

NORSKE SKOGINDUSTRIER ASA IN 2000

Annual report

Norske Skog in 2000:
Satisfactory profit improvement
Activity doubled
A strongly focused company

President and CEO Jan Reinås:

We shall go further

side 3



Norske Skog

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This is Norske Skog



EUROPE

NORTH AMERICA

SOUTH AMERICA

AUSTRALASIA

ASIA

VISION

Norske Skog shall be a leading international company in the pulp and paper industry.

GOAL

Norske Skog shall create value for its owners, matching the performance of the best companies in the sector.

STRATEGY

Concentration on our core area, wood containing publication paper (newsprint and magazine paper), profitable growth in important markets, cost-efficient production.

Norske Skog is one of the world's largest producers of paper and the second largest supplier of newsprint. The Group comprises 21 wholly- and partly-owned companies in 13 countries in Europe, North America, South America, Australasia and Asia. Since 1990 its operating revenue has risen from just under NOK 10 billion to NOK 26.6 billion in 2000. During the same period its market cap. value has climbed from NOK 3.1 billion to NOK 16.3 billion. Capacity for its core area wood containing publication paper - newsprint and magazine paper - is 5.8 million tonnes in 2000, against 1.3 million tonnes in 1990.

Norske Skog is the largest supplier of newsprint in South America, Australasia and Asia excluding Japan, the second largest in Europe and the fifth largest in North America. The total market for wood containing publication paper is now nearing 60 million tonnes, with fastest growth occurring in magazine paper, and somewhat slower growth in newsprint. General economic trends affect the advertising revenues, pagination and circulation of newspapers and magazines - and demand for publication paper.

Norske Skog was established in 1962 and its first newsprint machine came on line in 1966. Through acquisitions and expansion the company became, during the 1970's, the largest forest industry business in Norway, and by the end of the 1980's Norske Skog was a significant European supplier of wood containing publication paper. Through its strong focus on publication paper, the company developed, during the 1990's, into one of the largest in the world in this product area.



CEO JAN REINÅS

The year 2000 was a very special year in Norske Skog's history. That also marks this annual report. We took a long step forward in the realisation of our goals. We became a global company, and secured unique positions in new growth markets. Our progress is based on the dedicated efforts of highly motivated, skilled colleagues. Today Norske Skog is going through a challenging process. We shall continue to exploit the multiplicity of opportunities we have secured through forging links with activities on other continents, with other cultures.

We shall go further

Through profitable growth, Norske Skog created increased value for its owners in 2000. In 2001 new results will be achieved through a focus on operation, organisation and financial consolidation. The market for publication paper seems set for good demand and high production in the current year, too. Norske Skog is well placed in regions with higher, but more stable demand for newsprint and magazine paper.

Norske Skog's 21 mills on five continents represent a unique aggregate of proficiency in wood containing publication paper. We are exploiting this through systematic exchanges of knowledge and experience, within and between regions. Maintenance of high operational performance standards, introduction of best practice and co-ordination of activities shall provide a significant part of the synergy effects in a large organisation. We have achieved something, but there is more to be gained.

Efforts are continuing to find new owners for activities outside the production of publication paper. This is necessary, because we want to concentrate all our resources on our core area.

We shall concentrate on what we know best, and become even better.

In 2000 Norske Skog had an operating profit, before depreciation, of NOK 6.6 billion. This robust cash flow is primarily utilised to pay off debt. Investments in fixed assets have been focused on improvement measures with a short pay-back time. A restructured and slimmer balance sheet provides the basis for playing a continuing active part in the consolidation of the world's publication paper industry. Norske Skog is working full out to achieve these goals and to live up to the expectations of its owners, customers and employees.



Main figures 2000

SHAREHOLDERS' GENERAL MEETING

The ordinary General Meeting will be held on Thursday May 3, at 13 o'clock at Rica Sjølyst Konferansesenter, Drammensveien 154, Oslo.

FINANCIAL INFORMATION 2001

Shares will be listed ex-dividend May 4.

Payment of dividend to shareholders who are listed in the company's register of shareholders as of May 3, May 22.

Publication of quarterly results 2001:

First quarter May 3

Second quarter August 23

Third quarter November 1

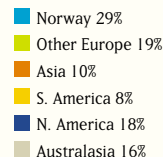
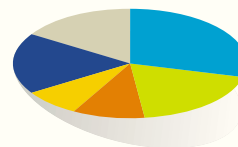
ADDITIONAL INFORMATION ON THE INTERNET

Additional financial information concerning Norske Skog may be found on the Internet <http://www.norske-skog.com>

For example:

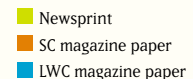
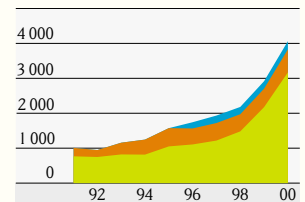
- All result reports
- Press releases
- Presentations to the stock market
- Basic information about the Group's organisation, management and activity
- Information about mills, products, markets, environmental questions and research
- Links to other relevant sources

CAPACITY PRINTING PAPER PER AREA



PUBLICATION PAPER PRODUCTION 1991-2000

1,000 tonnes



SHARE SPLIT

At an extraordinary general meeting on 07.03.2001 it was decided to split Norske Skog's shares in two, so that their par value will be NOK 10 each. The figures given for the number of shares in this annual report are based on a par value of NOK 20 per share, as was the case on 31.12.2000.

Main financial figures

<i>NOK mill.</i>	2000	1999	1998	1997	1996	1995	1994	1993	1992	1991
Profit and loss accounts										
Operating revenue	26 635	18 054	14 908	13 312	13 265	12 548	9 170	7 338	7 557	8 640
Operating profit	4 211	2 129	1 780	1 083	1 916	2 500	732	299	-47	500
Profit for the year	1 958	1 300	1 020	590	1 317	1 699	206	-47	-516	246
Main financial figures										
Cash flow from operating activities	4 922	2 162	2 859	1 615	2 616	2 555	866	492	256	1 405
Depreciation	2 388	1 689	1 323	1 140	1 132	832	616	552	575	553
Investments in operational fixed assets	1 351	1 154	3 983	1 814	1 053	926	565	1 127	2 220	1 190
Gearing	0.92	0.65	0.71	0.45	0.63	0.61	0.67	1.13	1.07	0.49
Profitability										
Return on capital employed %	13.1	11.0	11.7	8.4	15.9	25.4	8.3	3.4	-0.6	7.2
Gross operating margin %	24.8	21.1	20.8	16.7	23.6	26.6	14.7	11.6	9.6	13.7
Shares and shareholder structure										
Net earnings per share after tax	44.68	32.71	26.68	16.40	40.38	52.39	6.91	-1.79	-21.28	10.18
Net earnings per share fully diluted	44.68	32.71	26.68	16.40	35.89	45.99	6.91	1.68	-13.03	11.30
Equity per share	311.13	289.21	262.46	238.75	235.62	200.67	148.84	146.72	155.42	175.95

Main financial figures per area

<i>NOK mill.</i>	2000	1999	1998	1997	1996	1995	1994	1993	1992	1991
Europe										
Operating revenue	13 714	12 102	10 539	9 284	9 493	8 066	5 831	4 731	4 773	5 855
Operating profit	2 266	1 809	1 946	1 134	2 078	1 708	454	469	95	656
Operating margin %	16.5	14.9	18.5	12.2	21.9	21.2	7.8	9.9	2.0	11.2
North America										
Operating revenue	4 157	-	-	-	-	-	-	-	-	-
Operating profit	529	-	-	-	-	-	-	-	-	-
Operating margin %	12.7	-	-	-	-	-	-	-	-	-
South America										
Operating revenue	1 035	-	-	-	-	-	-	-	-	-
Operating profit	231	-	-	-	-	-	-	-	-	-
Operating margin %	22.3	-	-	-	-	-	-	-	-	-
Australasia										
Operating revenue	2 801	-	-	-	-	-	-	-	-	-
Operating profit	545	-	-	-	-	-	-	-	-	-
Operating margin %	19.5	-	-	-	-	-	-	-	-	-
Asia										
Operating revenue	2 572	1 988	485	-	-	-	-	-	-	-
Operating profit	526	336	61	-	-	-	-	-	-	-
Operating margin %	20.5	16.9	12.6	-	-	-	-	-	-	-
Other activities										
Operating revenue	2 440	4 132	4 037	4 043	3 800	4 504	3 546	2 756	2 890	2 972
Operating profit	431	37	-90	33	-100	778	324	-102	-112	-155
Operating margin %	17.7	0.9	-2.2	0.8	-2.6	17.3	9.1	-3.7	-3.9	-5.2

Norske Skog in 2000

JANUARY

The first talks were started between Fletcher Challenge Ltd., New Zealand, and Norske Skog, about the purchase of FCP.

1

FEBRUARY

Norske Skog Hurum, which produces bleached kraft paper, was transferred to new owners on February 1. During the month, talks also started with Södra Cell about the take-over of Norske Skog Tofte, Hurum, and Norske Skog Folla, Verran. These two mills produce pulp for sale to external buyers.

2

MARCH

Norske Skog and Södra signed an agreement of intent regarding the transfer of the pulp mills.

3

APRIL

The agreement between Norske Skog and Klabin, Brazil, concerning joint newsprint production, took effect on April 1. The two companies own 50% each of a company that operates Klabin's newsprint machine (capacity 130,000 tonnes) at Monte Alegre, Brazil. The agreement on Norske Skog's purchase of FCP, with nine mills in six countries, was announced on April 3.

4

MAY

Norske Skog Skogn began test operation of the new de-inking plant. A private placement of shares directed at Norwegian investors gave Norske Skog NOK 1.5 billion in increased equity capital. Norske Skog Flooring was divested on May 1.

5

JUNE

Forestia AS' sawn timber business was formally taken over by Moelven Industrier ASA on June 6.

6



Tofte

The year 2000 was an exceptionally active one for Norske Skog. Concentration on our core area, publication paper, was reinforced through the acquisition of ten wholly- or partly-owned companies. In all, 18 units in the fields of building materials, special paper and market pulp went to new owners.

JULY

Södra Cell took over the Tofte and Folla pulp mills on July 1. FC's general meeting decided on July 3, by a 99% vote, to sell Fletcher Challenge Paper to Norske Skog. Norske Skog took over FCP on July 28.

7

AUGUST

New organisation, with new governance model, in place. Accounting, finance and other corporate functions were transferred from the head office of former FCP, in Auckland, to Oxenøen near Oslo.

8

SEPTEMBER

Region Australasia concluded a ten-year agreement with its three largest customers regarding the delivery of newsprint and other publication paper. Norske Skog was awarded the Stockman prize, by the Association of Norwegian Financial Analysts, for best performance in investor relations.

9

OCTOBER

The general meeting of Fletcher Challenge Paper Canada decided to change the company's name to Norske Skog Canada.

10

NOVEMBER

The Norwegian Water Resources and Energy Directorate (NVE), a regulatory body, gave Industrikraft Midt-Norge a concession (licence) to build a cogeneration plant beside the Norske Skog Skogn newsprint mill. Norske Skog has a 30% ownership stake in Industrikraft Midt-Norge.

11

DECEMBER

After negotiations with another major shareholder, Norske Skog is going to acquire additional shares in the Pisa newsprint mill in Brazil, thereby increasing the ownership stake to over 90%.

12



Elk Falls, Canada



Pisa mill, Brazil



As long as there's **news**,
there will be **paper**



Annual report

THE BOARD OF DIRECTORS' REPORT

Norske Skog became a new company in 2000

CONCENTRATION ON CORE AREA, GLOBALISATION AND VALUE CREATION

Significant expansion and restructuring, including the acquisition of Fletcher Challenge Paper (FCP) actually created a new Norske Skog in 2000. Satisfactory profit improvement and growth contributed to increased values for shareholders. The company has largely achieved its strategic goals: profitable growth, internationalisation, and concentration on its core area, wood containing publication paper. FCP's activity contributed to increased earnings per share from the very first day after the acquisition. Profit and cash flow per share rose by 37% and 106%, respectively, and booked equity capital per share by 9%. A good foundation has been laid for further value creation during the coming years.

During 2000 Norske Skog doubled its activity and became one of the world's largest suppliers of publication paper. With production in Europe, North America, South Ameri-

ca, Australasia and Asia, the Group has a global presence in its product area. Norske Skog has achieved a leading position in all growth markets. After the sale of 24 European activities outside its core area, during recent years, Norske Skog is a strongly focused company, drawing about 75% of its operating revenue from publication paper in 2001. The prospects for the current year are good, with high demand and rising prices for wood containing publication paper.

The integration of former FCP and Norske Skog was carried out in the course of a few months, based - among other things - on the values of openness, honesty and co-operation, and with the aim of extracting the best from both companies. The process was marked by a positive spirit and valuable contributions from all those involved. After only a short time a company had been created in which everyone was working towards the "new" Norske Skog's common goals. Synergy

gains are expected to be significantly larger than the figure of USD 100 million per year which was quoted during the integration process. It is a high priority task to extract these gains, and to restructure the asset portfolio which Norske Skog took over from Fletcher Challenge Ltd.

Satisfactory market conditions, efficient operation and expansion increased ordinary pre-tax profit to NOK 3,021 million against NOK 1,825 million in 1999. The Board proposes a dividend of NOK 12.00 per share. The return on capital employed was 13.1% (11.0%).

Following the A-shares' all-time high price of NOK 425, on 27.12.1999, their value fell during 2000 by 12.5%. Morgan Stanley Dean Witter's global forestry industry index fell during the same period by 14%. During the past two years, the average annual value increase experienced by Norske Skog shareholders has been 36%.

PROFIT AND DIVIDEND

Strong growth, owing to acquisitions and favourable market conditions, lifted Norske Skog's operating revenue by 48% to NOK 26,635 million (NOK 18,054 million). Demand for publication paper rose, particularly in the daily press. Combined with limited capacity increases, this provided high capacity utilisation and favourable development in all regions.

In 2000, 57% of operating revenue came from activities outside Norway, and exports accounted for 77% of the Norwegian units' total.

OPERATING PROFIT DOUBLED

Operating profit doubled, to NOK 4,211 million (NOK 2,129 million). Newsprint prices rose during the year on most markets, apart from Europe and Australasia, while prices for magazine paper were on the whole stable. The list price of bleached long fibre sulphate pulp increased by nearly 20% during the year. In addition, the Company has benefited from the strong US dollar.

Ordinary pre-tax profit was NOK 3,021 million (NOK 1,825 million). Net cash flow

from operations more than doubled to NOK 4,922 million (NOK 2,162 million). Profit per share, after tax, rose to NOK 44.68 (NOK 32.71), while cash flow per share from operations was NOK 112.30 (NOK 54.39). Calculated on the basis of the price of A-shares on 02.02.2001, this gives ratios for price/earnings and price/cash flow of 8.2 and 3.3, respectively.

The profit for the year was NOK 2,184 million.

The new activities which were consolidated in the Group accounts from 28.07.2000 contributed to increased earnings for Norske Skog from the very first day. Their proportion of earnings and cash flow per share in the period following the consolidation, on 28.07.2000, amounted to app. 15% and app. 25%, respectively. This accords with expectations ahead of the acquisition, and Norske Skog now has a significant cash flow.

Profit from the sale of the Tofte and Folla pulp mills, including a share of the profits in 2000, is included in other items, at NOK 233 million. The Group's share of the profits of affiliated companies Malaysian Newsprint

Industries and Moelven Industrier ASA amounts to NOK 34 million.

INCREASED DIVIDEND TO OWNERS

Net financial items increased from minus NOK 149 million in 1999 to NOK 1,394 million in 2000. This partly reflects higher net interest costs, in connection with the purchase of Fletcher Challenge Paper. A weaker Norwegian krone produced a loss on currency hedge operations of NOK 325 million in 2000, against a gain of NOK 336 million in 1999. The loss is more than offset by higher operating income in Norwegian kroner resulting from actual sales in foreign currencies.

Tax costs for the year reached NOK 837 million (NOK 499 million), corresponding to 27.7% of ordinary pre-tax profit.

The Board proposes a dividend of NOK 12.00, (NOK 6.00 following the share split approved at the general meeting on March 7 2001), against NOK 11.00 for 1999. This equals 26.9% (33.6%) of earnings per share.

The annual accounts have been drawn up on the assumption of continued operations.

FINANCIAL

Norske Skog's net cash flow from operations in 2000, after operations-related investments, was NOK 3,640 million, which was primarily applied to paying off debt. During the period 28.07. - 31.12.2000 the Group's debt was paid off by NOK 1,790 million. Ordinary investments in new plant in 2000 totalled NOK 1,351 million, corresponding to 57% of ordinary depreciation. The largest project was the completion of the de-inking plant at the Norske Skog Skogn newsprint mill. To strengthen the balance sheet, investments in new plant are now being restricted to projects with a short pay-back time, and which are connected to improvement measures and the realisation of synergy gains.

Following the purchase of FCP, Norske

Skog has changed its hedging strategy. The balance sheet is hedged by ensuring that the Company's debt, to the greatest possible extent, comprises the same currency mix as its assets. This reduces the effect of fluctuating currency rates on equity capital, and the net interest-bearing debt/equity capital ratio. In addition, 50-100% of future 12 months cash flow from operations, is being hedged by currency purchases.

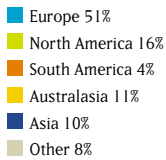
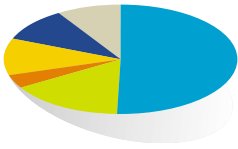
STRONG INCREASE IN BALANCE SHEET

The purchase of Fletcher Challenge Paper increased Norske Skog's total assets to NOK 61,227 million as of 31.12.2000, against NOK 24,914 million at the end of 1999. In those companies in which Norske Skog holds a majority stake of over 50%, balance sheet items

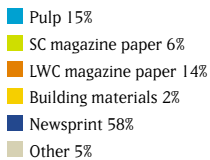
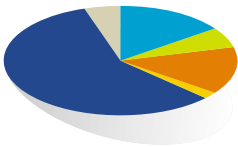
are included 100% in the Group balance sheet. The minority shareholders' proportion of equity capital in these companies is deducted from the Group's consolidated equity capital. These things affect the size and structure of the balance sheet. The total assets figure includes the minority stakes in Canada and Brazil, also including Norske Skog Canada's cash assets of NOK 5,481 million.

The FPC shares were taken over on 28.07.2000 for NOK 7.7 billion, in addition to assumption of responsibility for FCP's net debt. The purchase was financed from the Group's own liquid reserves, by drawing on established lines of credit, loan agreements with Norwegian and foreign banks, and a new share issue of about NOK 1,500 million net, paid in to the company. At the take-

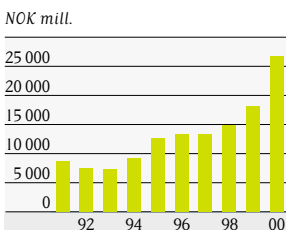
OPERATING REVENUE BY AREA



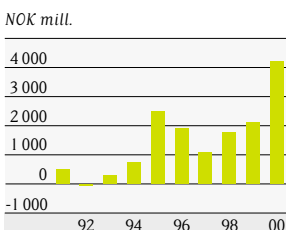
OPERATING REVENUE BY PRODUCT



CONSOLIDATED OPERATING REVENUE 1991-2000



CONSOLIDATED OPERATING PROFIT 1991-2000



over, the transaction was fully financed on competitive terms.

During 2000 the Group's equity capital increased from NOK 11,559 million to NOK 14,490 million excluding minority interests and from NOK 11,727 million to NOK 22,351 million including minority interests. With a larger total assets figure, this gives an equity capital ratio, including minority interests, of 36.5%. The corresponding figure at the end of 1999 was 47.1%. The Group's goal is a minimum of 40%, on average, throughout an economic cycle.

Net interest-bearing debt stood at NOK 20,535 million at the end of 2000 (NOK 7,618 million), and 90% of this was at floating interest rates. Average loan interest in 2000 was 6.93%. The ratio of net interest-bearing debt to equity capital, including minority interests, was 0.92. The Group's goal is 1.0 or less, throughout an economic cycle.

At the end of 2000 liquid assets amounted to NOK 8,628 million (NOK 803 million). The marked increase reflects the fact that 100% of the significant liquid assets in the companies where Norske Skog is a majority shareholder, is included in the Group's consolidated accounts. At the turn of the year, unutilised drawing rights amounted to USD 105 million.

A-SHARES UP 75% 1997-2000

Forest industry shares performed poorly in 2000. The Swedish forestry index fell by 17.5% during the year, and Morgan Stanley Dean Witter's international sector index by 14%. Including dividend, the value of an A-share in Norske Skog declined by 9.9% 2000. The corresponding figure for 1999 was a value increase of 92%.

Seen over time, the value of Norske Skog shares has moved favourably. During the

period 31.12.1996-31.12.2000 the value of A-shares rose by about 75%. During the same period, Morgan Stanley Dean Witter's global index for forest industry shares rose by 15% and the Oslo Stock Exchange total index by 38%. At the end of 2000 the Stock Exchange value of Norske Skog was NOK 16,284 million (NOK 16,278 million), corresponding to 112% (141%) of booked equity capital, excluding minorities.

Forest owners cooperatives in Norway own a total of 31.8% of A-shares, compared with 36.7% a year earlier. Of the total number of shares, the National Insurance Fund owns 6.3%, companies connected with the Holta family, in Skien, 4.7%, and Storebrand Liv/accident insurance company If, 4.1%.

In connection with the purchase of Fletcher Challenge Paper, a private placement of new shares, directed at a group of Norwegian investors, was carried out in May. The Company's existing shareholders relinquished their prior right to subscribe. The issue increased share capital by 5,190,300 A-shares at NOK 289 per share, yielding nearly NOK 1,500 million net paid in to the company. The number of shares rose by 12.5%.

During the annual sale of shares to Norske Skog's employees in Norway and abroad, 2,882 employees bought 99,115 shares.

The Company's general meeting on 3 May 2000, authorised the Board to acquire up to 10% of the Company's shares, regardless of share class, on certain defined terms. The authorisation was granted for a period of 18 months from 1 July 2000. At the end of 2000 Norske Skog held a total of 731,192 of its own shares, corresponding to 1.6% of the total.

At the end of 2000 Norske Skog's share capital amounted to NOK 931,441,580, comprising 33,985,860 A-shares and 12,586,219 B-shares.

STRATEGY

NORSKE SKOG ON FIVE CONTINENTS

The year 2000 saw a marked advance in the global consolidation of the paper and pulp industry. By the end of August the total value of mergers and acquisitions in the forest industry had reached USD 58 billion - far higher than in any previous year. Consolidation

has led to a more owner- and market-oriented sector; this should mean greater stability and increased value creation. In an historical perspective, capacity growth in paper - including newsprint - is now at a record low. Where magazine paper is concerned, capacity growth is somewhat higher, and

some increase is also occurring in fine paper capacity.

After its acquisition of Fletcher Challenge Paper, Norske Skog is creating values for its owners on five continents. As the most global company in the sector, the Group is well placed to serve customers throughout the world with paper for newspapers and magazines. Norske Skog is the largest supplier of newsprint in Australasia, South America and Asia, excluding Japan. In the largest, but more mature markets such as Europe and North America, Norske Skog is, respectively, the second largest and fifth largest supplier. The Group's global presence in publication paper has its counterpart on the customer side, where consolidation is taking place among international media groups.

A new organisational structure and new management systems have been created which reflect the challenges that face a global concern. A more detailed description of the Group's management structure may be found in the chapter Corporate bodies and management, on page 44. Executive staff is presented on page 47. The strong growth which took place in 2000 has increased the Group's risk exposure somewhat. Norske Skog has consequently decided to coordinate its risk management more, in order to reduce fluctuations in earnings and increase shareholder values.

13% OF THE WORLD NEWSPRINT MARKET

The purchase of FCP doubled Norske Skog's consolidated operating revenue and gave the Group 2.5 million tonnes of additional newsprint capacity. With total capacity of 5 million tonnes, Norske Skog is the world's second largest supplier of newsprint, with a global market share of 13%. The acquisition also included capacity of 1 million tonnes of market pulp and 100,000 tonnes of other paper. Structural changes in the merged company are being prepared. Among other things these will include the sale of parts of its market pulp capacity and of other activities outside Norske Skog's core area.

No circumstances have emerged, following the take-over, to undermine the assumptions on which the acquisition was based. The new organisation and management model adopted for the merged company enabled integration and operation to proceed at full strength, right from the start. The pre-

sent value of the synergy gains and improvement measures resulting from the acquisition is far higher than the premium that was paid - 17% of market value.

STRATEGIC DEVELOPMENTS IN SOUTH AMERICA AND ASIA

As part of restructuring, Norske Skog has, in agreement with two other shareholders of Pisa, Brazil, acquired shares which give the Group an ownership stake in Pisa of more than 90%. This has created the basis for an overall coordination of activities in South America.

The agreement between Norske Skog and the Brazilian paper and pulp company Klabin took effect on 1 April 2000. The parties have stakes of 50% each in a new company which operates Klabin's existing newsprint production at Monte Alegre in Brazil. This consists of a newsprint machine with capacity of 130,000 tonnes/year. Norske Skog has thus become the largest supplier of newsprint in Brazil.

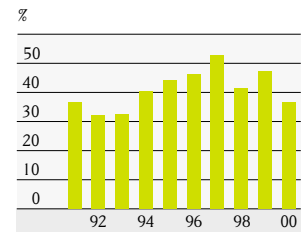
Norske Skog's 33.3% interest in Pan Asia Paper Company has yielded very satisfactory results since the company was established at the turn of the year 1998/99. Consumption of newsprint in the region is rising, and price increases were made in both 1999 and 2000. Pan Asia's robust cash flow is being used to pay off the loans raised when the company was founded.

CONCENTRATION ON CORE AREA CONTINUES

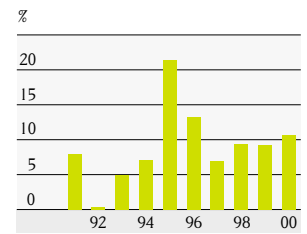
Norske Skog's strategic development since the mid-1990's has been based on profitable growth, internationalisation, and concentration on publication paper as its core area. Capacity for publication paper has more than trebled, and over 70% of it is now located outside Norway. Operating revenue is more than doubled.

Disposal of activities outside the core area continued. Hurum Papirfabrikk was divested on 1 February, Forestia AS' sawn timber business was formally taken over by Moelven Industrier ASA on 6 June, and Norske Skog Flooring, Lyngdal, was sold with effect from 1 May. Tofte at Hurum and Folla at Verran, both of which produce market pulp, were transferred to Södra Cell as of 1 July. Settlement for the two pulp mills will amount to NOK 1,700-1,800 million, and consists of a fixed sum of NOK 1,400 million

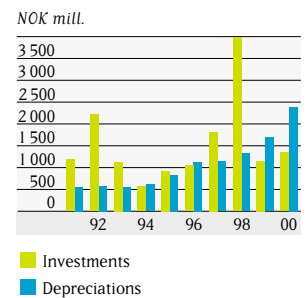
EQUITY TO ASSETS RATIO 1991-2000



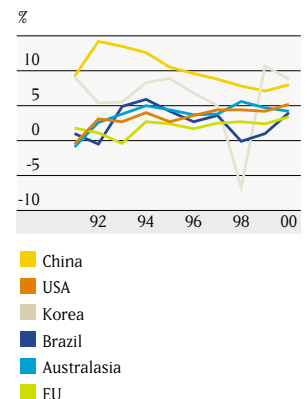
RETURN ON TOTAL ASSETS 1991-2000



OPERATIONAL INVESTMENTS AND DEPRECIATIONS 1991-2000



GROWTH PER YEAR IN GROSS DOMESTIC PRODUCT (GDP)



The Board of Directors



LAGE WESTERBØ
chairman



JON R. GUNDERSEN
deputy chairman



HALVOR BJØRKEN



ROY EILERTSEN



STIG JOHANSEN



KÅRE LEIRA



ØIVIND LUND



JAN REINÅS



HALVARD SÆTHER



FRED LUNDBERG
observer

and a share of profits up to and including 2002.

Several projects are currently in hand with a view to disposing of activities lying outside the Company's core area.

In November 2000 Industrikraft Midt-Norge DA, in which Norske Skog is a 30%

partner, was granted a permit to build, and an emissions permit, for a cogeneration plant adjacent to the Norske Skog Skogn newsprint mill. A decision to build cannot be taken until 2002 at the earliest; in that case, the first part of the facility would come on line in 2004.

OPERATIONS

Today, there are about 2 billion more people in the world who can read than there were thirty years ago. The total will probably rise by a further 1.2 billion between now and 2020. This trend is primarily evident in regions where social conditions are also improving, such as South America and Asia, excluding Japan. This, combined with positive economic trends and a generally increased need for information, provides favourable, long-term opportunities for publication paper, too, from a global viewpoint.

Globally, demand for publication paper rose by 4.6% in 2000. For newsprint, capacity growth continued low, leading to tighter market balance and higher prices on most markets. Prices of recovered paper, chemical pulp and energy rose significantly during the year.

In Western Europe, announced increases in publication paper capacity from 2002 to 2003 total some 1.25 million tonnes. At the same time, capacity closures have also been announced, so that net capacity growth will probably reach just over 600,000 tonnes. This equals 2-3% of total West European publication paper capacity. In North America, newsprint producers have announced or carried out extensive shutdowns and conversions to other grades. In total, these will entail a decline of 1.5 million tonnes, or 7-8% of overall capacity.

of currency fluctuations produced a marked improvement in profits. The region's operating revenue reached NOK 13,714 million in 2000, and operating profit was NOK 2,266 million. Recovered paper prices rose by app. 100% during 2000, but stabilised, and showed a declining tendency, towards the end of the year.

INCREASED NEWSPRINT PRICES IN 2001

High output and increased productivity offset increased recovered paper prices. Contracts for deliveries of newsprint in this region are mainly concluded on an annual basis, and consequently prices were stable throughout the year. Negotiations on deliveries to Europe in 2001 secured price increases averaging of 14-15%. Total deliveries of newsprint to the Western European market rose by 4,7% in 2000.

Norske Skog Golbey's new PM 2 performed very well, and is already approaching the production volume that it was planned to achieve in 2005. No new newsprint machines came on line in 2000, and one machine was converted from making newsprint to producing surface-treated magazine paper. In 2001, too, newsprint capacity growth in Europe will be limited to upgrades of existing machines. Two new newsprint machines have been announced in Europe in 2002, but at the same time four existing publication paper machines will be shut down.

Magazine paper:

Output records at Saugbrugs and Bruck Uncoated (SC) magazine paper is also delivered, to a large extent, on the basis of annual contracts, and prices were stable. For coated (LWC) magazine paper, price increases of 5-7% were achieved at mid-year. The rise in the price of purchased chemical pulp boo-

REGION EUROPE

STRONG PROFIT IMPROVEMENT

Region Europe includes the Group's seven publication paper mills in Norway, France, Austria and the Czech Republic. Higher sales volumes and the favourable effect on prices

sted raw material costs. Total deliveries of SC magazine paper to Western Europe rose by 9% in 2000, and LWC magazine paper by 10%. At the same time, exports out of the region increased by 13% and 19%, respectively, primarily reflecting increased exports to East Europe and North America.

Both Norske Skog Saugbrugs and Norske Skog Bruck set new output records in 2000. During 2000 three new magazine paper machines came on line in Europe, giving a total net capacity growth of 700,000 tonnes for coated (LWC) magazine paper and various grades of uncoated (SC) magazine paper. These volumes have, as of today, already been absorbed by the market. Announced to take place during the next two years are the building of a further two new magazine paper machines, and the shutdown of two existing machines.

REGION NORTH AMERICA

IMPROVED EARNINGS FOR NEWSPRINT

Region North America comprises three mills in British Columbia, Canada. Two of these supply newsprint and market pulp, while the third - Norske Skog MacKenzie - supplies only market pulp. Negotiations are taking place for the transfer of this pulp mill to new owners. Rising pulp prices contributed to a satisfactory improvement in profits for Region North America, and the newsprint business, too, increased profits. Total operating revenue was NOK 4,157 million and operating profit was NOK 529 million following the take-over on 28.07.2000.

Newsprint:

Increased demand, reduced capacity

The newsprint market in North America was affected, in 2000, by a 1.2% increase in consumption in the US, while capacity in the region showed a slight decline. The consequence was a steady improvement in market balance, and two price increases were secured during the year - both of USD 50 per tonne. At the end of the year prices in the US were about 30% higher than in Europe. In 2000 several programmes were launched affecting the region's newsprint production, and the result was lower costs, higher productivity and improved profitability.

Market pulp:

Significant output cutbacks

A generally satisfactory market for pulp resulted in several price increases during the year, until activity declined somewhat in the third quarter. Stock reduction by customers in Asia necessitated output cutbacks in the Canadian pulp industry. A production curtailment by Norske Skog Canada in the fourth quarter reduced output of market pulp by 50,000 tonnes, and in January 2001 the company announced further cutbacks corresponding to 20,000-25,000 tonnes.

REGION SOUTH AMERICA

VERY HIGH OPERATING MARGINS

Region South America comprises a wholly-owned newsprint mill in Chile, a majority-owned mill in Brazil and a 50/50 joint venture in Brazil. Favourable economic developments in the region are creating increased demand for publication paper. Operating margins for the South America activity are among the highest in the world's paper industry. In 2000, Region South America achieved operating revenue of NOK 1,035 million and an operating profit of NOK 231 million following the take-over on 28.07.2000.

South America imports 60% of its newsprint requirements. Combined with a strong rise in demand in - among others - a large market like Brazil, the tight global market balance led to several price increases during the year. In some markets, prices are on a level with those in the US. No capacity increases have been announced that will affect market balance in 2001.

REGION AUSTRALASIA

SATISFACTORY DEMAND

Region Australasia comprises two newsprint mills in Australia and one in New Zealand. The latter also produces market pulp. Sale of the market pulp operations is under consideration. Norske Skog is now the only producer of newsprint in this region. Operating revenue was NOK 2,801 million and operating profit NOK 545 million following the take-over on 28.07.2000.

Newsprint:

Ten-year agreements with the three largest customers

The strong economic growth in Australia continued into 2000. In addition, the Olympic Games in Sydney boosted economic activity generally, thereby increasing newspapers' advertising revenue, volume and newsprint requirements. Owing to the weak Australian dollar, and high newsprint prices in Asia, imports into the region virtually ceased. In September Region Australasia concluded a ten-year contract covering the supply of newsprint and other publication paper to its three largest customers. These three account for about 80% of newsprint consumption in Australia, and the contract covers a major part of their requirements.

Operations in 2000 produced several new output records. No capacity increases which will affect market balance in 2001 have been announced in either Australasia or Asia.

Market pulp:

Weaker towards the end of 2000

There was good demand and high activity in the main markets for pulp in Australia, New Zealand and the US throughout most of the year. During the fourth quarter, demand from Asia weakened, and spot prices for certain grades declined somewhat. The pulp mill operated satisfactorily throughout the whole year.

ASIA

BETTER THAN EXPECTED RESULTS

Norske Skog's interests in Asia comprise an ownership stake of 33.3% in Pan Asia Paper Company, with four mills in Korea, China and Thailand, and a 33.7% ownership stake in Malaysian Newsprint Industries in Malaysia.

The Asian newsprint market was strong throughout the entire year, and several price rises were secured. Increased newspaper advertising volumes and pagination generated higher demand for newsprint. In some markets, the daily press also increased circulation somewhat.

Operation of Pan Asia's mills was satisfactory and stable, and output volume in 2000 was 4.7% higher than in 1999. A marked rise in recovered paper prices boosted costs.

After proportional consolidation, Pan Asia's activity is included in Norske Skog's group accounts with operating revenue of NOK 2,572 million and an operating profit of NOK 526 million. Pan Asia's profit performance has been better than envisaged when the company was established in 1999.

OTHER ACTIVITY

TOFTE AND FOLLA TO NEW OWNERS

Tofte and Folla - which produce market pulp - had operating revenue of NOK 1,342 million and operating profit of NOK 379 million in the first half-year, giving an operating margin of 28%. The business was transferred to new owners as of 1 July 2000. An agreement has been reached, running up to and including 2002, on profit-sharing between buyer and seller. For the second half of 2000 this amounted to NOK 90 million.

NEW ENVIRONMENTAL POLICY

Norske Skog's environmental strategy is to run its activities in a manner which supports the sustainable development of the environment and natural resources. Norske Skog will operate its units with a view to minimal environmental impact. The Group's new environmental policy covers all the business units in the Company, and Norske Skog will seek to apply the same environmental values in joint ventures and partly-owned companies.

No incidents occurred at Norske Skog's mills in 2000 which had serious negative effects on the environment.

14% of the fibre needed by Norske Skog for its annual paper production in 2000, world-wide, came from recycled paper, 41% from sawmill chips, 29% from natural forests and 11% from plantations. In 2000 Region Europe's consumption of recycled paper increased by 22% to 720,000 tonnes, covering 24% of the fibre requirements of the Group's mills in Europe.

Norske Skog supports certified forestry throughout the world. Certifiable and internationally accepted environmental management systems shall be actively applied in all production units. 9 of 17 mills were certified by the end of 2000.

Norske Skog works actively to save energy and reduce waste products. In 2000, more

than 90% of all organic waste from production at the European mills was recovered through energy production. Outside Europe, depositing of waste is more customary, and at present much of the production waste from the Group's mills in Canada and Australasia is to a greater extent used for soil improvement or sent to deposits.

The volume of discharges to water has been significantly reduced in recent years. The content of organic material in effluent is being effectively cut in biological treatment plants. The mills in Tasmania and Chile do not have biological treatment plants, and both are preparing plans to cut discharges. The pulp mills have significantly reduced discharges of chlorine-containing organic substances in the past few years, and such discharges are now at a level which does not negatively affect the environment. Norske Skog Tasman is seeking to reduce the aesthetic impact of its discharges to a river.

Emissions to air include dust from boiler houses and odorous gases from the pulp mills. The mills on the coast of Canada use wood waste as fuel in the boiler houses. This fuel contains salt from sea water, giving the smoke emissions a high particle content. Investments are being carried out to reduce these emissions. At Norske Skog Crofton, in Canada, steps are being taken to decrease emissions of odorous gases, and at Norske Skog Bio Bio dust emissions will be reduced.

Environmental investments at Norske Skog's mills in 2000 totalled NOK 173 million.

More extensive and detailed environmental information may be found in the Norske Skog Environmental Report 2000.

HEALTH, WORKING ENVIRONMENT AND SAFETY

The efforts in this area are of a high standard and are being pursued as energetically and focused in the mills that were taken over as in the earlier Norske Skog. The mills in both South America and Australasia have lower injury figures than the mills in Europe. In 2000 Norske Skog Pisa, in Brazil, had the best results in the Group, in this respect.

Following up the results achieved in health and safety continued to have high priority on the Board's agenda in 2000. The Group as a whole achieved an H-factor (number of lost-time injuries per million

hours worked) of 8 in 2000. There are wide variations between companies and regions both as regards injuries and absence due to illness. Norske Skog will continue striving purposefully to reduce injuries and absence due to illness, and the Company's goal is none injuries. A project has been launched that aims at transferring best practice across units and regions.

HUMAN RESOURCES AND ORGANISATION

The integration of Norske Skog and the former Fletcher Challenge Paper affected about 11,000 employees at 21 mills in 13 countries on five continents, and was a major challenge. The process was carried out as a merger of two equal companies, based on mutual respect, with the primary goal of extracting the best from both companies. The Group management was strongly involved in the process, and concerned that the integration should be completed as rapidly as possible.

The merger of the two companies entailed a significantly increased geographical mobility for employees of both organisations. This provides an exchange of skills and experience which is important in the drive to extract synergy gains. The new organisation, with new management principles, began functioning immediately after the take-over, on 28.07.2000.

At the end of 2000 Norske Skog had 10,404 employees (6,315), including a proportional share of the employees of Pan Asia and Malaysian Newsprint Industries. Of these, 7,817 (1,495) were employed in activities outside Norway. With the purchase of FCP Norske Skog acquired 4,530 new employees, while 1,650 acquired new employers through the ownership changes at Forestia Trelast, Norske Skog Flooring, Hurum Papirfabrikk, Tofte and Folla. Wages and social costs in 2000 totalled NOK 3,290 million (NOK 2,811 million).

The Board thanks all employees for their valuable contributions to Norske Skog's development in 2000.

GOVERNING BODIES

At the meeting of the corporate assembly on 3 May 2000, forest owner Halvor Bjørken was elected as a new member of the Board, following forest owner John Frøseth. Eivind Reiten was appointed president and CEO of

Norsk Hydro, and announced that in consequence he wished to resign from the Board. On 13.12.2000 the corporate assembly elected CEO of ABB AS, Øivind Lund, as a new member of the Board.

In view of the Group's strong, global expansion in 2000, with the new challenges this entails, a systematic review has been carried out of the governing bodies' role, composition and working methods.

FUTURE PROSPECTS

Even if US economic growth should weaken, and notwithstanding forecast capacity increases, newsprint demand and market balance is expected to continue satisfactory. Magazine paper is a product area with a higher growth rate, but here relatively larger capacity increases have been announced. Nevertheless, market balance for magazine paper, too, is expected to be relatively good in 2001. The outlook for market pulp is uncertain.

Overall, profit for 2001 is expected to be higher than that for 2000.

DISTRIBUTION OF PROFIT

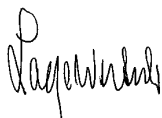
Norske Skogindustrier ASA made a profit for the year of NOK 863 million.

IT IS PROPOSED TO DISTRIBUTE THE PROFIT AS FOLLOWS:

To equity capital	NOK 313 million
Dividend to shareholders	NOK 550 million
Total distributed	NOK 863 million

Free equity in Norske Skogindustrier ASA amounts NOK 6,659 million after the distribution.

Lysaker, 7 March 2001



Lage Westerbø
chairman



Jon R. Gundersen
deputy chairman



Halvor Bjørken



Roy Eilertsen



Stig Johansen



Kåre Leira



Øivind Lund



Jan Reinås



Halvard Sæther

ACCOUNTS 2000 CONSOLIDATED

Profit and Loss Account

<i>NOK million</i>	<i>Notes</i>	2000	1999	1998
Operating revenue	2	26 635	18 054	14 908
Changes in stocks	3	-38	-84	-63
Cost of materials	3	11 559	7 395	6 124
Salaries and personnel expenses	4,5	3 290	2 811	2 203
Ordinary depreciation	13	2 388	1 689	1 323
Other operating expenses	6	5 225	4 114	3 541
Operating expenses		22 424	15 925	13 128
Operating profit		4 211	2 129	1 780
Share of profit in affiliated companies	17	34	25	66
Net financial expenses	7	-1 394	-149	-429
Other items	8	170	-180	0
Operating profit before tax		3 021	1 825	1 417
Tax on ordinary result	9	-837	-499	-387
Profit for the year		2 184	1 326	1 030
The minority's share of the profit		226	26	10
The majority's share of the profit		1 958	1 300	1 020
Earnings per share/Earnings per share fully diluted	10	44.68	32.71	26.68

Statement of Cash Flow

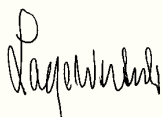
<i>NOK million</i>	<i>Notes</i>	2000	1999	1998
Cash flow from operating activities				
Cash generated from operations		26 386	17 622	14 506
Cash used in operations		-19 620	-14 487	-11 325
Net financial items		-1 428	-633	-222
Taxes paid		-416	-340	-100
Net cash flow from operating activities	11	4 922	2 162	2 859
Cash flow from investment activities				
Investments in operational fixed assets	13	-1 351	-1 154	-3 983
Adjustment for investments with deferred cash-effect		0	-547	487
Sales of operational fixed assets	13	69	237	64
Net cash used for acquisitions of companies		-18 644	-698	-417
Net financial investments		1 235	285	-36
Net cash flow from investment activities		-18 691	-1 877	-3 885
Cash flow from financial activities				
Net change in long-term debt		20 739	-1 680	3 442
Net change in short-term debt		-165	200	-690
Dividends paid		-554	-314	-267
New equity		1 463	0	0
Net cash flow from financial activities		21 483	-1 794	2 485
Translation difference		111	0	0
Total change in liquid assets		7 825	-1 509	1 459
Liquid assets as at 1 January <i>1)</i>		803	2 312	853
Liquid assets as at 31 December <i>1)</i>	12	8 628	803	2 312

1) Liquid assets consists of cash, bank deposits and short term placements

Balance Sheet per 31.12.

NOK million	Notes	2000	1999	1998
Assets				
Intangible fixed assets	13	3 430	354	418
Operational fixed assets	13	38 049	18 072	16 358
Other long-term receivables	14	968	322	279
Shares in other companies and partnerships	15,16	201	80	80
Shares in affiliated companies	17	1 069	0	451
Securities and long-term financial assets		2 238	402	810
Fixed assets		43 717	18 828	17 586
Stocks	18	2 967	1 906	1 780
Other short-term receivables		917	326	561
Accounts receivable	19	4 998	3 051	2 010
Short-term investments	20	7 417	257	944
Cash and bank deposits	21	1 211	546	1 368
Current assets		17 510	6 086	6 663
Total assets		61 227	24 914	24 249
Liabilities and shareholders' equity				
Share capital		931	827	764
Own shareholding		-15	-16	0
Share premium reserve		2 802	2 802	2 198
Other consolidated equity	23	10 772	7 946	6 922
Minority interests	24	7 861	168	145
Shareholders' equity	23	22 351	11 727	10 029
Deferred tax	9	2 012	567	425
Pension obligations	5	718	220	136
Provisions		2 730	787	561
Interest free long-term debt		367	332	447
Interest bearing long-term debt	25	28 809	7 902	8 556
Long-term liabilities		29 176	8 234	9 003
Interest bearing short-term debt	26	355	520	803
Interest free short-term liabilities	27	6 615	3 646	3 853
Current liabilities		6 970	4 166	4 656
Total liabilities and shareholders' equity		61 227	24 914	24 249
Mortgages	29	1 191	1 446	440

Lysaker, 7 March 2001


Lage Westerbø
chairman

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deputy chairman


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Halvard Sæther

NOTES TO THE CONSOLIDATED ACCOUNTS

I. Accounting principles

Norske Skog has experienced major changes during 2000. After the acquisition of Fletcher Challenge Paper the Group has production on five continents. The consolidated accounts are made in NOK, and there is an exposure accounting wise related to changes in the value of the NOK against the currencies where the Groups assets generate cash flows. Due to this, Norske Skog has as of 1 July established a hedging of the balance sheet related to subsidiaries in foreign currency. Debt in foreign currency is drawn to match net assets in foreign currency. Gain and loss due to changes in the currency rates for debt hedging net assets is booked against equity, in the same way as the translation difference from foreign subsidiaries with stand alone activities. This hedges the equity of the Group.

Gain and loss due to changes in currency rates on balance sheet items related to operations are as of 1 July classified as operating revenue and operating expenses respectively. This was previously classified as financial items. Historical figures are not adjusted, since the impact is not material.

The new accounting act was implemented as of 1 January 1999. Please see description in last year's annual report regarding this.

CONSOLIDATED ACCOUNTS

The consolidated accounts show the activities of the parent company, Norske Skogindustrier ASA, and its subsidiaries as one financial unit based on the accounting principles as described below. Intercompany sales and accounts are eliminated in the consolidated accounts. Gains arising from transactions between group companies are eliminated.

Companies in which Norske Skog has a controlling interest are included fully in the consolidated accounts. In the case of subsidiaries that are not wholly owned, minority interests are deducted and are shown as separate items in the profit & loss account and balance sheet. Shares in subsidiaries are eliminated according to the purchase method. This means that the cost of acquisition of the shares is allocated to the subsidiary's assets and liabilities, which are entered in the consolidated accounts at the fair value at the time of purchase. Cost of acquisition in excess of the fair value of identifiable assets and liabilities is entered as goodwill in the balance sheet.

The equity method is used for affiliates. Affiliates are those companies in which Norske Skog has a substantial, but not a controlling interest. The equity method means that the Group's share

of the affiliate's profit or loss is shown on a separate line in the profit & loss account, while its share of the affiliate's equity, adjusted for excess/lesser values, is classified as a fixed asset in the balance sheet.

Interests in joint ventures are accounted for using proportionate consolidation. The share of income, expenses, assets and liabilities is recognised line by line the consolidated accounts.

For consolidation of foreign subsidiaries that are regarded as an integral part of the parent company's activities, monetary items are translated at the year-end exchange rate. Non-monetary items are translated at the rate on the transaction date. Profit & loss account items are translated at the average exchange rate for the year, except for cost of materials and depreciation, which are translated at the rate on the transaction date. The translation difference is shown in the profit & loss account as a financial item. For independent foreign subsidiaries balance sheet items are translated at the year-end exchange rate. Profit & loss items are translated at the average exchange rate for the year. The translation difference is entered as an adjustment to consolidated equity.

OPERATING REVENUES

All sales are recognised as revenues from the time of delivery. Operating revenues are gross operating revenues less commissions, rebates and other direct reductions in price.

CLASSIFICATIONS IN BALANCE SHEET

Assets and liabilities linked with the flow of goods are classified as current assets and liabilities. Other assets are entered under fixed assets when the company intends them for continued use or ownership. Debts that fall due for payment later than one year after the balance sheet date are entered as long term debts. Other assets and liabilities are classified as current assets and current liabilities.

ASSETS AND LIABILITIES IN FOREIGN CURRENCIES

Unhedged assets and liabilities in foreign currencies are translated into NOK at the year-end exchange rate. Balance sheet items in foreign currencies that are hedged by financial instruments are entered at the hedging exchange rate. Balance sheet items in foreign currencies that hedge against each other are entered at the year-end exchange rate. Gain and loss due to changes in currency rates on debt in foreign currency that is regarded as a hedge of the value of a subsidiary in foreign currency with stand alone activities is booked against equity, with the translation difference raising from the translation of the subsi-

diary. Gain and loss due to changes in currency rates on balance sheet items related to operations is included in the operating profit. Gain and loss due to changes in currency rates on other balance sheet items is classified as financial item.

FINANCIAL INSTRUMENTS

Treatment of financial instruments for accounting purposes follows the intentions underlying the contracts. At the time a contract is made, it is defined either as a hedging or as a trading contract.

The various types of financial instruments used for hedging interest risks are assessed as separate portfolios. These are assessed at cost price or market value, whichever is the lower. In cases where the contracts made are classified as hedging transactions, revenues and costs are accrued and classified in the same way as the underlying balance sheet items.

Financial instruments in foreign currencies that are not classified as hedging for accounting purposes are assessed at market value.

SHARES, BONDS, CERTIFICATES, BILLS ETC.

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

Other shares, bonds and certificates classified as current assets are managed as a uniform whole and are assessed jointly as a portfolio. Unrealised losses are set off against unrealised gains. Net unrealised losses on the portfolio are entered as expenses under financial items. Net unrealised gains are entered as financial revenue within the limits of unrealised losses expensed earlier.

Shares classified as fixed assets that are not attributed to affiliated companies are strategic investments where the Group cannot be said to have any significant influence. These share holdings are valued at cost price, or possibly the fair value when a drop in value is not of a permanent nature.

STOCKS IN HAND

Raw materials and other purchased goods are valued at purchase cost according to the FIFO principle. Finished goods are valued at production cost, which includes raw materials, energy, direct wages and a share of indirect costs, including ordinary maintenance and depreciation. The net selling value at the future selling date will be used if that is lower.

FIXED ASSETS AND DEPRECIATION

Acquisition cost for tangible assets having a permanent value are capitalised as assets in the

Note 1 continued

balance sheet. Spare parts are capitalised with the asset to which they pertain. For major investments with a long production time, interest is capitalised as part of the acquisition cost. Expenditure to increase capacity or improve quality that represents a future increase in earnings is capitalised in the balance sheet. Maintenance costs are expensed as an operating cost.

Ordinary depreciation is calculated from the time use of the tangible asset commences and is calculated on the basis of the economic life of the asset according to the following system: computer equipment 3-5 years; means of transport 5-10 years; fixtures and fittings 10 years; machinery 10-20 years; buildings 10-25 years, factory buildings 25-33 years; goodwill and other intangible assets 5-20 years. No depreciation is charged for plant under construction.

RESEARCH & DEVELOPMENT

Research and development costs are expensed as operating costs.

LEASING

Leasing contracts are assessed as financial or operational leasing after a specific assessment is made of each contract. Tangible assets in leasing contracts that are regarded as financial leasing are capitalised in the balance sheet and depreciation is charged as for ordinary tangible assets. The amortisation part of the leasing obligation is entered as long-term debt. The amount of debt is reduced by the rental paid after deduction of the calculated interest cost.

PENSION COSTS AND OBLIGATIONS

Pension obligations are calculated as the discounted value of the future pension benefits deemed to have accrued at year-end, based on the employees earning pension rights steadily throughout the working period. Funds belonging to the pension scheme are assessed at their fair value and are entered net against pension obligations in the balance sheet. Each individual pension plan is assessed separately, but the value of over-financing in the one plan and under-financing in another is entered net in the balance sheet, provided that pension scheme funds are transferable between the plans. Net pension scheme funds are entered as long-term receivables and net pension obligations as long-term debt. Pension obligations and pension scheme funds are calculated on the basis of financial and actuarial assumptions as explained in Note 5.

Net pension costs for the period are included in "wages and other personnel costs" and consist of the present value of pension earned in the year, interest cost on the pension obligation, anticipated returns on pension scheme funds,

the effect entered in the profit and loss account for changes in estimates and pension plans, the change entered in the profit and loss account for difference between actual and anticipated returns, and accrued payroll tax.

The effect of changes in estimates and pension plans and the difference between actual and anticipated returns are accrued over the remaining pension-earning period or expected life when the cumulated effect exceeds 10% of whichever is highest of the pension scheme funds or the pension obligations.

BOND LOANS

This liability item is reduced by holdings of the company's own bonds. Value above/below par is expensed when purchasing own bonds.

TAXES

The tax cost consists of payable tax and the change in deferred tax. Payable tax is calculated on the basis of the taxable profit and the change in deferred tax is calculated on the basis of the year's change in temporary differences.

Deferred tax in the balance sheet is calculated on the basis of temporary differences between timing for corporate and tax accounting and losses that can be carried forward at the end of the financial year. Tax-reducing temporary differences and losses to be carried forward are set off against tax-increasing temporary differences reversed during the same period. Full provision is made according to the debt method without discounting to present value. Deferred tax in companies acquired is valued at net present value when this better reflects the realities in the transaction.

CHANGES IN THE GROUP STRUCTURE**2000**

The division into business areas is changed and reflects that the business is now organised in geographical regions. Historical figures are adjusted where this is relevant. The regions North-America, South-America and Australasia came with the acquisition of Fletcher Challenge Paper, and no historical figures will be presented for these regions. See page 66 for an overview of which units are included in the different business areas.

Norske Skogindustrier ASA, and Fletcher Challenge Ltd., New Zealand, concluded late March an agreement on the sale of Fletcher Challenge Paper (FCP). Control of the operations is regarded as achieved for Norske Skog with the formal procedures undertaken in the corporate bodies and public authorities, and the date of

consolidation is 28 July 2000. FCP, with yearly revenues of NOK 15 billion and total assets of NOK 27 billion have nine wholly and partly owned mills in New Zealand, Australia, Malaysia, Brazil, Chile and Canada. The acquisition is accounted for according to the purchase method. Acquisition cost of NOK 18.4 billion, consisting of NOK 7.7 billion for the shares and 10.7 billion in net debt taken over, is allocated to identifiable assets and liabilities, which are included at their fair value. The acquisition cost was discounted from the date of payment 28 July 2000 to the date of the agreement. The result in FCP, the interest on discounted acquisition cost and depreciation of fair value adjustments between the date agreement was reached and the date of consolidation has been adjusted against equity. Goodwill amounts to NOK 3,180 million, and is depreciated over 20 years. Deferred taxes are for the acquisition of FCP calculated at net present value 1.8 billion below nominal value.

Norske Skog Klabin, where Norske Skog holds 50% is consolidated proportionate as of 1 April 2000.

The sawn timber business of Forestia and Norske Skog Flooring AS Lyngdal is taken out of the consolidation as of 1 January and 5 May respectively. The operations had annual operating revenues of NOK 2,100 million and total assets of NOK 1,800 million and are included in business area Other Activities until the date of sale. Norske Skog Tofte and Norske Skog Folla AS is taken out of the consolidated accounts as of 30 June 2000. The operations had annual operating revenues of NOK 1,600 million and total assets of NOK 1,200 million and are included in business area Other Activities until the date of sale. Norske Skog Hurum is sold as of 1 February and is included in business area Other Activities until the date of sale.

1999

The joint venture Pan Asia Paper Company Ltd. owned 1/3 by Norske Skog, is proportionally consolidated in business area Asia according to proportionate consolidation from 1 January, with operating revenues of NOK 1,900 million and total assets of NOK 4,000 million. Norske Skog paper mills in Thailand and Korea are included in Pan Asia Paper Company from 2 February. They are until then fully consolidated in business area Asia.

Norske Skogindustrier ASA's merger with A/S Union is carried through in the accounts from 5 Mai 1999. Norske Skog's share of ownership before the merger was 57.6%, and Union was included in the accounts as an affiliated company. The merger was handled as a stepwise acquisition. The units from Union are included in business area Europe with operating revenues of NOK 840

Note 1 continued

1998

million and total assets of NOK 1,060 million. Langmoen Parkett was sold on 29 June and Fibo Trespo AS was sold on 25 October. These companies were prior to the date of sale included in Business Area Flooring with operating revenues of NOK 275 million and total assets of 180 million.

Norske Skog Singburi in Thailand is included in the consolidated accounts as of 1 September. Norske Skog Chongwon in Korea is included as of 1 July. These companies are incorporated in Business Area Asia with NOK 485 million in operating revenues and NOK 2,800 million in total assets.

PROFORMA PROFIT AND LOSS ACCOUNTS NORSKE SKOG AND FCP

NOK million	2000	1999
Operating revenue	36 637	32 091
Operating expenses	-27 880	-26 009
Operating profit before depreciation	8 757	6 082
Ordinary depreciation	-3 603	-3 668
Operating profit	5 154	2 414
Share of profit in affiliated companies	20	-74
Net financial expenses	-2 205	-1 590
Other items	190	-180
Operating profit before taxes	3 159	570
Taxes on ordinary result	-908	-257
Profit for the year	2 251	313
The minority's share of the profit	518	58
The majority's share of the profit	1 733	255
Earnings per share/ Earnings per share fully diluted	37.85	5.67

BASIS FOR THE COMPOSITION OF PROFORMA FIGURES

Consolidated proforma figures for Norske Skog is prepared from the financial accounts for Norske Skog, prepared according to Norwegian GAAP, and revised accounts for Fletcher Challenge Paper (FCP) prepared according to

New Zealand GAAP.

The consolidated proforma result consists of the sum of the accounts for Norske Skog Group and FCP, with adjustments of depreciation, financial items, taxes and reclassification of distribution costs for FCP. The figures are presented as if the acquisition had taken place 1 January 1999.

The accounts for FCP are adjusted in order to reveal a consistent use of accounting principles. Distribution cost has been reclassified from an income reduction to a cost. The reclassification has no impact on the operating profit. FCP tax cost has been reclassified according to the deferred tax model.

The figures are based on audited annual statements and unaudited interim reports.

When calculating the interest cost regarding the financial needs at the time of the acquisition Norske Skog's average interest rate of approx. 7% has been used. The same interest rate has been used for both 1999 and 2000. In connection with the acquisition a share issue of NOK 1,500 million was undertaken. The share issue and the capital increase are assumed to have been executed 1 January 1999. It is assumed that the calculated interest costs will be effectively deducted with the nominal Norwegian tax rate of 28%.

No significant transactions between FCP and Norske Skog prior to the acquisition have been identified.

The tax cost in the proforma figures is calculated on the basis of 28% tax rate or the individual tax rate.

2. Business areas

2000	NORTH		SOUTH		OTHER			
OPERATING REVENUE PER MARKET	EUROPE	AMERICA	AMERICA	AUSTRALASIA	ASIA	ACTIVITIES	STAFF/ELIM.	CONSOLIDATED
Norway	1 510	0	0	0	0	1 053	66	2 629
Europe	8 650	686	0	8	0	1 371	-281	10 434
North America	2 704	2 245	5	94	0	0	103	5 151
South America	62	225	1 030	1	0	0	2	1 320
Australasia	115	61	0	2 290	0	2	7	2 475
Asia	598	819	0	408	2 572	0	12	4 409
Rest of the world	75	121	0	0	0	14	7	217
Total Operating Revenue	13 714	4 157	1 035	2 801	2 572	2 440	-84	26 635
Investments	608	337	57	130	97	102	20	1 351
Number of employees	4 056	2 444	660	1 750	775	619	100	10 404

2000	GROSS		NET		CURRENT			
FIGURES PER BUSINESS AREA	OPERATING- REVENUE	OPERATING EXPENSES	OPERATING PROFIT	DEPRE- CIATIONS	OPERATING PROFIT	FIXED ASSETS	ASSETS- INTEREST FREE	NON-INTEREST BEARING DEBT
Europe								
Newsprint	7 747	5 794	1 953	714	1 239	7 256	1 904	832
Magazine paper	5 239	3 797	1 442	421	1 021	4 278	1 110	578
Other/Eliminations	728	702	26	20	6	43	447	440
Total Europe	13 714	10 293	3 421	1 155	2 266	11 577	3 461	1 850

Note 2 continued

1999	OPERATING-		GROSS	NET		CURRENT		
FIGURES PER BUSINESS AREA	REVENUE	EXPENSES	OPERATING	DEPRE-	OPERATING	FIXED	ASSETS-	NON-INTEREST
			PROFIT	CIATIONS	PROFIT	ASSETS	INTEREST FREE	BEARING DEBT
Australasia								
Newsprint	-	-	-	-	-	-	-	-
Pulp	-	-	-	-	-	-	-	-
Other/Eliminations	-	-	-	-	-	-	-	-
Total Australasia	-	-	-	-	-	-	-	-
Asia								
Newsprint	1 988	1 485	503	167	336	3520	631	236
Other Activities								
Pulp	1 578	1 372	206	114	92	997	353	105
Other/Eliminations	2 554	2 404	150	205	-55	1 063	494	247
Total Other Activities	4 132	3 776	356	319	37	2 060	847	352
Staff/Eliminations	-168	-192	24	77	-53	471	267	1 246
Consolidated	18 054	14 236	3 818	1 689	2 129	18 426	5 282	3 646

1998	NORTH		SOUTH		OTHER			
OPERATING REVENUE PER MARKET	EUROPE	AMERICA	AMERICA	AUSTRALASIA	ASIA	ACTIVITIES	STAFF/ELIM.	CONSOLIDATED
Norway	739	-	-	-	0	2 014	58	2 811
Europe	7 390	-	-	-	0	1 924	94	9 408
North America	1 448	-	-	-	0	63	-305	1 206
South America	0	-	-	-	0	0	0	0
Australasia	0	-	-	-	0	0	0	0
Asia	962	-	-	-	485	36	0	1 483
Rest of the world	0	-	-	-	0	0	0	0
Total Operating Revenue	10 539	-	-	-	485	4 037	-153	14 908
Investments	3 435	-	-	-	2	392	154	3 983
Employees	3 630	-	-	-	680	2 299	214	6 823

1998	OPERATING-		GROSS	NET		CURRENT		
FIGURES PER BUSINESS AREA	REVENUE	EXPENSES	OPERATING	DEPRE-	OPERATING	FIXED	ASSETS-	NON-INTEREST
			PROFIT	CIATIONS	PROFIT	ASSETS	INTEREST FREE	BEARING DEBT
Europe								
Newsprint	6 414	4 687	1 727	535	1 192	7 589	2 079	1 948
Magazine paper	4 125	2 932	1 193	439	754	4 437	771	278
Other/Eliminations	0	0	0	0	0	0	0	0
Total Europe	10 539	7 619	2 920	974	1 946	12 026	2 850	2 226
North America								
Newsprint	-	-	-	-	-	-	-	-
Pulp	-	-	-	-	-	-	-	-
Other/Eliminations	-	-	-	-	-	-	-	-
Total North America	-	-	-	-	-	-	-	-
South America								
Newsprint	-	-	-	-	-	-	-	-
Other/Eliminations	-	-	-	-	-	-	-	-
Total South America	-	-	-	-	-	-	-	-
Australasia								
Newsprint	-	-	-	-	-	-	-	-
Pulp	-	-	-	-	-	-	-	-
Other/Eliminations	-	-	-	-	-	-	-	-
Total Australasia	-	-	-	-	-	-	-	-
Asia								
Newsprint	485	393	92	31	61	2 085	206	101
Other Activities								
Pulp	1 425	1 346	79	107	-28	1 063	369	118
Other/Eliminations	2 612	2 496	116	178	-62	1 189	777	320
Total Other Activities	4 037	3 842	195	285	-90	2 252	1 146	438
Staff/Eliminations	-153	-49	-104	33	-137	413	149	1 088
Consolidated	14 908	11 805	3 103	1 323	1 780	16 776	4 351	3 853

3. Cost of materials

	2000	1999	1998
Raw materials and purchased goods	11 559	7 3956	124
Changes in stocks	-38	-84	-63
Total	11 521	7 311	6 061

4. Salaries and personnel expenses

	2000	1999	1998
Salaries incl. holiday allowance	2 661	2 269	1 703
National insurance and pensions	629	542	500
Total	3 290	2 811	2 203

The salary and other compensation to the President and CEO amounted to NOK 2,841,446. Perquisites such as company cars, loans etc. amounted to NOK 798,911. The President and CEO's retirement age is 62 years with a right, and at the boards request a duty to resign with early termination salary/retirement pension at the age of 60. The termination salary agreement of 3 years, runs independently of the pension rights as the pension payment starts when the termination salary is ended. Salary from a new employer during the termination salary period reduces the termination pay. Retirement pension is 70% from 62 years. The annual cost to the President

and CEO's pension scheme has been NOK 1,598,114 for the secured part, and NOK 823,851 for the unsecured part.

Remuneration to the Corporate Assembly and Board members amounted to NOK 752,000 and NOK 1,104,000 respectively.

The audit fee for Norske Skogindustrier ASA amounted to NOK 2,080,000 and other fees to the auditor amounted to NOK 4,170,000. The audit fee for the group amounted to NOK 6,940,000.

As of December 1999 a share option scheme has been introduced for the Executive Staff and a small number of other people in leading positions. The option allows the participants to buy a number of A shares at a stipulated rate of NOK 375 in the time period from 1 October 2002 until 31 December 2002. Under this agreement the participants can buy a total of 70,170 shares with a lock-in period for 3 years. No new agreements of further options have been made during 2000.

REMUNERATION TO THE EXECUTIVE STAFF

	TERMINATION		SALARY	BONUS	CURRENCY	LOAN	TERMS OF LOANS
	SHARES	OPTIONS					
Jan Reinås	6 530	3 860	see above	40%	NOK	2 747 175	Exempt from interest and repayment
Jan Oksum	1 599	3 860	1.5 years	25%	NOK	2 000 000	Exempt from interest and repayment until 30.01.2003, thereafter standard interest rate for 17 years
Jan Kildal	1 855	3 860	1.5 years	25%	NOK	2 408 833	NOK 1,975,833 exempt from interest, annual repayment NOK 200,000 NOK 353,000 exempt from interest, annual repayment NOK 50,000 NOK 80,000 exempt from interest, due 2001
Ida Goodreau	0	0	2 years	25%		0	
Dag Tørvold	565	3 220	1.5 years	25%	NOK	1 750 000	Standard interest rate for 20 years, exempt from repayment until 21.09.2004
Claes-Inge Isacson	2 035	3 860	1.5 years	25%		0	
Russel J. Horner	0	0	2 years	125%	CAD	500 000	Exempt from interest, annual repayment CAD 50,000
Rune Ingvarsson	116	0	1.5 years	25%		0	
David Kirk	0	0	1 year	100%	AUD	400 000	Exempt from interest and repayment
Vidar Lerstad	444	3 220	1.5 years	25%	NOK	445 833	Exempt from interest, annual repayment NOK 50,000

For other Executive Staff the termination salary is yield for dischargement from the company's side. For the President and CEO the basis for calculating the bonus is tied to the groups return on tied up capital. For the executive staff the basis for calculating the bonus is tied to the groups profit, tied up

capital, and the profit within the respective area. Bonus is given as a percentage of annual salary, and is the maximum possible bonus.

The group had an average of 8,160 employees for 2000. In addition employees in companies with partly ownership.

5. Pension costs and pension obligations

Norske Skogindustrier ASA, with subsidiaries in Norway has collective benefit retirement plans for its employees with a life insurance company. The retirement plans for the Group are uniform. The main conditions are 30 years' service, a pension amounting to 65% of pensionable earnings on 1 January of the year the employee reaches 67 years, plus disablement, spouse and children's pension. All plan benefits are coordinated with expected social security benefits. The pension level is reduced to 60% from the pensioner's 75th birthday. As of 1 January 2000 the pension arrangements covered 5,895 members, of whom 3,275 were working and 2,619 were pensioners. In case of disablement the obligations extend to the disabled both as an active employee and as a pensioner. In these cases the person will be included in both aforementioned categories.

In addition to the benefit obligations covered through insurance arrangements, the Group has uninsured benefit obligations. These include obligations concerning former owners of subsidiaries, and pensions of top management and Board members. The uninsured benefit obligations also include estimated future obligations connected with the AFP- arrangement (involving a possible future reduction of the pension age), totalling 128 persons. Obligations relating to top management pensions are partly insured through a supplementary retirement plan with life insurance company.

In evaluating plan assets their estimated value at year end is used. This estimated value is corrected every year in accordance with the figures provided by the life insurance company regarding the market value of the assets.

Note 5 continued

In measuring incurred obligations the projected obligation at year end is used. This projected obligation is corrected every year in accordance with the figures provided by the actuary concerning incurred pension obligations.

**CALCULATION OF FUTURE BENEFIT OBLIGATIONS IS
BASED ON THE FOLLOWING ASSUMPTIONS**

%	2000	1999	1998
Discount rate	5.5%	5.5%	5.5%
Expected return on plan assets	6.5%	6.5%	6.5%
Salary adjustment	3.0%	3.0%	3.0%
Social security increase/inflation	2.0%	2.0%	2.0%
Pension increase	1.6%	1.6%	1.6%

NET PERIODIC PENSION COSTS	2000	1999	1998
Benefits earned during the year	94	84	55
Interest costs on prior period benefit	64	68	53
Expected return on plan assets	-75	-75	-60
Periodic employer tax	1	12	6
Expensed portion of changes AFP-plan	3	3	3
Expensed portion of differences in estimates	12	7	4
Net periodic pension costs	99	99	61

STATUS OF THE PENSION PLANS RECONCILED TO THE CONSOLIDATED BALANCE SHEET

	PLAN ASSETS EXCEED PBO			PBO EXCEED PLAN ASSETS		
	31.12.00	31.12.99	31.12.98	31.12.00	31.12.99	31.12.98
Projected Benefit Obligations (PBO)	-1 089	-943	-718	-811	-471	-398
Plan assets at fair value	1 145	1 046	837	41	168	153
Plan assets in excess of / less than (-) PBO	56	103	119	-770	-303	-245
Unamortized changes in AFP-plans	0	0	0	22	41	54
Differences in estimates not taken into income/expense	131	93	-15	37	56	61
Net plan assets / pension obligations	187	196	104	-711	-206	-130
Accrual employer tax	-4	0	4	-7	-14	-6
Plan assets/pension obligations (-) in the balance sheet	183	196	108	-718	-220	-136

The plan assets are managed by the life insurance companies and invested in accordance with the general guidelines governing investments by life insurance companies in Norway.

For 2000 return on plan assets of NOK 75 million is estimated. The difference between the booked return and the estimated return in 1999 is treated as an estimate difference.

The effect of changes in estimates and deviations between projected and actual returns is booked during the average remaining earning period, only when the accumulated effect exceeds 10% of plan assets or pension obligations, whichever is the larger. This entails booking according to the straight line method over 15 years.

6. Other operating expenses

	2000	1999	1998
Distribution costs	2 213	1 296	1 167
Packaging	343	197	178
Maintenance materiels	640	711	509
Contract services	322	388	229
Marketing costs	41	80	72
Administration costs	974	665	681
Losses on bad debt *)	17	16	12
Other	675	761	693
Total	5 225	4 114	3 541

***) Losses on bad debt are included as follows**

	2000	1999	1998
Amounts written off during the year	39	10	19
Received amounts previously written off	-2	-1	-1
Changes in bad debt reserves	-20	7	-6
Total	17	16	12

7. Net financial expenses

	2000	1999	1998
Dividends received	6	4	3
Interest revenue	330	98	102
Realised net profit on foreign currency debt	0	336	0
Net profit realised on foreign exchange contracts related to cash flows	27	77	232
Total financial revenue	363	515	337
Interest expenses	1 245	642	357
Loss on shares and related foreign exchange contracts	3	6	42
Realised net loss on foreign exchange contracts related to cash flow	325	0	302
Other financial expenses	184	16	65
Total financial expenses	1 757	664	766
Net financial expenses	-1 394	-149	-429

8. Other items

In 2000 the amount is related to gain on sale of Norske Skog Tofte NOK 228 million and Norske Skog Folla CTMP NOK 5 million and losses related to Forestia AS NOK 36 million and Norske Skog Flooring AS NOK 27 million. For 1999 the amount is a provision for losses related to the sale of the sub-

siidiary Forestia AS NOK 150 million, and the subsidiary Norske Skog Flooring AS NOK 30 million.

9. Taxes

	2000	1999	1998
Taxes payable			
Norway	-235	-330	-257
Foreign countries	-325	-102	-71
Total	-560	-432	-328
Change in deferred tax			
Norway	-23	104	-38
Foreign countries	-254	-171	-21
Total	-277	-67	-59
Total tax expenses	-837	-499	-387
Tax payable related to result	-560	0	0
Tax payable posted to other equity	120	0	0
Tax payable	-440	0	0

DEFERRED TAX

A specification of temporary differences, losses to be brought forward and deferred tax at the end of the year is shown below.

DEFERRED TAX	2000	1999	1998
Total short-term items	-215	8	2
Total long-term items	14 695	3 917	3 115
Taxable losses to be brought forward *)	-1 821	-1 581	-1 250
Total temporary differences and losses to be brought forward	12 659	2 344	1 867
Deferred tax	2 012	567	425

* Losses to be brought forward amount to NOK 1,821 million and are mainly related to our subsidiaries in France and New Zealand. Losses of NOK 1,696 million have no time limit. Remaining losses of NOK 125 million expire in year 2005.

RECONCILIATION OF EFFECTIVE TAX RATE	2000	1999	1998
Nominal tax rate Norway	28.0%	28.0%	28.0%
Different tax rates abroad	2.3%	1.5%	0.0%
Result affiliated companies	-0.3%	-0.3%	-1.0%
Depreciation goodwill	1.0%	0.0%	0.0%
Permanent differences	-2.4%	-0.7%	-0.7%
Other items	-0.9%	-1.2%	1.0%
Effective tax rate	27.7%	27.3%	27.3%

13. Operational fixed assets

	GOODWILL AND OTHER EXCLUSIVE RIGHTS		MACHINERY, EQUIPMENT ETC.			REAL ESTATE		PLANT UNDER CONSTRUCTION	TOTAL
	BUILDINGS AND PLANTS	SHIPS	SHIPS	ESTATE	CONSTRUCTION				
Acquisition cost									
Acquisition cost 31.12.1999	473	6 747	23 899	23	433	705	32 280		
Addition, new companies	3 248	5 032	27 838	113	250	423	36 904		
Addition 2000 at cost	0	204	810	0	29	292	1 335		
Addition 2000 at cost interest expenses	0	3	8	0	0	5	16		
Sales 2000 at cost	-89	-962	-3 053	-23	-63	-91	-4 281		
Transferred from plant under construction	-55	243	322	0	64	-724	-150		
Acquisition cost 31.12.2000	3 577	11 267	49 824	113	713	610	66 104		
Revaluation									
Revaluation 31.12.1999	0	143	42	0	0	0	185		
Addition/sales in 2000 at cost	0	-11	-28	0	0	0	-39		
Revaluation 31.12.2000	0	132	14	0	0	0	146		

10. Earnings per share

		2000	1999	1998
Profit	NOK million	1 958	1 300	1 020
Average number of shares	1000 shares	43 823	39 747	38 211
Earnings per share	NOK	44.68	32.71	26.68
After split				
Average number of shares	1000 shares	87 646	79 494	76 422
Earnings per share	NOK	22.34	16.35	13.34

Norske Skog's extraordinary general meeting on March 7 decided the amalgamation of the Company's A- and B-shares, and that the shares shall be split in two, so that par value will be NOK 10 per share.

11. Net cash flow from operating activities

The connection between profit and cash flow from operations is shown below.

	2000	1999	1998
Profit before taxes	3 021	1 825	1 417
Ordinary depreciation	2 388	1 689	1 323
Share of profit in affiliated companies	-34	-25	-66
Taxes paid	-416	-340	-100
Changes in receivables *)	-336	-258	-338
Changes in stocks *)	43	27	-203
Changes in current liabilities *)	-442	-161	1 261
Adjustments for changes in working capital without cash-effect	698	-595	-435
Net cash flow from operating activities	4 922	2 162	2 859

*) Changes in balance sheet items are not directly comparable to changes in the consolidated balance sheet page 19, due to acquisitions and sales of companies during the year.

12. Liquid assets

	2000	1999	1998
Cash and bank deposits	1 211	546	1 368
Short term investments	7 417	257	944
	8 628	803	2 312

The group has limited access to liquid assets in joint ventures and in companies with large minority interests. The listed group Norsk Skog Canada had liquid assets of NOK 5,481 million.

Note 13 continued

	GOODWILL AND OTHER EXCLUSIVE RIGHTS	BUILDINGS AND PLANTS	MACHINERY, EQUIPMENT ETC.	SHIPS	REAL ESTATE	PLANT UNDER CONSTRUCTION	TOTAL
Write-downs							
Accumulated write-downs 31.12.1999	0	29	358	0	2	0	389
Addition accumulated write-downs new companies	0	0	0	0	0	0	0
Write-downs 2000	0	5	12	0	1	0	18
Reversal of write-downs 2000	0	-29	-358	0	-2	0	-389
Accumulated write-downs 31.12.2000	0	5	12	0	1	0	18
Depreciation							
Accumulated ordinary depreciation 31.12.1999	119	2 173	11 068	21	268	1	13 650
Accumulated depreciation new companies	3	1 910	9 120	5	96	0	11 134
Ordinary depreciation 2000	74	287	1 934	3	72	0	2 370
Depreciation on fixed assets sold in 2000	-49	-327	-1 965	-21	-38	-1	-2 401
Accumulated ordinary depreciation 31.12.2000	147	4 043	20 157	8	398	0	24 753
Book value							
Book value 31.12.1999	354	4 688	12 515	2	163	704	18 426
Book value 31.12.2000	3 430	7 351	29 669	105	314	610	41 479

GOODWILL SPECIFICATION ON EACH ACQUISITION

	YEAR	DEPRECIATION PLAN/YEARS	DEPRECIATION 2000	REST BOOK VALUE 31.12.2000
Golbey	1995	20	6	72
Bruck	1996	10	2	6
Pan Asia	1999	20	4	122
Union	1999	20	1	24
Fletcher Challenge Paper	2000	20	54	3 160

Goodwill depreciation according to useful life.

OPERATING FIXED ASSETS - ACQUISITION AND DISPOSALS OVER THE LAST 5 YEARS

		GOODWILL AND OTHER EXCLUSIVE RIGHTS	BUILDINGS AND PLANTS	MACHINERY, EQUIPMENT ETC.	SHIPS	REAL ESTATE	PLANT UNDER CONSTRUCTION	TOTAL
1996	Acquisition	10	0	467	102	19	455	1 053
	Disposal	0	0	14	0	7	0	21
1997	Acquisition	76	0	516	130	30	1 062	1 814
	Disposal	0	0	10	72	10	0	92
1998	Acquisition	10	265	631	0	0	3 077	3 983
	Disposal	0	0	12	35	17	0	64
1999	Acquisition	37	84	331	0	50	652	1 154
	Disposal	0	53	179	0	5	0	237
2000	Acquisition	0	207	818	0	29	297	1 351
	Disposal	0	56	7	0	6	0	69
Total 5 years	Acquisition	133	556	2 763	232	128	5 543	9 355
	Disposal	0	109	222	107	45	0	483

14. Other long-term receivables

	2000	1999	1998
Loans to employees	46	35	21
Sundry long-term receivables	739	91	150
Pension plan assets (note 5)	183	196	108
Total	968	322	279

15. Shares

SHARES INCLUDED AS FINANCIAL ASSETS

	CURRENCY	SHARE CAPITAL	NUMBER OF SHARES	TOTAL NOMINAL VALUE	BOOK VALUE IN NOK
Shares owned by the parent company					
Bio-Varme AS	NOK	15 000	30	3 000	3 000
Norsk Avfallshandtering AS	NOK	131 400	300	3 000	3 000
Sikon Øst ASA	NOK	50 000	10 000	1 000	2 000
Camfore AB	SEK	3 200	179 700	0	13 014
Other shares, each with book value less than NOK 1 million					1 637
Total					22 651
Shares owned by subsidiaries					
Norsk Trepellets AS, Brumunddal	NOK	14 500	7 250	7 250	7 250
Laras Perkasa Sdn Bhd, Malaysia	MYR	266 129	291 008	53 226	123 154
Other shares					28 897
Total shares included as financial assets					181 952

SHARES IN SUBSIDIARIES

	CURRENCY	SHARE CAPITAL (1,000)	NUMBER OF SHARES	TOTAL NOMINAL VALUE (1,000)	OWNERSHIP %	BOOK VALUE (NOK 1,000)
Shares in Norwegian subsidiaries owned by the parent company						
Nornews AS, Lysaker	NOK	50	1 000	50	100.0	50
Norske Treindustrier AS, Lysaker	NOK	1 550 940	1 550 940	1 550 940	100.0	1 550 940
Lysaker Invest AS, Lysaker	NOK	29 140	291 400	29 140	100.0	29 140
Norske Skog Holding AS, Lysaker	NOK	5 000	50 000	50	100.0	5 000
Norske Skog Flooring Holding AS, Lysaker	NOK	200 000	1 000	200 000	100.0	0
Union Geithus AS, Geithus	NOK	30 000	30 000	30 000	100.0	10 800
Embretfoss AS, Skien	NOK	1 000	1 000	1 000	100.0	32 214
Union Paper & Co AS, Skien	NOK	500	500	500	100.0	500
Forestia Plater AS, Braskereidfoss	NOK	100 000	10 000	100 000	90.1	126 104
Wood and Logistics AS, Drammen	NOK	3 000	300	3 000	76.0	2 295
Oksenøyveien 80 AS, Lysaker	NOK	100	100	100	100.0	100
Service- og Utmarksenteret AS, Trones	NOK	605	500	500	82.6	500
Total						1 757 643

	CURRENCY	SHARE CAPITAL (1,000)	NUMBER OF SHARES	TOTAL NOMINAL VALUE (1,000)	OWNERSHIP %	BOOK VALUE (NOK 1,000)
Shares in foreign subsidiaries owned by the parent company						
Norske Skog Golbey SA, Golbey	FRF	3 087 370	3 087 370	3 087 370	100.0	3 376 242
Pan Asia Paper Company Ltd, Singapore	USD	600 000	600 000	200 000	33.3	1 549 417
Norske Skog Bruck GmbH, Bruck	ATS	25 000	25	25 000	100.0	165 917
Norske Skog Steti AS, Steti	CZK	883 100	8 600	100	100.0	184 476
Norske Skog Østerreich GmbH, Graz	ATS	2 000	1	2 000	100.0	1 292
Markproject Ltd., London	GBP	300	50 000	300	100.0	3 105
Norske Skog Deutschland GmbH, Wiesbaden	DEM	1 450	1 450	1 450	100.0	6 275
Norske Skog (UK) Ltd., London	GBP	100	10 000	100	100.0	2
Norske Skog Holland B.V., Amsterdam	NLG	100	200	100	100.0	400
Norske Skog Belgium S.A., Brussels	BEF	19 375	19 375	19 375	100.0	3 234
Nornews Produtos Florestais LDA, Lisbon	PTE	400	400	400	100.0	17
Norske Skog Espana S.A., Madrid	ESP	15 000	150	15 000	100.0	3 606
Norske Skog (Irland) Ltd., Dublin	IEP	2	20	2	100.0	22
Norske Skog (Schweiz) AG, Zürich	CHF	25	25	25	100.0	193
Norske Skog Danmark ApS, Værløse	DKK	30	30	30	100.0	25
Norske Skog Italia s.r.l., Milan	ITL	20 000	19	19 000	95.0	84
Norske Skog France S.A.R.L., Paris	FRF	50	500	50	100.0	7 939
Norske Skog Japan Co. Ltd., Tokyo	JPY	2 000	20	2 000	100.0	94
Norske Skog (USA) Inc., Southport	USD	2	200	2	100.0	8
Norske Skog AB, Järpen	SEK	100	1 000	100	100.0	58
Norske Skog (Cypros) Ltd., Paphos	CYP	1	1 000	1	100.0	2
Norske Skog South East Asia Pte Ltd., Singapore	SGD	20	20 000	20	100.0	69

Note 15 continued

	CURRENCY	SHARE CAPITAL (1,000)	NUMBER OF SHARES	TOTAL NOMINAL VALUE (1,000)	OWNERSHIP %	BOOK VALUE (NOK 1,000)
Norske Skog Asia Pacific Pte Ltd., Singapore	SGD	100	100 000	100	100.0	441
AB Lee Bruk, Töckfors	SEK	150	1 500	150	100.0	11 089
Norske Skog Hong Kong Ltd., Hong Kong	HKD	10	10 000	10	100.0	8
Norske Skog Czech Republic & Slovakia, S.r.o., Steti	CZK	400	1	400	100.0	112
Norske Skog Polska Sp. z o.o. Warsaw	PLN	50	1	50	100.0	110
Norske Skog Hungary, Budapest	HUF	3 000	1	3000	100.0	110
Norske Skog Logistics, Antwerp	NLG	2 500	2 500	1000	100.0	540
Norske Skog do Brasil, Brazil	USD	10 038	0	0	100.0	97 901
Fletcher Challenge Industries Overseas Ltd., New Zealand	NZD	2 750 838	2 750 837 934	2 750 838	100.0	5 713 059
Fletcher Challenge Forest Holding Ltd., New Zealand	NZD	0	0	2 869 250	100.0	7 488 432
Fletcher Challenge Industries Cayman Islands Ltd, Cayman Islands	USD	0	0	0	100.0	19 584
LA Pine Tree Holding, Cayman Islands	USD	0	10 448	0	100.0	1 137 609
Fletcher Challenge Holdings (Barbados) Ltd, Barbados	USD	1 001	1 001 000	1001	100.0	0
THP Paper Company, Canada	USD	0	0	0	100.0	0
Tasman Liner NV, Rotterdam, Netherlands	NLG	40	40 000	40	100.0	16 355
Tasman Orient Line (Cyprus) Ltd, Cyprus	USD	0	3 580 000	6 780	0.0	32 180
Papeles Bio Bio Limitada, Chile	USD	0	0	0	0.0	523
Papeles Bio Bio S.A., Chile	USD	0	0	0	0.0	467
Munkedalen Skog AB, Munkedal	SEK	1 000	10 000	1000	100.0	12 610
Norske Skog Finance Ltd., New Zealand	NZD	600 000	600 000 000	600 000	100.0	3 173 061
Total						23 006 668

Total shares owned by the parent company

24 786 962

	CURRENCY	SHARE CAPITAL (1,000)	NUMBER OF SHARES	NOMINAL VALUE (1,000)	OWNERSHIP %
Shares in foreign subsidiaries owned by consolidated companies					
Norske Skog Italia s.r.l., Milan	ITL	20 000	1	1 000	5.0
Norske Skog Industries (Schweiz) AG, Switzerland	CHF	100	0	100	100.0
Norske Skog Paper (Schweiz) AG, Switzerland	CHF	100	0	100	100.0
Norske Skog Holdings (Schweiz) AG, Switzerland	GBP	100	0	100	100.0
Norske Skog Flooring (USA) Real Property, Racine	USD	1	1000	1	100.0
Fjellman Press i Mariestad AB, Mariestad	SEK	2500	1000	2500	89.0
Norske Skog Publicationspapier GmbH, Bruck	ATS	380 000	1	380 000	100.0
Paper Back Buro-Altpapier GmbH, Bruck	ATS	500	1	500	100.0
Fletcher Challenge Industries Australia Ltd., Sydney, Australia	AUD	5	5	5	100.0
Norske Skog Capital (Australia) Pty Ltd., Sydney, Australia	AUD	3 668	3 668	223 000 100	100.0
Fletcher Challenge Discounts (Australia) Pty Ltd., Sydney, Australia	AUD	332 324 876	332 324 876	505 315 712	100.0
FCP Finance (Australia) Pty Ltd., Sydney, Australia	AUD	20 000	20 000	20 000	100.0
Tasman Kerbside Paper Collections Pty Ltd., Sydney, Australia	AUD	100 000	100 000	100 000	100.0
Tasman Paper Merchants Pty Ltd., Sydney, Australia	AUD	6 400 000	6 400 000	6 400 000	100.0
Endeavour Papers Pty Ltd., Sydney, Australia	AUD	15	15	15	100.0
Norske Skog (Australasia) Pty Ltd., Sydney, Australia	AUD	1 000 000	1 000 000	1 000 000	100.0
Velfro Pty Ltd., Sydney, Australia	AUD	118 300 002	118 300 002	118 300 002	100.0
FCP Mills Holdings (Australia) Ltd., Sydney, Australia	AUD	28 373 248	28 373 248	59 369 542	100.0
Norske Skog Paper Mills (Australia) Ltd., Sydney, Australia	AUD	7 538 573	7 538 573	7 538 573	100.0
FCP Investments (Australia) Pty Ltd., Sydney, Australia	AUD	10 000	10 000	1 000	100.0
FCP Forests (Australia) Pty Ltd., Sydney, Australia	AUD	2 000 002	2 000 002	2 000 002	100.0
Norske Skog Capital NZ Ltd., Kawerau, New Zealand	NZD	1 000	1 000	1 000	100.0
Norske Skog Pulp NZ Ltd., Kawerau, New Zealand	NZD	1 000	1 000	1 000	100.0
Zurich Holdings (No.50) Ltd., Kawerau, New Zealand	NZD	1 000	1 000	1 000	100.0
Tasman Orient Line Ltd., Auckland, New Zealand	NZD	1 000	1 000	570	57.0
Quadrant Pacific Ltd., Auckland, New Zealand	NZD	100 000	1 000	570	57.0
FC Asia Paper Sales Pte Ltd., Auckland, New Zealand	NZD	100 000	50 000	50 000	50.0
Tasman Asia Shipping Company Ltd., Auckland, New Zealand	NZD	100 000	100 000	100 000	100.0
CUBIC Transport Services Ltd., Auckland, New Zealand	NZD	1 000	1 000	1 000	50.0
Pacific Agencies (Fiji) Ltd., Suva Fiji	Fiji Dollar	395 000	132 000	132 000	33.0

Note 15 continued

	CURRENCY	CAPITAL (1,000)	NUMBER OF SHARES	NOMINAL VALUE (1,000)	OWNERSHIP %	
Tasman Shipping Holdings NV, Netherlands Antilles	USD	15 366 417	15 366 417	15 366 417	100.0	
Tasman Orient Line Cyprus Ltd., Netherlands	USD	6 789 604	6 789 604	3 870 074	57.0	
Tasman Liner NV, Netherlands Antilles	USD	19 511	19 511	19 511	100.0	
Tasman Capital BV, Netherlands	NLG	41 000	41 000	41 000	100.0	
Tasman Orient Line BV, Netherlands	USD	16 888	16 888	9 626	57.0	
Tasman Orient Line CV, Netherlands	USD	28 090	28 090	16 011	95.0	
N.S. Canada Pulp Operations Ltd., Canada	CAD	580 170	124 189 252	749 745	100.0	
EFFIL, Canada	CAD	620 020	6 200 200	620 020	100.0	
NSCSI, Canada	CAD	30	1 000	30	100.0	
566816 B.C. Ltd., Canada	CAD	0	100	0	100.0	
468327 B.C. Ltd., Canada	CAD	2	2 000	2	100.0	
BPC Holdings Ltd., Canada	CAD	244 202	93 518 472	244 202	100.0	
BPC Holdings Ltd., Canada	CAD	15 214	15 214	15 214	100.0	
1076899 Holdings Ltd., Canada	CAD	0	101	0	100.0	
FC Paper Sales (Japan) Ltd., Japan	JPY	564	1 000	564	100.0	
FCC Holdings (Philippines) Inc., Philippines	PHP	288	79 475	288	100.0	
NSC Holdings (Barbados) Ltd., Barbados	CAD	0	16	0	100.0	
1203819 Ontario Ltd., USA	USA	0	1	0	100.0	
Mackenzie Forest Products Ltd., Canada	CAD	0	10	0	100.0	
Crofton Pulp & Paper Ltd., Canada	CAD	0	2	0	100.0	
Fletcher Resources Ltd., Canada	CAD	0	1	0	100.0	
Catalyst Paper Corporation (B.C.), Canada	CAD	0	1	0	100.0	
Catalyst Paper Corporation (Canada), Canada	CAD	0	1	0	100.0	
Echelon Paper Corporation (B.C.), Canada	CAD	0	1	0	100.0	
Echelon Paper Corporation (Canada), Canada	CAD	0	1	0	100.0	
Norske Skog Canada Ltd., Canada	CAD	157 293	1 572 926	157 293	100.0	
Elk Falls Pulp & Paper Ltd., Canada	CAD	0	1	0	100.0	
3264904 Canada Ltd., Canada	CAD	0	1	0	100.0	
BPC Holdings II Ltd., Canada	CAD	68 560	68 560 001	68 560	100.0	
FCC Holdings (Inc), Canada	CAD	6 354	1 000	6 354	100.0	
Norske Skog Paper Company, Canada	CAD	4 494	1 000	4 494	100.0	
Arizona Newsprint Industries Corp., USA	USD	952	1 000	952	100.0	
NCC Fibre Inc., Canada	CAD	1	1 000	1	100.0	
NS Pulp Sales (Japan) Ltd., Japan	JPY	159	600	159	100.0	
NSC Pulp Sales Inc., Canada	CAD	0	1	0	100.0	
AllWin Technical Services Inc., Canada	CAD	3 456	1 350 000	1 728	50.0	
Crown Forest Holdings (1995) Inc., Canada	Common shares	CAD	137 706	837 706 001	137 706	100.0
Crown Forest Holdings (1995) Inc., Canada	Preferred shares	CAD	138 844	138 844 208	138 844	100.0
442576 BC Ltd., Canada	Common shares	CAD	1	1 000	1	100.0
442576 BC Ltd., Canada	Preferred shares, F	CAD	36 014	36 014 000	36 014	100.0
442576 BC Ltd., Canada	Preferred shares, G	CAD	526 640	526 640	526 640	100.0
Tasman Equipment, Canada	CAD	1	1 000	1	100.0	
Crown Forest Industries Ltd., Canada	Common shares	CAD	1 796 182	254 301 774	1 796 182	100.0
Crown Forest Industries Ltd., Canada	Preferred shares, A	CAD	0	10 155 524 090	0	100.0
Crown Forest Industries Ltd., Canada	Preferred shares, B	CAD	100 123	100 123	100 123	100.0
Crown Forest Industries Ltd., Canada	Preferred shares, D	CAD	34 159	34 159	34 159	100.0
Crown Forest Industries Ltd., Canada	Preferred shares, E	CAD	26 569	26 569	26 569	100.0
Norske Skog Canada Ltd., Canada	CAD	1 955 100	63 035 942	993 184	50.8	
Fletcher Challenge Industries Canada Inc., Canada	Common shares	CAD	296 758	106 991 969	296 758	100.0
Fletcher Challenge Industries Canada Inc., Canada	Preferred shares, A	CAD	28 701	28 701 053	28 701	100.0
Samambaia Agricola, Sao Paulo, Brazil	BRL	0	7 329 000	0	100.0	
Papeles Bio Bio SA, San Pedro, Chile	USD	127	393 887 673	127	100.0	
Pisa Florestal S.A., Jaguariáiva, Brazil	BRL	0	126 773 855	0	100.0	
Norske Skog Klabin, Sao Paulo, Brazil	BRL	34 742	0	8 863	50.0	
Paranaprint de Empreendimentos Florestais, Jaguariáiva, Brazil	USD	31 725	1 912 875 376	25 570	81.0	
Pisa Papel de Imprensa S.A., Jaguariáiva, Brazil	USD	195 899	51 377 456	133 995	68.0	

16. Shares in partnerships

	OWNERSHIP	PARTNERSHIP CAPITAL PAID	PARTNERSHIP CAPITAL NOT PAID	SHARE OF PROFIT	BOOK VALUE
Owned by parent company					
Industrikraft Midt-Norge DA	30.0%	24 377	0	-24 377	0
Owned by consolidated company					
Nornews Express ANS	55.0 %	936	0	10 700	19 583

17. Affiliated companies and Joint Ventures

In the consolidated accounts, shares in affiliated companies are included according to the equity method. Share of profit is reported after correction for dividend from the affiliated company. Joint Ventures are consolidated proportionally.

	OWNERSHIP	BOOK VALUE 31.12.1999	ACQUISITIONS/ DISPOSALS	SHARE OF PROFIT FOR THE YEAR	DIVIDENDS/ OTHER EQUITY CORRECTIONS	BOOK VALUE 31.12.2000
Affiliated companies						
Moelven Industrier ASA	22.1%	0	198	24	0	222
Malaysian Newsprint Industries	33.7%	0	834	9	-7	836
Other affiliated companies		0	11	1	-1	11
Total		0	1 043	34	-8	1 069
Joint Venture						
Norske Skog Klabin	50.0%	0	85	4	-7	82
Pan Asia Paper Company Ltd.	33.3%	1 692	0	184	-14	1 890
Total		1 692	85	188	-21	1 972

18. Stocks

	2000	1999	1998
Raw materials	1 488	760	805
Work in progress	66	85	58
Finished goods	1 413	1 061	917
Total	2 967	1 906	1 780

19. Accounts receivable

	2000	1999	1998
Accounts receivable	5 086	3 119	2 092
Provisions for bad debts	-88	-68	-82
Total	4 998	3 051	2 010

20. Short-term investments

	2000	1999	1998
Treasury bonds	0	28	106
Bank/Insurance	103	44	441
Other financial institutions	180	72	247
Industry/Commerce/Shipping	87	85	0
Total bonds	370	229	794
Commercial papers	6 557	28	150
Other short-term investments	490	0	0
Total	7 417	257	944

Commercial papers classified as current assets are valued as a portfolio. Net unrealised loss on the portfolio was NOK 7.5 million. The equivalent value for 1999 is unrealised loss of NOK 27 million, and for 1998 unrealised loss of NOK 30 million.

The bond portfolio is reduced with self contained bonds.

21. Cash and bank deposits

Restricted deposits covering employer taxes and sundry guarantees amount to NOK 2 million in 2000 compared to NOK 25 million in 1999, and NOK 21 million in 1998.

22. Joint Ventures

Joint Ventures are operations that the Group have together with equivalent external partners. For the year 2000 such operations are held through the companies Norske Skog Klabin and Pan Asia Paper Company. Norske Skog Klabin is situated in Brazil. It is owned 50% by Norske Skog and 50% by the Brazilian company Industrias Klabin de Papel e Celulose S.A. Pan Asia Paper Company is located in Singapore. It is owned 1/3 by Norske Skog, 1/3 by Abitibi Consolidated, Canada and 1/3 by Hansol, Korea. For 1999 such operations were held in Pan Asia Paper Company Ltd.

	2000	1999	1998
Share of the operating profit			
Operating revenue	3 181	1 886	-
Operating expenses	2 609	1 553	-
Operating profit	572	333	-
Share of the balance			
Operational fixed assets	3 318	3 374	-
Long-term receivables	135	37	-
Total-fixed assets	3 453	3 411	-
Stocks	181	127	-
Short-term receivables	668	504	-
Other liquid assets	143	186	-
Total current assets	992	817	-
Deferred tax	58	23	-
Long-term debt	1 854	1 855	-
Short-term debt	448	547	-
Total debt	2 360	2 425	-

23. Shareholders' equity

OTHER CONSOLIDATED EQUITY	2000	1999	1998
Share capital	931	827	764
Own shares	-15	-16	0
Share premium reserve	2 802	2 802	2 198
Distributable reserve	7 797	5 857	5 650
Other consolidated equity	2 975	2 089	1 272
Total consolidated equity	14 490	11 559	9 884
SHAREHOLDERS' EQUITY	2000	1999	1998
Shareholders' equity 01.01. excluding minority interests	11 559	9 884	9 064
Effect new accounting act	0	0	35
Profit for the year	1 958	1 300	1 020
Share issues	1 463	667	0
Provision for dividends	-550	-446	-325
Changes in own shares	14	-110	0
Translation differences and other	46	264	90
Shareholders' equity 31.12. excluding minority interests	14 490	11 559	9 884
Minority interests	7 861	168	145
Total shareholders' equity 31.12.	22 351	11 727	10 029

24. Minority interests

	2 000	1999	1998
Minority 01.01	168	145	58
Changes in minority due to sales/purchases	7 305	2	77
Share of profit for the year	226	26	10
Share of fair value adjustments	375	0	0
Dividends paid	-133	-5	0
Currency translation differences	-80	0	0
Minority 31.12.	7 861	168	145

For the year 2000 the minorities share of the balance sheet consist of NOK 4,463 million current assets, NOK 4,924 million fixed assets and NOK 1,527 million debt.

25. Interest bearing long-term debt

From 1 July 2000 an accounting balance sheet hedging has been established for subsidiaries in foreign currencies. Foreign currency debt is adjusted according to the allocation of the assets in the respective foreign currencies. Profit and loss on the debt that secures the assets, is being booked directly against equity, in the same way as currency translation differences in independent foreign subsidiaries. As per 31 December 2000 long-term debt defined as balance sheet hedging amounted to NOK 15,901 million.

	2000	1999	1998
Long-term debt in NOK	4 771	2 883	3 486
Long-term debt in foreign currencies	24 038	5 019	5 070
Total	28 809	7 902	8 556

BONDS

Self-contained bonds at the end of the year makes NOK 140 million nominal. They have been deducted from interest bearing debt in NOK.

Norske Skogindustrier ASA has during year 2000 issued new bonds with a limit upon NOK 1,500 million, of which NOK 710 million has been used by the end of year 2000.

LONG-TERM DEBT BY CURRENCY

Long-term debt by currencies, current portion included

	CURRENCY AMOUNT	EXCHANGE RATE	NOK BOOK VALUE
	31.12.00	31.12.00	31.12.00
USD	754	8,8485	6 668
EUR	443	8,2335	3 647
CAD	337	5,8958	1 987
NZD	738	3,8984	2 877
AUD	1 260	4,9097	6 187
KRW	123 794	0,0070	867
THB	133	0,2041	27
ATS	1 112	0,5984	665
GBP	9	13,1930	116
CZK	470	0,2349	110
DEM	153	4,2097	645
FRF	133	1,2552	166
BRL	11	4,5400	48
NOK			4 799
Total long-term debt			28 809

Average interest rate 6.52% as per 31.12.2000

Note 25 continued

REPAYMENT OF DEBT

The company's long term debt as at 31 December, 2000

	DEBT BANKS	BONDS	TOTAL
2001	10 159	804	10 963
2002	1 903	0	1 903
2003	4 636	0	4 636
2004	2 717	873	3 590
2005	2 210	0	2 210
2006	1 237	1 307	2 544
After 2006	2 620	710	3 330
Total	25 482	3 694	29 176

Norske Skog has an option for extension until 2002 for NOK 8,761 million of the repayment in 2001.

At year-end Norske Skogindustrier ASA had altogether USD 105 million in unused credit lines.

Furthermore some of the loan contracts contain requirements to certain financial ratios relating to solvency and liquidity. These requirements are satisfied as of 31.12.2000.

In December 1998 Norske Skogindustrier ASA signed a 7-year committed drawing rights agreement for USD 450 million. Withdrawals from this facility can be made in various currencies and at floating interest rates. Lenders are Norwegian and international banks. In addition Norske Skogindustrier ASA has an existing committed drawing rights facility for USD 470 million that comes to maturity in 2004 and is partly unused. At year-end Norske Skogindustrier ASA had altogether USD 710 million in unused drawing rights.

26. Interest bearing short-term debt

	2000	1999	1998
Short term bank debt	335	520	803

The group has unused bank overdrafts of 281 million. There are no limitations to the use of the facility.

27. Interest free short-term debt

	2000	1999	1998
Public dues and holiday allowances	629	315	300
Accounts payable	2 280	1 288	2 010
Other interest free short-term debt	517	479	351
Provision for dividends	554	446	325
Accrued expenses	2 119	612	529
Taxes payable	516	506	338
Total	6 615	3 646	3 853

28. Foreign exchange and interest off-balance instruments

FOREIGN EXCHANGE RISK

Bank deposits, receivables, long-term placements and cash flows in foreign currencies are protected partly by borrowing in foreign currencies and partly by various financial instruments outside the balance sheet. Mainly the Group uses futures and options for hedging purposes.

INTEREST RISKS

To achieve effective management of the interest structure the Group aims to maintain a good balance between its interest-bearing assets and liabilities. Interest transactions outside the balance sheet are also employed.

FOREIGN EXCHANGE CONTRACTS

CURRENCY	PURCHASE CONTRACTS	SALES CONTRACT
	NOK MILLION	NOK MILLION
AUD	3 059	982
CAD	0	2 010
CHF	0	205
CZK	151	49
DKK	19	161
GBP	0	1 044
JPY	7	32
NOK	5 122	4 629
SEK	19	19
USD	2 360	2 070
GRD	129	12
CZK	1 112	164
EUR	1 445	1 810
Total	13 423	13 187

EXCHANGE OPTIONS

At the end of the year there were no unsettled options. For options with terms of more than one year premiums are accrued after the maturity date of the option.

Totals of principal in foreign currencies are translated into NOK at spot rates on 31 December 2000.

All futures contracts related to operations mature in 2001.

FORWARD RATE AGREEMENTS (FRA)

CURRENCY	NET PURCHASE/SALES (-) IN MILLION	PERIOD
NOK	300	3 months

On sale of interest futures, the Group will profit from a lower interest rate. As at 31 December 2000 there is an unrealised gain of NOK 4.6 million in the FRA portfolio. The corresponding figure for 1999 was NOK 0.3 million.

INTEREST ON RATE SWAPS

CURRENCY	MILLION	RECEIVES	PAYS	MATURITY
NOK	50	Fixed	Floating	2001
NOK	150	Fixed	Floating	2004
NOK	75	Fixed	Floating	2006
NOK	50	Fixed	Floating	2004
NOK	15	Fixed	Floating	2004
NOK	75	Fixed	Floating	2001
NOK	50	Floating	Fixed	2001
NOK	55	Fixed	Floating	2006
NOK	50	Fixed	Floating	2003
NOK	300	Fixed	Floating	2001

If the interest rate is reduced, the Group will profit from receiving fixed interest and paying floating interest. As at 31 December 2000 there is an unrealised loss of NOK 0.4 million in the portfolio. The corresponding figure for 1999 was an unrealised gain of NOK 0.5 million.

29. Mortgages

THE FOLLOWING LOANS ARE SECURED BY MORTGAGES 31.12.

	2000	1999	1998
Outstanding balance, other mortgage debt	1 191	1 446	440

BOOK VALUE OF ASSETS SECURING THIS DEBT AS AT 31.12.

	2000	1999	1998
Machinery	1 751	1 854	563
Buildings	465	300	275
Forest, land and other real estate	1	196	0
Total operating fixed assets	2 217	2 350	838

30. Environment

In 2000 the environmental investments was NOK 173 million. For 1999 this figure was NOK 37.5 million and for 1998 NOK 426 million.

As a result of the extensive investments in prior years regarding environmental issues, the investments for 1999 and 2000 are less than prior years.

31. Other commitments

Norske Skog has made a cash deficiency support commitment relating to a USD 120 million loan in the joint venture Pan Asia Paper Company Ltd. owned 1/3 by Norske Skog. If Pan Asia is unable to fulfil its commitments under the loan agreement, Norske Skog is under certain conditions committed to support Pan Asia with a subordinated loan to cover any due payment.

In 1998 Norske Skog concluded a leasing transaction with American investors whereby Norske Skog leases out PM 5 and PM 6 at Saugbrugs and then leases them back. The present value of the cost of lease-back amounts to approximately NOK 4,000 million and is irrevocably deposited in favour of the American investors. Although this sum has been deposited, Norske Skog is not exonerated from liability for payment. On the other hand the credit risk is extremely small because the money is deposited in a bank that has AA rating. Should its rating drop below AA at any future time, Norske Skog is entitled to move the deposit to another bank. Deposited rental costs and prepaid rental earnings are entered net in the balance sheet. If Norske Skog is unable to perform the leasing agreement it is under obligation to recompense investor for any losses. Investor's loss will vary over the term of the lease and will at most amount to NOK 700 million. The possibility of Norske Skog being unable to perform the contract is extremely unlikely. The contract could only be broken off as the result of extraordinary circumstances in the nature of force majeure.

Norske Skog and other European newsprint producers are object to investigations staged by the EU commission. The EU commission initiated, in April 1995, an investigation of the largest paper producers in Europe to reveal any relationship in dispute with EU's competition rules. A "Statement of Objection" was issued in April 1999, and an inquiry for the EU commission was held during autumn 1999. The investigation has not been closed.

In 1999 Norske Skog, Abitibi and Hansol established Pan Asia. The contractual relationship is specified in a shareholders' agreement. A contractual assumption for the co-operations is that the partners future expansion within Pan Asias' market must be done through Pan Asia, and that Pan Asia shall promote a strategy for growth. The mills in Australia, New Zealand and Malaysia, that were bought from Fletcher Challenge Ltd., is being affected by this shareholders' agreement. Pan Asia has the opportunity to buy these mills at market price. The partners has agreed upon that when it comes to Australasia, this option will not be applicable before three years at the earliest, as from 28 July 2000. Pan Asia and Norske Skog have come to an

Note 31 continued

agreement that Norske Skog will deal with the sale. In consequence of the change in the agreement with Pan Asia, Norske Skog will pay approximately USD 3 million annually.

Norske Skogindustrier and Klabin Fabricadora de Papel e Celulose SA each owns 50% of the shares in the joint venture Norske Skog Klabin Comercio e Industria, in which administer the means of production and the input factors for a period that is brought to a close in year 2003. At the end of the period most of the companies assets will be tied to its market positioning. By then NSI is committed to buy out Klabin at a fixed price (USD 46.3 million).

ACCOUNTS 2000 NORSKE SKOGINDUSTRIER ASA

Profit and Loss Account

NOK million	Notes	2000	1999	1998
Operating revenue	2	9 893	8 988	7 971
Cost of materials		4 528	3 560	3 038
Salaries and personnel expenses	3	1 339	1 244	1 037
Ordinary depreciation	7	682	710	673
Other operating expenses	4	1 588	2 119	1 899
Operating expenses		8 137	7 633	6 647
Operating profit		1 756	1 355	1 324
Financial revenue		889	274	460
Financial expenses		-1 831	-469	-617
Net financial items		-942	-195	-157
Other items		222	0	0
Profit before taxes		1 036	1 160	1 167
Taxes	5	-173	-313	-272
Profit for the year		863	847	895
Application of profit for the year:				
Group contribution i)		0	0	-151
Allocated to other equity		-313	-401	-419
Dividend to shareholders		-550	-446	-325
Total		-863	-847	-895

i) Group contribution in 1999 have not been deducted in shareholders' equity according to the new accounting act.

Statement of Cash Flow

NOK million	Notes	2000	1999	1998
Cash flow from operating activities				
Cash generated from operations		10 104	8 711	8 855
Cash used in operations		-6 733	-6 966	-6 454
Financial revenue received		844	206	460
Financial expenses paid		-1 673	-654	-617
Taxes paid		-277	-285	-79
Net cash flow from operating activities	4	2 265	1 012	2 165
Cash flow from investment activities				
Investments in operational fixed assets	7	-557	-747	-1 315
Sales of operational fixed assets	7	43	39	45
New intercompany receivables		-190	1 410	-1 462
Net financial investments		-19 391	-225	-1 540
Net cash flow from investment activities		-20 095	477	-4 272
Cash flow from financial activities				
Net changes of long-term debt		18 024	-1 751	1 382
Net changes of short-term debt		0	0	1 898
Dividend paid		-443	-325	-267
Share issues		1 463	0	0
Net cash flow from financial activities		19 044	-2 076	3 013
Total change in liquid assets		1 214	-587	906
Liquid assets as at 1 January i)		927	1 514	608
Liquid assets as at 31 December		2 141	927	1 514


Balance Sheet per 31.12.

NOK million	Notes	2000	1999	1998
Assets				
Operational fixed assets	7	6 543	7 581	6 585
Intercompany receivables		3 642	1 894	2 963
Other long-term assets		762	59	113
Pension plan assets	3	152	178	95
Partnerships		0	0	3
Shares in other companies		220	38	93
Shares in subsidiaries		24 765	5 918	4 123
Securities and long-term financial assets		29 541	8 087	7 390
Fixed assets		36 084	15 668	13 975
Finished goods		345	554	467
Raw materials and work in progress		245	366	340
Stocks		590	920	807
Intercompany receivables		5 385	197	9
Other receivables		104	60	217
Provision for bad debts		-13	-29	-19
Accounts receivable		1 176	1 336	865
Receivables		6 652	1 564	1 072
Commercial papers		1 197	20	25
Bonds		229	229	795
Cash and bank deposits		715	678	694
Liquid assets		2 141	927	1 514
Current assets		9 383	3 411	3 393
Total assets		45 467	19 079	17 368
Paid-in capital				
Share capital		931	827	764
Own shares		-15	-16	0
Share premium reserve		2 802	2 802	2 198
<i>Retained earnings</i>				
Other equity		7 532	5 857	5 650
Shareholders' equity	8	11 250	9 470	8 612
Deferred tax	5	774	689	559
Mortgage loans		1 694	1 436	1 382
Senior long-term debt		22 669	3 737	5 040
Pension obligations	3	69	83	36
Long-term liabilities		25 206	5 945	7 017
Other short-term liabilities		7 898	2 326	614
Accounts payable		410	372	353
Public dues and holiday allowances		53	246	184
Provisions for dividend		550	446	325
Taxes payable		100	274	263
Current liabilities		9 011	3 664	1 739
Total liabilities and shareholders' equity		45 467	19 079	17 368
Guarantees	9	2 714	837	1 224

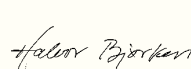
Lysaker, 7 March 2001



Lage Westerbø
chairman



Jon R. Gundersen
deputy chairman



Halvor Bjørken



Roy Eilertsen



Stig Johansen



Øivind Lund



Jan Reinås



Halvard Sæther



Kåre Leira

NOTES NORSKE SKOGINDUSTRIER ASA

1. Accounting principles

The company's accounting principles are the same as those of the consolidated accounts, which are described on page 20 and 21. The company's notes are similar to the consolidated notes. Only those notes which are different, are shown below.

3. Pension costs and liabilities

NET PERIODIC PENSION COST	2000	1999	1998
Benefit earned during the year	48	46	36
Interest costs on prior period benefit	58	55	40
Expected return on plan assets	-69	-64	-51
Periodic employer tax	5	8	3
Expensed portion of changes of AFP	2	2	2
Expensed portion of differences in estimates	2	5	2
Net periodic pension cost	46	52	32

STATUS OF PENSION PLANS RECONCILED TO THE BALANCE SHEET

	PENSION ASSETS EXCEED PBO			PBO EXCEED PLAN ASSETS		
	31.12.00	31.12.99	31.12.98	31.12.00	31.12.99	31.12.98
Projected Benefit Obligations (PBO)	-1 004	-911	-713	-139	-165	-82
Plan assets at fair value	1 043	1 013	812	33	26	27
Plan assets in excess of/less than (-) PBO	39	102	99	-106	-139	-55
Changed AFP plan	0	0	0	24	26	28
Unrecognized gain (-)/loss on plan assets	113	74	-9	19	36	-7
Net plan assets/pension obligations	152	176	90	-63	-77	-34
Employer tax accruals	0	2	5	-6	-6	-2
Pension assets/pension obligations (-) in the balance sheet	152	178	95	-69	-83	-36

See note 5 to the consolidated accounts regarding assumptions and further information.

4. Other operating expenses

Losses on bad debts amounting to NOK 12 million are included in the figures.

5. Taxes

TAXATION BASIS

A specification of the difference between profit before taxes and basis for taxation this year is shown below.

	2000	1999	1998
Profit before taxes	1 288	1 160	1 167
Permanent differences	-441	-33	-39
Group contribution	45	-73	-151
Change of temporary differences	-180	69	-63
Basis for taxation this year	712	1 123	914

TAX EXPENSES

	2000	1999	1998
Taxes payable	-194	-308	-250
Group contribution	0	-20	0
Sum taxes payable	-194	-328	-250
Change in deferred tax	21	15	-22
Total tax expenses	-173	-313	-272
Taxes payable	-194	0	0
Tax on equity transactions	14	0	0
Tax on currency items	106	0	0
This years tax payable	-74	0	0

2. Operating revenue

The figures include ordinary revenue from sale of goods to companies within the Group amounting to NOK 1,797 million. Additionally, administration fee and income from rent to the subsidiaries amounted to NOK 148 million. All intercompany deliveries, intercompany profits and intercompany debts are eliminated in the consolidated accounts.

Note 5 continued

DEFERRED TAX

A specification of temporary differences and deferred tax at the end of the year is shown below (taxation rate 28%).

DEFERRED TAX	2000	1999	1998
Reserve in accounts receivable	-26	-44	-39
Reserve in stocks	84	130	105
Other short-term items	-37	-85	-38
Total short-term items	21	1	28
Accelerated depreciation	2 026	2 002	1 809
Allocated capital gains	107	149	81
Pension plan assets	150	178	95
Pension obligations	-70	-83	-39
Other long-term items	156	213	23
Total long-term items	2 369	2 459	1 969
Total temporary differences	2 390	2 460	1 997
Deferred tax	668	689	559
Tax on equity items	106	0	0
Total deferred tax	774	689	559

6. Net cash flow from operations

The connection between profit before taxes and cash flow from operations is shown below.

	2000	1999	1998
Profit before taxes	1 288	1 160	1 167
Ordinary depreciations	682	710	673
Taxes paid	-277	-285	-79
Changes in receivables	210	-237	1 069
Changes in stocks	375	2	-106
Changes in current liabilities	-13	-338	-559
Net cash flow from operating activities	2 265	1 012	2 165

7. Operational fixed assets

	GOODWILL	LAND.	MACHINEARY AND PLANT	FIXTURES AND		PLANT	TOTAL
	AND OTHER EXCLUSIVE RIGHTS	BUILDINGS AND OTHER PROPERTY		SHIPS	OFFICE MACHINERY	UNDER CONSTRUCTION	
Acquisition cost							
Acquisition cost 31.12.1999	32	3 283	11 719	23	218	570	15 845
Addition from merger	1	0	33	0	8	0	42
Addition 2000 at cost	0	100	257	0	20	163	540
Addition interest	0	3	8	0	0	6	17
Sales 2000 at cost 2)	0	-440	-1 963	-23	-26	-207	-2 659
Reclassification	0	99	212	0	21	-332	0
Acquisition cost 31.12.2000	33	3 045	10 266	0	241	200	13 785
Revaluation							
Revaluation 31.12.1999	0	84	13	0	0	0	97
Addition from merger	0	0	0	0	0	0	0
Revaluation 31.12.2000	0	84	13	0	0	0	97
Depreciation							
Accumulated ordinary depreciation 31.12.1999	7	1 289	6 902	21	142	0	8 361
Addition from merger	1	0	15	0	5	0	21
Ordinary depreciation 2000	1	108	535	0	34	0	678
Depreciation on revaluation 2000	0	4	0	0	0	0	4
Depreciation on fixed assets sold 2000 2)	0	-213	-1 471	-21	-20	0	-1 725
Accumulated ordinary depreciation 31.12.2000	9	1 188	5 981	0	161	0	7 339
Book value							
Book value 31.12.1999	25	2 078	4 830	2	76	570	7 581
Book value 31.12.2000	24	1 941	4 298	0	80	200	6 543

GOODWILL SPECIFICATION ON EACH ACQUISITION

	YEAR	DEPRECIATION	DEPRECIATION	REST VALUE	COMMENTS
		PLAN	2000	31.12.2000	
Norske Skog Golbey	1995	5	0	0	
Union	1999	20	1	24	1)

1) Depreciation according to useful life

2) Norske Skog Tofte represent the main amounts

OPERATING FIXED ASSETS - ACQUISITION AND DISPOSALS OVER THE LAST 5 YEARS

		GOODWILL	LAND.	MACHINEARY AND PLANT	FIXTURES AND		PLANT	TOTAL
		AND OTHER EXCLUSIVE RIGHTS	BUILDINGS AND OTHER PROPERTY		SHIPS	OFFICE MACHINERY	UNDER CONSTRUCTION	
1996	Acquisition	0	29	230	0	0	211	470
	Disposal	0	7	6	0	0	0	13
1997	Acquisition	1	127	170	0	0	419	717
	Disposal	0	69	5	0	0	0	74
1998	Acquisition	0	243	454	0	0	618	1 315
	Disposal	0	42	3	0	0	0	45

Note 7 continued

		GOODWILL	LAND.	MACHINERY	FIXTURES AND		PLANT	TOTAL
		AND OTHER	BUILDINGS AND		FITTINGS, TOOLS,		UNDER	
		EXCLUSIVE RIGHTS	OTHER PROPERTY	AND PLANT	SHIPS	OFFICE MACHINERY	CONSTRUCTION	
1999	Acquisition	0	35	86	0	28	598	747
	Disposal	0	33	6	0	0	0	39
2000	Acquisition	0	103	265	0	20	169	557
	Disposal	0	20	7	0	5	11	43
Total 5 years	Acquisition	1	537	1 205	0	48	2 015	3 806
	Disposal	0	171	27	0	5	11	214

8. Shareholders' equity

	SCHARE- CAPITAL	PREMIUM- RESERVE	OTHER EQUITY	TOTAL
Shareholders' equity 31.12.1999	811	2 802	5 857	9 470
Share issues	104	0	1 359	1 463
Effect of merger	0	0	-10	-10
Changes in own shareholding	1	0	13	14
Profit for the year	0	0	863	863
Provision for dividends	0	0	-550	-550
Shareholders' equity 31.12.2000	916	2 802	7 532	11 250

At the year end 2000 the share capital was divided into 46,572,079 shares, each at face value NOK 20. The number of B-shares are 12,586,219 and do not have voting rights. Own shareholding were 731,010 A-shares and 182 B-shares.

PRINCIPAL SHAREHOLDERS	OWNERSHIP IN %
Viken Skogeierforening	9.5
Chase Manhattan Bank NA	9.0
Folketrygdfondet	6.3
Storebrand Liv- og Skadeforsikring	4.1
Skogeierforeningen Nord	3.0
State Street Bank & Trust Co.	2.9
Mjøsen Skogeierforening	2.9
Telemark Tømmerslagslag	2.5
Odin-fondene	2.4
Glommen Skog/Fond	2.4
Rederiaksjeselskapet Henneseid	2.1
DnB Investor	1.8
Gjensidige NOR	1.8
Vital Forsikring	1.7
VPF Skagen Vekst	1.6
Norske Skogindustrier ASA	1.6
Havlide A/S	1.5
Avanse-fondene	1.5
KLP Forsikring	1.4
Morgan Stanley	1.2

SHAREHOLDERS IN CORPORATE ASSEMBLY	NUMBER OF SHARES	OPTIONS
Ivar Korsbakken	243	0
Karl Stalleland	79	0
Emil Aubert	3 041	0
Ole H. Bakke	21	0
Bjørn Blakstad	898	0
Helge Evju	26	0
Lars-Ole Gimming	151	0
Einar Gjems	21	0
Lars Wilhelm Grøholt	122	0
Per Helge Haugdal	348	0

SHAREHOLDERS IN CORPORATE ASSEMBLY	NUMBER OF SHARES	OPTIONS
Pål Haugstad	66	0
Svein Haare	116	0
Jens Nicolai Jenssen	285	0
Dieter Oswald	28	0
Lars Veum	250	0
Rolf Bråthen	219	0
Dagfinn Augdal	116	0
Bjørn Olav Hanssen	108	0
Jan Vidar Grini	93	0
Per Einar Dybvik	267	0
Connie I. Abelsen	92	0
Per Kristian Dahl	150	0

SHAREHOLDERS IN BOARD OF DIRECTORS	NUMBER OF SHARES	OPTIONS
Lage Westerbø	2 755	0
Jon R. Gundersen	283	0
Halvor Bjørken	400	0
Halvard Sæther	479	0
Kåre Leira	190	0
Stig Johansen	92	0

SHAREHOLDERS IN EXECUTIVE STAFF	NUMBER OF SHARES	OPTION
Jan Reinås	6 530	3 860
Jan Kildal	1 850	3 860
Jan A. Oksum	1 599	3 860
Dag Tørvold	565	3 220
Claes-Inge Isacson	2 035	3 860
Rune Ingvarsson	116	0
Vidar Lerstad	444	3 220

9. Guarantee

The company has guaranteed debt for its subsidiaries for a total of NOK 2,714 million.

AUDITOR'S REPORT FOR 2000

TO THE ANNUAL SHAREHOLDERS' MEETING OF
NORSKE SKOGINDUSTRIER ASA

We have audited the annual financial statements of Norske Skogindustrier ASA as of 31 December 2000, showing a profit of NOK 863 million for the parent company and a profit of NOK 2 184 million for the group. We have also audited the information in the directors' report concerning the financial statements, the going concern assumption, and the proposal for the appropriation of the profit. The financial statements comprise the balance sheet, the statements of income and cash flows, the accompanying notes and the consolidated accounts. These financial statements are the responsibility of the Company's Board of Directors and Chief Executive Officer. Our responsibility is to express an opinion on these financial statements and on other information according to the requirements of the Norwegian Act on Auditing and Auditors.

We conducted our audit in accordance with the Norwegian Act on Auditing and Auditors and auditing standards and practices generally accepted in Norway. Those standards and practices require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. To the extent required by law and auditing standards an audit also comprises a review of the management of the Company's financial affairs and its accounting and internal control systems. We believe that our audit provides a reasonable basis for our opinion.

In our opinion,

- the financial statements have been prepared in accordance with law and regulations and present the financial position of the Company and of the Group as of 31 December 2000, and the results of its operations and its cash flows for the year then ended, in accordance with accounting standards, principles and practices generally accepted in Norway
- the Company's management has fulfilled its obligation in respect of registration and documentation of accounting information as required by law and accounting standards, principles and practices generally accepted in Norway
- the information in the directors' report concerning the financial statements, the going concern assumption, and the proposal for the appropriation of the profit is consistent with the financial statements and comply with law and regulations.

ARTHUR ANDERSEN & CO.

Henning Strøm (sig)


State Authorised Public Accountant (Norway)

Oslo, 7 March 2001

THE CORPORATE ASSEMBLY'S STATEMENT TO THE GENERAL MEETING

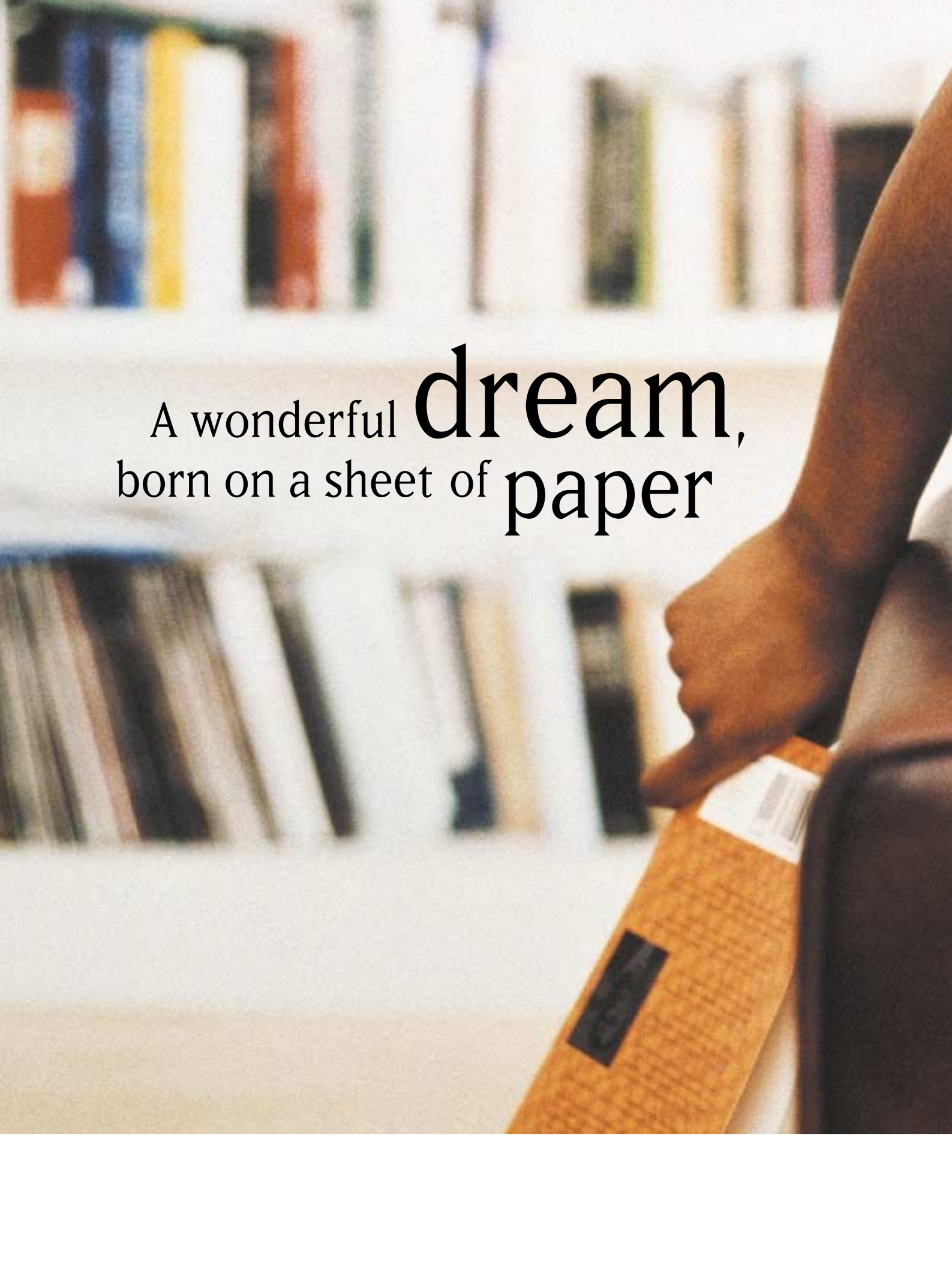
The Corporate Assembly recommends that the General Meeting approves the profit and loss statement and balance sheet for 2000 for Norske Skogindustrier ASA and the Group as proposed by the Board and agrees with the Board's proposal for the appropriation of the profit for the year.

Lysaker, 7 March 2001



Ivar B. Korsbakken

Corporate Assembly Chairman

A close-up photograph of a person's hand holding a book. The background is a blurred bookshelf filled with books. The text is overlaid on the image.

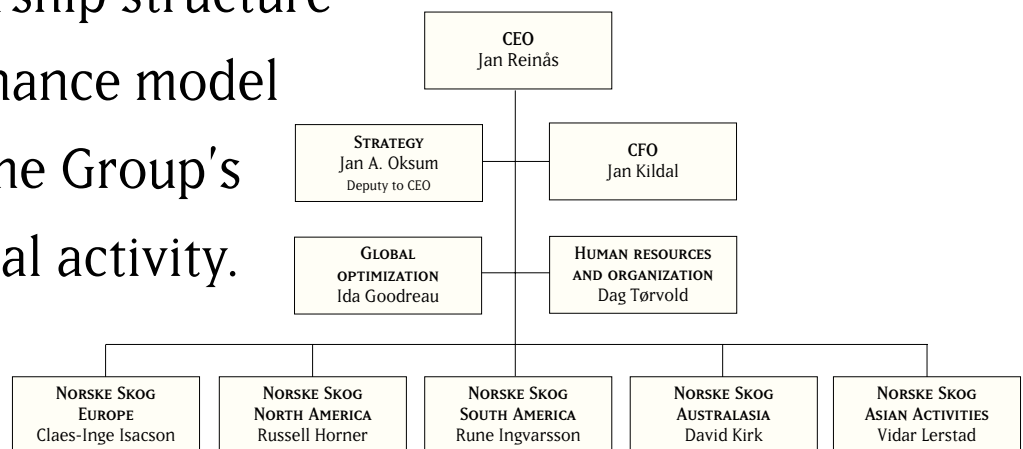
A wonderful **dream**,
born on a sheet of **paper**



Governance, remuneration and share ownership

Corporate governance

Following major changes in 2000, Norske Skog has become a new company with a new organisation, changed leadership structure and a governance model which reflects the Group's larger, global activity.



GENERAL MEETING

The general meeting elects the shareholder-elected members of the corporate assembly and their deputies. The corporate assembly elects the shareholder-elected members of the Board.

THE CORPORATE ASSEMBLY

Norske Skog's Corporate Assembly consists of 20 shareholder-elected members and 10 members elected by and among the employees. The Corporate Assembly constitutes itself through the election of a chairman and deputy chairman, both for one year at a time. In 2000, the Corporate Assembly held three ordinary and two extraordinary meetings.

THE BOARD

The Corporate Assembly elects the chairman and deputy chairman of the Board, for a year at a time, and determines the Board's remuneration. The Chairman of the Board, since 1989, has been Lage Westerbø. The Company's Board consists of a minimum of eight, to a maximum of eleven members, of whom up to a third shall have been proposed by the employees' representatives on the Corporate Assembly. The Company's Board has nine members at present.

The Board normally holds seven to eight ordinary meetings every year. The year 2000 was an exceptionally active year, with the acquisition of FCP, and seven ordinary and seven extraordinary Board meetings were held.

THE CEO

The CEO since 1994 has been Jan A. Reinås. The CEO is responsible for the day-to-day management of the Company's activities, and is responsible for ensuring that it is run and organised in accordance with the shareholders' wishes and the Board's decisions, that the Group accounts conform with laws and regulations, and that assets are managed in a sound manner.

THE CORPORATE GOVERNANCE MODEL

Norske Skog's governance model starts from Norske Skog's vision, goals and strategy, and builds on the Group's core values: openness, honesty and cooperation. The model describes management and organisational princi-

ples, the Group organisation's form of work, and the forums through which work is performed.

The corporate management consists of ten persons and includes the CEO, the corporate vice presidents in charge of strategic development, corporate finance, people management/organisation and other staffs, for the four regions and for activities in Asia. The senior vice president, strategic development, is the CEO's deputy. For additional details and biographies of corporate management, see page 47.

ROLES AND RESPONSIBILITIES

WITHIN THE CORPORATE ORGANISATION

Corporate management focuses on the Group's overall development, to achieve its aspirations. The Group therefore concentrates on three areas which are followed up within the organisation: Strategy, performance management and people management. The necessary staffs for finance and

corporate staff functions have been created under corporate management.

Regional management has total responsibility for the economic and operational performance of the region and its operating units. This means, moreover, that the regions are responsible for optimising cooperation between and within the regions, to ensure that opportunities for coordination and best practice are exploited to the full.

Operating units are responsible for operating performance at unit level. This also covers the fostering of operations-related proficiency and leadership and people development.

LEADERSHIP AND DEVELOPMENT OF THE GROUP IS EXERCISED VIA:

Corporate management meetings - CMM: These are held at regular intervals, by phone or in person, and concentrate on strategy, people management, leadership and organisational development, and achievement of

ambitions.

Regional review meetings - RRM: These meetings are held quarterly, under the chairmanship of the regional president, and with special focus on the achievement of operational and financial goals. In addition, the meetings consider regional strategies and ambitions, leadership development and questions relating to health and safety.

Global council meetings - GCM: These meetings concentrate on inter-regional optimisation at the global level through benchmarking and best practice within selected function areas.

SHAREHOLDINGS

Norske Skog believes it is desirable that elected officials and employees should hold shares in the Company, and encourages this. A table showing the shares held by members of the Board, the Corporate Assembly and leading employees may be found below.

Corporate assembly, board of directors and executive staff

CORPORATE ASSEMBLY

Nominated by the shareholders:

Ivar B. Korsbakken, Oslo, chairman (243)
Karl Stalleland, Grimstad, deputy chairman (79)
Bjørn Asp, Steinkjer (0)
Emil Aubert, Porsgrunn (3.041)
Ole H. Bakke, Trondheim (21)
Bjørn Blakstad, Sørumsdal (898)
Helge Evju, Skollenborg (26)
Lars-Ole Gimming, Tistedal (151)
Einar Gjems, Rena (21)
Lars Wilhelm Grøholt, Hov (122)
Per Helge Haugdal, Skage i Namdalen (348)
Pål Haugstad, Ringebu (66)
Svein Haare, Hokksund (116)
Jens Nicolai Jenssen, Hommelvik (285)
Idar Kreutzer, Oslo (0)
Bjørn Kristoffersen, Oslo (0)
Tore Lindholt, Skjetten (0)
Dieter Oswald, Bø i Telemark (28)
Tom Ruud, Oslo (0)
Lars Veum, Fyresdal (250)
Deputy members
1. Ann Kristin Brautaset, Oslo (0)

2. Nils Angard, Notodden (175)
3. Espen Klitzing, Oslo (0)
4. Are Nordgaard, Plassen (413)
5. Knut Reinset, Ålvundfjord (86)
6. Terje Engvik, Førde (0)
Nominated by the employees
Rolf Bråthen, Follum (219)
Dagfinn Augdal, Follum (116)
Steinar Voldseth, Skogn (0)
Bjørn Olav Hanssen, Skogn (108)
Jan Vidar Grini, Union (93)
Per Einar Dybvik, Forestia Agnes (267)
Ove Magne Anseth, Forestia Braskereidfoss (0)
Connie I. Abelsen, Saugbrugs (92)
Per Kristian Dahl, Saugbrugs (150)
John Østensvig, Saugbrugs (0)
Deputy members
Vidar Nordby, Follum (0)
Øyvind Smith, Follum (10)
Kjetil Bakkan, Skogn (39)
Steinar Langåssve, Skogn (0)
Magnus Straume, Union (15)
Tom Helland, Forestia Braskereidfoss (46)
Hans Hagen, Forestia Kvam (21)

Trond Andersen, Saugbrugs (0)
Cato Lettenstrøm, Saugbrugs (0)
John Nesser, Skogene (19)
Observers from the employees
Henrik Gundersen, Forestia Agnes (622)
Frank Paulsen, Union Geithus (0)
Deputy observers
Arvid Lie, Forestia Braskereidfoss (0)
Tore Holt, Union Geithus (0)

BOARD OF DIRECTORS

Lage Westerbø, Aurdal, chairman (2.755)
Jon R. Gundersen, Oslo, vice chairman (283)
Halvor Bjørken, Verdalen (400)
Roy Eilertsen, Saugbrugs (0)
Stig Johansen, Forestia Braskereidfoss (92)
Kåre Leira, Skogn (190)
Øivind Lund, Drammen (0)
Jan Reinås, Bærum (6.530)
Halvard Sæther, Lillehammer (479)
Deputy members by the employees
Kjell Hansen, Follum (0)

Martin M. Petersen, Saugbrugs (0)
Stein Roar Eriksen, Follum (0)
Observer
Fred Lundberg, Saugbrugs (50)

EXECUTIVE STAFF, JANUARY 1, 2001

President and Chief Executive Officer
Jan Reinås (6.530)
Senior Vice President
Jan A. Oksum (1.599)
Executive Vice President
Jan Lars Kildal (1.855)
Senior Vice President Ida J. Goodreau (0)
Senior Vice President Dag Tørvold (565)
President Claes-Inge Isacson (2.035)
President Russell James Horner (0)
President Rune Ingvarsson (116)
President David Kirk (0)
Senior Vice President
Vidar Lerstad (444)

AUDIT

Arthur Andersen & Co., Oslo

(Number of shares owned in parentheses)

Remuneration of Norske Skog's elected officials and senior staff

1. CORPORATE ASSEMBLY

The chairman of the Corporate Assembly receives a fixed fee of NOK 100,000 per year. Each of the other members receives NOK 4,000 for each meeting. The total paid to members of the Corporate Assembly in 2000 was NOK 752,000.

2. THE BOARD

The chairman of the Board receives a fixed fee of NOK 175,000, the deputy chairman receives NOK 125,000, and the Board's other members NOK 100,000 per year. The total paid out to the Board, including NOK 4,000 per meeting for deputies who attended such meetings, was NOK 1,104,000 in 2000.

3. CEO

The CEO's salary and other terms are negotiated by the compensation committee and determined by the Board. Salary and other remuneration to the CEO and other information concerning pension schemes and wage guarantee scheme may be found in Note 4 to the Group accounts.

4. CORPORATE MANAGEMENT

The compensation committee will review the principles applying to wages and other terms for the rest of corporate management, as well. In view of the fact that Norske Skog has now become a global company, work has begun on revising the salary system of corporate management to accord with a more international model - one that puts greater emphasis than previously on result-based salary.

5. INTERNAL BOARD REMUNERATION

No fees are paid to Norske Skog employees who serve on the boards of Group companies. Similarly, fees for appointed office holders

in companies in which Norske Skog holds stakes, will be payable to Norske Skog. This applies in cases where the employee has been appointed as a result of his/her position with Norske Skog.

6. OTHER

Information concerning option schemes, bonus schemes and loans to senior staff may be found in Note 4 to the accounts.

7. EMPLOYEE SHARE PURCHASE SCHEME

All employees of Norske Skogindustrier ASA and its subsidiaries in and outside Norway are offered the opportunity, twice yearly, to buy shares at a rebate on the market price. Employees in Norway may buy shares at a 20% rebate on the stock exchange price during a specified period. The total tax-free rebate for a single year may not exceed NOK 1,500. Payment for the shares is made by deductions from wages over a period of twelve months and purchases are allowed up to a value of NOK 29,454 (3/5 of "G" - the basic

Norwegian social security pension). This is the upper limit of the amount employees may have in the form of an interest-free loan from their employer. In the year 2000, the share purchase scheme also applied to members of the Board.

The scheme is based on favourable Norwegian tax rules; such rules often differ widely from country to country, so that a number of special arrangements have been introduced. The upper limit for share purchases is, however, the same for all countries.

8. ELECTED OFFICIALS' AND CORPORATE MANAGEMENT'S SHARE-HOLDINGS IN NORSKE SKOG:

The Corporate Assembly's members held, at the end of 2000, a total of 6,740 shares in Norske Skog. On the same date, the members of the Board held a total of 4,199 shares. Corporate management's total holdings comprised 13,139 shares and 21,880 options. Additional details may be found on page 45.

RETURN ON SHARES BOUGHT BY EMPLOYEES

	PRICE	PURCHASE VALUE	VALUE 29.12.00		PRICE INCREASE +		YIELD %
			NOK 371	DIVIDENDS	DIVIDENDS		
Sept. 96 (25 shares)	155	3 875	9 275	837,50	6 238		161%
Sept. 97 (19 shares)	210	3 990	7 049	503,50	3 563		89%
March 98 (19 shares)	205	3 895	7 049	503,50	3 658		94%
Feb. 99 (31 shares)	189	5 859	11 501	604,50	6 247		107%
Feb. 00 (21 shares)	281	5 901	7 791	231,00	2 121		36%
Sept. 00 (79 shares)	228	18 012	29 309	0,00	11 297		63%
Total - 194 shares		41 532	71 974	2 680,00	33 122		80%

Yield = Value increase + Dividends as % of purchase value.

Corporate management



JAN REINÅS (56)

President and CEO

Joined Norske Skog 1994. He holds a degree in Economics, has completed a 3-year-study of planning, rationalisation, logistics and management. INSEAD's Executive MBA Programme, managing director of regional transport companies, joined SAS 1987, managing director SAS Norway 1990, President and CEO the SAS Group 1993-1994. Member of the Board of Directors Schibsted ASA, the Federation of Norwegian Process Industries, the Confederation of Norwegian Business and Industry, and the Confederation of European Paper Industries. Former chairman of the Board of Directors Sparebanken Midt-Norge, the national Postal Administration and the Norwegian State Railways.



CLAES-INGE ISACSON (55)

President, Norske Skog Europe

Norske Skog 1989-1997 and from 1999. MS Chalmers University of Technology, Gothenburg. Senior positions in Stora 1972-1982 and 1998. Consultant, Jaakko Pöyry (USA and Sweden), 1982-1989. Project Director Norske Skog Golbey 1989-1992, Mill Director Norske Skog Tofte 1992-1996, Executive Vice President Fiber/Magazine 1994-1996, Executive Vice President Stora Publication Paper 1998, Executive Vice President Business Development 1998-1999.



JAN A. OKSUM (50)

Senior Vice President Corporate Business Development, Deputy CEO

Joined Norske Skog 1979. Master in Pulp and Paper Technology, Norwegian Institute of Technology. Research Associate, Pulp and Paper Research Institute of Norway (PFI) 1974-1979. Process engineer, Assistant Production Manager and Production Manager Norske Skog Skogn 1979-1988. Technical Manager and then General Manager Norske Skog Golbey 1989-1996. Vice President Corporate R&D 1997. Senior Vice President Area Pulp and Magazine Paper 1997-1999. Executive Vice President Business Development 1999-2000.



RUSSELL JAMES HORNER (51)

President Norske Skog North America

Joined Fletcher Challenge Canada 1975. Bachelor of Science, University of British Columbia, Canada, Advanced Management Program, Harvard Business School, USA. Research Development Chemist, Borden Chemical Company 1971-1975, a number of operating and senior management positions in Fletcher Challenge Canada 1975-1995, Managing director, Australian Newsprint Mills Ltd. 1995-1998, Chief Operating Officer Fletcher Challenge Paper Australasia 1998-1999, President and Chief Operating Officer Fletcher Challenge Canada 1999-2000, President and Chief Executive Officer Norske Skog Canada Ltd. 2000-2001.



JAN LARS KILDAL (50)

Senior Vice President, Chief Financial Officer

Joined Norske Skog 1995. Bachelor of Business Administration, Norwegian School of Economics and Business Administration. Chief Accountant, Finance Manager, Human Resources Manager, Glomfjord Fabrikker, Norsk Hydro 1976-1983. Department manager, Hydro Agri, Norsk Hydro 1983-1985. Financial Director Denofa-Lilleborg 1985-1989, Financial Director and Chief Financial Officer, Orkla 1985-1995.



RUNE INGVARSSON (58)

President Norske Skog South America

Norske Skog 1987-1994 and from 2000. Degree in chemical engineering and further education University of Lund, Sweden. Several senior positions in international pulp and paper industry. Mill Manager Norske Skog Tofte 1987-1994. Chief Operating Officer and President of the Asian pulp and paper company APRIL 1994-1999.



DAG TØRVOLD (48)

Senior Vice President, Human Resources and Organisation

Joined Norske Skog 1997. Business Administration, Augsburg College, Minneapolis, USA. Law Degree from the University of Oslo. Legal Counsel and Company Secretary AS Union 1980-1987, Managing Director AS Union 1987-1997. Senior Vice President, Area Newsprint Norske Skog 1997-1999, Senior Vice President, Corporate Services and Human Resources 1999.



DAVID KIRK (40) MBE

President Norske Skog Australasia

Joined Fletcher Challenge 1985. Graduate of Medicine, Otago University, New Zealand, BA, Philosophy, Politics and Economics, Oxford, England. Business Analyst Fletcher Challenge 1985-1987, Consultant McKinsey & Co, London, 1989-1992, Executive Assistant/Chief Policy Advisor to Prime Minister of New Zealand, 1992-1995, General Manager, Marketing and Commercial, Fletcher Challenge Energy, 1995-1998, Director of Marketing and Supply Chain, Fletcher Challenge Paper Global, 1998-1999, Chief Operating Officer, Fletcher Challenge Paper Australia 1999-2000.



IDA J. GOODREAU (49)

Senior Vice President Global Optimisation

Joined Fletcher Challenge Canada 1992. BA English and Economics, University of Western Ontario, Canada, Hons. B. Comm. University of Windsor, Canada 1981 and MBA University of Windsor, 1986. Union Gas Limited, Canada, 1981-1992, most recently as Vice President, Human Resources. Senior Vice President, Human Resources, FCCL, 1992-1994, Managing Director, Tasman Pulp and Paper (FCP), 1994-1997, President, Pulp Operations, FCCL, 1997-2000.



VIDAR LERSTAD (56)

Senior Vice President Norske Skog Asian Activities

Joined Norske Skog 1989. MBA Norwegian School of Economics and Business Administration. Norsk Hydro 1970-1974, The Export Council of Norway/The Norwegian Embassy, Brussels 1975-1980, Tandberg 1980-1984, Managing Director, Ciments du Togo Scancem, West-Africa, 1984-1989, Managing Director Norske Skog Golbey, France, 1989-1994, Managing Director Norske Skog Sales 1994-1996, Senior Vice President Sales & Marketing Norske Skog 1996-1999, President Area International 1999-2000.

Company Articles of Norske Skogindustrier ASA

Amended March 7, 2000

§1 NAME

The Company is a public joint stock company.
The name of the Company is Norske Skogindustrier ASA.

§2 OBJECTS

The object of the Company is to operate paper and pulp industry, as well as business connected with this. The Company may also participate in other enterprises by share subscription or similar.

§3 REGISTERED OFFICE

The Company is a Norwegian company with its management and registered office in Bærum municipality.

§4 SHARE CAPITAL AND SHARES

The Company's share capital amount to NOK [931,441,580 nine-hundred and thirty-one million four-hundred and forty-one thousand five-hundred and eighty] Norwegian kroner - distributed on [93,144,158] shares at NOK 10 each.

The Company's shares shall be registered with the Norwegian Registry of Securities (VPS).

§5 TRANSFER OF SHARES

Transfer of shares must be reported to the Company's Board of Directors for approval. Shares which are transferred to a new owner do not carry voting rights until 8 days after the Company has been notified of the transfer.

§6 BOARD OF DIRECTORS

The Company shall be managed by a Board of Directors consisting of at least eight, and at the most eleven Directors. Directors are elected by the Corporate Assembly for two-year terms. No one can be elected to the Board after reaching the age of 70.

The Corporate Assembly elects the Chairman and Deputy Chairman of the Board for one-year terms. The Corporate Assembly also adopts the remuneration payable to Directors. The Board of Directors is responsible for appointing a Managing Director, to be known as President and Chief Executive Officer, and for adopting his remuneration. The Board of Directors can authorize its Directors, the Managing Director or certain designated employees, to sign for the Company.

§7 CORPORATE ASSEMBLY

The Company shall have a Corporate Assembly consisting of 18 Members, of whom 12 Members and 4 Deputy Members are to be elected by the Annual General Meeting. Members chosen by the Annual General Meeting are elected for two-year terms. Deputy Members are elected for one-year terms.

The Corporate Assembly elects anyone of their body to act as Chairman and Deputy Chairman for one-year terms.

§8 NOMINATION COMMITTEE

The Company shall have a Nomination Committee which consists of the Chairman of the Corporate Assembly and three Members elected by the General Meeting for one-year terms. The Nomination Committee shall be chaired by the Chairman of the Corporate Assembly .

§9 GENERAL MEETING

The General Meeting shall be summoned within the time limit stipulated in the Norwegian Public Limited Liability Companies' Act, by the publication of newspaper notices in *Aftenposten* and *Dagens Næringsliv*. The notice may state that any Shareholder wishing to attend the General Meeting must notify the Company within a certain time limit, which must not expire any earlier than five days before the General Meeting. Shareholders failing to notify the Company within the given time limit may be denied entrance to the General Meeting. The General Meeting shall be held in the municipality where the Company has its registered office, or in Oslo.

The Annual General Meeting shall deal with and decide the following matters:

- 1) The adoption of the Company's profit and loss account and balance sheet on the basis of the Company's accounts and Group accounts for the year.

- 2) The application of the profit or covering of loss for the year in accordance with the adopted balance sheet, and the declaration of dividend.
- 3) The adoption of remuneration of the Members of the Corporate Assembly.
- 4) The election of the Shareholders' Members of the Corporate Assembly.
- 5) Elect three Members to the Nomination Committee.
- 6) The approval of the Auditor's fee.
- 7) Any other business on the agenda of the meeting notice.

Shareholders wishing to have any matters dealt with at the General Meeting must give notice in writing to the Board of Directors within one month of the General Meeting. The General Meeting shall be summoned and chaired by the Chairman or Deputy Chairman of the Corporate Assembly or, in their absence, by the Chairman of the Board.

§10 AMENDMENTS

Any amendments to the Articles of Association shall be made by the General Meeting. A valid resolution may only be passed by a 3/4 majority of votes cast and these must represent 3/4 of the share capital represented at the General Meeting.

Analytic information

Print Media and the New Media

Battleground or peaceful



Why would Norske Skog take a bold step at a time when many supposed media pundits have been predicting the demise of the traditional printed newspaper as a consequence of the rapid inroads being made by the new electronic media, in particular the Internet?

Facts and figures

These excerpts from a major media research project paint a fairly rosy future for newspapers for at least another couple of decades, even in a developed country like Australia. It shows that consumers are spending more time than ever reading newspapers, that newspapers still enjoy broad appeal from cradle-to-grave in the population, and that the boom in the new media does not result in direct substitution for the traditional print media.

co-existence?

Nearly all newsprint produced in the world is used to print newspapers. And many would argue that it is easier to run a profitable business in a developing market than it is in a declining market.

This year Norske Skog celebrated the new millennium by acquiring Fletcher Challenge Paper, a large producer of newsprint in Australasia, South America, North America and Asia. As a result Norske Skog has beco-

me the second largest newsprint producer in the world, supplying some 13% of the 36 million tonnes consumed annually around the globe, and with operations in five major consuming continents. In so doing it became the first true global pulp and paper company.

STRONG GROWTH IN ASIA AND LATIN AMERICA
One immediate reason is that media pundits who have been predicting the imminent col-

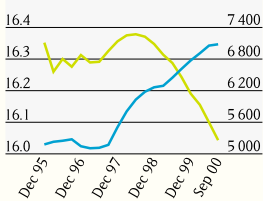
lapse of the traditional newspaper as a product, have usually been referring to developed regions of the world where the new media are rapidly penetrating the market. Even these pessimists are, however, forecasting that in developing regions like Asia and Latin America, demographics and economic development will lead to demand for newsprint rising by over 50% during the next two decades. In other words newsprint demand in these two regions alone is expected to reach more than 17 million tonnes by the year 2020, compared with about 11 million tonnes today.

But even in the developed parts of the world, the outlook for newspapers and

FEWER FATTER PAPERS

Circulation and pagination (metros only)

Millions Average pages per week



■ Millions (LH Scale)
■ Average pages per week (RH Scale)

Adspend boom

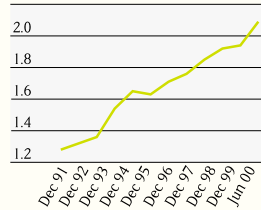
- Leads to much thicker papers
- Papers up 36% Dec. 95 - Sept. 00
- Net readers up
- But fewer copies read per reader
- Rate of repeat reading down
- Hence circulation down

Newspaper circulation has declined, but newsprint demand has boomed at the same time. Why? Because newspaper pagination has been increasing rapidly, in particular in weekend editions. Readers need more time to read a larger paper and therefore read fewer editions - leading to fewer but fatter newspapers.

ADVERTISING IN NEWSPAPERS CONTINUES TO GROW

Strong growth

Billion AU dollars

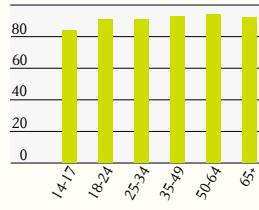


- Strong growth**
- Newspaper adspend strong for a decade
 - Up 63% from Dec. 91 - Dec. 99

Newspapers' share of total advertising expenditure has remained almost constant, but total advertising expenditure has been booming. This means that advertising expenditure in newspapers has increased significantly, which has been the main driver for the increase in pagination

ALL AGE GROUPS READ NEWSPAPER

Newspaper readership (by age)
% read newspaper last 7 days

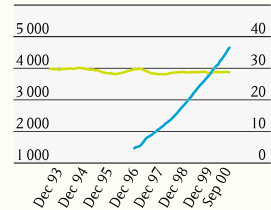


- Newspapers**
- More than 80% of all age groups read newspapers
 - More than 90% aged 18 years or more read newspapers

Newspapers still achieve tremendous reach among the entire population including the young

INTERNET HAS NO IMPACT ON NEWSPAPERS

Gross media consumption measures
Millions % av befolkningen

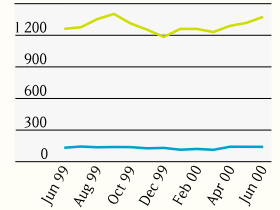


- Newspapers (LH Scale)
■ Internet (RH Scale)
- Newspapers**
- Very little movement for a number of years
- Internet**
- Strong growth in usage since late '96
 - But no impact on newspaper reading

Gross readership of newspapers has remained virtually constant through most of the last decade (gross readership is total circulation times the number of readers per newspaper). Reading has remained constant despite the popularity of the Internet - the Internet tends to be used for different activities at different times of the day and is therefore complementary to newspapers.

ONLINE READING STILL STRONGLY LINKED TO THE PAPER VERSION

Reading a newspaper/magazine online
1,000



- Read newspapers/magazines online
■ Read newspapers/magazines only online
- Reading online**
- 1.4 m people
 - Read any newspaper or magazine online
 - 8.5% of 14+ population
- Read only online**
- Only 143,000 read online exclusively
 - Less than 1% of the 14+ population

Web based news sites are still being read in conjunction with the paper version. A very small proportion of those persons reading a paper or magazine on line do not also read the paper version.

newsprint is in fact rather positive. If we take a closer look at Australia as an example of a developed continent, and look back at how media habits have developed over the last eight years or so, we find some very interesting trends and facts, as outlined in the box below.

IS INTERNET DIFFERENT?

This lack of substitutional power of the Internet is not new for electronic media. The advent of radio, TV, and the PC (to mention a few) were all predicted to lead to the collapse of the paper world - but it has never eventuated in practice. Why then should the Internet be any different? Especially when one considers that it is generally used at different times of the day (evening versus

morning, and weekday versus weekend), for different purposes (business, communication and targeted information - versus leisure, entertainment and relaxation), and in different places (in the office versus the train, living room or beach).

In short, the reality is that newspapers are continuing to do what they have done for decades, and to do it well. The vast majority of the population find newspapers a unique "bundle", with a compelling blend of characteristics and capabilities. It is portable, low cost, versatile and convenient. It acts as a guide for the day's activities. It provides a reference point to events and topics which the reader needs to be aware of in terms of their dealings with others. It provides an opportunity to check, to validate, to

reflect, and to immerse oneself, to the virtual exclusion of the rest of the world. Newspapers offer credibility and relevance which provides comfort and reassurance. And they constantly provide readers with unsought and desirable discoveries in a controlled and manageable way.

Seen through the eyes of the advertiser there is also a stark contrast between the traditional printed newspaper and the new media. The Internet does not offer the chance to capture the attention of the consumer who is not actively looking for something specific, like a new car or house. But the newspaper or magazine does, because the attention of the leisurely reader can much more easily be distracted by a catchy ad when browsing his or her favourite morning

Key events in Norske Skog 1989-99

89

Merger Norske Skogindustrier A/S, A/S Follum Fabrikker and Tofte Industrier A/S, as of 13.10.

The merged company acquired Saugbrugsforeningen, with effect for accounting purposes from 01.07.



Norske Skog Saugbrugs

90

Norske Skog acquired 49% of the FRF 900 million share capital of Papeteries de Golbey S.A. The company decided on 21.03 to build a new newsprint mill at Golbey. Investment forecast to total NOK 3.4 billion.

Norske Skog decided on 18.12 to build a new paper machine for the production of SC magazine paper at Norske Skog Saugbrugs, Halden - investment forecast to total NOK 3 billion.

Operations at the Otto Langmoen A/S sawmill were wound up during the first half year.

91

During the year the Group sold the packaging firms Guru Papp A/S, Kartopapp A/S and Dalwell AB, as well as F. Beyers' wholesale and printing business and book and stationery shops.

Activity at Norske Skog Saugbrugs' cellulose mill and Fibo-Trespo's laminate plant at Notodden was wound up.

92

The new newsprint machine (PM 1) at Norske Skog Golbey started production in January - capacity 255,000 tonnes/year.

Empire Fine Papers Ltd., in England, and Koppang Innredninger A/S were transferred to new owners.



Norske Skog Golbey

93

The new magazine paper machine (PM 6) at Norske Skog Saugbrugs came on line in February, increasing the mill's capacity to 550,000 tonnes/year.

Sarpsborg Finpappir, Olaf Norlis Bokhandel (owned 50%) and Ad. Jacobsen (trading in paper products) were transferred to new owners.



Saugbrugs

94

Jan Reinås followed Arnfinn Hofstad as CEO, in April.

or weekend print product. We say that Internet is not suitable for "push" advertising, while it is very suitable for "pull" advertising.

This difference has recently led to something of a paradox, in that the new E-media has found it necessary to resort to heavy advertising in the traditional print media in order to draw attention to its web-based products and services. This "dot.com" advertising has reinforced the recent boom in advertising in the traditional print media.

TWO COMPLEMENTARY MEDIA TYPES

The picture that emerges then is one of two complementary media types, which support one-another and co-exist peacefully rather than do battle. Consumers have a need for

both, as do advertisers. Today's successful publishers and media companies have recognised this, and are developing and maintaining a strong base in both camps. While paper producers like Norske Skog forecast a bright future for their products - not only in the developing regions of the world like Asia and Latin America, but also in developed regions like North America, Asia and Australasia.

Norske Skog produces not only newsprint but also other mechanical printing and publication papers. It produces both uncoated and coated magazine papers in some of its European mills, and directory, book and improved newsprint grades at a number of its mills world wide. The proportion of these grades in its product portfolio will probably

increase in future. This is not only because of the healthy future predicted for many of the end-use products that these papers are used in today - like magazines, catalogues, inserts, weekend magazines, advertising flyers, and paperbacks. But also because Norske Skog believes that the traditional printing and publishing industry will continue to adapt to the changing needs of its consumers by providing increasingly differentiated and tailor-made end-use products which have a higher quality than today's, and are increasingly cost-competitive vis-à-vis other media. And this will increase the demand for these more sophisticated papers, especially in the developed parts of the world.

95

Particle board mill Agnes A.S. acquired in March.

Norske Skog took over 51% of the shares of Papeteries de Golbey S.A., so that the newsprint mill became a wholly-owned subsidiary and was consolidated in the Group accounts from 01.04.1995.

96

Norske Skog acquired, with effect from 01.01.1996, the Bruck publication paper mill, Austria, with a capacity of 220,000 tonnes LWC magazine paper and 115,000 tonnes newsprint.



Norske Skog Bruck

97

Norske Skog transferred Sande Paper Mill A/S (fluting) to new owners with effect from 03.01.

Norske Skog decided on 16.04 to expand capacity at the Norske Skog Golbey newsprint mill by adding another paper machine, with capacity of 335,000 tonnes - budgeted investment NOK 2.8 billion.

Norske Skog acquired, as of 01.11, the ROTO newsprint mill (Norske Skog Steti) in the Czech Republic. Capacity 100,000 tonnes.

The building material shops Lundby Bruk, Rena and Brumunddal, and Namsenbygg, as well as the workshop firm Folla Tech, were transferred to new owners.

Norske Skog produced - for the first time - more than 2 million tonnes of publication paper.



Golbey



Shanghai Hansol Potential Paper Ltd.

98

Norske Skog acquired - with effect, for accounting purposes, from 01.07 - a newsprint mill in Korea - capacity 180,000 tonnes/year.

Norske Skog acquired - with effect, for accounting purposes, from 01.09 - a newsprint mill in Thailand - capacity 120,000 tonnes/year.

Norske Skog concluded, on 06.07, an agreement of intent with Abitibi Consolidated, Canada, and Hansol Paper Co., Korea, to form a company which will have a leading position in newsprint and other publication paper in Asia.

Norske Skog Golbey carried out successful test operation of its new newsprint machine (PM 2) on 21.12. - increases the mill's capacity to nearly 600,000 tonnes/year.

Norske Skog, Abitibi Consolidated and Hansol Paper concluded on 22.12 a final agreement to create Pan Asian Paper Company, with a combined capacity of just over 1.4 million tonnes of newsprint. Norske Skog's total publication paper capacity thereby increased to 3.2 million tonnes.

99

The general meetings of Norske Skog and Union approved, on May 5, the merger of the two companies; in 1998 Union had operating revenue of NOK 1.2 billion and capacity of 240,000 tonnes of publication paper.

Langmoen Parkett was transferred to the Kährs group in June.

In June, Union Eiendomsutvikling was transferred to new owners.

It was decided in October that Forestia AS' sawn timber business should be merged with Moelven Industrier ASA's activities in sawn timber and further processing.

Fibo-Trespo, which makes laminate products, was transferred to new owners in October.

In December it was decided to sell Hurum Papirfabrikk.

Norske Skog and Klabin (Industrias Klabin de Papel e Celulose S.A), in Brazil, signed an agreement, in December, giving Norske Skog an ownership stake of 50% in Klabin's newsprint production.

Production capacities

NEWSPRINT / OTHER PRINTING PAPER / MAGAZINE PAPER			CAPACITIES (1,000 TONNES)
Norske Skog Europe			
<i>Newsprint/other printing paper:</i>			
Norske Skog Skogn	Norway	560	
Norske Skog Follum	Norway	260	
Norske Skog Union	Norway	240	
Norske Skog Golbey	France	600	
Norske Skog Bruck	Austria	120	
Norske Skog Steti	Czech Republic	120	1 900
<i>Magazine paper:</i>			
Norske Skog Saugbrugs (SC)	Norway	550	
Norske Skog Follum (other)	Norway	135	
Norske Skog Bruck (LWC)	Austria	240	925
Total newsprint/other printing paper, Europe			2 825
Norske Skog Canada *)			
Norske Skog Crofton	Canada	515	
Norske Skog Elk Falls	Canada	530	1 045
Norske Skog S. America			
Norske Skog Pisa	Brazil	185	
Norske Skog Klabin **)	Brazil	130	
Norske Skog BioBio	Chile	120	435
Norske Skog Australasia			
Norske Skog Tasman	New Zealand	430	
Norske Skog Albury	Australia	225	
Norske Skog Boyer	Australia	290	945
Pan Asia Paper Company ***)			
Pan Asia Paper Korea Co., Ltd.	Korea	1 000	
Pan Asia Paper Chongwon Co., Ltd.	Korea	190	
Shanghai PanAsia-Potential Paper Co., Ltd.	China	140	
Pan Asia Paper (Thailand) Co., Ltd.	Thailand	125	
Pan Asia - total			1 455
Malaysian Newsprint Industries ****)			
MNI	Malaysia	250	85
Total newsprint, other printing paper and magazine paper			5 820
OTHER PAPER			
Kraftliner:			
Norske Skog Elk Falls *)	Canada	105	
Greaseproof:			
Union Geithus	Norway	17	
PULP *****)			
Norske Skog Canada *)			
Norske Skog Crofton	Canada	395	
Norske Skog Elk Falls	Canada	360	
Norske Skog Mackenzie	Canada	230	985
Norske Skog Australasia			
Norske Skog Tasman	New Zealand	275	275
Total pulp			1 260

*) Capacity for Norske Skog Canada is included by 100%; Norske Skog owns 50.8% of Norske Skog Canada

**) Capacity for Norske Skog Klabin; Norske Skog owns 50% of the company

***) Norske Skog owns 1/3 of Pan Asia Paper Company

****) Norske Skog owns 34% of Malaysian Newsprint Industries

*****) Of total pulp capacity (1.26 million tonnes), 240,000 tonnes is used in the production of newsprint and container board at Crofton, Elk Falls and Tasman

Main financial figures

PROFIT AND LOSS ACCOUNT (NOK million)	DEF.	2000	1999	1998	1997	1996	1995	1994	1993	1992	1991
Operating revenue		26 635	18 054	14 908	13 312	13 265	12 548	9 170	7 338	7 557	8 640
Gross operating profit	1	6 599	3 818	3 103	2 223	3 136	3 332	1 348	851	728	1 183
Operating profit		4 211	2 129	1 780	1 083	1 916	2 500	732	299	-47	500
Profit before financial expenses	2	4 575	2 252	1 948	1 194	2 076	2 850	843	589	49	877
Profit before taxes		3 021	1 825	1 417	650	1 732	2 336	333	4	-659	478
Profit for the year		1 958	1 300	1 020	590	1 317	1 669	206	-47	-516	246
BALANCE SHEET (NOK million)											
Fixed assets		43 717	18 828	17 586	12 778	12 031	10 246	7 377	7 694	7 917	6 042
Current assets		17 510	6 086	6 663	4 515	4 592	4 618	4 333	4 261	3 816	5 690
Total assets		61 227	24 914	24 249	17 293	16 623	14 864	11 710	11 955	11 733	11 732
Shareholders' equity incl. minority interests		22 351	11 727	10 029	9 123	7 691	6 546	4 731	3 864	3 785	4 287
Long-term debt		31 906	9 021	9 564	4 947	5 178	4 981	4 936	6 133	5 413	5 368
Current liabilities		6 970	4 166	4 656	3 223	3 754	3 337	2 043	1 958	2 535	2 077
Total liabilities and shareholders' equity		61 227	24 914	24 249	17 293	16 623	14 864	11 710	11 955	11 733	11 732
Net interest bearing debt		20 535	7 618	7 082	4 145	4 827	4 006	3 170	4 366	4 050	2 101
PROFITABILITY											
Gross operating margin %	3	24.8	21.1	20.8	16.7	23.6	26.6	14.7	11.6	9.6	13.7
Net operating margin %	4	15.8	11.8	11.9	8.1	14.4	19.9	8.0	4.4	-0.6	5.8
Net profit margin %	5	7.4	7.2	6.8	4.4	9.9	13.5	2.2	-0.6	-6.8	2.9
Return on assets %	6	9.8	9.2	9.4	7.0	13.2	21.4	7.1	5.0	0.4	8.0
Return on equity %	7	11.5	12.0	10.7	7.0	18.5	30.1	4.8	-1.2	-12.8	6.5
Equity ratio	8	36.5	47.1	41.4	52.8	46.3	44.0	40.4	32.3	32.2	36.5
Net interest-bearing debt/Equity		0.92	0.65	0.71	0.45	0.63	0.61	0.67	1.13	1.07	0.49
Return on capital employed %	9.15	13.1	11.0	11.7	8.4	15.9	25.4	8.3	3.4	-0.6	7.2
Net earnings per share after tax (NOK)	10	44.68	32.71	26.68	16.4	40.38	52.39	6.91	-1.79	-21.28	10.18
Net earnings per share fully diluted (NOK)	10	44.68	32.71	26.68	16.4	35.89	45.99	6.91	1.68	-13.03	11.3
Cash flow per share after tax (NOK)	11	112.30	54.39	74.82	44.89	80.20	78.79	29.07	18.74	10.56	58.12
Cash flow per share fully diluted (NOK)	11	112.30	54.39	74.82	44.89	69.47	68.22	25.91	18.11	11.56	49.73
LIQUIDITY											
Liquid assets (NOK million)	12	8 629	803	2 312	853	1 088	1 010	1 499	1 716	1 433	3 081
Cash flow (NOK million)	13	4 922	2 162	2 859	1 615	2 616	2 555	866	492	256	1 405
Current ratio	14	2,51	1,46	1,43	1,40	1,22	1,38	2,12	2,18	1,51	2,74

Definitions main financial figures:

1. **Gross operating profit** = Operating profit + Ordinary depreciation + Restructuring expenses
2. **Profit before financial expenses** = Operating profit + Interest income + Share of profit in aff. companies
3. **Gross operating margin** = Gross operating profit : Operating revenue
4. **Net operating margin** = Operating profit : Operating revenue
5. **Net profit margin** = Profit for the year : Operating revenue
6. **Return on assets** = Profit before financial expenses : Total assets (average)
7. **Return on equity** = Profit for the year : Equity (average)
8. **Equity ratio** = Equity : Total assets
9. **Return on capital employed** = Operating profit : Capital employed (average) (see 15)
10. **Net earnings per share after tax** = Profit for the year : Average number of shares *)
11. **Cash flow per share after tax** = Cash flow : Average number of shares *)
12. **Liquid assets** = Cash and bank deposits + Short-term investments
13. **Cash flow** = Net cash flow from operating activities (from Statement of Cash Flow)
14. **Current ratio** = Current assets : Current liabilities
15. **Capital employed** = Total assets with deductions for non-interest-bearing liabilities and interest-bearing assets

* When calculating financial ratios per share after full conversion net earnings and cash flow are rectified by interest expenses on subordinated convertible bonds.

Basis for value estimates

GENERAL REMARKS

The assets of an industrial group such as Norske Skog consist largely of manufacturing facilities and the operating capital in the form of stocks and receivables. The value of these assets is, in principle, equal to the discounted value of the future cash flows they will generate. The Group has, however, certain other assets which must be taken into account when valuing total assets, including the Group's liquid assets, which on 31.12.2000 amounted to NOK 8.628 million. This includes 100% of the cash in Norske Skog Canada. Below are listed the most important assets not dependent on operations.

FORESTS

Norske Skog owns productive forests in different parts of the world. In Norway and Sweden productive forests are 81.000 hecta-

res and annual fellings is approx. 70.000 m³. In Brazil the forests are 60 million hectares of productive forests and annual fellings are approx. 1,5 million m³. In Australia there are forest estates and rights with annual fellings of 250.000 m³ in total. Seen over time, the annual yearly felling is expected to increase. The book value of the Group's forest estates is NOK 1.040 million.

HYDRO POWER RIGHTS

Norske Skog owns power plants in Norway which, in a year with average precipitation, generate about 700 GWh of hydro power. Only a small part of this hydro power is subject to "hjemfall" (that is, due to revert to state ownership within a specified period). In Austria Norske Skog owns a cogeneration plant with normal annual output of 400 GWh. The book value of the Group's power

plants and hydro power rights is NOK 450 million.

SHIPS

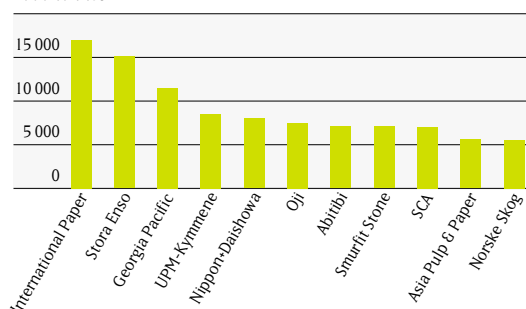
Norske Skog has a 55% ownership stake in two purpose-built paper-carrying vessels: "Nornews Express" and "Nornews Leader". These two ships carry newsprint for Norske Skog, under long-term contracts. "Nornews Express" is 4,568 m.t. deadweight, and built in 1987. "Nornews Leader" is 5,670 m.t. deadweight and built in 1991. The book value of Norske Skog's 55% stakes in "Nornews Express" and "Nornews Leader" is NOK 20 million. Norske Skog share of ownership in Tasman Orient Line in New Zealand was sold for NOK 100 million during January 2001. Orient Line in New Zealand was sold for NOK 100 million during January 2001.

Production

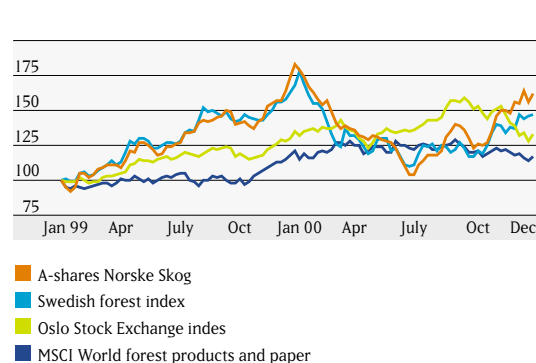
	2000	1999	1998	1997	1996	1995	1994	1993	1992	1991
Paper										
Newsprint	3 186	2 175	1 481	1 218	1 107	1 051	816	821	748	767
SC magazine paper	532	528	491	502	458	523	430	336	199	242
LWC magazine paper	362	215	209	214	178	0	0	0	0	0
Kraft paper	15	30	27	29	29	31	32	28	29	32
Pulp	741	450	439	404	386	445	424	365	374	367
Particle board	406	392	400	368	347	334	244	228	213	206

WORLD'S LARGEST PRODUCERS OF PAPER

1 000 tonnes



SHARE PRICES 1999-2000 RELEVANT INDICES



Management of currency and interest rate risk

In the management of the Group's currency and interest rate exposure, the goal is to minimise risks, in accordance with given guidelines. Comprehensive internal supervisory routines have been established to ensure that financial management observes external and internal guidelines.

CURRENCY RISK

Fluctuations in currency rates expose Norske Skog to both direct and indirect economic risk. In addition the Group's balance sheet is exposed when subsidiaries balance sheets are translated into NOK.

Transaction risk

The direct risk or transaction risk (basis risk) is due to the fact that about 90% of the Group's operating revenues are in foreign currencies, while a large proportion of the Group costs are in NOK and NZD. With the integration of Fletcher Challenge Paper in Norske Skog, this exposure is diminished, as a percentage, however in absolute figures the risk is just as large. The largest exposures are in EUR, USD, GBP, AUD and NZD. The Group has net revenues in all currencies except NOK.

Transaction risk per currency is calculated as 12 month future net expected cash flow on a rolling basis. The risk is estimated by the business units, and consolidated on a Group level to a net exposure per currency. 50-100% of the exposure is to be hedged at all times. Only fully owned entities are included in the exposure.

Hedging is done by using off balance sheet hedging instruments such as currency forwards and plain vanilla currency options. The result of such hedging deals is shown in Group accounts under financial items. Currency gains or losses on hedging contracts will, to a greater or lesser extent, have counterpart items in the form of increased or reduced future net operating revenue. To what degree there is a matching between the result on hedging and increased or decreased net revenues in the future, will mainly depend on two things; the accuracy of the fore-

casts of the exposure and the proportion of the exposure that has been hedged.

Translation risk

Norske Skog maintains Group accounts in NOK. Translation risk arise when the balance sheet of subsidiaries are translated from the subsidiaries local currencies to NOK. Norske Skog will, on Group level, hedge this risk by drawing on Group debt in a mix of currencies reflecting the mix of net external assets on the Group balance sheet. The effect of this hedge is posted directly against equity, like the translation difference on net external assets is.

Indirect currency risk (economic exposure)

Norske Skog is exposed to indirect currency risk because our competitive position is affected by fluctuations in the domestic currencies of our competitors. This applies mainly to SEK, EUR, USD and CAD. This risk is currently not hedged.

Interest rate risk

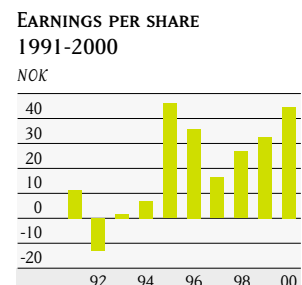
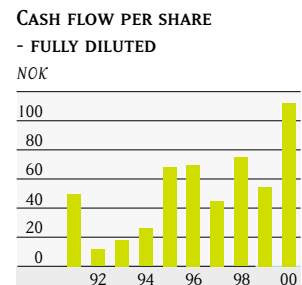
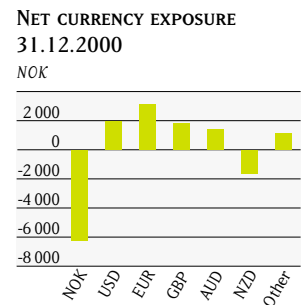
Norske Skog is normally a net borrower, and is therefore exposed to risk connected to changes in interest rate levels. During an upswing, interest rates will normally be higher than during a recession. In the same way, Norske Skog's results are higher in an upswing than in a downturn. Consequently, Norske Skog can handle higher interest costs during the former, but needs to ensure low interest costs during the latter. It is therefore regarded as a reduction of risk to have floating interest rates, to the greatest possible extent, on net borrowing, although allowance is made for exploiting interest rate fluctuations by having a proportion of borrowing at fixed interest rates.

Today's loan portfolio consists of floating and fixed interest rate loans. The economic risk incorporated in the portfolio is measured in terms of interest rate sensitivity. The interest rate risk is hedged either by securities or off balance sheet hedging instruments. As a consequence of this strate-

gy, Norske Skog has held long-term bonds to hedge the interest rate risk on long-term loans. Any losses or gains on the bond portfolio will have their counterpart items in an increase/decrease of the company's fixed interest rate debt, but such effects are not shown in the accounts, in accordance with present accounting rules.

Net currency exposure

The Group's net currency exposure is at present around NOK 8.5 billion made up as follows:



Shares and shareholders *)

Shareholder policy

Primary goal: Total return to shareholders matching that of the best companies in the industry.

The forest industry is a sector traditionally marked by earnings fluctuations, and by the significant amounts of capital needed for continuous investment in machinery and plant. Norske Skog, moreover, is a company with definite ambitions to grow - among other things, through acquisitions. To cope with cyclical swings and investment outlays a sound balance sheet is required, with financing mainly provided by high equity capital ratio and long-term borrowing.

Risk capital is a prerequisite for Norske Skog's further development. With this in mind, Norske Skog has defined its primary goal as follows: Norske Skog shall create value for its owners matching the performance of the best paper and pulp companies.

Norske Skog will achieve this by paying dividends and by creating the conditions for an increase in the value of its shares over the longer term.

Norske Skog aims to pay a dividend which gives shareholders about a third of the Group's profit, throughout an economic cycle. Efforts will be made to even out dividend payments during the cycle.

MEASURING THE RETURN TO SHAREHOLDERS

Norske Skog defines total return to shareholders as the sum of the increase in value of the shares, plus the dividend, over a peri-

od, as a percentage of the share price at the start of the period. This is measured over rolling two-year periods. The return on Norske Skog's shares in absolute figures is important, but a number of circumstances outside our control make it more relevant to measure this return against an index. Our index incorporates Nordic competitors (50% weight), the Morgan Stanley World Forest and Paper Index (25% weight), and the Oslo Stock Exchange total index (25% weight).

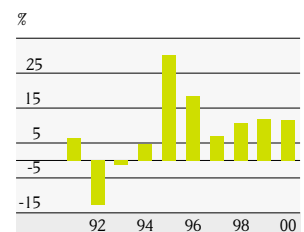
During the period 31.12.1998 to 31.12.2000 Norske Skog achieved a total return of 72%, measured as an average of A- and B-shares. The figure for our competitors in the same period was 59%, for the Morgan Stanley index 17% and for the Oslo Stock Exchange total index 43%. The total weighed return for these was 44%, so that achieved by Norske Skog was 28 percentage points better.

Norske Skog's return, compared with our competitors, with the Morgan Stanley index and with the Oslo Stock Exchange total index, is an important criterion in connection with the management's bonus agreements.

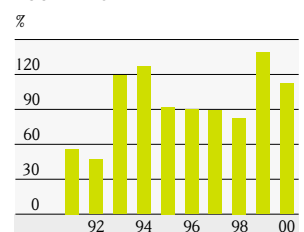
VALUE FOR SHAREHOLDERS

Norske Skog's new strategy, adopted in autumn 1999, contains several important points aimed straight towards building value for shareholders:

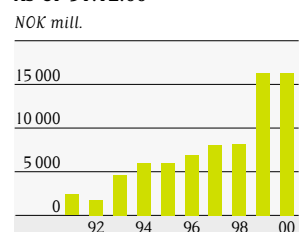
RETURN ON EQUITY
1991-2000



MARKET CAP. AS % OF
BOOK VALUE



MARKET VALUE NORSKE SKOG
AS OF 31.12.00

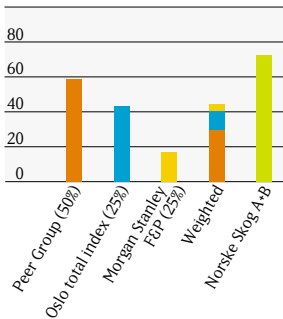


*) Share prices and no of shares are based on nominal value of NOK 20 per share as of 31.12.2000, if nothing else is mentioned.

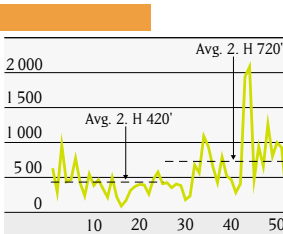
Norske Skog shall grow and operate globally

Profitable growth is one of the most important prerequisites if the price of the company's shares is to reflect the value of its assets. Size makes Norske Skog more attractive to large investors, and size makes it easier

RELATIVE TSR
31.12.1998 - 31.12.2000
%



WEEKLY TRADING 2000



for us to participate actively in the consolidation of this sector.

Norske Skog shall contribute to balance and stability in the market

This means that the needs of the market must be the determining factor both in decisions to build new capacity, and in utilisation of existing capacity. It is a fact that in the past the sector has invested too much, and at the same time, and that this has created over-capacity and large deficits, from time to time.

Norske Skog shall use capital efficiently

This means, among other things, that capital shall be tied up only where this is strategically important to the Group's core business, and it is a clear goal that productivity increases should be achieved through smaller investment outlays than in the past. The aim of Norske Skog's profitability programme is that the Group should meet its targets for return on capital during a cycle. Both profit increases and capital reduction form important parts of this programme, as well as the extraction of synergies and the introduction of operating standards. Over time, cash flow shall become a key management parameter.

Norske Skog shall be a cost-efficient producer

This means that Norske Skog shall utilise the most cost-efficient input factors in each production area. The Group shall strive to produce and supply each product at the lowest cost in each market, and the units that prove most competitive shall be further developed.

DIVIDEND FOR 2000

Norske Skog has gradually increased dividend levels over the past six years. The goal of its pay-out ratio is one third of profit, throughout a business cycle. Moreover, the dividend should be evened out throughout the cycle. The Board proposes a dividend of NOK 6 per share for 2000, against NOK 5.50 per share for 1999, reckoned after the two-for-one share split. This gives a pay-out ratio of 26.9% for 2000, and 30.9% as a weighted average for the past three years. Based on share prices at the end of last year, the dividend provides a return of 3.2% on A-shares and 4.1% on B-shares. The dividend will be paid on May 22 to those who were shareholders on the day of the ordinary general meeting, which is May 3, 2001.

Informing the stock market

Providing the Norwegian and international financial market with information has high priority in Norske Skog. The aim is to increase knowledge about the company and understanding of the industry. This will build up the confidence needed to interest investors in Norske Skog, and the company should be correctly priced in the share market.

Issuing relevant and timely information is an important part of keeping the investment market informed. Below is Norske Skog's financial calendar for the year 2001:

Preliminary report 2000: February 8
Annual report and accounts 2000: April
Ordinary general meeting 2001: May 3
1st quarter 2001: May 3
2nd quarter 2001: August 23
3rd quarter 2001: November 1

Norske Skog's Internet web site is very well visited. It contains the Company's annual and interim reports, press releases, presentations, general information about the Company and share-related information.

Supplementing this printed and electronic information, Norske Skog holds regular presentations for the Norwegian and international financial markets. In other connections, presentations are arranged at the Company's mills, and people from Norske

Skog give speeches at international conferences and seminars. In 2000 such arrangements took place in Norway, England, Sweden, Germany, the Netherlands, the US, Canada, Korea and New Zealand. Information activity has increased considerably during recent years, particularly abroad.

In 2000 Norske Skog received the so-called Stockman prize, as the company with the best investor relations performance in Norway.

A large number of Norwegian and foreign broking houses follow Norske Skog and publish analyses of the company. A list of these may be found on Norske Skog's web site.

Jarle Langfjæran is responsible for Norske Skog's investor relations.

Shares and share capital

As of December 31, 2000 the company's share capital was NOK 931,441,580, comprising 33,985,860 A-shares and 12,586,219 B-shares. Share capital increased in 2000 by 103,806,000, in connection with a private placement of 5,190,300 new A-shares in May 2000. The issue helped to finance the purchase of Fletcher Challenge Paper.

As of 31.12.2000 Norske Skog owned 731,192 of its own shares. These were acquired when Union was merged with Norske

Skog in 1999, and are being used mainly in connection with the annual sale of shares to employees, and in bonus and option schemes. The Company's holding of its own shares was reduced by 102,127 during 2000.

The private placement in May 2000 increased the percentage of share capital held by Norwegian institutional investors. Apart from that, ownership structure has been stable. At the turn of the year, Norwegian forest owners' associations owned 31.8% of

A-shares and 24.6% of total share capital. On the same date, foreign investors held 25.1% of A-shares and 20.5% of total share capital. The corresponding figures at the beginning of 1999 were 27.6% of A-shares and 20.9% of total share capital. The Board has been authorised to buy back up to 10% of outstanding shares. This authorisation is valid until the ordinary general meeting in May 2001, and the Board will seek to have it extended.

Amalgamation of A- and B-shares

In recent years a very wide price difference has developed between Norske Skog's A- and B-shares. The general view in the Norwegian - and most foreign - investment markets is that there should be only one share class. In Norske Skog's situation, continued growth will probably require new capital from the market, and it will be difficult to secure this as long as there are two classes of shares. Moreover, the share's liquidity is hampered by the existence of two share classes. In view of this, an extraordinary general meeting was held on March 7, 2001, at which the Board was authorised to amalgamate the shares, with A-shareholders being compensated through the offer of a one for four rights issue. At the same time, the general meeting agreed that the shares should be split, so that new par value is NOK 10, instead of NOK 20, as previously.

After the split and the planned share issue, Norske Skog shares will total about 110.1 million, with a par value of NOK 10 each. The new shares will not be entitled to dividend for 2000. The amalgamation will not be registered with the Central Securities Register (Verdipapirsentralen) until mid-May 2001, and the dividend for 2000 will be paid on the basis of the previous share structure.

Trading in Norske Skog shares

The Company's shares are listed on the Oslo Stock Exchange. In addition, its B shares are listed on SEAQ (Stock Exchange Automatic Quotation System) in London.

During the year a total of 27.1 million Norske Skog shares were traded on the Oslo Stock Exchange. In relation to the average number of shares - 45.8 million (ex-

cluding shares owned by the company itself) - that represents a turnover ratio of 59%. Average daily turnover rose significantly during the year. In addition to the shares traded on the Oslo Stock Exchange, 10.9 million A-shares and 0.9 million B-shares were traded on SEAQ.

The share market in 2000

Norske Skog and other forest and paper industry companies saw their share prices fall steeply in the first half of 2000. In the second half-year prices generally rose, but at the end of the year they were still somewhat lower than a year earlier.

OFFICIAL PRICES	A-SHARES	B-SHARES
31.12.2000	373.50	293.00
Price 29.12.2000	371.00	292.00
Price 30.12.1999	418.00	337.00
High 2000	424.00	345.00
Low 2000	222.00	185.00

Norske Skog's market capitalisation stood at NOK 16.3 billion as of 30.12.2000. This was unchanged from a year earlier, but it must be borne in mind that in the meantime 5.2 million new shares had been issued.

Share purchase programme and incentive system

In the space of a few years, Norske Skog has changed from being a traditional Norwegian industrial company to a company with extensive international business interests. This internationalisation has also affected the way in which Norske Skog pays its managers.

The incentive system applying to corporate management is currently being reviewed, and the general share purchase programme has been significantly extended. An important purpose of these schemes is to increase employee shareholdings, and the shares offered will either be taken from Norske Skog's holding of its own shares, or purchased in the market.

Employees at all levels within Norske Skog should be shareholders. In this way, all of them will participate in the Group's value creation, and over time this will be an advantageous way of saving. Through the annual share sales to employees, the whole organisation can gain an understanding of the owners' role in Norske Skog, as well as an insight into the share market. From and including the year 2000, the programme has been extended to permit share purchases up to a

value of 3/5 of "G" (a figure fixed annually by the Norwegian tax authorities). This is the maximum which the Company is allowed to lend, interest-free, to its employees, and share sales take place twice a year. The shares are sold at a discount on their market value. In 2000, 1,722 employees participated in the sale in February, and 1,110 in the sale in August. A total of 99,115 A-shares were purchased. The programme was introduced for the Group's employees in Norway in 1996, and has since been extended to include employees at mills and sales offices throughout Norske Skog Europe. From and including 2001, it will also apply to employees in Australasia and South America. Employees of Norske Skog Canada have their own scheme. The programme also applies to shareholder-elected members of the Board and Corporate Assembly.

From 1998 a bonus system was introdu-

ced which applies to managers above a certain level in the Group organisation, and within Norske Skog Europe. The bonus is a part of individual employment contracts, and is linked to particular goals which must be achieved before it can be paid. Fifty per cent of any bonus paid must be used to buy Norske Skog shares, which must be held for a certain time thereafter.

From and including December 1999, an option scheme has applied to Group management and a few other people in leading positions. No options were distributed in 2000, but a total of 70,170 options are outstanding of those distributed in December 1999. These options entitle the holder to buy a number of A-shares at a fixed price of NOK 375 per share during the period 01.10.2002 - 31.12.2002. This price was fixed based on the level as of 15.12.1999, when the Board approved the programme.

Principal shareholders as of Dec. 31, 2000

NAME	A-SHARES		B-SHARES		TOTAL	
	NUMBER	%	NUMBER	%	NUMBER	%
Viken Skogeierforening, Hønefoss	4 167 791	12.26	251 173	2.00	4 418 964	9.49
Chase Manhattan Bank NA, GBR	4 039 840	11.89	133 009	1.06	4 172 849	8.96
Folketrygdfondet, Oslo	2 115 163	6.22	812 000	6.45	2 927 163	6.29
Storebrand Livsfors./IF, Oslo	704 173	2.07	1 209 649	9.61	1 913 822	4.11
Skogeierforeninga Nord, Trondheim	1 383 596	4.07	0	0.00	1 383 596	2.97
State Street Bank & Trust Co. USA	1 152 396	3.39	198 324	1.58	1 350 720	2.90
Mjøsen Skogeierforening, Lillehammer	1 148 773	3.38	181 225	1.44	1 329 998	2.86
Telemark Tømmerslag, Skien	1 167 285	3.43	9 858	0.08	1 177 143	2.53
Odin-fondene, Oslo	104 970	0.31	1 011 671	8.04	1 116 641	2.40
Glommen Skog/Fond, Elverum	1 067 527	3.14	36 659	0.29	1 104 186	2.37
Rederiaksjeselskapet Henneseid, Skien	2 740	0.01	952 927	7.57	955 667	2.05
DnB Investor, Oslo	352 009	1.04	482 756	3.84	834 765	1.79
Gjensidige NOR, Oslo	575 773	1.69	241 942	1.92	817 715	1.76
Vital Forsikring, Bergen	593 973	1.75	193 600	1.54	787 573	1.69
VPF Skagen Vekst, Stavanger	615 060	1.81	119 650	0.95	734 710	1.58
Norske Skogindustrier ASA	731 010	2.15	182	0.00	731 192	1.57
Havlide A/S, Skien	1 520	0.00	682 474	5.42	683 994	1.47
Avanse-fondene, Oslo	622 286	1.83	61 250	0.49	683 536	1.47
KLP Forsikring, Oslo	0	0.00	637 140	5.06	637 140	1.37
Morgan Stanley, GBR	438 482	1.29	96 400	0.77	534 882	1.15
K-fondene, Oslo	408 634	1.20	114 350	0.91	522 984	1.12
Nidarå Tømmerslag, Arendal	520 538	1.53	2 125	0.02	522 663	1.12
Agder Skogeigarlag, Kristiansand S.	405 534	1.19	75 092	0.60	480 626	1.03
Total principal shareholders	22 319 073	65.67	7 503 456	59.62	29 822 529	64.04
Total no of shares	33 985 860	100.0	12 586 219	100.0	46 572 079	100.0

SHAREHOLDER STRUCTURE AS OF 31.12.2000

	VOTING	NON-VOTING	TOTAL SHARES
	SHARES	SHARES	
Forest owners' associations	32%	5%	25%
Other Norwegian shareholders	43%	87%	54%
Foreign holding	25%	8%	21%

Key figures related to shares

KEY FIGURES RELATED TO SHARES		2000	1999	1998	1997	1996	1995	1994	1993	1992	1991
Share price 31.12. (NOK)		20	20	20	20	20	20	20	20	20	20
Average number of shares ex. shares held in treasury (1000)		45 834	39 747	38 211	35 979	32 617	32 430	29 794	26 259	24 251	24 174
Average number of shares after full conversion excluding shares held in treasury (1000)		45 834	39 747	38 211	35 979	38 695	38 508	36 241	32 791	31 399	29 922
Net earnings per share after tax (NOK)	1	44,68	32,71	26,68	16,40	40,38	52,39	6,91	-1,79	-21,28	10,18
Net earnings per share after full conversion (NOK) a)	1	44,68	32,71	26,68	16,40	35,90	45,99	7,70	1,68	-16,43	8,22
Cash flow per share after tax (NOK)	2	112,31	54,39	74,82	44,89	80,20	78,79	29,07	18,74	10,56	58,12
Cash-flow per share after full conversion (NOK) a)	2	112,31	54,39	74,82	44,89	69,47	68,22	25,91	18,11	11,56	49,73
Dividend per share (NOK)		12,00	11,00	8,5	7,00	7,00	6,00	1,50	1,00	0,00	2,00
Price earnings ratio (A-shares)	3	8,30	12,78	8,32	13,05	5,28	3,54	27,77	0	0	9,63
Payout ratio (%)		26,86	33,63	31,9	42,70	19,50	11,50	21,70	0	0	19,60
Number of shares 31.12. (1,000)											
	A -share	33 986	28 796	28 796	28 796	26 557	26 531	26 199	23 684	21 826	21 826
	B -share	12 586	12 586	9 416	9 416	6 084	6 084	5 561	2 631	2 425	2 425
	Total	46 572	41 382	38 211	38 211	32 641	32 615	31 760	26 315	24 251	24 251
Share prices high (A)		424	425	273	296	214	233	203,50	175,50	127,50	173
Share prices low (A)		222	204	165	190	174,50	170	140	65	45	73
Trading volume (Oslo Stock Exchange) (1,000)	1	27 059	23 212	23 825	30 500	25 600	28 000	26 192	25 619	30 190	19 571
Share prices 31.12.	A -restricted							192,00	175,50	72,00	98,00
	A free	371	418,00	222,00	214,00	213,00	185,50	190,00	176,50	74,00	99,00
	B -share	292	337,00	191,00	200,00	194,50	175,50	184,00	174,00	70,00	95,00
Number of shareholders 31.12.	A restricted								16 907	16 824	17 067
	A	19 431	17 900	18 002	17 466	17 456	17 285	17 222	16 106	15 936	16 224
	B share	14 915	14 693	13 746	13 796	14 271	14 605	14 950	15 384	15 196	17 502
	Total	21 779	19 884	18 753	18 075	18 070	17 710	17 503	17 552	17 379	17 501
Number of foreign shareholders 31.12.	A	546	483	203	186	154	179	164	139	108	100
	B share	133	110	88	97	92	127	130	80	98	91
	Total	589	518	222	208	177	231	222	162	142	112
Percentage of shares owned by foreign shareholders 31.12.	A	25.1%	27.6%	27.6%	26.0%	23.6%	14.2%	15.9%	42.7%	17.0%	11.7%
	B share	8.3%	5.6%	6.0%	8.3%	15.2%	41.4%	60.8%	58.4%	63.2%	54.4%
	Total	20.5%	20.9%	22.3%	21.6%	22.0%	19.3%	24.7%	18.6%	11.7%	8.9%
Market value (NOK mill.)		16 284	16 278	8 191	8 100	6 900	6 000	5 983	4 597	1 751	2 377

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. Priceearnings ratio - Share price 31.12. : Net earnings per share after tax

a) When calculating financial ratios per share after full conversion net earnings and cash flow are rectified by interest expenses on subordinated convertible bonds.

The share classes A restricted and A free were combined at year-end 1994.

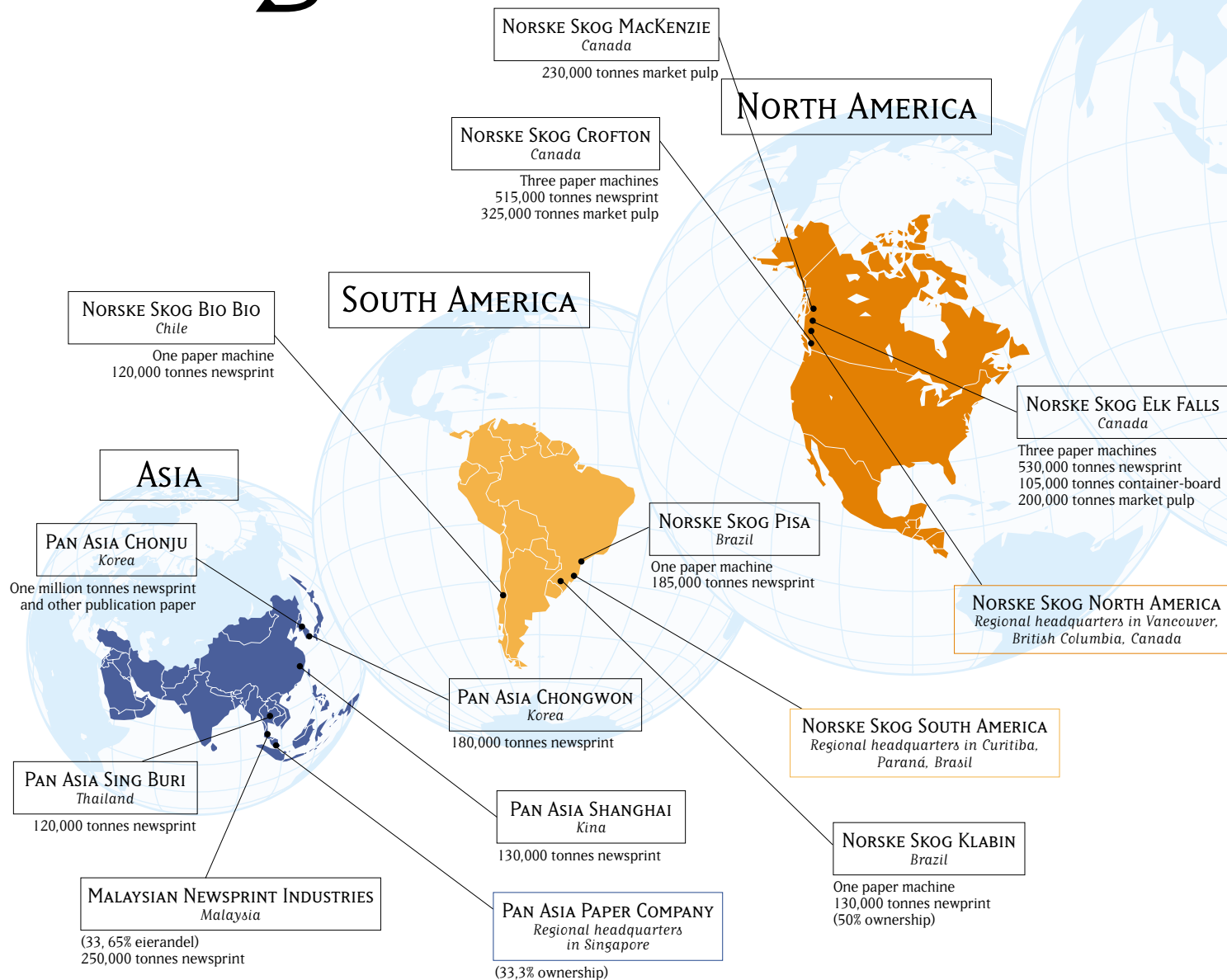
A close-up photograph of a hand holding a rolled-up newspaper. The word "for" is clearly visible on the newspaper's surface. The background is a soft, warm, yellowish light, and the bottom of the frame shows a dark, silhouetted shape, possibly a person's head or shoulder.

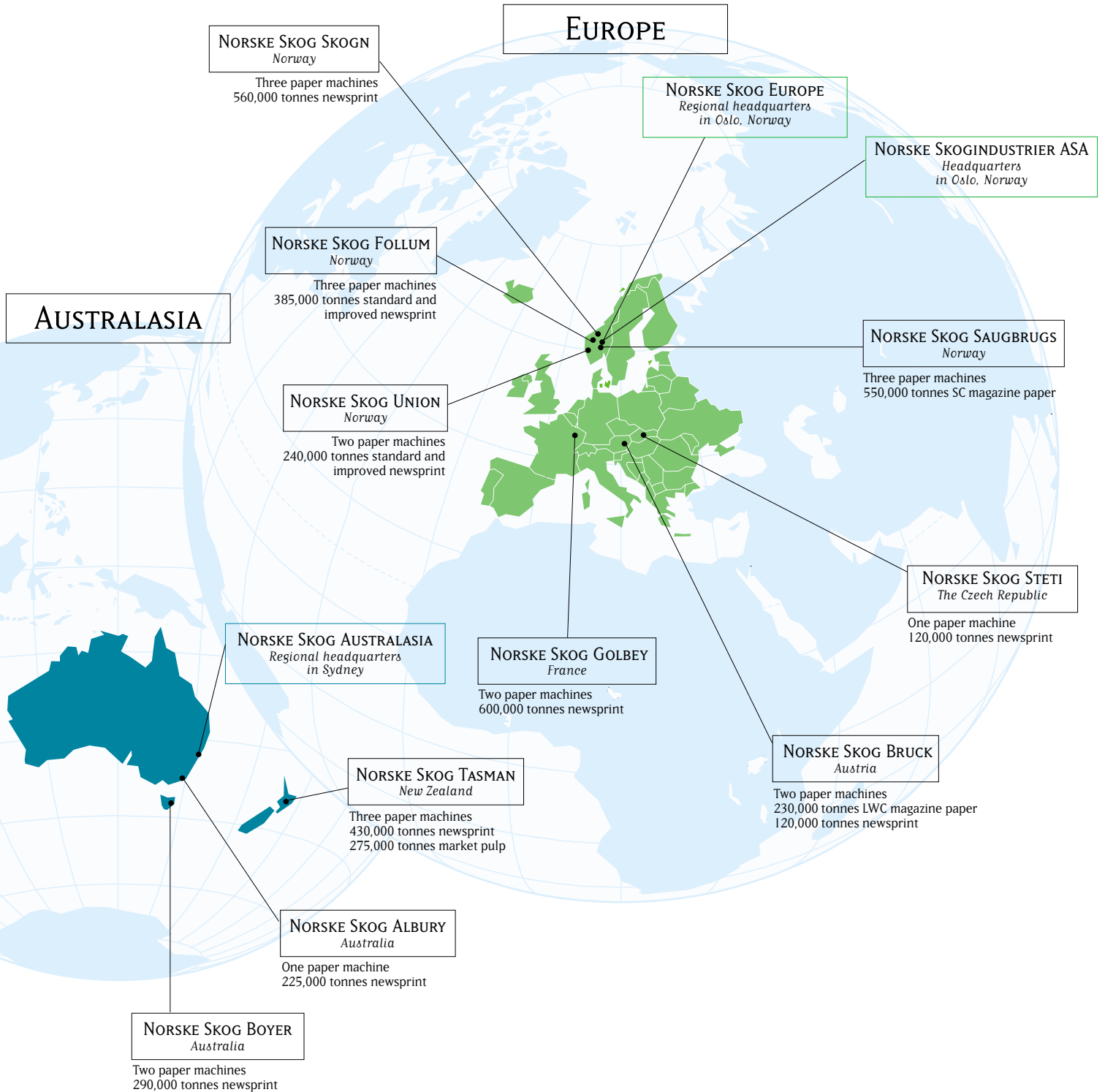
The **comfortable**
way of being **informed**



Review of operations

The World of Norske Skog





NORSKE SKOG EUROPE

Markets expected to remain strong in 2001, too

Norske Skog Europe's seven publication paper mills performed well in 2000. Due to strong demand, improved productivity and high capacity utilisation, the combined volume produced increased by 7%. The publication paper markets are expected to remain strong in 2001, particularly for newsprint.



PEOPLE & PAPER



GREAT BRITAIN

Record sales of all paper grades

Norske Skog saw sales of all its paper types reach record levels in the year 2000. The strong economy partly explains this, but our sales offices also deserve their share of the credit for this result.

Norske Skog UK, London, headed by Douglas Brown, is a good example of the

trend. When Brown started work in the trade, 25 years ago, sales of Norwegian paper in Great Britain totalled 10,000 tonnes. Last year, Norske Skog sold 421,000 tonnes of paper in this important market. This represents a 20% market share for magazine paper and one of nearly 11% for newsprint.

The next target is to reach 500,000 tonnes per year. Good customer relations, good products and first-class technical support are the recipe for success, according to Douglas Brown.



The significant investments in recent years are meeting expectations. The new newsprint machine in Golbey is performing well beyond the planned start-up volume, and the new de-inking plant in Skogn is operating satisfactorily.

INCREASED DELIVERIES

Overall, demand for newsprint was strong in Europe for 2000. Deliveries to Western Europe increased by 4.7%, reflecting a strong advertising market and several new projects, such as free newspapers. The capacity utilisation averaged approximately 97%. The highest percentage of growth was in southern regions of Europe. Tight markets in North America and Asia reduced some of the import to Europe.

Deliveries of uncoated (SC) magazine paper to Western Europe increased by 9% compared to 1999. The second half of the year was particularly strong with deliveries-to-capacity rates of approximately 100%, and for the whole of the year the rate was 96%. The North American market also saw a strong year. More than half of a million tonnes of European SC was delivered to North America in 2000. In combination with the favourable development of the USD, shipments to North America and other USD-based markets had a positive impact on the magazine

paper business. The price level in Europe remained stable during the year, whereas the prices in the United States did increase.

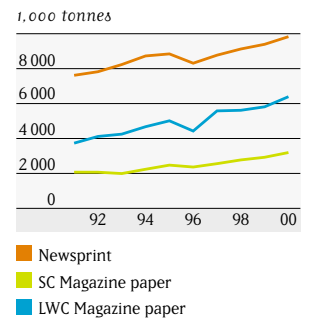
Demand for coated (LWC) mechanical paper also developed favourably in 2000 with a particularly strong increase during the second half of the year. Total deliveries to Western Europe increased by 10%, reflecting increased demand and high prices for fine paper, as well as high advertising spending. These factors jointly triggered a price increase for coated mechanical reels (CM) of 5% from July 1 in Europe. The market easily absorbed new capacity that came on stream during the year. The delivery-to-capacity ratio was approximately 95% for the year. European exports also saw a strong increase, with a growth of 19% over the previous year.

PRODUCTION RECORDS

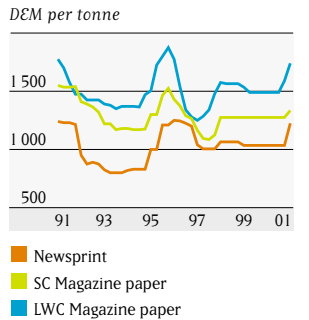
Norske Skog Europe produced a total of 2,663,000 tonnes of publication paper in 2000, 7% more than last year. The higher production is a result of both higher capacity utilisation and improved productivity. By year-end, all of the seven European mills had implemented the Norske Skog Operational Standards (NSOS) to facilitate the implementation of best practice working procedures.

Total newsprint production increased by 11% to 1,895,550 tonnes. The new paper ma-

DELIVERIES PRINTING PAPER TO WESTERN EUROPE 1991-2000



PRICE DEVELOPMENT - PUBLICATION PAPER IN GERMANY



MAIN FIGURES EUROPE

NOK mill.	2000	1999	1998
Operating revenue	13 714	12 102	10 539
Operating profit	2 266	1 809	1 946
Operating margin %	16.5	14.9	18.5

Right: Norske Skog UK: Norske Skog's sales office in London has 22 employees. In addition five people work with shipping at the Tilbury terminal. The branch office in Edinburgh has four employees.

Left: Major customers: Douglas Brown is highly satisfied with Norske Skog UK's many, large customers. The largest is Trinity Mirror, which buys 80,000 tonnes of paper annually.



ITALY

Uniting Europe

When the sales office in Italy began using SAP, just after the New Year, the system was implemented throughout our entire European organisation. Norske Skog's SAP version aims to provide increased proximity to the market, improved customer service and higher earnings. The system contains new working methods and a common data system (SAP and MAS), and is used by The Group's sales offices, the mills and Norske Skog Logistics.

chine in Golbey continued the good development since its start-up in 1999 and is performing better than the planned start-up curves. All paper machines are showing equal or better productivity figures, compared to last year, with the exception of two paper machines that experienced a small decline. This decline was linked to two rebuilds and the start-up of new equipment.

Total magazine paper production in Norske Skog Europe increased by 3% to 767,000 tonnes. Both Bruck's PM 4 (LWC) and Saugbrugs PM 6 (SC) achieved new records this year both in total tonnage and productivity.

The de-inking plant in Norske Skog Skogn started up in the third quarter, on time and with total costs below budget. The plant is running at 90% capacity and producing a targeted quality de-inked pulp. Significant upgrades for quality and productivity were made at Skogn, Follum, Steti and Union.

FULL EMPLOYMENT DURING 2000

There were 4,056 employees on the Norske Skog Europe payroll at the end of 2000, of these 1,332 were employed outside Norway. The corresponding figures for 1999 were 3,081 and 1,317 respectively. Owing to the strong market situation for publication paper it was possible to maintain full employ-

ment at all mills during 2000.

The average rate of absence for the region was 5.4% compared to 5.2% in 1999. The rate of absence in the Norwegian mills is considerably higher than that of the continental European mills. Special attention has been devoted to this situation.

The number of injuries causing absence from work, per million hours worked (H-fac-

tor) was eight, at the same level as previous year and above the overall corporate target of five. Three mills out of seven reached this target. A new program is launched to make it possible to continue the positive trend during the last years. Norske Skog Saugbrugs received the Norske Skog HMS award in 2000 for their efforts and positive HMS results.

New supply-organisation

In 2000 all supply responsibilities were transferred from the mills to Norske Skog Europe Supply. Utilising Norske Skog's new global position by adapting a coordinated supplier approach, combined volumes and transfer of best practises will strengthen the Group's and Norske Skog Europe's competitive position.

Due to abnormal weather conditions in the fourth quarter 2000 logging operations in Norway and Sweden partly ceased, reducing the stocks significantly. Skilful distribution of available domestic and import wood kept the mills running undisturbed. High consumption in the packaging and printing paper industries added severe pressure on recovered paper prices, especially in the first

three quarters of 2000. Prices are expected to decline in the first quarter of 2001.

Norske Skog's mills in Europe used 6,300 GWh of electricity and 4,000 GWh of thermal energy in 2000. Throughout 2001 energy prices will remain stable. Energy trading has generated a positive result in 2001, and is expected to do so in 2001, too.

Except for pulp, which had a significant price increase, saving targets were met for all major products. Key tools for further improvement will be the introduction of common IT systems and e-procurement.



PEOPLE & PAPER



Corresponding trend in France

There, sales volumes have quadrupled during the 1990's, from about 50,000 tonnes to 220,000 tonnes per year. The French market is special, in that it takes twice as much magazine

paper as newsprint. Norske Skog's market share for SC paper is 15%. Its share of the LWC market is 3%. The people at Norske Skog France believe they have a long way to go before they

Research focus on products

In accordance with a change of focus last year, Norske Skog Research (NSR) is now involved in a number of projects to develop new products and improve existing ones. This work is being carried out in co-operation with customers, Norske Skog Commercial and production units. Benchmarking is an important part of the work, and NSR has performed benchmarking throughout the whole production chain.

The work on runnability and printability was focused on achieving the best possible performance from existing printing presses.

Different types of monitoring equipment have been installed at customer presses and the causes for paper web breaks have been identified.

Norske Skog is one of the largest users of recycled paper in Europe. The use of mechanical pulp together with de-inked pulp may have a negative effect on the runnability of the paper machine. A development program is currently being carried out to give the Group's paper machines the best possible runnability and productivity.

Environment: New targets

All units complied with the set regulatory limits during 2000 with some minor exceptions. Norske Skog Skogn experienced problems with increased discharges of organic material during the start-up of the de-inking plant, and Norske Skog Follum had a period with high Chemical Oxygen Deman

(COD) loads. Norske Skog Saugbrugs was granted a permit to increase annual production volumes. The State Pollution Control Authority (SFT) has, however, requested that a new application be submitted during first half of 2001.

PROSPECTS 2001

Strong markets for publication paper

Due to the economic slowdown in the USA, global growth is projected to slow down as well this year. It is also expected a somewhat lower economic growth in Euroland this year, from 3.6% in 2000 to 2.8% in 2001.

The company anticipates that private consumption will be maintained with an expected growth rate of 2.8% and do not expect any interest rate increases from the European Central Bank (ECB). Several countries have implemented, or are ready to implement, tax cuts for households and corporations. This should stimulate economic consumption due to higher disposable income.

Newsprint consumption in the first half of 2001 is likely to remain strong. However, as advertising spend softens in the second half, consumption growth could moderate somewhat. Capacity utilisation is expected to remain high during 2001 with some capacity swings occurring to other higher grades. In the longer term, announced new capacity projects will soften the Western European newsprint market. Most of the customer contracts have been negotiated for 2001; in consequence, the price levels in Europe will be fairly close to those in North America during the first quarter.

The outlook for uncoated (SC) magazine paper in 2001 is satisfactory with price increases expected both in Europe and in the overseas markets. The order book was at forecast levels for year-end 2000. Demand for coated (LWC) magazine paper for 2001 is expected to remain relatively strong. The new CMR capacity in Europe is anticipated to be absorbed by the market, and prices are expected to rise moderately for the first quarter of 2001.



Quadrupled: Norske Skog France, represented here by Catherine Claret and Stanislas Brossollet, quadrupled sales during the 1990's.



hit the ceiling. According to managing director Stanislas Brossollet, Norske Skog scores on service, quality and reliability. Capacity is, at the moment, the greatest limiting factor. Given larger

supplies, sales of magazine paper could be trebled in a short space of time, estimates the head of Norske Skog France.

NORSKE SKOG NORTH AMERICA

Improved earnings from higher sales and production

Norske Skog Canada improved its profitability in 2000. The improvement is attributed to higher average prices for newsprint and market pulp, higher sales and production volumes for these products, and favourable Canadian/US dollar exchange rates.



CROFTON
Canada

Change of name

"Velkommen" and "Hei" became part of Norske Skog Canada's vocabulary from October 27, 2000. On that date the change of name from Fletcher Challenge Canada to Norske Skog Canada Limited became a reality.

The name change was duly marked at the regional office in Vancouver and at Elk Falls, Crofton and MacKenzie. New signboards with the Norske Skog logo were unveiled, and the day was celebrated with speeches and cream cakes.

PEOPLE & PAPER



This was partially offset by lower average prices for pulp and containerboard in the fourth quarter, lower pulp sales and production volumes, and higher fibre and energy costs which affected both of the company's business segments. Norske Skog Canada, owned 50,8% by Norske Skog, has the capacity to produce app. 1 million tonnes of newsprint and ground-wood specialities, 780,000 tonnes of market pulp and 105,000 tonnes of container board at three mills in British Columbia.

FIRM DEMAND BOTH IN DOMESTIC AND OFFSHORE NEWSPRINT MARKETS

North American newsprint demand was firm in 2000 because of continued growth in domestic consumption resulting from increased advertising lineage. The continued strength of the U.S. economy and consumer optimism resulted in an increase of 1,2% in newsprint consumption in the United States in 2000. Increased demand levels in Asia and Latin America, coupled with decreased supply from Asia, resulted in a higher level of net exports of newsprint from North America. Customer and producer inventories continued to decline to low levels at year end.

Average benchmark newsprint prices were up by approximately 20% in the second half of 2000, compared to the corresponding

period in 1999. Prices for groundwood specialty paper followed the trend in newsprint pricing.

Softening demand for market pulp in China and other parts of Asia, particularly in the fourth quarter, resulted in weaker market conditions. Through December NORSCAN producer pulp inventories increased to 1.765 million tonnes at year end. Northern bleached kraft pulp prices remained stable in Europe and North America, but declined by USD 40/tonne in Japan in December.

Containerboard market conditions remained favourable with demand and prices relatively stable.

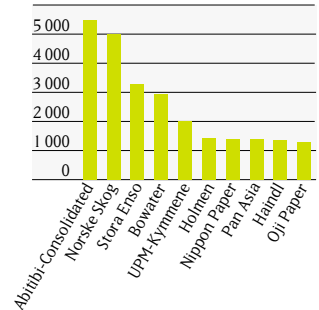
HIGH OPERATING RATE

Total newsprint and groundwood specialty printing paper production for the second half of 2000 was 451,000 tonnes, compared to 446,000 tonnes in the six months ending December 31, 1999. The operating rate of the paper mills was 98%.

Total market pulp production for the last six months of 2000, of 351,000 tonnes, was in line with the production for the same period in 1999. Despite production curtailments, Norske Skog Crofton achieved record production levels in the second half of 2000.

Norske Skog Canada's improvement efforts over the past year focused on the com-

TEN LARGEST PRODUCERS OF NEWSPRINT - WORLD
1 000 tonnes



MAIN FIGURES NORTH AMERICA

NOK mill.	2000	1999	1998
Operating revenue	4157	0	0
Operating profit	529	0	0
Operating margin %	12.7	0	0



Norske Skog Crofton in Canada.

Much work had gone into ensuring that the introduction of the company's new identity should be rapid and painless.

All employees at Norske Skog Canada received the Welcome newspaper and an informative folder with the word "Hei" on the front cover. It contained facts about Norske Skog's history, vision and values. Vehicle doors, buildings, entrances, work clothes and helmets were given Norske Skog identity.

The pictures show how the day was celebrated at the mills and at the regional headquarters in Vancouver.



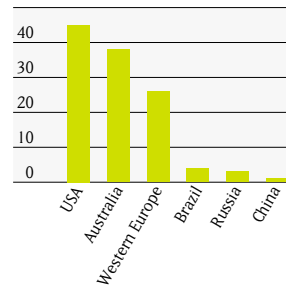
pany's paper operations, in part because of the opportunities to make substantial gains. Marketing strategy is being revamped to optimise customer and geography base. Significant improvements have been achieved in the supply chain, covering the whole process from raw material procurement to the delivery of finished paper products in the customer's press room.

Operational improvements, including increased productivity, lower kraft consumption and energy price management have helped to offset rising fibre and energy costs.

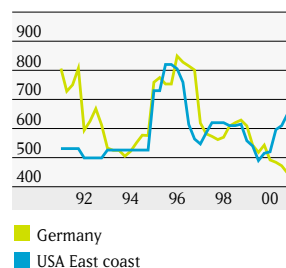
The Norske Skog Crofton and Norske Skog Elk Falls market pulp operations are being optimised and will be interfaced with the two mills' paper operations. For 2001 the pulp and containerboard operations will be reintegrated with the company's paper business. Running them as separate entities no longer makes good business sense. This move is also consistent with the company's strategy of simplifying its business processes.

Capital spending is focused on maintenance of business investment and continues to be subject to a spending discipline emphasising low risk, high payback profit-adding projects.

NEWSPRINT CONSUMPTION PER CAPITA
Kilos/person



PRICES NEWSPRINT USA AND EUROPE 1991-2000
USD



PROSPECTS 2001

Continued improvements for printing paper

Norske Skog Canada has already sold out its newsprint and directory paper production until the end of June. The company anticipates a continuation in improved results for its printing paper business in 2001. World demand for paper remains strong and there has been a reduction in supply, with industry machine closures and conversion to value-added paper grades. However, with a weakening U.S. economy the outlook is for a decrease in newsprint consumption in the US in the first half of 2001, as advertising slows.

Newsprint prices in the company's offshore markets are now above those in North America. A USD 50/tonne newsprint price increase has been announced for western North America effective March 1. Demand and prices for groundwood specialty paper have benefited from strong markets for newspapers, magazines and catalogues, but will also be affected by predicted slower retail sales in the United States in the first half of 2001.

The Company expects pulp markets may remain under pressure in the near term, as producers adjust excess inventory levels. However, Norske Skog Canada anticipates a seasonal pickup in demand in the second quarter and is optimistic that market conditions will improve during 2001, with global economies continuing to grow, albeit at a slower pace. Demand for containerboard is expected to be steady in 2001.

Safety awards to Norske Skog Crofton

Emphasis on safety is an important component of continuous improvement. Norske Skog Canada is committed to providing the safest possible working conditions and to addressing safety concerns before they become safety issues. The company is seeing positive results of this co-operative effort and commitment to safety. In particular, lost time injuries have been reduced by almost 40% year-over-year. The number of injuries

causing absence from work, per million hours worked (H-factor) was 5,98.

Norske Skog Crofton's pulp mill was recognised by the Pulp and Paper Forum as the safest mill in British Columbia in 2000. Crofton's paper mill won the same award as safest mill in the fourth quarter. The award is based on the fewest lost time injuries per number of man-hours worked.

Environment

In August 2000, the board of directors approved capital projects - totalling CAD 29.1 million - to improve air emissions from the Crofton and Elk Falls facilities. The Crofton

project is now complete and the Elk Falls project is scheduled for completion in July. In addition to environmental gains, these projects will also generate cost savings.

NORSKE SKOG SOUTH AMERICA

Increased production, moderate consumption growth

In 2000, Norske Skog was established as the leading newsprint supplier in South America, following two strategic moves, Norske Skog's investment in the joint venture with Klabin (Norske Skog Klabin) as from 1 April 2000, and the acquisition of Pisa Papel, Brazil and Bio Bio, Chile, as from 28 July through the Fletcher Challenge Paper transaction.



The head office of the South American Region is situated in Curitiba in the State of Paraná in Brazil, about 400 km south of Sao Paulo. Until the end of the year 2000 the three mills have been run individually, with very little coordination, because of the owner situation in Pisa.

MODEST GROWTH - PRICE INCREASES

During the year economic uncertainties in the region's two major economies, Brazil and Argentina, contributed to a slowdown in newsprint consumption growth, which was modest in 2000. However, with an import rate of 60%, newsprint prices in South America follow the trend in major neighbouring markets, primarily the US. In the fourth quarter of 2000, newsprint prices in Brazil reached USD 700 plus. The price in Chile is normally based on the US price.

Norske Skog South America is creating an efficient commercial organisation, in order to offer the appropriate products and service to its customers in the South American market.

INCREASED PRODUCTION AT ALL MILLS

Total production at the three Norske Skog South American mills increased to 415,147 tonnes in 2000, compared to 399,812 tonnes in 1999. Norske Skog Bio Bio had a record production of 123,539 tonnes during the year, compared to 114,364 tonnes in 1999. Some technical and operational improvements contributed to paper quality improvements as well as increased volume.

At Norske Skog Klabin the joint venture is renting the paper machine, as well as technical services, from its partner Klabin. Both the Klabin mill and Norske Skog Pisa

achieved increased production in 2000 compared to 1999. It should be recalled that the Klabin mill was shut down for several weeks, due to a rebuild. The performance of the Pisa mill was excellent.

Through Pisa Florestal Norske Skog Pisa is a substantial player in the forestry sector.

MAIN FIGURES SOUTH AMERICA

NOK mill.	2000	1999	1998
Operating revenue	1035	0	0
Operating profit	231	0	0
Operating margin %	22.3	0	0

In 2000 total wood production and sales from the plantations were 1,442 million cubic metres somewhat lower than the 1999 level. This wood is sold mainly in the district. Pisa Papel is a considerable buyer of Pisa Florestal wood, accounting for approximately 20% of total production volume.

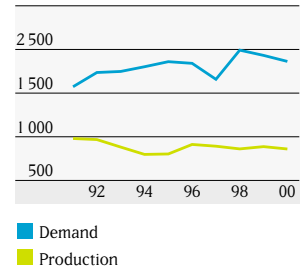
PRE-STUDY FOR NEW PAPER MACHINE

No major operational investments were completed or approved in the South America mills during 2000.

The pre-study for a new paper machine in Brazil was completed late autumn. A final decision for continuing the project into a main study has not yet been taken.

During the last days of December Norske Skog acquired another 28% of the shares in Norske Skog Pisa from O Estado, a major Brazilian publisher. This means that Norske Skog now controls well 90% of the voting shares, and during the first part of 2001 the remaining shares will most probably be acquired as well.

DEMAND AND PRODUCTION NEWSPRINT, LATIN AMERICA 1000 tonnes



Improved performance and coordination

A major review of the regional organisation is now taking place, in order to improve the coordination of the three different operations and to enhance the relationship with Norske Skog's customers. The former Fletcher Challenge Paper office in Sao Paulo has been closed down. Most of the functions of the Pisa mill's Sao Paulo office will be moved to the mill and a few to the Regional Office in Curitiba. A new sales organisation for Norske Skog South America will also be located in this office.

At Bio Bio a two-year performance improvement programme has been completed.

This programme has enabled the organisation to harmonise procedures, develop performance management tools, enhance the interaction amongst its employees and improve results. The program reduced the labour force by just over 15%.

The Bio Bio mill has been given a three-year ISO 9002 re-certification as from December 2000.

At the Pisa mill, the health, work environment and safety tasks have had high priority and strong focus for quite a long time. The statistics show excellent performance, and the mill is modern and well-maintained.

A programme to improve the operators' competence has been carried out, boosting the skill of the mill's workers. This project will continue.

The joint venture Norske Skog Klabin has no employees, all operation and administration being provided by Klabin through a rental agreement.

PEOPLE & PAPER



BIO BIO
Chile



The Chaparro-Reiviera dynasty

Bio Bio employees Plinio Chaparro Roa and his son Antonio followed in their ancestors' footsteps when they opted for careers in the paper industry. Many of their forebears worked not only in the same industry, but also for companies associated with Bio Bio. Over the past six generations, there has al-

ways been at least one member of the Chaparro Reiviera family working in paper mills, either in Chile or abroad. A lifetime in the industry Plinio - now 60 - has been working for Papeles Bio Bio for 42 years. Starting as an apprentice on the presses at the age of 18, he successfully performed every task allotted

to him, gradually moving through every production job in the mill until he finally became chief of area. "My father - Jose Chaparro Alveal - worked for this same company," says Plinio. "He got me an interview with the then mill manager." Having been accepted by the company, Plinio was offered

Planned environmental investments

In Chile the environmental legislation will most probably be more precise and restrictive in the years to come, and the Bio Bio mill management has adopted an active approach to environmental questions, in order to participate in this process. To comply with expected new regulations and Norske Skog's

environmental policy, investments in the size of approximately USD 6 million are planned in Chile during a three-year period.

The Pisa mill meets all environmental requirements. No specific problems are expected in this area.

Increasing its stake in PISA

In December 2000 Norske Skog concluded an agreement with the OESP group, Brazil, to buy the latter's shares in PISA (Papel de Imprensa S.A.). The purchase gave Norske Skog control of 90.5% of PISA's vote-entitled shares and 68.4% of its total share capital. The agreement is worth a total of USD 57.3 million, which will be paid in April 2001.

In February, an agreement was concluded under which Norske Skog was to purchase a further 22.2% of PISA shares from BNDE-SPAR, a subsidiary of the Brazilian Development Bank. The shares were transferred to

Norske Skog in mid-February, and the Group now owns 90.6% of PISA's share capital.

PISA owns a newsprint mill at Jaguari-iva, Brazil, with capacity of 180,000 tonnes of newsprint. In addition, the company owns 66,000 hectares of productive forest, yielding an annual harvest of around 1.7 million cubic metres. The company is very profitable.

The agreements mark an important step in Norske Skog's development in South America, as they enable the Group to coordinate more closely its interests in the region.

PROSPECTS 2001

The prospects mainly good

The state of the economy in Brazil and USA will be crucial for the prospects in 2001. The current situation - with, among other things, GNP growth of approximately 4% in Brazil and a limited weakening of the US economy - seems to indicate price and consumption stability for the next period. A high import rate always implies a risk of rapid fluctuations in prices and profits. The South American - and particularly the Brazilian - market, is very sensitive to changes in demand on the world market. Small changes in demand can produce wide price fluctuations in the South American market, as it is still considered by the main international markets as a home of excess volumes. Assuming continued healthy demand for newsprint in the global market, the prospects for Norske Skog South America in 2001 are good.

a choice between working on the paper machine or in the laboratory. "I much preferred the former, and that was where I went," he explains. Plinio's education did not point him in the direction of the paper industry. He had actually taken a degree in accounting, at the Business College in Concepcion. But it was in paper manufacturing that he made his career.

Two years after starting at Bio Bio, Plinio married Silvia Rivera Lehrmann - daughter of Erasmo Reiviera Flores and Olga Lehrmann. When he proposed, he was unaware that her paternal ancestors, too, had a paper industry background. Three children

were born of the marriage: Antonio, the eldest, is a mechanical engineer and represents the third generation in the family to be employed at Bio Bio. Angela, number two, is an English teacher and educational counsellor, while the youngest of the flock, Eduardo, is a commercial engineer.

"I applied"

As a child, says Antonio, he never envisaged working at the mill where his father was employed. Only when he was about to graduate from the University of Concepcion did he consider this possibility. "I applied, met the job requirements, and began working

for Bio Bio in March 1988." Having worked with the company for thirteen years, he is now Chief of Central Mechanical Maintenance. With his wife, Anita Orellana Yañez,

he has three children: Joaquin (11), Cristian (7) and Daniela (6). He praises Bio Bio for its employee-friendly policies: "The company gives you freedom to contribute, as

a professional, to its development. It is good to work here; the environment is pleasant and in addition you are given free time to spend with your children."



NORSKE SKOG AUSTRALASIA

Strong demand and increased production

Strong demand for paper and pulp, increased production and new long term agreements with major customers. A number of projects to improve quality and customer satisfaction and enhance production efficiency. The mills received awards for environmental performance and safety work as well.



PEOPLE & PAPER

ALBURY
Australia

A pleasant chat in the control room



When CEO Jan Reinås visited Norske Skog Australasia with Senior Vice President Jan Oksum at the end of 2000, there was time for a trip around the newsprint mill at

Norske Skog Albury, to meet employees. Here is the CEO having a cheerful conversation with the control room operators. Later he met the Albury Town Council, held a

press conference, and planted a spruce tree as a symbol of the link between Australia and Norway.

It is, however, expected that the Australian market is going to weaken somewhat in 2001. Long term agreements and a strong global newsprint market are stabilizing the situation.

NEWSPRINT DEMAND PEAKED

The major event in the Australasian market was the signing of new long-term agreements with major Australian customers. The new agreements are for 10 years commencing July 2000 and cover 90% of the newsprint consumption and 75% of the specialty grade consumption for the three major newspaper publishers. The agreements provide long term price stability and security of supply for the benefit of both Norske Skog and its customers. Moreover, it is the first time that sales agreements have included specialty grade products. It is also the first time sales from the New Zealand mill have been combined with sales from the Australian mills in one agreement.

In general terms 2000 has been a year of very high demand, with specific events such as the Sydney 2000 Olympic games combi-

ning with an already healthy economy and a strong advertising market. The year produced the highest-ever peak in demand for this region. The use of specialty grade products for pre-printed inserts and free magazines has continued to grow, with these products adding to the pagination of existing newspapers.

Market conditions for kraft pulp were strong. High prices and strong regional sales resulted in a strong margin performance. The market showed signs of weakening in the fourth quarter.

A PRODUCTIVE YEAR

The year 2000 was a productive year for the three Norske Skog Australasia paper mills and the market pulp mill as well. Total production of newsprint reached 843,000 tonnes on a 45gsm equivalent basis, and all mills surpassed the production of 1999. The Albury Mill recorded its highest production ever for a July/December period.

The output of improved news products of 89,000 tonnes at the Boyer mill reflects the continued annual increase in sales, sus-

tained over the last 5 years. Improved operating performance and capital improvement initiatives contributed positively to paper quality and business performance at the Tasman paper mill. Production at the Tasman Pulp mill was outstanding in 2000.

A number of projects were carried through at the paper mills in 2000, to improve quality and customer satisfaction, enhance production efficiency and optimise existing assets. Planning activity to identify a new three year improvement of paper machine speed and efficiency at all mills, to align with the Norske Skog "Best practices", was completed. Approvals and project executions commence in 2001.

Minimum improvement capital investment was undertaken at the Tasman market pulp mill in 2000.

MAIN FIGURES AUSTRALASIA

NOK mill.	2000	1999	1998
Operating revenue	2801	0	0
Operating profit	545	0	0
Operating margin %	19.5	0.0	0.0

Health & Safety

Health and Safety performance was strong, with a record H factor of 2.96 being achieved in July. The National Safety Council of Australia's 5 Star System was implemented across all paper mills and provides a common basis for developing and evaluating the effectiveness of all aspects of safety. Two

mills received the highest award of 5 Stars, the third mill achieving 4 Stars, which is also an excellent achievement.

Human resources efforts continued to focus on ensuring that our people contribute their maximum towards achieving business results and building a rewarding career.

Economy at a slower pace

The Australian economy has now entered a period of lower growth than that experienced in 2000. There are signs that domestic newsprint consumption will be some 2-3% lower in 2001 than the record year of 2000. This is not expected to have a significant effect on the region's margins, as alternative sales to Asia provide attractive returns at current Asian prices. Demand in New Zealand is essentially flat. The new newsprint contracts with our Australian customers will deliver a modest price rise for us in

July 2001.

There is likely to be a slowing down in the growth of improved grade substitution for standard newsprint this year, as our publisher customers manage their own margins. The trend to lighter basis weight papers is likely to continue, albeit at slower rates than the last two years.

The kraft pulp market remains precariously balanced at present, with international list prices well above Asian transaction prices.

Environmental improvement

No major changes to the legislative position at the three mill sites occurred during the year. Focus has therefore been on the continuous improvement of existing facilities, combined with the progression of several important projects.

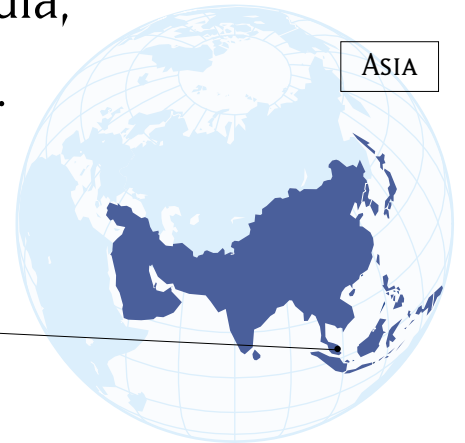
At Boyer there were several minor infringements, during the year, of the limits on discharges to water of organic substances. Albury has a high environmental standard, with very small discharges to water. At Tasman a 5-7 tonne/day reduction in wastewater colour was achieved. In partnership with the publishing industry, a 5 year Recycling Agreement was signed with the Australian and New Zealand Governments.

Tasman received the Bay of Plenty Regional Council Environment Award for Industry for its wetland restoration project and Albury was presented with the RiverCare 2000 Award for Excellence.

ASIA

Advertising growth triggered increased newsprint demand

Asian markets in general showed strong increase in newsprint demand throughout the year, mostly driven by growth in advertising as a result of the Asian economic recovery, increased regional stability and a general sense of optimism. Particularly, demand in Korea, China, India, Malaysia and Hong Kong grew by 10% plus.



PEOPLE & PAPER



PAN ASIA PAPER
Singapore

30 employees from 12 different nations

Chairman of the Board and President and CEO of Pan Asia Paper Company, Omund Revhaug.



Located in the prime business district of Singapore overlooking a panoramic view of one of the world's busiest ports is the headquarters of Pan Asia Paper Co. Pte Ltd.

With almost 30 professional personnel and 12 nationalities,

PanAsia is truly a multi-national company. It's not unusual to hear Pan Asia's people say "Hello", "Good morning" or "Thank you" not only in English but also in Cantonese, Mandarin, Teo Cheow, Hokkien, Korean, Norwegian or Swedish.

And because they are doing business with customers and suppliers located across different time zones, one could be talking to Australia or Canada in the morning, Korea or Hong Kong throughout the day and India or Norway in the afternoon. Working in

Quarterly price increases in most markets and a strong US dollar led the average price level for newsprint in Asia above Western Europe and North America. North American and European producers of newsprint reduced their newsprint exports to the region, while only marginal new capacity came on stream in China.

STRONG PRODUCTION INCREASE

In Asia Norske Skog is a 1/3 partner in Pan Asia Paper Co., headquartered in Singapore, and became through the acquisition of Fletcher Challenge Paper also a 33,7% owner of Malaysian Newsprint Industries (MNI). Pan Asia has newsprint mills in Korea, China and Thailand with a total annual capacity of almost 1.5 million tonnes. MNI operates a brand new, state of the art mill in Malaysia with an annual capacity of 250,000 tonnes.

All Pan Asia Paper's four mills ran close to full capacity and production reached 1,441,000 tonnes, an increase of 64,700 tonnes or 4,7% over 1999.

Pan Asia Paper started construction of a new recycled fibre processing plant with an annual capacity of 220,000 tonnes at one of the Korean mills for completion mid-2001. Investment programs for quality improvements and machine speed-ups at the

Thailand and Korean mills initiated in the course of the year will show positive effects from mid 2001 onwards.

MNI, which started production in April 1999, reached a production level of 220,000 tonnes in 2000.

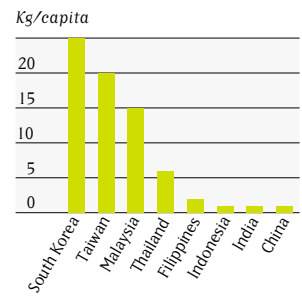
OVERALL NEWSPRINT

MARKET EXPECTED TO REMAIN TIGHT

The underlying factors for a positive, albeit less bullish, development in 2001 are still in place in spite of the uncertainties related to the possible impact of the U.S. economy slow down on the Asian economies, the further financial restructuring in Korea and the sluggish Japanese economy.

Continued growth is anticipated in newsprint demand in such markets as China, Malaysia, India and Singapore, whereas demand in Thailand, Taiwan and Korea may remain stagnant. The overall market is expected to remain tight with some new capacities coming on line in China only nearing the end of the year.

PER CAPITA CONSUMPTION IN SOME COUNTRIES



MAIN FIGURES ASIA

NOK mill.	2000	1999	1998
Operating revenue	2572	1988	485
Operating profit	526	336	61
Operating margin %	20.5	16.9	12.6

such a diverse cultural environment is a challenge for everyone at Pan Asia. Nevertheless, they have been working hard to overcome these differences and to understand each other better.

The successful implementation of the distribution and financial system, MFG Pro, clearly demonstrated their ability to work as a team. People from all departments; sales, IT, finance and accounting worked non-stop to ensure the completion of the project. As a result, Pan Asia are now better able to provide accurate and real time information to customers, suppliers and shareholders.

Headquarters has also

been working with the local community to strengthen the corporate citizenship. Pan Asia has received the Approved International Traders Award from the Trade Development Board of Singapore, the Operational Headquarters Award from the Economic Development Board and the Finance & Treasury Centres Award from the Monetary Authority of Singapore.

However, it is not all about work for the people in the Singapore office! Lunchtime is when they really come together to share cultural backgrounds and experiences either over a chicken melt sandwich or



curry fish head. Yes, there are differences but they are shaping a unique culture here at Pan Asia.

New organisation and new governance model

The purchase of Fletcher Challenge Paper and the sale of the sawmills, the flooring units and the pulp mills in Norway necessitated a full review of the company's structure and management systems. Its operative activity is now organised under four geographic regions. The regions are fully responsible for their business operation. The heads of the regions are members of corporate management.

Simultaneously, two senior vice presidents were appointed to work on the Group's global expansion. One is responsible for handling and developing Norske Skog's interests in Asia, while the other's task is to develop the Company's ability to optimise its business potential and to facilitate the exchange of knowledge and experience between the regions.



Great stress was laid on achieving a rapid and successful integration of Norske Skog and FCP. Barely four weeks after the purchase was a fact, a three-day leadership meeting was arranged for the core of the Company's leadership, plus elected officials. Of the 100 senior people who participated, about 40 came from FCP. Leadership, responsibility and awareness of what is expected of a leader in Norske Skog were at the top of the agenda; at the same time, the meeting provided a very valuable way of establishing contacts. On the basis of the discussions at this meeting, a new corporate governance model was created.

As a consequence of the integration of FCP with Norske Skog, the former's head office at Auckland, New Zealand, was wound up. Key corporate functions have been transferred to the corporate headquarters at Oxenøen, near Oslo. This affected 24 people, and of these, four chose to move to another country in order to continue their careers with Norske Skog. Great efforts were made to assist the employees in finding new work, locally.

In all, 14 people from the former Norske Skog and FCP have taken up new posts in other countries. Both the corporate leadership group and the senior staff groups in all regions comprise people from several different countries. The organisation is strongly focused on continuing the integration process.

Environment-friendly energy use

Well 80% of Norske Skog's global energy consumption in 2000 was based on resources that do not involve fossile CO₂ emissions. Total consumption was 17.3 TWh (1 TWh = 1 billion kWh), comprising 10.0 TWh of electricity and 7.3 TWh of heat energy (steam).

The electricity is used to run the machines, while the heat energy is used to dry paper and pulp. These figures include the new units which were added to the Group from and including

the month of August - that is, for five months. On an annual basis, Norske Skog's energy consumption is about 25 TWh.

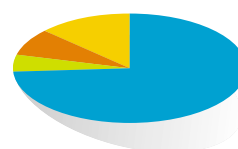
Some 80% of electricity consumed comes from external suppliers, and 75% of requirements is covered by hydro power. Only 13% is covered by fossil fuels, primarily natural gas. About three quarters of heat energy needs are covered through energy recovery and from biofuel.

Norske Skog's mills are run

with a strong focus on energy-saving, and their external elec

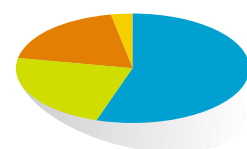
tricity supplies are highly environment-friendly.

ELECTRICITY CONSUMPTION
10,0 TWh



- Hydro power 75%
- Fossil fuels 10%
- Nuclear power 10%
- Bioenergy 5%

CONSUMPTION OF HEAT ENERGY
7,3 TWh



- Bioenergy 56%
- Electricity 4%
- Recovery 18%
- Fossil fuels 22%

GLOSSARY

RAW MATERIAL

Timber: General term for wood as a raw material.

Primarily used as a general name for pulpwood and saw logs timber, but also of sawn timber as raw material for woodproducts factories.

Pulpwood: Logs suitable for the production of chemical or mechanical pulp.

Saw logs: Logs suitable for the production of sawn timber.

Chips: Wood chopped into pieces 20-50 mm long, 4-5 mm thick and 15-20 mm wide, produced from round logs, or as a secondary product from the sawmills.

Recovered paper: Used newspapers and magazines, waste paper from offices and printshops, used packaging.

PULP

Cellulose: Organic substance which is the most important component of the cell walls in wood fibre; it accounts for roughly about 40%, while lignin makes up 30% and other substances the rest

Lignin: Organic substance gluing the wood fibres together.

Mechanical pulp: A mixture of fibres having been separated through mechanical processing in refiners or grinders.

Refiner: A machine which makes mechanical pulp by pressing chips between rotating steel discs. The surface pattern of the discs helps separate the individual fibres in the wood.

Grinder: A machine which makes pulp from logs; the fibres in the wood are separated when the logs are pressed against a rotating grinding stone.

Thermo Mechanical Pulp (also called TMP): Mechanical pulp produced by refining chips that are pre-heated to 100-115 C°. The high temperature softens the wood structure and helps separate the fibres, thus yielding longer and stronger fibres than are produced by grinding.

CTMP (Chemi-Thermo-Mechanical Pulp): Pulp produced in refiners where the raw material - chips - is both pre-heated and chemically impregnated.

Chemical pulp: A mixture of fibres having been separated through a chemical cooking process where substances other than cellulose are dissolved and removed.

Sulphate (kraft) pulp: Chemical pulp produced by cooking the wood chips with a solution consisting mainly of caustic soda and sodium sulphide in a digester. The term sulphate reflects the fact that sodium sulphate was traditionally used in the chemical recovery process.

Long fibre pulp: Chemical pulp produced from softwood timber such as spruce or pine.

Short fibre pulp: Chemical pulp produced from hardwood timber such as birch or eucalyptus.

DIP (deinked pulp): Recycled newspapers, magazines and other printed material which are chemically treated to remove the ink.

Bleaching: Removal or modification of the coloured components in the pulp, primarily lignin, to improve its brightness. Acting chemicals include chlorine dioxide and hydrogen peroxide, giving the pulp higher brightness.

Market pulp: Pulp delivered to external end-users. Most pulp is converted to paper in an integrated mill.

PAPER

Coating: A process in which the paper sheet is given a thin coating of clay and other pigments, to give the sheet a good printing surface.

Basis weight (substance): The weight of the paper sheet per unit area, normally in grammes per square metre. In North America other units of measurement are used (lb per 3,000 square feet).

Wood containing paper (publication paper): General term for printing paper containing mainly mechanical pulp. The most common grades are newsprint, SC magazine paper and LWC magazine paper.

Newsprint: Paper for newspapers containing up to 100% mechanical pulp and/or deinked pulp. De-inked pulp is increasingly used as a raw material for the production of newsprint.

SC (Super Calendered) magazine paper: Uncoated printing paper, mainly for magazines and catalogues, consisting of about 55% mechanical pulp, 15% chemical pulp and 30% clay. This paper is given a surface treatment (super calendered) to give it a smoother surface and better printing characteristics.

LWC (Light weight Coated) magazine paper: Coated printing paper with a base sheet of mechanical and chemical pulp given a coating to improve its surface - used for magazines, catalogues and free sheets.

Fine paper: General term for writing and printing paper of high quality, made from bleached chemical pulp.

OTHER

Biological treatment: A method of cleansing waste water in which micro organisms convert dissolved organic material in the effluent to water, CO₂ and combustible sludge.

Boiler house: The section that produces the thermal energy (steam/hot air) required during the production process to give the finished products (pulp, paper, board, sawn timber) the desired dry matter content.

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Letters on paper;
just **magic!**

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