periodic unwinding of discount	0	3	10
Divestment of subsidiaries	-136	0	0
Currency translation differences	-4	-4	-10
Balance 31 December 2012	**140**	**92**	**250**

RESTRUCTURING PROVISION

The restructuring provision of NOK 140 million at 31 December 2012 is classified in the balance sheet line Other current liabilities. A provision of NOK 136 million was released through the divestment of Norske Skog Follum AS in 2012. During 2012, it was decided to shut down one paper machine at Norske Skog Tasman, and a provision of NOK 86 million was recognised. Various other restructuring activities, mainly in Europe, amounted to NOK 13 million. Total cash flow relating to restructuring activities in 2012 amounted to NOK 182 million. This amount related mainly to Norske Skog Follum and Norske Skog Tasman. For further information see Note 16 Restructuring expenses.

DISMANTLING PROVISION

Provisions related to future dismantling costs arising from a future closing down of production facilities amounted to NOK 92 million at 31 December 2012, compared to NOK 102 million at 31 December 2011. The total amount is classified as non-current and will only be realised at the time of a future shut down of any of the Norske Skog production units. The provision is the net present value of the future estimated costs, calculated using a long-term risk-free interest rate. The periodic unwinding of the discount is recognised in the income statement line Financial items. The opposite entry for dismantling provision and change in provision estimates is Property, plant and equipment.

Discount rates and assumptions included as part of the best estimate will impact the future carrying value of the dismantling provision. To illustrate the sensitivity, a reduction in the future discount rate of one percentage point would increase the provision by approximately NOK 9 million, with a corresponding increase in future depreciation on property, plant and equipment.

ENVIRONMENTAL PROVISION

The group's provision for environmental obligations is presented in the balance sheet as Other non-current liabilities. The provision is related to estimated future costs for cleaning up any environmental pollution caused by Norske Skog production units. The provision will mainly be realised in a future period upon a potential shut down of the production activities of any of the Norske Skog production units. Increased environmental requirements from local governments may also lead to realisation of this provision at an earlier point in time.

Provisions for future environmental obligations amounted to NOK 250 million at 31 December 2012 compared to NOK 283 at 31 December 2011. Resources spent on environmental activities during 2012 amounted to NOK 35 million, and were mainly related to activities in Norway, Brazil (Norske Skog Pisa) and New Zealand (Norske Skog Tasman). Other movements arose mainly a result of lower discount rates and currency translation differences.

The carrying value of the provision is the best estimate made by measuring the expected value of the specific obligations, discounted to present value using a long-term risk-free interest rate when the time value of money is material. Changes in factors included in the expected value will impact the carrying value of the obligation. To illustrate the sensitivity, a reduction in the future discount rate by one percentage point would increase the provision by approximately NOK 24 million. Changes in accounting estimates not related to assets are classified as operating items in the income statement, and the periodic unwinding of the discount is recognised within the income statement line Financial items.

22. NON-CONTROLLING INTERESTS

	2012	2011
Non-controlling interests at 1 January	13	22
Profit/loss for the year attributable to non-controlling interests	-3	-8
Changes in non-controlling interests	0	0
Dividend paid to non-controlling interests	0	0
Currency translation differences	-1	-1
Non-controlling interests at 31 December	**9**	**13**

23. EARNINGS AND DIVIDEND PER SHARE

	2012	2011
Profit/loss for the year in NOK million attributable to owners of the parent	-2 778	-2 536
Weighted average number of shares in 1 000	189 827	189 903
Basic and diluted earnings/loss per share in NOK [1)]	-14.63	-13.36

[1)] There were no dilution effects in 2012 or 2011.

No dividends were paid for the financial year 2011. The board of directors recommends that no dividend should be disbursed for the financial year 2012. The dividend decision will be made by the annual general meeting on 11 April 2013.

24. SHARES

SHARES INCLUDED AS FINANCIAL ASSETS	CURRENCY	SHARE CAPITAL (IN 1 000)	OWNERSHIP %	CARRYING VALUE (IN NOK 1 000)
Shares owned by the parent company				
Miscellaneous shares, each with book value below NOK 1 million	NOK			1 042
Shares owned by other group companies				
Exeltium SAS, Paris, France	EUR	174 504	4.78	61 233
Exeltium 2 SAS, Paris, France	EUR	3 440	5	1 207
Licella Fibre Fuels Pty Ltd., Sydney, Australia	AUD	2 857	12.5	14 444
Pavatex Holding AG, Cham, Switzerland	CHF	92 698	5	29 977
Other shares, each with book value below NOK 1 million	NOK			2 201
Total				**109 062**
Total shares included as financial assets				**110 104**

SHARES IN SUBSIDIARIES	CURRENCY	SHARE CAPITAL (IN 1 000)	OWNERSHIP %	CARRYING VALUE (IN NOK 1 000)
Shares in Norwegian subsidiaries owned by the parent company				
Lysaker Invest AS, Lysaker	NOK	1 504 371	100	2 004 371
Nornews AS, Lysaker	NOK	100	100	100
Norske Skog Eiendom AS, Lysaker	NOK	1 500	100	190 681
Norske Skog Holding AS, Lysaker	NOK	5 000	100	8 554
Norske Skog Kraft AS, Lysaker	NOK	100	100	115
Norske Skog Nordic & Export Sales AS, Lysaker	NOK	1 100	100	324
Norske Skog Saugbrugs AS, Halden	NOK	50 100	100	1 073 120
Norske Skog Shared Services AS, Lysaker	NOK	840	100	1 072
Norske Skog Skogn AS, Levanger	NOK	50 100	100	808 779
Norske Treindustrier AS, Lysaker	NOK	3 917 340	100	9 940 196
nsiFocus AS, Lysaker	NOK	100	100	100
Wood and Logistics AS, Lysaker	NOK	3 000	100	3 093
Total				**14 030 506**
Shares in foreign subsidiaries owned by the parent company				
Norske Skog (Schweiz) AG, Zürich, Switzerland	CHF	50	100	193
Norske Skog Czech & Slovak Republic spol. s.r.o., Prague, Czech Republic	CZK	400	100	112
Norske Skog Danmark ApS, Værløse, Denmark	DKK	200	100	25
Norske Skog Adria d.o.o., Trzin, Slovenia	EUR	21	100	164
Norske Skog Belgium N.V., Antwerp, Belgium	EUR	62	100	3 479
Norske Skog Bruck GmbH, Bruck, Austria	EUR	20 000	99.9	165 918
Norske Skog Deutschland GmbH, Augsburg, Germany	EUR	520	100	10 063
Norske Skog Espana S.A., Madrid, Spain	EUR	684	100	15 787
Norske Skog France S.A.R.L., Paris, France	EUR	235	100	7 939
Norske Skog Golbey S.A., Golbey, France	EUR	137 388	100	1 153 153
Norske Skog Holdings B.V., Amsterdam, The Netherlands	EUR	170 100	100	13 705
Norske Skog Italia SrL, Milan, Italy	EUR	10	95	84
Norske Skog Walsum GmbH, Duisberg, Germany	EUR	150 025	100	752 997
Norske Skog Österreich GmbH, Graz, Austria	EUR	35	100	360
Norske Skog (UK) Ltd., London, United Kingdom	GBP	100	100	2
Norske Skog Hungary Kft., Budapest, Hungary	HUF	3 000	100	110
Norske Skog Papers (Malaysia) Sdn. Bhd., Kuala Lumpur, Malaysia	MYR	5 009	100	390 596
Norske Skog Polska Sp. z.o.o., Warsaw, Poland	PLN	50	100	110
Norske Skog Jämtland AB, Trångsviken, Sweden	SEK	200	100	780
Norske Skog Pisa Ltda., Jaguariaíva, Brazil	BRL	222 243	99.9	641 332
Total				**3 156 908**
Total shares in subsidiaries owned by the parent company				**17 187 414**

SHARES IN SUBSIDIARIES	CURRENCY	SHARE CAPITAL (IN 1 000)	OWNERSHIP %
Shares in other companies owned by consolidated companies			
Norske Skog (Australasia) Pty Ltd., Sydney, Australia	AUD	21 000	100
Norske Skog (Australia) No. 2 Pty Ltd., Sydney, Australia	AUD	0	100
Norske Skog Capital (Australia) Pty Ltd., Sydney, Australia	AUD	223 000	100
Norske Skog Industries Australia Ltd., Sydney Australia	AUD	0	100
Norske Skog Paper Mills (Australia) Ltd., Tasmania, Australia	AUD	7 539	100
33027 Yukon Inc., British Columbia, Canada	CAD	16 277	100
0943240BC Ltd., Canada	CAD	747 000	100
Crown Forest Industries Ltd., Whitehorse, Canada	CAD	388 823	100
NS Industries Canada Ltd., British Columbia, Canada	CAD	181 237	100
Norske Skog CI Ltd., Georgetown, Cayman Islands	CHF	13	100
Norske Skog Forest Holdings AG, Zürich, Switzerland	CHF	63 173	100
Norske Skog Holdings (Schweiz) AG, Zug, Switzerland	CHF	100 100	100
Norske Skog Overseas Holdings AG, Zürich, Switzerland	CHF	35 000	100
Norske Skog Bruck GmbH, Bruck, Austria	EUR	20 000	0.1
Norske Skog Holland B.V., Amsterdam, The Netherlands	EUR	45	100
Norske Skog Italia SrL, Milan, Italy	EUR	10	5
Norske Skog Papier Recycling, Bruck, Austria	EUR	291	100
Norske Skog Canada Holding AS, Lysaker, Norway	NOK	200	100
Oxenøen Finans AS, Lysaker, Norway	NOK	1 120	100
Norske Skog Capital (New Zealand) Ltd., Auckland, New Zealand	NZD	1	100
Norske Skog Holdings (No.1) Ltd., Auckland, New Zealand	NZD	0	100
Norske Skog Holdings (No.2) Ltd., Auckland, New Zealand	NZD	0	100
Norske Skog Holdings (No.3) Ltd., Auckland, New Zealand	NZD	1	100
Norske Skog Tasman Ltd., Auckland, New Zealand	NZD	600 000	100
Norske Skog (Thailand) Company Ltd., Bangkok, Thailand	THB	1 083 750	94
Nórdica Energia Ltda., Curitiba, Brazil	USD	1 600	100
Norske Skog Pisa Ltda., Jaguariaíva, Brazil	BRL	222 243	0.1
Pan Asia Paper Trading Co. Pty. Ltd., Sydney, Australia	USD	5 000	100

25. CAPITAL RISK MANAGEMENT

Norske Skog's objective when managing capital is to maximise return on equity within the limits set by the group's external debt financing.

In order to improve the capital structure, the group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The group monitors its capital structure on the basis of interest coverage ratio (adjusted EBITDA / net interest expense) and the debt ratio (adjusted net interest-bearing debt / adjusted EBITDA). The group was within the limits for the key figures at 31 December 2012. For more information see Note 11.

26. CONTINGENT LIABILITIES

Norske Skog is an international company that, through its ongoing business operations, will be exposed to litigation and claims from public authorities and contracting parties. At the end of 2012, the group was in dialogues with tax authorities in Norway and Australia regarding previously completed transactions. Norske Skog has an ongoing process related to simplification of the group's corporate structure. This, in combination with changes in individual countries' tax laws, could increase the group's tax exposure. The group's assessment is that sufficient provisions have been made for the aforementioned conditions.

27. RELATED PARTIES

All transactions with related parties are conducted in accordance with the arm's length principle.

Some of Norske Skogindustrier ASA's shareholders are forest owners delivering forestry products to the group's production units in Norway. One of the board members, Eilif Due, is a forest owner who supplies wood to the group on normal standardised terms. All contracts for supply of wood are entered into through forest owner associations or companies.

The associated company Malaysian Newsprint Industries Sdn. Bhd. (MNI) purchased recovered paper from the Reparco companies in the Norske Skog group, prior to the divestment of these companies in October 2012. Total purchases made during 2012 from Reparco amounted to NOK 1 million (NOK 5 million in 2011). Purchases of goods and services by MNI from other companies in the Norske Skog group during 2012 amounted to NOK 1 million (NOK 0 million in 2011). There were no amounts payable by MNI to the Norske Skog group at 31 December 2012 or 31 December 2011.

A former board member, Alexandra Bech Gjørv, is a partner in the law firm Hjort DA. Norske Skogindustrier ASA purchased services amounting to NOK 173 000 from this firm during 2012 (NOK 345 000 during 2011). Bech Gjørv left the board of directors during 2012.

None of the board members receive remuneration for their work for the company from any source other than the company itself.

28. EVENTS AFTER THE BALANCE SHEET DATE

In January 2013, Norske Skog signed a lease contract for its new head office. The head office will be located centrally at Skøyen in Oslo. The move will take place in early June 2013. Norske Skog has had its head office at Lysaker since 1998. Norske Skog and the landlord of the head office at Lysaker have agreed to terminate the current lease contract during June 2013.

12 FINANCIAL STATEMENTS

NORSKE SKOGINDUSTRIER ASA

INCOME STATEMENT

NOK MILLION	NOTE	2012	2011
Operating revenue	3	**915**	**3 605**
Distribution costs		0	-210
Cost of materials		-724	-2 612
Change in inventories		0	-21
Employee benefit expenses	9	-131	-486
Other operating expenses		-166	-345
Gross operating earnings		**-106**	**-69**
Depreciation	4	-16	-197
Restructuring expenses		-16	-10
Other gains and losses	11	-765	-673
Impairments	4	0	-53
Operating earnings		**-903**	**-1 002**
Financial items	6	-2 340	-2 354
Profit/loss before income taxes		**-3 243**	**-3 356**
Income taxes	12	189	366
Profit/loss for the year		**-3 053**	**-2 989**

STATEMENT OF COMPREHENSIVE INCOME

NOK MILLION	2012	2011
Profit/loss for the year	**-3 053**	**-2 989**
Other items	0	1
Other comprehensive income	**0**	**1**
Comprehensive income	**-3 053**	**-2 989**

BALANCE SHEET

NOK MILLION	NOTE	31.12.2012	31.12.20111
Assets			
Deferred tax asset	12	97	116
Intangible assets	4	30	61
Property, plant and equipment	4	1	2
Investments in subsidiaries	5	17 148	19 659
Other non-current assets	13	5 654	6 981
Total non-current assets		**22 930**	**26 820**
Trade and other receivables	13	134	486
Cash and cash equivalents		932	931
Other current assets	14	178	167
Total current assets		**1 243**	**1 584**
Total assets		**24 173**	**28 403**
Shareholders' equity and liabilities			
Paid-in equity		4 146	7 201
Retained earnings and other reserves		0	0
Total equity	15	**4 146**	**7 201**
Pension obligations	9	44	42
Deferred tax liability	12	49	241
Interest-bearing non-current liabilities	8, 13	15 304	15 994
Other non-current liabilities		56	56
Total non-current liabilities		**15 453**	**16 333**
Interest-bearing current liabilities	8, 13	273	1 013
Trade and other payables		4 053	3 243
Tax payable	12	10	2
Other current liabilities		237	611
Total current liabilities		**4 574**	**4 870**
Total liabilities		**20 027**	**21 203**
Total equity and liabilities		**24 173**	**28 403**

LYSAKER, 1 MARCH 2013 – THE BOARD OF DIRECTORS OF NORSKE SKOGINDUSTRIER ASA

Eivind Reiten
Chair

Eilif Due
Board member

Siri Beate Hatlen
Board member

Finn Johnsson
Board member

Karen Kvalevåg
Board member

Åse Aulie Michelet
Board member

Jon-Aksel Torgersen
Board member

Kjetil Bakkan
Board member

Paul Kristiansen
Board member

Svein Erik Veie
Board member

Sven Ombudstvedt
President and CEO

STATEMENT OF CASH FLOWS

NOK MILLION	NOTE	2012	2011
Cash flow from operating activities			
Cash generated from operations		939	3 608
Cash used in operations		-1 249	-3 793
Cash flow from currency hedges and financial items		-74	225
Interest payments received		28	25
Interest payments made		-662	-793
Taxes paid		-30	-28
Net cash flow from operating activities [1)]		**-1 048**	**-741**
Cash flow from investing activities			
Purchases of property, plant and equipment and intangible assets		-1	-70
Sales of property, plant and equipment and intangible assets		44	0
Dividend received		6	0
Change in intercompany balance with subsidiaries		1 990	2 049
Purchase of shares in companies and other investments		0	-1
Sales of shares in companies and other investments		250	4
Net cash flow from investing activities		**2 289**	**1 984**
Cash flow from financing activities			
New loans raised		900	1 125
Repayments of loans		-2 126	-5 293
Purchase/sale of treasury shares		-1	0
Net cash flow from financing activities		**-1 227**	**-4 168**
Foreign currency effects on cash and cash equivalents		-13	10
Total change in cash and cash equivalents		**1**	**-2 916**
Cash and cash equivalents 1 January		931	3 847
Cash and cash equivalents 31 December		932	931
[1)] Reconciliation of net cash flow from operating activities			
Profit/loss before income taxes		-3 243	-3 356
Depreciation/impairments	4	16	250
Gains and losses from disposal of property, plant and equipment	11	-10	-39
Taxes paid		-30	-28
Change in trade and other receivables		23	3
Change in inventories		0	-48
Change in trade and other payables		-221	-32
Change in restructuring provision		7	5
Financial items with no cash impact		1 632	1 826
Gains and losses on commodity contracts and embedded derivatives	11	775	710
Adjustments for items with no cash impact		3	-32
Net cash flow from operating activities		**-1 048**	**-741**

STATEMENT OF CHANGES IN EQUITY

NOK MILLION	NOTE	SHARE CAPITAL	TREASURY SHARES	SHARE PREMIUM RESERVE	OTHER PAID-IN EQUITY	TOTAL PAID-IN EQUITY	RETAINED EARNINGS	TOTAL EQUITY
Equity 1 January 2011	15	**1 899**	**0**	**3 355**	**4 936**	**10 189**	**0**	**10 189**
Comprehensive income		0	0	0	0	0	-2 989	-2 989
Change in holding of treasury shares		0	0	0	0	0	0	0
Uncovered loss allocated other paid-in equity		0	0	0	-2 989	-2 989	2 989	0
Equity 31 December 2011	15	**1 899**	**0**	**3 355**	**1 947**	**7 201**	**0**	**7 201**
Comprehensive income		0	0	0	0	0	- 3 053	-3 053
Change in holding of treasury shares		0	-1	0	0	-1	0	-1
Reduction of nominal value and conversion of share premium reserve to other paid in equity		-1 710	1	-2 000	3 708	0	0	0
Uncovered loss allocated other paid-in equity		0	0	0	-3 053	-3 053	3 053	0
Equity 31 December 2012	15	**190**	**0**	**1 355**	**2 602**	**4 146**	**0**	**4 146**

NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

All amounts are presented in NOK million unless otherwise stated. There may be some small differences in the summation of columns due to rounding.

Reclassification in the balance sheet

A review of the classification of balance sheet items was performed during 2012. This resulted in the reclassification of restructuring liabilities in the balance sheet from Trade and other payables to Other current liabilities. The modified classification has been applied retrospectively, and comparative figures in the balance sheet have been restated. The change had an impact of NOK 12 million at 31 December 2012 and NOK 5 million at 31 December 2011.

2. ACCOUNTING PRINCIPLES

The company financial statements of Norske Skogindustrier ASA are prepared in accordance with the Norwegian Accounting Act § 3-9 and International Financial Reporting Standards (IFRS) with respect to recognition and measurement. Disclosures to the financial statements are prepared in accordance with Norwegian Generally Accepted Accounting Principles (N GAAP) and the Norwegian Accounting Act (IFRS light).

Requirements related to recognition and measurement applied to the company financial statements of Norske Skogindustrier ASA are identical to the ones described in Note 2 in the consolidated financial statements, with the exception of shares in subsidiaries which are recognised at cost in the company financial statements, as well as fair value hedge and net investment hedge which are only recognised at group level.

The financial statements were authorised for issue by the board of directors on 1 March 2013.

3. OPERATING REVENUE BY GEOGRAPHICAL MARKET

Following the transfer of the mill operations in Norway to separate operational subsidiaries in 2011, Norske Skogindustrier ASA's operating revenue consists mainly of the sale of goods and services to other entities in the group.

	2012	2011
Norway	807	1 569
Europe excluding Norway	88	1 610
North America	0	292
South America	7	50
Australasia	11	5
Asia	2	38
Africa	0	41
Total	**915**	**3 605**

Operating revenue arising from sales to other entities in the group amounted to NOK 817 million in 2012, of which energy amounted to NOK 635 million and internal services NOK 182 million. The corresponding figure for 2011 was NOK 966 million, of which NOK 222 million related to wood, NOK 532 million to energy, NOK 202 million to internal services and NOK 10 million to finished goods. All transactions with other entities in the group are conducted in accordance with the arm's length principle.

4. INTANGIBLE ASSETS AND PROPERTY, PLANT AND EQUIPMENT

INTANGIBLE ASSETS	LICENSES AND PATENTS	OTHER INTANGIBLE ASSETS	TOTAL
Acquisition cost 1 January 2011	28	101	129
Additions	0	36	36
Acquisition cost 31 December 2011	**28**	**137**	**165**
Accumulated depreciation and impairments 1 January 2011	27	53	80
Depreciation	1	14	15
Amortisation of credit facility	0	9	9
Accumulated depreciation and impairments 31 December 2011	**28**	**76**	**104**
Carrying value 31 December 2011	**0**	**61**	**61**
Acquisition cost 1 January 2012	28	137	165
Additions	1	0	1
Acquisition cost 31 December 2012	**29**	**137**	**166**
Accumulated depreciation and impairments 1 January 2012	28	76	104
Depreciation	0	16	16
Amortisation of credit facility	0	16	16
Accumulated depreciation and impairments 31 December 2012	**28**	**108**	**136**
Carrying value 31 December 2012	**1**	**29**	**30**

Licenses, patents and other intangible assets are depreciated on a straight-line basis over a period from three to 20 years.

Other intangible assets consist mainly of capitalised development costs relating to customising of software.

PROPERTY, PLANT AND EQUIPMENT	MACHINERY AND EQUIPMENT	LAND AND BUILDINGS	FIXTURES AND FITTINGS	PLANT UNDER CONSTRUCTION	TOTAL
Acquisition cost 1 January 2011	11 547	3 055	259	63	14 924
Additions	5	0	0	65	70
Disposals	-11 558	-3 048	-88	-126	-14 820
Reclassification	5	-5	0	0	0
Reclassified from plant under construction	1	0	1	-2	0
Acquisition cost 31 December 2011	**0**	**2**	**172**	**0**	**174**
Accumulated depreciation and impairments 1 January 2011	9 138	1 985	248	0	11 371
Depreciation	144	36	2	0	182
Impairments	7	2	0	44	53
Disposals	-9 289	-2 023	-78	-44	-11 434
Accumulated depreciation and impairments 31 December 2011	**0**	**0**	**172**	**0**	**172**
Carrying value 31 December 2011	**0**	**2**	**0**	**0**	**2**
Acquisition cost 1 January 2012	0	2	172	0	174
Disposals	0	-1	0	0	-1
Acquisition cost 31 December 2012	**0**	**1**	**172**	**0**	**173**
Accumulated depreciation and impairments 1 January 2012	0	0	172	0	172
Accumulated depreciation and impairments 31 December 2012	**0**	**0**	**172**	**0**	**172**
Carrying value 31 December 2012	**0**	**1**	**0**	**0**	**1**

Fixtures and fittings are depreciated on a linear basis over a period from three to ten years. Land is not depreciated.

Impairment losses recognised in 2011 related primarily to plant under construction, connected to production equipment that was intended for use in an investment project at Norske Skog Skogn. During 2011, it was decided that the project would not be carried out. Impairment of machinery, equipment and buildings was recognised as a result of the fire at Norske Skog Saugbrugs in the first quarter of 2011.

Net disposals of NOK 3 386 million in 2011 related mainly to the transfer of paper production activities in Norway to the separate legal subsidiaries Norske Skog Saugbrugs AS, Norske Skog Follum AS and Norske Skog Skogn AS.

5. IMPAIRMENT OF INVESTMENTS IN SUBSIDIARIES

	2012	2011
Norske Treindustrier AS [1]	-2 324	-100
Norske Skog Follum AS	0	-424
Norske Skog Saugbrugs AS	-39	0
Norske Skog Holdings B.V. [2]	0	-932
Norske Skog Pisa Ltda.	-121	-374
Norske Skog Walsum GmbH	-259	-430
Norske Skog Pan Asia Co. Pte. Ltd.	0	-109
Norske Skog Papers (Malaysia) Sdn. Bhd.	0	276
Total	**-2 743**	**-2 093**

[1] Impairment in 2012 of the investment in Norske Treindustrier AS was related to a reduction in value of underlying assets in Australia and New Zealand.
[2] Impairment in 2011 related to Norske Skog Holdings B.V. in the Netherlands was due to the write-down of intercompany loans.

Investments in subsidiaries are tested for impairment in accordance with IAS 36 *Impairment of Assets*. Shares in subsidiaries are written down to their recoverable amount when the recoverable amount is lower than the carrying value of the investment. For impairment testing purposes, investments in subsidiaries are grouped in the same manner as the cash-generating units for the group. The carrying amount of investments in subsidiaries within the cash-generating unit is measured against the recoverable amount of investments in subsidiaries within this cash-generating unit.

See Note 24 in the consolidated financial statements for a specification of shares in subsidiaries and other shares.

6. FINANCIAL ITEMS

FINANCIAL INCOME	NOTE	2012	2011
External dividends		6	0
Dividends received from group companies		217	229
External interest income		19	35
Interest income from group companies [1]		516	389
Other financial income [2]		283	207
Total		**1 041**	**860**

FINANCIAL EXPENSES		2012	2011
External interest expense		-589	-744
Interest expense from group companies [1]		-556	-498
Impairment of investments in subsidiaries	5	-2 743	-2 093
Other financial expenses		-35	-30
Total		**-3 923**	**-3 365**
Realised/unrealised gains on foreign currency		541	151
Financial items		**-2 340**	**-2 354**

[1] Intercompany interest is calculated based on a standard margin, adjusted where necessary to reflect local market conditions and transfer pricing principles.
[2] Other financial income mainly includes gains from the divestment of subsidiaries and gains on the buy-back of bonds.

7. DERIVATIVES

	31.12.2012		31.12.2011	
	ASSETS	LIABILITIES	ASSETS	LIABILITIES
Fair value hedge [1]				
Interest rate swaps	0	0	8	0
Total	**0**	**0**	**8**	**0**
Other derivatives [2]				
Interest rate swaps	0	-16	0	-19
Forward rate agreements	0	-4	3	-3
Currency options	30	-18	12	-21
Forward contracts	63	-8	8	-152
Cross-currency contracts	0	-37	0	139
Commodity contracts	208	-15	1 322	-104
Embedded derivatives	0	0	0	0
Total	**301**	**-98**	**1 345**	**-438**
Total derivatives				
Interest rate swaps	0	-16	8	-19
Forward rate agreements	0	-4	3	-3
Currency options	30	-18	12	-21
Forward contracts	63	-8	8	-152
Cross-currency contracts	0	-37	0	-139
Commodity contracts	208	-15	1 322	-104
Embedded derivatives	0	0	0	0
Total	**301**	**-98**	**1 353**	**-438**

[1] The remaining interest rate swap in the fair value hedge portfolio was terminated in 2012. The notional principal amount of the underlying debt was NOK 195 million at 31 December 2011.

[2] Includes active management portfolio, interest rate swaps not subject to hedge accounting, embedded derivatives in physical contracts, financial commodity hedging contracts, physical commodity contracts within the scope of IAS 39 and rolling cash flow hedging. Norske Skog does not use hedge accounting for rolling cash flow hedging and hedging of commodity costs. These contracts are presented at fair value through profit or loss.

Financial risk is managed at group level (see Note 8 in the consolidated financial statements). The fair value of derivatives is discussed further in Note 2 and Note 9 in the consolidated financial statements.

Currency and interest rate hedges are entered into by the parent company and the effects stay there. Energy and commodity contracts, on the other hand, are entered into by the subsidiaries and the effects stay at that level. Previously, all financial hedging of energy exposure was performed at group level and the effects were transferred to the respective subsidiaries. From 2012, all financial hedging of energy exposure is performed by the business units.

8. MATURITY OF INTEREST-BEARING LIABILITIES

MATURITY OF THE COMPANY'S DEBT AT 31.12.2012	DEBT BANKS	BONDS	TOTAL
2013	25	0	25
2014	25	888	913
2015	25	881	906
2016	25	951	976
2017	25	2 852	2 877
2018	25	0	25
2019	25	0	25
2020-2033	38	1 112	1 150
Total	**213**	**6 684**	**6 897**

MATURITY OF THE COMPANY'S DEBT AT 31.12.2011	DEBT BANKS	BONDS	TOTAL
2012	25	655	680
2013	25	0	25
2014	25	898	923
2015	25	1 027	1 052
2016	25	1 070	1 095
2017	25	3 483	3 508
2018	25	0	25
2019	25	0	25
2020-2033	38	1 199	1 236
Total	**238**	**8 330**	**8 568**

Foreign currency debt is presented at the current rate of exchange in the instalment profile. Debt used as an instrument for hedging net investments in foreign currencies is presented at historical cost in the balance sheet. For more information, see Note 11 Interest-bearing liabilities in the consolidated financial statements.

9. PAYROLL COSTS, PENSION COSTS AND OBLIGATIONS

EMPLOYEE BENEFIT EXPENSES	2012	2011
Salaries including holiday pay	79	373
Social security contributions	29	62
Pension costs	14	-31
Other employee benefit expenses	9	82
Total	**131**	**486**

The company is required by law to have a pension scheme for all employees. The company's pension plan is compliant with the requirements in the Norwegian Act relating to mandatory occupational pension. Detailed information on salary and other compensation for senior employees, as well as information regarding audit fees, can be found in Note 12 in the consolidated financial statements.

	31.12.2012	31.12.2011
Loans to employees	138	8 249
Man-labour years	82	98

NET PERIODIC PENSION COST	2012	2011
Current service cost	4	14
Interest cost	3	9
Pension cost defined contribution schemes	3	3
Expected return on plan assets	-3	-11
Accrued national insurance contributions	1	2
Expensed portion of divestments	0	38
Recognised curtailment and settlement	0	-94
Actuarial gains and losses	6	8
Net periodic pension cost	**14**	**-31**

RECONCILIATION OF THE PENSION PLANS' FINANCIAL STATUS WITH THE BALANCE SHEET AMOUNT	31.12.2012	31.12.2011
Projected benefit obligations	-122	-140
Plan assets at fair value	101	89
Plan assets in excess of/less than obligations (-)	**-21**	**-51**
Differences in estimates not taken to income statement	-16	18
Net plan assets/pension obligations (-)	**-37**	**-33**
Accrued national insurance contributions	-7	-4
Pension liabilities in the balance sheet	**-44**	**-37**
Pension assets in the balance sheet	**0**	**5**

EFFECT OF IMPLEMENTING IAS 19R	31.12.2012	31.12.2011
Change in pension obligation (+ increase, - decrease)	-16	18
Change in deferred tax (+ increase, - decrease)	4	-5
Net change in equity (+ increase, - decrease)	**12**	**-13**

See Note 13 in the consolidated financial statements for assumptions and further information.

10. SALARY AND OTHER REMUNERATION FOR SENIOR EXECUTIVES

According to the provision in section 6-16a of the Norwegian Public Limited Companies Act (cf. section 5-6, third subsection), the annual general meeting (AGM) shall consider the board's declaration regarding the determination of pay and other remuneration for senior executives in the coming financial year. The board will propose the declaration at the AGM for consideration and a vote.

The board of Norske Skogindustrier ASA has had a remuneration committee since 2000, which considers issues relating to the compensation of the president and chief executive officer (CEO) and other members of corporate management. When the methods for assessing salary and possible bonuses, options and other incentive schemes are to be determined, the committee will ensure that the size and scope of compensation and pay reflect the responsibilities and duties of the recipient, and that these arrangements contribute to long-term value creation for all the shareholders.

FIXED SALARY

The board has not established any upper and/or lower limits to the amounts which can be paid to senior executives in the company as fixed salary in the coming financial year. See also Note 12 in the consolidated financial statements.

VARIABLE ELEMENTS

In addition to fixed salary, the company has a bonus and incentive programme designed to help harmonise the priorities of corporate management with the strategies and goals for the business established by the board:

Annual bonus agreements

The company has operated bonus schemes for executives and employees for a number of years, to ensure that important commercial goals receive adequate priority. These annual bonus agreements for corporate management provide a maximum payout corresponding to six months' salary. The performance figures are based on financial, operational and individual criteria.

Long-term incentive programme

The purpose of the company's long-term incentive programme is to secure a continued strong focus on the development of shareholder value. The board adopted new principles for the long-term incentive programme in 2007, where the criteria for awarding synthetic shares to corporate management is tied to Total Shareholder Return (TSR – development of the share price including dividend payments), such that this must be above average for a defined group of 16 listed paper manufacturers, including Norske Skog. A positive TSR for the period is also an absolute condition. This scheme will yield a 30% payout if Norske Skog performs better than the average for the reference group and a full payout if the company falls within the best quartile. Progress is measured over a three-year period, with a new period beginning each year. There is no dilution effect as a result of the scheme.

The programme was continued for 2008 and 2009. It was continued for 2010 with some changes: the maximum annual bonus from the programme was set to NOK 4 million for the CEO and NOK 2 million for other members of corporate management (instead of a fixed number of shares), and the bonus after tax must be used to purchase shares until the total shareholding in the company corresponds to a certain number of shares (200 000 for the CEO and 100 000 for other members of corporate management). The programme was continued for 2011 and 2012. There will be no allocation under the programme for 2013.

Further variable elements

Further variable elements include a fixed mileage allowance, newspapers, mobile phone and coverage of the costs of broadband communication in accordance with established standards.

PENSION PLANS

Norske Skogindustrier ASA introduced the current defined contribution plan with effect from 1 January 2011, with a contribution of 4% for earnings between 1 and 6 G (base amount in the Norwegian national insurance scheme) and 8% between 6 and 12 G. The previous scheme with pensionable age of 67 and providing a pension of approximately 65% of ordinary salary at retirement, and 60% from the age of 77 including national insurance, was closed from 31 December 2010, and now only covers employees who were born prior to 1 January 1959 and who were employed in the company before the closure. The company also has a supplementary scheme for the part of salary exceeding 12 G, and there is a separate early retirement pension scheme from 64 to 67 years for corporate management, previously referred to as insured supplementary plans. It was decided to terminate these insured supplementary plans with effect from 1 January 2007 and they were replaced by a book reserve arrangement for the pension part, a disability insurance and a group life insurance (annual base salary) replacing dependents' pensions. Corporate management is covered by a special group life insurance policy with payments limited to three times the annual salary and a maximum of 80 G. Old age pension for the part of salary exceeding 12 G was also changed to a defined contribution plan from 1 January 2011. At the time of the change, employees who were born before 1 January 1959 were given the opportunity to continue with the defined benefit plan. Norske Skog provided salary compensation for employees who were at a financial disadvantage because of the change from a defined benefit to a defined contribution plan, both in the main plan and in the plan for salary above 12 G. This salary compensation was based on certain assumptions about the future at the time of the change, including return on assets, salary adjustment, change in the base amount (G) and inflation. The compensation will not be changed even if these factors should turn out to be different from the assumptions.

The defined benefit plan for the part of salary exceeding 12 G was closed from 1 January 2011, and no new members will enter the scheme. The same applies for the early retirement scheme for corporate management.

TERMINATION PAYMENT AGREEMENTS

The mutual period of notice for the CEO is six months. If circumstances arise in which the company and the CEO, by mutual agreement, terminate the contract of employment in the best interests of the company, the company issues a guarantee equivalent to payment of base salary for 18 months after the end of the notice period. The amount receivable by other members of corporate management under the same circumstances is severance pay equivalent to payment of base salary for 12 months and a guarantee of six months.

11. OTHER GAINS AND LOSSES

	2012	2011
Gains and losses on disposal of property, plant and equipment	10	39
Changes in value on commodity contracts [1]	-775	-710
Other realised gains and losses	0	-2
Total	**-765**	**-673**

[1] Long-term energy contract that is measured at fair value.

The company owns a long-term contract for supply of physical energy that is sensitive to future fluctuations in energy prices. The loss in 2012 of NOK 775 million was mainly due to lower expected future energy prices, as well as NOK 153 million arising from sale of part of the contract, and NOK 80 million due to volumes utilised during 2012. The loss in 2011 was also due to lower expected future energy prices and volumes utilised during 2011.

12. TAX

TAX EXPENSE	2012	2011
Current tax expense	-47	-33
Change in deferred tax	236	399
Total	**189**	**366**

INCOME TAX RECONCILIATION	2012	2011
Profit/loss before income taxes	-3 243	-3 356
Computed tax at nominal tax rate of 28%	908	940
Exempted income/non-deductible expenses	31	-35
Impairment of investments in subsidiaries	-768	-577
Adjustment previous years	-15	-4
Other items	34	43
Total tax expense	**189**	**366**

DEFERRED TAX	2012	2011
Net deferred tax liability 1 January	125	384
Deferred tax charged in the income statement	-236	-399
Restructuring of operations [1]	0	107
Reclassification of group tax items	63	33
Net deferred tax liability/asset (-) 31 December	**-47**	**125**

DEFERRED TAX – DETAILS	31.12.2012	31.12.2011
Property, plant and equipment, excess values and depreciation	209	-19
Pensions	-12	-10
Provisions and other liabilities	25	252
Currency translation differences and financial instruments	350	408
Deferred tax current items	-9	-26
Tax losses and tax credit to carry forward	-611	-479
Net deferred tax liability/asset (-)	**-47**	**125**

LOSSES TO CARRY FORWARD AND TAX CREDITS	31.12.2012	31.12.2011
Losses to carry forward	5 414	1 432
Tax losses not recognised [2]	-3 500	0
Tax credits	202	202
Total losses to carry forward and tax credits	**2 116**	**1 634**
Deferred tax asset	**611**	**479**

[1] In 2011, the paper production activities at Skogn, Saugbrugs and Follum were transferred to separate legal subsidiaries owned by Norske Skogindustrier ASA. The transactions were organised as taxable asset sales, but accounted for with continuation of book values in the financial statements of Norske Skogindustrier ASA. As a consequence of the sales, deferred tax liability increased.

[2] In 2012, an amount of NOK 3 500 million was added to tax losses to carry forward. This was a result of tax deductible losses that arose following a legal restructuring of the company structure. Deferred tax asset is not recognised on the amount.

13. INTERCOMPANY RECEIVABLES/LIABILITIES

	31.12.2012	31.12.2011
Intercompany receivables		
Norske Skog Skogn AS	1 401	1 283
Norske Skog Saugbrugs AS	1 441	1 320
Crown Forest Industries Ltd.	16	251
Norske Skog Industries Australia Ltd.	1 964	2 438
Norske Skog Industries Canada Ltd.	239	0
Norske Skog Walsum GmbH	382	485
Other intercompany receivables	11	28
Total	**5 454**	**5 805**
Current intercompany receivables		
Norske Skog Skogn AS	17	30
Norske Skog Saugbrugs AS	4	23
Norske Skog Follum AS	0	15
Norske Skog Bruck GmbH	0	3
Klosterøya AS	0	91
Nornews AS	16	14
Norske Skog Golbey SA	63	31
Norske Skog Holdings B.V.	3	186
Norske Skog US Recovered Paper Inc.	0	8
Norske Skog Pisa Ltda.	0	18
Other current intercompany receivables	7	19
Total	**110**	**438**
Non-current intercompany liabilities		
Lysaker Invest AS	63	60
Nornews AS	60	57
Norske Skog Golbey SA	491	309
Norske Skog Holding AS	44	42
Norske Treindustrier AS	7 678	7 468
Total	**8 336**	**7 936**

All non-current intercompany debt falls due for repayment at least 12 months after the balance sheet date. The majority of this debt has a considerably longer term to maturity.

	31.12.2012	31.12.2011
Current intercompany liabilities		
Norske Skog Skogn AS	38	29
Norske Skog Saugbrugs AS	254	84
Norske Skog Follum AS	0	37
Lysaker Invest AS	1 529	851
Norske Skog Deutschland GmbH	46	35
Norske Skog Eiendom AS	235	138
Norske Skog Bruck GmbH	117	0
Norske Skog Golbey SA	189	127
Norske Skog Holding AS	4	12
Norske Skog Holland B.V.	13	14
Norske Skog Industries Australia Ltd.	232	175
Norske Skog France sarl	24	0
Norske Skog Tasman Ltd.	248	328
Norske Skog UK Ltd.	15	23
Norske Skog Walsum GmbH	85	89
Norske Treindustrier AS	974	1 031
NSI Insurance A/S	0	23
Oxenøen Finans AS	141	138
Wood and Logistics AS	20	26
Other current intercompany liabilities	20	105
Total	**4 184**	**3 265**

14. OTHER CURRENT ASSETS

	31.12.2012	31.12.2011
Derivatives	133	121
Current investments	45	45
Total	**178**	**167**

15. EQUITY

The share capital of the company at 31 December 2012 was NOK 189 945 626 and consisted of 189 945 626 shares, each with a nominal value of NOK 1. The number of treasury shares at 31 December 2012 was 135 798. The company purchased 400 000 and sold 306 064 treasury shares during the year.

On 25 April 2012, the general assembly resolved to reduce the nominal value of the company's shares from NOK 10 to NOK 1, and to transfer NOK 2 000 million from share premium reserve to other paid-in equity. Total value transferred to other paid in equity amounted to NOK 3 708 million. This resolution came in addition to the resolution on 12 April 2007 to transfer NOK 7 000 million from share premium reserve to other paid-in equity.

The variances between other paid-in equity and distributable equity are specified below:

SPECIFICATION OF DISTRIBUTABLE EQUITY	31.12.2012
Other paid-in equity	10 708
Uncovered loss allocated to other paid-in equity	-8 155
Gain/loss on treasury shares	48
Other paid-in equity	**2 602**
Revaluation reserve	-139
Deferred tax asset	-97
Research and development	-30
Distributable equity	**2 336**

PRINCIPAL SHAREHOLDERS	OWNERSHIP %
Nobelsystem Scandinavia AS	3.95
AT Skog	3.51
SKAGEN Fondene	3.30
Dimensional Fund Advisors	2.94
Allskog BA	2.77
Astrup Fearnley AS	2.73
Acadian Asset Management	2.59
Nordnet Bank AB	2.39
Saba Capital Management	2.38
Folketrygdfondet	2.07
Uthalden AS	2.01
Swedbank Norge Market Making	1.58
Fiducia AS	1.57
Nordea Bank PLC Finland	1.42
Havlide AS	1.21
AS Herdebred	1.11
Torstein I. Tvenge	1.05
Mjøsen Skog BA	1.04
Danske Bank	1.00

The shareholder list is provided by RD:IR and VPS, through the Nominee ID service. The information is obtained through the analysis of beneficial ownership and fund manager information provided in replies to disclosure of ownership notices issued to all custodians on the Norske Skogindustrier ASA share register. Whilst every reasonable effort is made to verify all data, neither RD:IR nor VPS can guarantee the accuracy of the analysis.

SHAREHOLDERS ON THE BOARD OF DIRECTORS	NUMBER OF SHARES
Elected by the shareholders	
Eivind Reiten, Oslo (chair) (0), Mocca Holding AS (37 914)	37 914
Eilif Due, Levanger	3 256
Jon-Aksel Torgersen, Oslo (0), Fiducia AS (2 986 644)	2 986 644
Elected by the employees	
Kjetil Bakkan, Norske Skog Skogn	10 585
Paul Kristiansen, Norske Skog Saugbrugs	9 456
Svein Erik Veie, Norske Skog Skogn	3 757

SHAREHOLDERS AMONG CORPORATE MANAGEMENT	NUMBER OF SHARES
Sven Ombudstvedt (705 061), Elle Holding AS (1 000 000)	1 705 061
Rune Gjessing	9 057
Trond Stangeby	0

16. GUARANTEES

The company has not guaranteed any debt on behalf of its subsidiaries as at 31 December 2012 (no guaranteed debt as at 31 December 2011). Parent company guarantees on behalf of subsidiaries amounted to NOK 271 million at 31 December 2012 (NOK 319 million at 31 December 2011). Parent company bank guarantees on behalf of subsidiaries amounted to NOK 87 million at 31 December 2012 (NOK 117 million at 31 December 2011).

17. EVENTS AFTER THE BALANCE SHEET DATE

A description of events after the balance sheet date is given in Note 28 in the consolidated financial statements.

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To the Annual Shareholders' Meeting of Norske Skogindustrier ASA

Independent auditor's report

Report on the Financial Statements

We have audited the accompanying financial statements of Norske Skogindustrier ASA, which comprise the financial statements of the parent company and the financial statements of the group. The financial statements of the parent company comprise the balance sheet as at 31 December 2012, income statement, changes in equity and cash flow for the year then ended, and a summary of significant accounting policies and other explanatory information. The financial statements of the group comprise the balance sheet as at 31 December 2012, income statement, statement of comprehensive income, changes in equity, and cash flow for the year then ended, and a summary of significant accounting policies and other explanatory information.

The Board of Directors and the Managing Director's Responsibility for the Financial Statements

The Board of Directors and the Managing Director are responsible for the preparation and fair presentation of the financial statements of the parent company in accordance with simplified IFRS pursuant to § 3-9 of the Norwegian Accounting Act and for the preparation and fair presentation of the financial statements of the group in accordance with International Financial Reporting Standards as adopted by EU and for such internal control as the Board of Directors and the Managing Director determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

PricewaterhouseCoopers AS, Postboks 748 Sentrum, NO-0106 Oslo
T: 02316, org. no.: 987 009 713 MVA, www.pwc.no
Statsautoriserte revisorer, medlemmer av Den norske Revisorforening og autorisert regnskapsførerselskap

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Opinion on the financial statements of the parent company

In our opinion, the financial statements of the parent company are prepared in accordance with the law and regulations and present fairly, in all material respects, the financial position of Norske Skogindustrier ASA as at 31 December 2012, and its financial performance and its cash flows for the year then ended in accordance with simplified IFRS pursuant to § 3-9 of the Norwegian Accounting Act.

Opinion on the financial statements of the group

In our opinion, the financial statements of the group are prepared in accordance with the law and regulations and present fairly, in all material respects, the financial position of the group Norske Skogindustrier ASA as at 31 December 2012, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by EU.

Report on Other Legal and Regulatory Requirements

Opinion on the Board of Directors' report and statement of corporate governance principles and practices

Based on our audit of the financial statements as described above, it is our opinion that the information presented in the Board of Directors report and statement of corporate governance principles and practices concerning the financial statements and the going concern assumption, and the proposal for coverage of the loss is consistent with the financial statements and complies with the law and regulations.

Opinion on Registration and Documentation

Based on our audit of the financial statements as described above, and control procedures we have considered necessary in accordance with the International Standard on Assurance Engagements ISAE 3000 "Assurance Engagements Other than Audits or Reviews of Historical Financial Information", it is our opinion that management has fulfilled its duty to produce a proper and clearly set out registration and documentation of the company's accounting information in accordance with the law and bookkeeping standards and practices generally accepted in Norway.

Oslo, 1 March 2013
PricewaterhouseCoopers AS

Fredrik Melle
State Authorised Public Accountant (Norway)

(2)

DECLARATION FORM
THE BOARD OF DIRECTORS AND CEO

We declare that to the best of our knowledge, the financial statements for the period 1 January to 31 December 2012 have been prepared in accordance with prevailing accounting practices, and that the information in the financial statements provides a correct impression of the company's and the group's assets, liabilities, financial position and result as a whole. We also declare that the annual report provides a correct overview of the development, result and position of the company and the group, along with a description of the key risk and uncertainty factors which the company and the group face.

LYSAKER, 1 MARCH 2013
THE BOARD OF DIRECTORS OF NORSKE SKOGINDUSTRIER ASA

Eivind Reiten Chair	Eilif Due Board member	Siri Beate Hatlen Board member	Finn Johnsson Board member
Karen Kvalevåg Board member	Åse Aulie Michelet Board member	Jon-Aksel Torgersen Board member	Kjetil Bakkan Board member
Paul Kristiansen Board member	Svein Erik Veie Board member	Sven Ombudstvedt President and CEO	

CORPORATE GOVERNANCE IN NORSKE SKOG

Norske Skogindustrier ASA is a Norwegian based paper manufacturer with global production- and sales operations. Norske Skog's goal is to increase shareholder value through profitable and sustainable production of publication paper.

Norske Skog is listed on the Oslo Stock Exchange and is subject to Norwegian securities legislation and stock exchange regulations, as well as international bond market regulations.

Norske Skog is subject to reporting requirements for corporate governance under the Norwegian Accounting Act § 3-3b, and voluntarily complies with the "Norwegian Code of Practice for Corporate Governance" ("NCGB Code", see www.nues.no, English pages). This corporate governance report follows the structure of the version of NCGB Code as published on 23 October 2012.

Corporate governance principles as referred to in this report define roles and responsibilities, powers and processes, between and within governing bodies, such as the General Meeting, the board of directors (hereinafter the board) and the corporate management. For further information about corporate bodies and corporate governance issues, please visit Norske Skog's website www.norskeskog.com.

This corporate governance report has been discussed and commented on by the board, and will be presented for discussion by Norske Skog's General Meeting on 11 April 2013.

1. REPORT ON CORPORATE GOVERNANCE
The NCGB Code is on the board's agenda annually. Deviations from the NCGB Code are explained where relevant in this report.

During the year, the board amended the company's Steering Documents, the internal control structure and the manuals for the board and the audit committee. The board also discussed experiences with the Operating Model and the changes in corporate management. Norske Skog's Steering Documents and corporate governance principles are fundamental for the company's corporate governance and value creation. Compliance with the Steering Documents is mandatory for employees and others acting on the company's behalf and similar conduct and ethical standards are expected in partnerships, joint ventures and partially owned companies.

The Steering Documents, which may be found on the company's website, include Norske Skog's values, and define ethical fundaments for its operations. The Steering Documents confirm that the company's aim is to maximize shareholder value through operations within the publication paper industry. The company values are *openness, honesty and cooperation.* Guide our behaviour across regions. These values, together with the leadership principles, are the fundament to ensure ethical and competitive business conduct within and on behalf of Norske Skog.

Further, the Steering Documents constitute the company's social responsibility policy through providing the basic requirements for sustainable operations with regard to health and safety, environment, people (fairness, equality and merit based opportunities), corporate conduct (anti-corruption, legal compliance and business ethics), as well as financial management and reporting. Key international standards and agreements create a basis for the Steering Documents, hereunder the UN Global Compact and the ICEM agreement.

2. BUSINESS
Norske Skogindustrier ASA's business purpose is set out in the Articles of Association, article 2: "*The objective of the company is to operate wood processing activities and associated activities. The company may participate in other commercial activity by subscribing to shares or in other ways*". The overall strategic guidelines involve producing at the lowest possible cost, seeking out growth that strengthens profit and focusing on core activities.

The Articles of Association are available on the company's website.

3. EQUITY AND DIVIDENDS
Equity
At 31 December 2012, Norske Skog's consolidated total equity was NOK 4 314 million, which is equivalent to 26.86% of total assets. The board considers the equity to be adequate to the company's objectives, strategy and risk profile. The General Meeting in April, 2012 authorised reduction of the nominal value of the company's shares and a conversion from share premium reserve to distributable equity.

Dividends
It follows from Norske Skog's shareholder policy that the dividend policy shall be competitive and responsible. Due to the financial results of the company, no dividends have been disbursed in the past few years. In addition, the covenants of the EUR 140 million loan facility from May 2011 limit the company's right to disburse dividends. Dividend requires either that the ratio of net debt to EBITDA is less than three or that the banking syndicate has consented to the dividend. The credit facility has matures on 31 May 2014. In any case, the board and the corporate management strive towards getting the company into a dividend position again.

Purchase of treasury shares
The 2012 General Meeting authorised the board to purchase treasury shares, for the sole purpose of offering employees the opportunity to purchase shares at rebated prices, and up to a nominal value of NOK 92 500 000, however at no time exceeding 5% of outstanding shares. The shares should be acquired at the listed share price. The authorisation was granted for a period up to the next General Meeting.

On 31 December 2012, Norske Skog owned a total of 135 798 treasury shares. During 2012, a total of 306 064 shares were sold to Norwegian employees at a discount of 20% and with a maximum discount of NOK 1 500 per employee. The shares are subject to a one-year lock-in period from the date of acquisition by the relevant employee.

4. EQUAL TREATMENT OF SHAREHOLDERS AND TRANSACTIONS WITH CLOSE ASSOCIATES
Norske Skogindustrier ASA has one share class. Shareholders shall be treated equally, and voting rights are based on the principle one share – one vote. The board members shall act independently of special interests. It follows from the Steering Documents and the board's manual that members of the board or the corporate management shall notify the board if they have any material interest in any transaction entered into by the company.

All transactions with related parties are conducted In accordance with the arm's length principle. For information on transactions with related parties, please see note 27 in the consolidated financial statements.

5. FREELY NEGOTIABLE SHARES
The Articles of Association do not impose any restriction on the negotiability of Norske Skog's shares, and it follows from the Steering Documents for Financial Management and Reporting that Norske Skog's shares shall be freely negotiable.

6. GENERAL MEETINGS

The General Meeting is the shareholders' forum and the supreme governing body of the company. The Articles of Association do not impede the shareholders' rights as provided by the Public Limited Companies Act. The board sets the agenda for the General Meeting. In agreement with applicable laws and deadlines, the minutes from the General Meeting are published externally and on the website, as well as sent to Oslo Stock Exchange.

In April 2012, 60 shareholders and shareholder proxies were present, representing 75 262 822 shares out of a total of 189 903 764 voting shares, corresponding to 39.63% of the total number of voting shares. The company strives to promote the shareholders' rights and opportunities to carry out their rights in the General Meetings:

- The summons and documentation for the General Meeting, including the proposal by the election- and remuneration committee, are made available on the company's website and distributed to the shareholders.
- Any shareholder may, by written and justified notification to the board no later than seven days before the due date for submittance of the summons, require items to be included in the agenda for the General Meeting.
- Participation at the General Meeting is made possible by registering advance electronoically or in writing, also on individual agenda items.
- The summons and documentation for the General Meeting are sufficiently detailed and comprehensive for the shareholders to assess, discuss and vote on the matters presented to the General Meeting.
- The deadline for giving notice of attendance to the General Meeting is set as close to the date of the meeting as possible. In 2012, the deadline was less than two days before the Annual General Meeting.
- The company's external auditor will attend the meeting and present conclusions in the auditor's report.
- Notice of the General Meeting will be given, and the General Meeting will be chaired by the chair of the board. The company's Articles of Association contain arrangements to elect another chairperson for the General Meeting.

The NCGB Code recommends that the General Meeting elects board members individually. Traditionally, Norske Skog's General Meeting elects the board members collectively to promote the board as a qualified team and in agreement with legal requirements for gender representation.

Norske Skog does not require the entire board's presence at the General Meeting. However, the chair of the board will be present, and employee representatives and a number of shareholder elected members will regularly be present. Further, the corporate management will at least be represented by the CEO and the CFO.

In line with the above, Norske Skog does not require the entire election- and remuneration committee's presence at the General Meeting. However, the chair of the committee will be present to explain the committee's proposal.

7. ELECTION- AND REMUNERATION COMMITTEE

It follows from the Articles of Association that Norske Skog has an election- and remuneration committee with four shareholder- and one employee representatives. The shareholder representatives, including the chair of the committee, are elected by the General Meeting. The General Meeting 2012 stipulated guidelines for the committee regarding its purpose, members and resources, tasks and recommendations.

The election- and remuneration committee proposes shareholder candidates for election to the board with the aim of securing Norske Skog's needs for optimal value creation through a variety of competencies and contributions among the directors. Further, representation of shareholders, as well as providing a good working climate in the board, are important elements in evaluating and proposing candidates.

Upon its own discretion, the election- and remuneration committee may engage company resources and external consultants to assist in search for candidates. As a basis for its work, the committee also invites shareholders' input, interviews board members and the CEO, and reviews the board's self evaluation.

The election- and remuneration committee further proposes its own succession candidates. Members of the committee should be independent from the board and the corporate management. With today's shareholder structure, the Norwegian forest owners are the only shareholder group directly represented at the committee.

The committee further proposes remuneration for the governing bodies, including itself. Whereas the employee representative to the committee does not have a voting right regarding shareholder candidate proposals, he or she has a voting right with regard to remuneration of all members of governing bodies.

The election- and remuneration committee's justified proposals for election and remuneration of members to the governing bodies are submitted to the shareholders together with the other documentation for the General Meeting.

Norske Skog provides information on its website about members of the election- and remuneration committee.

8. THE BOARD'S COMPOSITION AND INDEPENDENCE

Corporate assembly

The annual General Meeting 2012 resolved to dissolve the Corporate Assembly.

Board composition and election

According to the Articles of Association, Norske Skog shall have not less than seven and not more than ten board members. The current number of board members is ten, including three employee representatives. For the employee representatives, personal alternate members have been elected. Of the seven shareholder elected board members, three are women and four are men. Hence, the Public Limited Companies Act requirement for 40% representation of each gender is fulfilled. All employee representatives are men. Their representation fulfil legal requirements for gender representation due to the exemption set out in the Act regarding gender representation for employee representatives.

No shareholder or shareholder group hold more than 10% of the shares in the company. All Norske Skog directors are independent and act autonomously of the company's main business partners, corporate management and shareholders. However, board member Eilif Due has strong connections to the Norwegian forest owners, which on a consolidated basis own approximately 7% of the company. Board member Jon-Aksel Torgersen is among the larger personal shareholders of the company, and additionally represents large shareholder interests through his employer's and related companies' shareholdings.

All shareholder-elected directors are elected for one year at a time. All current directors have a statistical attendance at board- and committee meetings of near 100%. Neither the company's external auditor, nor any member of the corporate management, is a member of the board, but the CEO and the CFO attend all board meetings, and the auditor attends board meetings in connection with quarterly and annual financial statements.

Directors' shareholdings

At 31 December 2012, the chair Eivind Reiten held 37 914 shares through his wholly-owned company Mocca Invest AS, Jon-Aksel Torgersen held 2 986 644 shares through his wholly-owned company Fiducia AS, Kjetil Bakkan personally held 10 585 shares, Paul Kristiansen personally held 9 456 shares and Svein Erik Veie personally held 3 757 shares.

9. THE WORK OF THE BOARD

The duties and work of the board and its sub-committees

The board's main tasks comprise the overall responsibility for the management of the company, and overseeing the daily administration and operations of the company. Throughout 2012, the board has concentrated a significant amount of time on strategic and financial issues. Efforts and results within the areas of health, environment and safety are annually reported comprehensively to the board, and the CEO reports on health, environment and safety-, operations- and market developments in every board meeting.

The board develops an annual plan for its work, clearly setting out strategic, financial, operational and organisational issues for discussion and resolution. In addition to adhering to its plan, the board discusses upcoming issues and processes which require the board's involvement.

The board has two sub-committees: An audit committee, as required by the Public Limited Company Act, and a compensation committee. No board member serves on both committees. The board manual sets out clear mandates on defined areas for both committees. The committees undertake preparatory discussions and report their recommendations to the full board, but do not adopt any resolutions. The audit committee focused on the company's internal control function in 2012, whereas the compensation committee had no particular area of focus in 2012. The external auditor attends the meetings of the audit committee, as do the CEO and the CFO. The CEO attends the meetings of the compensation committee, unless issues relating to his own remuneration are being discussed.

The full board held eight physical meetings in 2012, which was according to its annual plan. One issue was resolved through written correspondence. The audit committee held four meetings in 2012. The compensation committee held three meetings in 2012. In May 2012, the full board visited the Skogn mill, and in September 2012 the full board visited the Golbey and Bruck mills. Both visits provided valuable understanding of the operations, as well as of the local opportunities and challenges.

Due to the continuous efforts of strengthening the cash flow of the company, the board has granted a relatively low capital expenditure frame.

On organisational issues, the board has received specific orientation on the implementation status for the operating model as introduced 2011 and the work of the significantly reduced corporate management, hereunder the relationship and segregation of duties between the corporate management and the boards of the legal mill entities.

The board has carried out a self assessment with a statistical survey and a follow-up board discussion. The outcome of the self assessment has been presented to the election- and remuneration committee.

The board manual

The board has issued a board manual. The manual's elements related to the audit committee were last amended in December 2012. The mandate for the compensation committee was reviewed in December 2010.

The board manual sets out the directors' duties. Employee representatives have the same rights and obligations as shareholder-elected board members. Further, the manual prescribes the general loyalty obligation of the board members towards the company and to ensure equal treatment of shareholders. To maintain the board members' independence, they may not assume business relations and special tasks for the company in addition to their directorship, without informing the full board, and any remuneration for such tasks requires board approval.

In light of the board members' status as primary insiders of Norske Skog, the company's instruction for primary insiders is made part of the board manual. This instruction was comprehensively reviewed in May 2010, and partly updated in October 2012.

The board manual defines particular responsibilities of the chair of the board and the CEO, the board's obligations towards the General Meeting, and the quorum and voting procedures in board meetings. The board manual further sets out specific mandates for the two board committees. The mandate for the audit committee includes the accounting and financial reporting processes of the company, as well as the company's enterprise risk management, control functions and external auditing. The mandate for the compensation committee covers the board's discussion on salary and other remuneration for the CEO and the corporate management. Further, the compensation committee serves as advisory board to the CEO regarding remuneration- and pension principles for all employees.

10. RISK MANAGEMENT AND INTERNAL CONTROL

The board's responsibility and the purpose of risk management and internal control

The board is ultimately responsible for the management of the company. Consequently, the board is also responsible for evaluating and controlling the company's risk position. Norske Skog's enterprise risk management processes is based on COSO's Enterprise Risk Management framework, and cover financial, operational, market and organisational risks. By this delineation of risk control, all sustainability and responsibility areas covered by Norske Skog's Steering Documents are also covered by its enterprise risk management processes and reported to the board. The system is based on the management teams in each business unit and in key corporate functions regularly reporting potential risk factors to the company's risk management function, and updated risk pictures provide basis for the agenda-setting for the corporate management meetings and adequate follow-up.

The internal control systems within the CFO organisation primarily cover the financial reporting structure and processes. However, the newly established Business Control function, which has replaced the Internal Audit function, will also provide more analytical planning and decision support to the business lines. Furthermore, it will co-ordinate or carry out reviews and audits when needed.

Routines for internal control over financial reporting are defined in Norske Skog's internal control documentation (Financial Closing Manual and Financial Closing Checklist). Responsibilities are clearly defined in terms of execution, documentation and control. The group also has a power of attorney structure which describes and regulates financial empowerment to individual positions.

Norske Skog has clearly established channels and procedures for reporting, and handling reports, about possible serious misconduct (whistle blowing).

It is the opinion of the board that Norske Skog's internal control and systems for risk management are adequate and proportionate to the nature and complexity of the company's operations and financial situation. Further information is provided in the notes to the financial statements.

11. REMUNERATION OF THE BOARD

The remuneration of the board is decided by the General Meeting on the basis of the election- and remuneration committee's justified proposal. The committee considers the level of responsibility, complexity and time consumption, as well as the required expertise, for the board members. Proposals for annual adjustments of the remuneration of the board are based on considerations to ensure that Norske Skog remains attractive and competitive on the market for governing bodies' competencies.

No board member has carried out specific tasks or commissions for the company in addition to the directorship, and no other remuneration has been paid to any board member than the ordinary board remuneration.

Separate remuneration is stipulated for the chair of the board and members of committees under the board. For 2012, remuneration of the board amounts to:

1. The remuneration for the chair of the board is NOK 560 000 per year.
2. The remuneration for the other members of the board is NOK 310 000 per year.
3. The remuneration for the alternate members of the board is NOK 12 800 per meeting.
4. The remuneration for the members of the committees of the board is NOK 6 500 per meeting. Separate rates apply for the audit committee.
5. The remuneration for the chair of the audit committee is NOK 100 000 per year with the addition of NOK 6,500 per meeting.
6. The remuneration for other members of the audit committee is NOK 65 000 per year with the addition of NOK 6 500 per meeting.
7. Travel and lodging expenses are reimbursed in accordance with state rates.

The total remuneration for the board of directors in 2012 was NOK 4 198 596. For the corporate assembly (dissolved March, 2012), the total remuneration was NOK 338 500. For the election- and remuneration committe, the total remuneration was NOK 192 000. For further information, reference is made to note 12 in the consolidated financial statements.

12. REMUNERATION OF EXECUTIVE PERSONNEL

Norske Skog has guidelines for remuneration of corporate management. These guidelines are communicated to the General Meeting, and set out the main principles behind salaries and other compensatory elements. Performance related remuneration of corporate management is linked to the financial performance of the company, and the individual's contribution thereto.

In general, the guidelines ensure alignment of financial interests between the shareholders and the corporate management.

The CEO's remuneration terms are reviewed and decided annually by the board following preparatory discussions in the board's compensation committee. The remuneration decision takes into consideration the overall performance of the CEO and the company, and the market development for CEO remuneration in companies of similar complexity, size and industries.

The remuneration for other members of corporate management is decided by the CEO. The COO works on the basis of a contract with the company. The structure of the corporate management incentive system is determined by the board and presented as information to the General Meeting. The incentive system consists of base salary, annual bonus agreement, pension and other benefits. Performance-based elements are calculated on the basis of quantifiable targets falling within areas over which the respective executives have a reasonable influence. More information about corporate management remuneration is available in the financial statements, notes 10 (Norske Skogindustrier ASA) and 12 (consolidated financial statements).

In addition, Norske Skog has operated a long term ownership incentive programme for corporate management since 2007. The programme has been subject to revisions and adjustments, but the main features of the programme have remained stable. There will be no allocation under the programme for 2013.

13. INFORMATION AND COMMUNICATIONS

Information in Norske Skog's financial statements shall provide a correct impression of the company's results, cash flow, assets and liabilities. Financial reporting follows international accounting standards, and through open communication to shareholders and financial markets, Norske Skog ensures transparency and equality to facilitate our stakeholders' assessment of the company's financial situation. Press releases in connection with quarterly financial statements are presented to the board before being published.

Outside of the General Meeting, the company's administration maintains an active dialogue with the shareholders, investors and other relevant interested parties. The company's annually published financial calendar is available on www.norskeskog.com/investors. The tasks of communication have been clearly defined among corporate management and members of the administration, including routines applicable should an extraordinary situation occur. When publishing annual and interim reports, the company holds public presentations that are simultaneously broadcast over the internet.

Information sent to shareholders by mail is simultaneously published on www.norskeskog.com.

14. TAKE-OVERS

The board has established clear principles for how it will act in the event of a take-over bid, hereunder that it will act in agreement with the NCGB Code and Norwegian law.

The principles emphasise the importance of equal treatment of existing shareholders. They further warrant that the board will ensure sufficient information in time and content for the shareholders to assess a possible bid, hereunder issue a statement to the shareholders with the board's assessment of such bid. A sale of a significant part of the company will require approval by the General Meeting.

The board will not without decision by the General Meeting attempt to hinder a take-over bid for the company.

15. AUDITOR

The auditor presents an annual audit plan, describing the auditor's understanding of the industry and significant risks, as well as the audit approach to be applied.

The auditor participates in audit committee meetings, and board meetings when discussing the quarterly and financial statements or otherwise requested. During 2012, a revised impairment model has been developed in agreement with the auditor. There have not been any disagreements on material matters between the company and the auditor during 2012. The auditor has also been involved in, and provided input to, the reorganisation of the company's internal control functions during 2012. During 2012, the auditor has participated in discussions with the audit committee without corporate management being present, and for 2013 such time is scheduled with the full board. The company has effective guidelines for the ability of the auditor to perform non-audit services for the company upon approval by the audit committee. The company informs the General Meeting about the auditor's fees for audit- and non-audit services.

The board regularly assesses the quality and efficiency of the work of the auditor.

SHARES AND SHARE CAPITAL

NORSKE SKOG'S SHAREHOLDER POLICY

The shareholder policy is as follows:

- Norske Skog's goal is to provide competitive return for the shareholders.
- Norske Skog's shares shall be freely negotiable and based on the principle one share – one vote.
- The dividend policy shall be competitive and responsible.
- Norske Skog's capital structure shall be adapted to the company's strategy and business risk.
- The work of the board and the corporate management shall be based on the principle of equal treatment for all the company's shareholders.

DIVIDEND PROPOSAL

Based on weak earnings and the company's financial position, the board recommends that no dividend be paid for the financial year 2012.

LONG-TERM INCENTIVE PROGRAMME

Since 2007, Norske Skog has operated a long-term incentive programme for corporate management, based on relative return on shares. The programme is described in detail in the notes to the financial statements for the Norske Skog Group (Note 12) and Norske Skogindustrier ASA (Note 10).

SHARES AND SHARE CAPITAL

Norske Skog's shares have been listed on the Oslo Stock Exchange since 1976. In 2012, a total of 385.8 million Norske Skog shares were traded on the Oslo Stock Exchange, compared with 617.4 million in 2011. On average, each share was traded 2 times in 2012.

The Norske Skog share price was NOK 3.96 on 30 December 2012, compared with NOK 5.20 on 2 January 2012. The highest price in 2012, based on close-of-trading prices, was NOK 8 on 10 February, and the lowest price was NOK 3.43 on 31 May.

On 31 December 2012, the share capital in Norske Skog was NOK 189 945 626, consisting of 189 945 626 shares with a face value of NOK 1. There was a change in the face value on 26 July from NOK 10 to NOK 1. All shares have equal rights.

At the beginning of 2012, Norske Skog owned 41 862 treasury shares. In May, 400 000 shares were bought, and 306 064 shares were later sold to employees in connection with the share sale programme to employees in Norway. Norske Skog's holding of treasury shares was 135 798 shares as of 31 December 2012.

On 31 December 2012, the largest individual Norwegian shareholder was Nobelsystem Scandinavia AS, with an ownership interest of 4%. On 31 December 2012, foreign ownership was 19%, compared with 23% on 31 December 2011. The foreign shareholders are, to a large extent, registered through investment banks, and based on the gathered information, none of them own more than 5%.

Based on the information in the Norwegian Registry of Securities, Norske Skog had 24 322 shareholders in total as at 31 December 2012, of which 1 185 resided outside of Norway.

INFORMATION TO THE FINANCIAL MARKET

Around 20 Norwegian and international companies follow Norske Skog and publish analyses of the company, directed towards both the equity and bond markets. An overview of these companies can be found on Norske Skog's website.

FINANCIAL CALENDAR FOR 2013

- 21 January: Silent period begins
- 7 February: Interim financial statements, fourth quarter 2012
- 8 April: Silent period begins
- 11 April: General Meeting
- 25 April: Interim financial statements, first quarter 2013
- 1 July: Silent period begins
- 18 July: Interim financial statements, second quarter 2013
- 7 October: Silent period begins
- 24 October: Interim financial statements, third quarter 2013

KEY FIGURES RELATED TO SHARES

DEFINITIONS		2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Nominal value (NOK/share)		1	10	10	10	10	10	10	10	10	10
Average number of shares excluding shares held in treasury (1 000)		189 827	189 904	189 904	189 663	189 501	189 412	189 258	142 878	132 430	132 415
Net earnings per share after tax (NOK)	1	-14.63	-13.36	-12.97	-6.36	-14.33	-3.26	-14.84	-5.98	4.95	3.04
Cash flow per share after tax (NOK)	2	5.18	2.40	2.09	8.95	10.43	11.43	14.60	21.42	22.04	22.45
Dividend per share (NOK)		0.00	0.00	0.00	0.00	0.00	0.00	5.50	5.50	6.00	6.00
Price/earnings ratio	3	-	-	-	-	-	-	-	-	26.50	41.80
Price/cash flow ratio	4	0.76	1.88	6.62	1.07	1.29	3.95	7.35	5.01	5.90	5.70
Payout ratio (%)		-	-	-	-	-	-	-	-	121.20	197.40
Number of shares 31 December (1 000)		189 946	189 946	189 946	189 946	189 946	189 946	189 946	189 946	133 137	133 137
Share prices high		8.00	22.50	14.35	17.60	45.85	118.50	114.00	124.86	146.50	139.00
Share prices low		3.43	2.58	6.82	7.93	13.15	30.75	83.00	86.50	110.00	86.50
Share prices 31 December		3.96	4.52	13.85	9.55	13.50	45.20	107.50	107.25	131.00	127.00
Trading volume (Oslo Stock Exchange) 1 000 shares		385 768	617 404	444 134	527 525	786 990	659 648	230 507	186 297	157 839	119 400
Number of shareholders 31 December		24 322	23 955	24 779	26 936	26 812	23 871	22 967	23 646	23 851	23 212
Number of foreign shareholders 31 December		1 185	1 228	1 291	1 320	1 355	1 400	1 361	1 355	1 271	1 222
Foreign shareholding 31 December		19.02%	23.07%	35.92%	25.1%	40.5%	48.9%	67.0%	56.9%	38.2%	37.6%
Market value (NOK million)		752	859	2 630	1 812	2 564	8 586	20 419	20 372	17 441	16 908

Definitions

1. Net earnings per share after tax = Profit for the year : Average number of shares
2. Cash-flow per share after tax = Cash flow : Average number of shares
3. Price/earnings ratio = Share price 31.12. : Net earnings per share after tax
4. Price/cash flow ratio = Share price 31.12. : Cash flow per share after tax

MEMBERS OF CORPORATE BODIES

AS OF 31 DECEMBER 2012

Board of Directors	
Eivind Reiten, Oslo (chair)	0
- Mocca Holding AS	37 914
Åse Aulie Michelet, Oslo	0
Eilif Due, Levanger	3 256
Siri Beate Hatlen, Hosle	0
Finn Johnsson, Gøteborg	0
Karen Kvalevåg, Snarøya	0
Jon-Aksel Torgersen, Oslo	0
- Fiducia AS	2 986 644
Kjetil Bakkan, Skogn	10 585
Paul Kristiansen, Saugbrugs	9 456
Svein Erik Veie, Skogn	3 757

Employee-elected alternate board members (personal):	
Håvard Busklein (for Kjetil Bakkan), Levanger	0
Carl Fredrik Nilsen (for Paul Kristiansen), Halden	0
Trond Bjørken (for Svein Erik Veie), Inderøy	3 684

The Corporate Management	
CEO Sven Ombudstvedt	705 061
- Elle Holding AS	1 000 000
Senior vice president Rune Gjessing	9 057

Auditor	
PricewaterhouseCoopers AS	0

PRINCIPAL SHAREHOLDERS

PRINCIPAL SHAREHOLDERS AT 31 DECEMBER 2012	NUMBER OF SHARES	OWNERSHIP %
Nobelsystem Scandinavia AS	7 500 000	3.95
AT Skog	6 671 000	3.51
SKAGEN Fondene	6 275 100	3.30
Dimensional Fund Advisors	5 587 204	2.94
Allskog BA	5 261 414	2.77
Astrup Fearnley AS	5 189 688	2.73
Acadian Asset Management	4 915 349	2.59
Nordnet Bank AB	4 540 608	2.39
Saba Capital Management	4 529 774	2.38
Folketrygdfondet	3 938 041	2.07
Uthalden AS	3 820 000	2.01
Swedbank Norge Marketmaking ac.	3 000 000	1.58
Fiducia AS	2 986 644	1.57
Nordea Bank PLC Finland	2 702 700	1.42
Havlide AS	2 296 466	1.21
AS Herdebred	2 112 005	1.11
Torstein I. Tvenge	2 000 000	1.05
Mjøsen Skog BA	1 970 560	1.04
Danske Bank	1 893 775	1.00
Shareholders with < 1% ownership	112 755 298	59.36
Total	**189 945 626**	**100.00**

The data is provided by RD:IR and VPS, trhough the Nominee ID service. The data is obtained through the analysis of beneficial ownership and fund manager information provided in replies to disclosure of ownership notices issued to all custodians on the Norske Skogindustrier ASA share register. Whilst every reasonable effort is made to verify all data, neither RD:IR nor VPS can guarantee the accuracy of the analysis.

ARTICLES OF ASSOCIATION FOR NORSKE SKOGINDUSTRIER ASA

(Organisational number 911 750 961)
(Last amended in the general meeting 25 April 2012)

ARTICLE 1 THE COMPANY FORM AND NAME
The company is a public limited liability company. The company's name is Norske Skogindustrier ASA.

ARTICLE 2 OBJECTIVE
The objective of the company is to operate wood processing activities and associated activities. The company may participate in other commercial activity by subscribing to shares or in other ways.

ARTICLE 3 REGISTERED OFFICE
The company is registered in Norway, and has its corporate management and registered office in Bærum municipality.

ARTICLE 4 SHARE CAPITAL AND SHARES
The company's share capital amounts to NOK 189 945 626, divided into 189 945 626 shares each with a nominal value of NOK 1,-. The company's shares shall be registered in the Norwegian Central Securities Depository (VPS).

ARTICLE 5 BOARD OF DIRECTORS
The company's board of directors will consist of a minimum of seven and a maximum of ten directors, elected for a term of one year. No person can be elected to the board after reaching the age of 70.

The general meeting elects the board of directors and the chair of the board every year, and determines the remuneration payable to directors. The board of directors is responsible for appointing a chief executive, to be known as the president and chief executive officer, and for determining his/her remuneration. The board of directors appoints a member of the board, the chief executive or named employees to sign for the company.

ARTICLE 6 ELECTION- AND REMUNERATION COMMITTEE
The company will have an election- and remuneration committee consisting of four members elected by the general meeting for a term of one year, as well as an employee representative to be appointed by the Norwegian Works Council with the right to speak and make suggestions in matters of election, and the right to vote in remuneration matters. The chair of the election- and remuneration committee is elected by the general meeting and remuneration of the members of the committee will be determined by the general meeting.

The election- and remuneration committee will have the following tasks:

i) To issue a recommendation to the general meeting concerning election of shareholder-elected members of the board and the chair of the board.
ii) To issue a recommendation to the general meeting concerning the remuneration of board members, hereunder the chair of the board and the board's committees.
iii) To issue a recommendation to the general meeting concerning the election of members of the election- and remuneration committee, hereunder the chair of the committee.
iv) To issue a recommendation to the general meeting concerning the remuneration of members of the election- and remuneration committee.

The general meeting can stipulate more detailed guidelines for the work of the election committee.

ARTICLE 7 GENERAL MEETING
Notice of the general meeting will be issued within the deadline set by the Public Limited Liability Companies Act in writing to all shareholders with a known address. The right to participate and vote in the general meeting can only be exercised when the acquisition of shares is registered in the shareholder register on the fifth business day before the general meeting (registration date).The general meeting will be held in the local municipality in which the company has its registered office or in Oslo.

When the documents which apply to matters which are up for discussion and voting at the general meeting in the company have been made available to the shareholders on the company's website, the board can decide to not send the documents to the shareholders. A shareholder can, however, demand to have documents pertaining to matters on the agenda of the general meeting sent to him or her. The company cannot request any compensation for sending documents to the shareholders.

The annual general meeting will:

1. Approve the annual accounts, including the directors' report, and the consolidated accounts, and approve the profit and loss account and balance sheet.
2. Determine the application of the profit or coverage of the loss for the year in accordance with the approved balance sheet, including the declaration of any dividend.
3. Discuss and vote over the board's declaration on determination of salary and other remuneration for senior employees.
4. Approve the auditor's fee.
5. Elect the shareholders' representatives to the board of directors, as well as to the election- and remuneration committee, as well as stipulate any remuneration to members and alternate members of these bodies.
6. Deal with any other business stated in the notice of the meeting.

Matters which a shareholder wants to put before the general meeting for discussion and voting must be communicated in writing to the board at least seven days prior to the deadline for issuing a notice of a general meeting enclosing a proposed motion or reason for putting the matter on the agenda. Notice of the general meeting will be given, and the general meeting will be opened and chaired, by the chair of the board. The general meeting may, upon proposal presented in the meeting or before by the board, a board member or a shareholder, with simple majority of the cast votes, elect another person to chair the meeting. Should there be more than one candidate, the one that has received the most votes shall be elected.

Shareholders can vote in writing in advance in matters up for discussion and voting at the company's general meetings. Such votes can also be cast through electronic communication. The option of voting in advance is contingent upon the existence of a satisfactory method for verifying the identity of the voter. The board of directors will determine if such a method exists prior to each individual general meeting. The board of directors can stipulate more detailed guidelines for written advance votes. It must emerge from the notice of the general meeting whether voting in advance is allowed and which guidelines have been stipulated for any such voting in advance.

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