08 Q1 report

Future on Paper

Norske Skog

Norske Skog

Q1 08

KEY FIGURES (UNAUDITED):

		Q1/08	Q4/07	Q1/07	YTD 2008	YTD 2007
Operating revenue	NOK mill	6 269	6 956	6 726	6 269	6 726
Gross operating earnings *	NOK mill	634	926	1 103	634	1 103
Operating earnings *	NOK mill	(44)	235	405	(44)	405
Underlying gross operating margin *	%	10.1 %	13.3 %	16.4 %	10.1 %	16.4 %
Net operating margin *	%	(0.7 %)	3.4 %	6.0 %	(0.7%)	6.0 %
Return on capital employed *	%	0.2 %	0.7 %	4.6 %	0.2 %	4.6 %
Profit before tax	NOK mill	(1 108)	(82)	(135)	(1 108)	(135)
Net profit	NOK mill	(966)	(910)	(99)	(966)	(99)
Earnings per share	NOK	(5.04)	(4.65)	(0.50)	(5.04)	(0.50)
Cash flow from operating activities	NOK mill	832	521	607	832	607
Cash flow per share	NOK	4.40	2.75	3.21	4.40	3.21
Net interest bearing debt	NOK mill	15 742	16 408	16 611	15 742	16 611
Net interest bearing debt / equity	Ratio	1.12	1.05	0.93	1.12	0.93
Production	1 000 tonnes	1 469	1 476	1 504	1 469	1 504
Deliveries	1 000 tonnes	1 442	1 599	1 427	1 442	1 427

** The numbers are exclusive of items that are deemed not to be related to the underlying operation. The numbers are reconciled to the IFRS accounts in the two tables below.*

	Q1/08	Q4/07	Q1/07	YTD 2008	YTD 2007
Underlying Gross operating earnings	**634**	**926**	**1 103**	**634**	**1 103**
Cash flow hedging effects	(145)	(148)	72	(145)	72
Gross operating earnings IFRS	**489**	**778**	**1 175**	**489**	**1 175**

	Q1/08	Q4/07	Q1/07	YTD 2008	YTD 2007
Underlying Operating earnings	**(44)**	**235**	**405**	**(44)**	**405**
Value changes energy contracts	475	4 489	(22)	475	(22)
Value changes derivatives	467	439	(396)	467	(396)
Value changes other assets	0	27	0	0	0
Cash flow hedging effects	(145)	(148)	72	(145)	72
Special, non-recurring items	(291)	0	(2)	(291)	(2)
Restructuring expenses	(198)	0	0	(198)	0
Impairments	(1 254)	(4 866)	0	(1 254)	0
Operating earnings IFRS	**(990)**	**176**	**57**	**(990)**	**57**

Directors' report for the first quarter of 2008

- Operating income in the first quarter of 2008: NOK 6,269 million (NOK 6,956 million in the fourth quarter of 2007 and NOK 6 726 million in first quarter 2007). The reduction is mainly due to seasonal fluctuations.

- The underlying gross operating profit amounted to NOK 634 million (NOK 926 million) in the first quarter of 2008. The weak result is due to lower newsprint prices in Europe, increased costs of materials and currency factors.

- Cash flow from operations was NOK 832 million.

- A decision has been made to shut down three paper machines with a total capacity of 450,000 tonnes.

- A decision has been made to halt the Pisa PM 2 project in Brazil.

Changes in segment structure etc.

As of 2008, Norske Skog has applied IFRS 8 in the segment reporting. Please refer to information under "Accounting principles" later in this report.

Comments on the underlying result

The underlying gross operating profit for the segments is NOK 489 million in total for the first quarter of 2008. The corresponding figure for the group is NOK 634 million, after the addition of NOK 145 million in realised gains from the hedging of cash flow. In the fourth quarter of 2007, the underlying gross operating profit was NOK 778 million for the segments and NOK 926 million for the group. All segments, with the exception of magazine paper, have lower underlying operating results in the first quarter of 2008 than in the fourth quarter of 2007.

PROFIT IMPROVEMENT PROGRAM

The program was initiated in the autumn of 2006, with the objective of achieving profit improvements of NOK 3 billion by the end of 2008, measured against the base year 2005. Improvements achieved at the end of the first quarter of 2008 are NOK 2 billion when annualised. This is the same as at year-end 2007, as improvements at several of the business units have been equalised by relatively low capacity utilisation and certain other factors.

It is expected, however, increased positive effects from the improvement program later in 2008 and the target of NOK 3 billion is maintained. Some of the improvements, however, assumed investments which have been postponed or cancelled, and the effect of these improvements will therefore not materialise. Further cost-reducing measures have been implemented, but it is uncertain whether the objective of NOK 3 billion will be fully attained by the end of the year.

Segment information – Operating and market conditions

For newspring, the 2007 market trends have mostly continued in the first quarter of 2008, which means continued reduced consumption in North America, somewhat lower demand in Europe and Australasia and strong growth in Asia and South America. For the world in total, we estimate a reduction in demand for standard newsprint of 0.7 per cent in the first quarter of 2008, compared with the first quarter of 2007. As regards magazine paper, the growth in demand is lower than last year.

Norske Skog' s overall deliveries in the first quarter of 2008 were 10 per cent lower than in the fourth quarter of 2007, to some extent due to normal seasonal fluctuations. There was a marginal increase in deliveries compared with the first quarter of 2007. The total production volume in the first quarter of 2008 was on the same level as in the fourth quarter of 2007, but somewhat lower than in the first quarter of 2007 due to implemented production curtailments in the autumn of 2007 and early in 2008.

Newsprint total - Key figures

		Q1/08	Q4/07	Q1/07
Operating income	NOK mill.	4,427	4,998	4,904
Gross operating profit	NOK mill.	403	757	1,077
Gross operating profit/loss after depreciation	NOK mill.	-193	179	517
Gross operating margin	%	9.1	15.1	22.0
Production	1,000 tonnes	1,131	1,152	1,196
Deliveries	1,000 tonnes	1,143	1,260	1,123
Production/capacity	%	90	91	96

The result in the newsprint segment is significantly lower than last year, due to lower production, lower prices measured in NOK, continued strong cost growth, primarily for recovered paper in Asia and energy in New Zealand and in South America, and currency effects. The average price in the first quarter of 2008, measured in NOK, is 11 per cent lower than in the first quarter of 2007, and 2.4 per cent lower than in the fourth quarter of 2007. Measured in local currency, prices are lower in Europe, stable in Australasia and higher in South America and in many Asian markets.

Newsprint - Europe - Key figures

		Q1/08	Q4/07	Q1/07
Operating income	NOK mill.	1,823	2,245	2,156
Gross operating profit	NOK mill.	169	303	473
Gross operating profit/loss after depreciation	NOK mill.	-36	111	290
Gross operating margin	%	9.3	13.5	21.9
Production	1,000 tonnes	480	494	536
Deliveries	1,000 tonnes	471	562	497
Production/capacity	%	86	88	97

The result within the European newsprint segment is strongly influenced by production curtailments of almost 80,000 tonnes in the first quarter of 2008, measured against full capacity utilisation. The achieved average price is 7.5 per cent lower than in the fourth quarter of 2007 as a result of a price decrease of about 5 per cent measured in local currency from year-end 2007, and the fact that the British pound has become worth less compared to NOK and the Euro.

Newsprint demand in Europe was about 3 per cent lower in the first quarter of 2008 than in the first quarter of 2007. The import of newsprint from North America remained at approximately the same level as in the first quarter of 2007.

Newsprint - Asia - Key figures

		Q1/08	Q4/07	Q1/07
Operating income	NOK mill.	1,267	1,359	1,381
Gross operating profit	NOK mill.	89	148	297
Gross operating profit/loss after depreciation	NOK mill.	-95	-21	149
Gross operating margin	%	7.0	10.9	21.5
Production	1,000 tonnes	372	374	389
Deliveries	1,000 tonnes	385	407	364
Production/capacity	%	92	93	97

The result in Asia has been further weakened since the fourth quarter, with higher prices on recovered paper and energy being the main reason. For the segment as a whole, the prices achieved, measured in NOK, were marginally lower in the first quarter of 2008, compared with the fourth quarter of 2007, but prices in China are about 10 per cent higher.

Demand development in Asia remains positive, with an increase in demand of about 5 per cent in the first quarter of 2008 compared with the first quarter of 2007 when excluding Japan. The market balance in general is much improved, and prices are expected to increase in most markets. There is at present no new newsprint capacity under construction in China, and several machines which formerly produced newsprint have been shut down for environmental reasons or are now producing book paper and other types of publication paper.

Newsprint - Australasia - Key figures				
		Q1/08	Q4/07	Q1/07
Operating income	NOK mill.	953	946	943
Gross operating profit	NOK mill.	140	214	251
Gross operating profit/loss after depreciation	NOK mill.	-35	21	77
Gross operating margin	%	14.7	22.6	26.6
Production	1,000 tonnes	206	209	198
Deliveries	1,000 tonnes	219	215	194
Production/capacity	%	94	96	90

The weak first quarter result is mainly due to high energy prices in New Zealand. The energy cost in New Zealand will stabilise at a lower level from September 2008, due to a new long-term energy contract based on geothermal energy.

Newsprint demand in Australasia is somewhat reduced compared with the same period last year. Sales from Norske Skog' s mills have been maintained through shipping products to India and other markets in Asia.

Newsprint - South America - Key figures				
		Q1/08	Q4/07	Q1/07
Operating income	NOK mill.	270	305	314
Gross operating profit	NOK mill.	2	61	70
Gross operating profit/loss after depreciation	NOK mill.	-29	33	26
Gross operating margin	%	0.7	20.0	22.3
Production	1,000 tonnes	73	75	73
Deliveries	1,000 tonnes	68	76	68
Production/capacity	%	94	94	94

The result in the first quarter of 2008 is very weak, in particular for the Pisa mill in Brazil which has been affected by a strong increase in timber and energy prices, and additionally the productivity has been low.

There is a positive increase in demand in Brazil and several other markets in the region, at the same time as there is an increasing cost pressure.

Magazine paper - Key figures				
		Q1/08	Q4/07	Q1/07
Operating income	NOK mill.	1,514	1,671	1,598
Gross operating profit	NOK mill.	154	83	152
Gross operating profit/loss after depreciation	NOK mill.	42	-52	-5
Gross operating margin	%	10.2	5.0	9.5
Production	1,000 tonnes	337	324	308
Deliveries	1,000 tonnes	298	339	304
Production/capacity	%	97	93	89

As a result of implemented price increases from the turn of the year, the operating result for the magazine segment is showing substantial improvement, but it is still not satisfactory.

Magazine paper demand in Europe in the first quarter of 2008 was slightly more than 2 per cent higher than in the first quarter of 2007.

Energy - Key figures				
		Q1/08	Q4/07	Q1/07
Operating income	NOK mill.	418	335	285
Gross operating profit/loss	NOK mill.	-5	2	-21
Gross operating profit/loss after depreciation	NOK mill.	-5	2	-21

The underlying operating result for the segment includes realised result elements from energy trading in Norway. For accounting purposes, purchase of energy in Norway is recognised as a material cost in the segment, with resale at contract prices to the Norwegian mills.

The operating result according to IFRS includes changes in the value of energy contracts and derivatives totalling NOK 942 million, in addition to realised gains from energy hedging of NOK 44 million.

Other activities - Key figures				
		Q1/08	Q4/07	Q1/07
Operating income	NOK mill.	923	956	869
Underlying gross operating loss	NOK mill.	-63	-89	-56
Gross operating profit/loss after depreciation	NOK mill.	-76	-95	-73

The segment includes corporate functions and various unallocated costs, in addition purchase and resale of timber and to some degree also purchase and resale of recovered paper.

Income statement according to IFRS

The net operating loss according to IFRS is NOK 990 million in the first quarter of 2008. Compared with the total underlying gross operating result for the segments (NOK 489 million), the operating result according to IFRS includes reorganisation costs of NOK 198 million, other gains/losses with an income of NOK 694 million, ordinary depreciation of NOK 721 million and write-downs of NOK 1,254 million.

The restructuring costs of NOK 198 million include provisions in connection with staff reductions of NOK 180 million within the newsprint segment and NOK 18 million in the segment other activities.

Other gains/losses of NOK 694 million consist of NOK 987 million in increase in value of energy contracts and built-in derivatives, gains from the sale of a port property in New Zealand of NOK 59 million, termination costs related to halting the Pisa PM 2 project of minus NOK 346 million, and other gains / losses of minus NOK 6 million.

Write-downs of NOK 1,254 million consist of write-downs related to the shutdown of three paper machines of NOK 940 million, write-down of previously capitalised installations in the Pisa PM 2 project of NOK 319 million and the reversal of previous write-downs of NOK 5 million.

The net result in the first quarter 2008 was minus NOK 966 million.

FINANCIAL ITEMS

Total financial costs amounted to NOK 117 million in the first quarter of 2008, compared with NOK 259 million in the fourth quarter 2007. The reduction is mainly related to realised and unrealised gains from currency hedging, totalling NOK 174 million in the first quarter of 2008 compared with NOK 28 million in the fourth quarter of 2007. As stated above, gains from the hedging of cash flow of NOK 145 million have been realised in the first quarter of 2008 (NOK 148 million in the fourth quarter of 2007), and are included in the calculation of underlying gross and net operating result for the group.

TAX

The loss before tax was NOK 1,108 million in the first quarter of 2008, and there is a tax income of NOK 142 million. The loss before tax contains termination costs and depreciation related to the halting of the Pisa PM2 project, and these costs are only partly tax deductible.

Cash flow

The cash flow from operations, less financial items paid and taxes paid, was NOK 832 million in the first quarter of 2008, compared with NOK 521 million in the fourth quarter of 2007. The increase is due to a favourable development in financial items paid and the fact that a tax issue in Canada was resolved in the fourth quarter of 2007. Financial costs payable are expected to normalise later in the year, and payments will also take place under the provisions made for staff reduction and stopping the Pisa PM 2 project..

In addition to cash flow from operations, there is an incoming cash payment of NOK 105 million in connection with the sale of a port property in New Zealand.

Capitalised investments in the first quarter of 2008 amount to NOK 390 million.

Balance sheet

Total assets were NOK 42.1 billion as of 31 March 2008, a reduction of NOK 1.2 billion from year-end 2007. Non-current assets have been reduced by NOK 2.4 billion from year-end and amount to NOK 26.9 billion as of 31 March 2008. The reduction is due to currency factors, write-downs in connection with shutdowns and that investments recognised in the balance sheet are significantly lower than the ordinary depreciation.

In the first quarter of 2008, a decision was made to put the main office property Oxenøen outside of Bærum up for sale. The property is about 56,000 square metres in total. The existing buildings are offices and parking facilities of just over 14,000 square metres, and the remaining development potential is about 19,000 square metres. Most of this is at present commercially zoned. The accounting handling of the property is according to IFRS 5 –   Fixed

Assets held for sale. As a result, the book value of the main office property, NOK 193 million, has been reclassified from tangible fixed assets to current assets in connection with the plans to sell the property.

Current assets have increased by NOK 1.3 billion, mainly due to increase in value of physical energy contracts and built-in derivatives. Cash and liquid assets increased by NOK 190 million in the first quarter and amount to NOK 1,982 million as of 31 March 2008.

Net interest-bearing debt was NOK 15.7 billion as of 31 March 2008, compared with NOK 16.4 billion at year-end. The reduction is due to a positive cash flow and currency effects. The available liquidity including undrawn credit facilities was NOK 7.8 billion at the end of the quarter, and average term to maturity was 5.6 years. Loans falling due during the remainder of 2008 amount to NOK 1 billion, mainly local loans in Asia.

Gearing (net interest-bearing debt/ equity) was 1.12 as of 31 March 2008 compared with 1.05 at year-end.

Health and safety

The H value (injuries with absence per million working hours) was 1.4 in the 12-month period from 1 April 2007 to 31 March 2008. 10 of the mills had zero injuries in the period. The H value was 1.7 in the previous 12-month period.

Changed credit rating

The rating agency Moody's downgraded Norske Skog' s debt from Ba2 to B1 on 2 April, i.e. to rating steps. The "Negative Outlook" is maintained. Standard and Poor' s downgraded Norske Skog from BB to BB- on 21 April and Norske Skog was put on the Credit Watch list.

None of Norske Skog' s current loans has terms linked to rating level. The price level for future refinancing will, however, be affected.

Debt reduction and sale of businesses

One of Norske Skog' s main priorities is to reduce net debt, both through cash flow from operations and possible divestment of parts of the business. Several group restructuring models are being reviewed, and ABG Sundal Collier, UBS and the legal firm Wiersholm have been retained as advisors in this regard.

Permanent shutdown of production capacity

In its meeting on 12 March, the corporate assembly authorised the board of directors' to implement the shutdown of newsprint production capacity totalling 450,000 tonnes. There have been temporary production shutdowns at several Norske Skog mills in recent years. The production capacity is not efficiently utilised, and the continued surplus capacity has contributed to a weak price development.

The shutdowns amount to about seven per cent of the company's total global production capacity, and include the following mills/paper machines: Permanent shutdown of Norske Skog Steti (130,000 tonnes), indefinite shutdown of PM2 at Norske Skog Follum (130,000 tonnes), and indefinite shutdown of Norske Skog Cheongwon (190,000 tonnes). The shutdowns of Steti and Follum PM2 will take place during the second quarter, whereas the date for the shutdown of Cheongwon has not been decided yet.

The shutdowns entail write-downs of NOK 940 million, which are included in the accounts for the first quarter of 2008. The shutdowns will result in a fixed cost reduction of about NOK 250 million. In addition, a contribution margin improvement of about NOK 250 million has been estimated as a result of other mills with low variable costs taking over parts of the production and sales volumes from the units which are shut down. A provision of NOK 180 million has been made in the accounts for the first quarter of 2008 for severance pay and other items in connection with the staff reductions resulting from the shutdowns.

Halting the Pisa PM 2 project

The board of Norske Skog has decided to halt the construction of paper machine no. 2 at Norske Skog Pisa in Brazil. The decision was made on the basis of the fact that the project would have become significantly more expensive than originally assumed.

The project, which was adopted in December 2006, consisted of moving one of the used paper machines from the defunct paper mill Norske Skog Union in Norway to Norske Skog Pisa in Brazil. The original cost limit was USD 210 million, while the estimated project cost in March 2008 was USD 380 million. The increase is mainly due to strong cost increases in Brazil, currency factors and the fact that the original budget was too small.

Parts of the project, which will benefit the existing part of Norske Skog Pisa, will be completed. The paper machine itself will be stored at Norske Skog Pisa. The project can therefore be restarted at a later date, should it prove economically justifiable.

Halting the project has incurred termination costs of NOK 346 million which have been included under "Other gains and losses" in the accounts for the first quarter of 2008, in addition to write-downs of NOK 319 million. When assessing the overall economic effect, the positive cash flow from currency hedging of NOK 128 million related to the project must also be included.

As announced earlier the board wish to have an independent review of the Pisa PM 2 project in order to avoid similar occurrences in the future. The auditing firm Ernst & Young has to this end been engaged to make a full report on the matter. The report will be presented to the board in August of 2008.

Norske Skog' s governing bodies

Election of new members of the corporate assembly and election committee took place during the general meeting on 24 April. The following are now the shareholder-elected members of the corporate assembly: Tom Ruud, chair, Helge Evju, deputy chair, Emil Aubert, Ann Kristin Brautaset, Thorleif Enger, Ove Gusevik, Kirsten Idebøen, Even Mengshoel, Tom Rathke, Christian Ramberg, Otto Søberg and Karen Helene Ulltveit-Moe.

The following are the shareholder-elected deputy members: Svein Haare, Ole H. Bakke, Kjersti Narum and Uta Stoltenberg.

The employee representatives in the corporate assembly are not up for election in2008.

The new election committee consists of Tom Ruud, (chair), Ole H. Bakke, Henrik A. Christensen and Otto Søberg.

The corporate assembly has re-elected Kim Wahl, Halvor Bjørken, Gisèle Marchand and Ingrid Wiik as board members. Øystein Stray Spetalen, Svein Rennemo and Wenche Holen have been elected new board members. Kim Wahl has been reelected as chair of the board and Øystein Stray Spetalen has been elected deputy chair of the board.

Repeal of Section 9 of the bylaws

The general meeting decided to repeal Section 9 of the bylaws so that amendments to the bylaws hereafter take place according to the ordinary provisions of the Limited Liability Companies Act, i.e. with a two-thirds majority.

Shares

As of 31 March 2008, the foreign ownership was 41 per cent, compared with 49 per cent at year-end. A total of 260 million Norske Skog shares were traded in the first quarter of 2008.

In early February, the US unit trust Third Avenue Management flagged an ownership of Norske Skog shares exceeding 5 per cent. At the date the general meeting was held, 24 April, Third Avenue's ownership of voting shares had increased to 7.2 per cent.

In February, Norske Skog purchased 650,000 own shares in the market, of which 143,700 shares were immediately resold to primary insiders. In early April, 812,357 shares were sold to employees in connection with the annual share savings programme. After this sale, Norske Skog owns 293,943 own shares.

Organisation

A comprehensive staff reduction and reorganisation process is underway at the main office. The objective is to achieve annual cost reductions of NOK 150 million with full effect from 2009. So far, measures have been identified which will yield cost savings of NOK 135 million.

The vice president responsible for South America resigned in connection with the halting of the Pisa PM2 project. Other changes also took place in the group management team, which now consists of six persons:

President and CEO: Christian Rynning-Tønnesen
Chief financial officer: Andreas Enger
Senior vice president strategy: Rune Gjessing
Vice president HR and organisation: Kristin Slyngstad Klitzing
Senior vice president responsible for Europe: Jan Clasen
Senior vice president responsible for Asia, Australasia and South America: Vidar Lerstad

Lysaker, 7 May 2008

The Board of directors of Norske Skogindustrier ASA

FINANCIAL FIGURES Q1 2008

INCOME STATEMENT PER OPERATING SEGMENT Q1 2008

	Newsprint	Magazine Paper	Energy	Other activities	Eliminations / Reclass.	Norske Skog Group
Operating revenue	4 427	1 514	418	923	(1 013)	6 269
Distribution costs	(391)	(160)	0	(28)	0	(579)
Cost of materials	(2 646)	(993)	(423)	(749)	898	(3 913)
Change in inventories	(40)	172	0	(12)	0	120
Employee benefit expenses	(545)	(236)	0	(93)	0	(874)
Other operating expenses	(402)	(143)	0	(104)	115	(534)
Gross operating earnings	**403**	**154**	**(5)**	**(63)**	**0**	**489**
Depreciations	(596)	(112)	0	(13)	0	(721)
Gross operating earnings after depreciations	**(193)**	**42**	**(5)**	**(76)**	**0**	**(232)**
Restructuring expenses	(180)	0	0	(18)	0	(198)
Other gains and losses	(286)	(4)	986	0	(2)	694
Impairments	(1 261)	0	0	7	0	(1 254)
Operating earnings	**(1 920)**	**38**	**981**	**(87)**	**(2)**	**(990)**

INCOME STATEMENT PER OPERATING SEGMENT Q4 2007

	Newsprint	Magazine Paper	Energy	Other activities	Eliminations / Reclass.	Norske Skog Group
Operating revenue	4 998	1 671	335	956	(1 004)	6 956
Distribution costs	(417)	(159)	0	(16)	0	(592)
Cost of materials	(2 587)	(951)	(333)	(767)	929	(3 709)
Change in inventories	(346)	(80)	0	(47)	0	(473)
Employee benefit expenses	(507)	(240)	0	(113)	0	(860)
Other operating expenses	(384)	(158)	0	(102)	100	(544)
Gross operating earnings	**757**	**83**	**2**	**(89)**	**25**	**778**
Depreciations	(578)	(135)	0	(6)	0	(719)
Gross operating earnings after depreciations	**179**	**(52)**	**2**	**(95)**	**25**	**59**
Restructuring expenses	0	0	0	0	0	0
Other gains and losses	(3)	(3)	5 013	0	(24)	4 983
Impairments	(2 834)	(2 032)	0	0	0	(4 866)
Operating earnings	**(2 658)**	**(2 087)**	**5 015**	**(95)**	**1**	**176**

OPERATING SEGMENTS
NEWSPRINT

Income statement	Q1/08	Q4/07	Q1/07	YTD 2008	YTD 2007
Operating revenue	4 427	4 998	4 904	4 427	4 904
Distribution costs	(391)	(417)	(408)	(391)	(408)
Cost of materials	(2 646)	(2 587)	(2 712)	(2 646)	(2 712)
Change in inventories	(40)	(346)	235	(40)	235
Employee benefit expenses	(545)	(507)	(606)	(545)	(606)
Other operating expenses	(402)	(384)	(336)	(402)	(336)
Gross operating earnings	**403**	**757**	**1 077**	**403**	**1 077**
Depreciations	(596)	(578)	(560)	(596)	(560)
Gross operating earnings after depreciations	**(193)**	**179**	**517**	**(193)**	**517**
Restructuring expenses	(180)	0	(9)	(180)	(9)
Other gains and losses	(286)	(3)	1	(286)	1
Impairments	(1 261)	(2 834)	0	(1 261)	0
Operating earnings	**(1 920)**	**(2 658)**	**509**	**(1 920)**	**509**

Key figures	Q1/08	Q4/07	Q1/07	YTD 2008	YTD 2007
Gross operating margin	9.1 %	15.1 %	22.0 %	9.1 %	22.0 %
Production / capacity	90 %	91 %	96 %	90 %	96 %

Operating revenue per region	Q1/08	Q4/07	Q1/07	YTD 2008	YTD 2007
Europe	1 823	2 245	2 156	1 823	2 156
Asia	1 267	1 359	1 381	1 267	1 381
Australasia	953	946	943	953	943
South America	270	305	314	270	314
Sales offices etc	1 255	1 431	1 390	1 255	1 390
Eliminations	(1 141)	(1 288)	(1 280)	(1 141)	(1 280)
Total	**4 427**	**4 998**	**4 904**	**4 427**	**4 904**

Gross operating earnings per region	Q1/08	Q4/07	Q1/07	YTD 2008	YTD 2007
Europe	169	303	473	169	473
Asia	89	148	297	89	297
Australasia	140	214	251	140	251
South America	2	61	70	2	70
Sales offices etc.	3	31	(14)	3	(14)
Eliminations	0	0	0	0	0
Total	**403**	**757**	**1 077**	**403**	**1 077**

Production per region	Q1/08	Q4/07	Q1/07	YTD 2008	YTD 2007
Europe	480	494	536	480	536
Asia	372	374	389	372	389
Australasia	206	209	198	206	198
South America	73	75	73	73	73
Total	**1 131**	**1 152**	**1 196**	**1 131**	**1 196**

Deliveries per region	Q1/08	Q4/07	Q1/07	YTD 2008	YTD 2007
Europe	471	562	497	471	497
Asia	385	407	364	385	364
Australasia	219	215	194	219	194
South America	68	76	68	68	68
Total	**1 143**	**1 260**	**1 123**	**1 143**	**1 123**

MAGAZINE

Income statement	Q1/08	Q4/07	Q1/07	YTD 2008	YTD 2007
Operating revenue	1 514	1 671	1 598	1 514	1 598
Distribution costs	(160)	(159)	(173)	(160)	(173)
Cost of materials	(993)	(951)	(916)	(993)	(916)
Change in inventories	172	(80)	10	172	10
Employee benefit expenses	(236)	(240)	(232)	(236)	(232)
Other operating expenses	(143)	(158)	(135)	(143)	(135)
Gross operating earnings	**154**	**83**	**152**	**154**	**152**
Depreciations	(112)	(135)	(157)	(112)	(157)
Gross operating earnings after depreciations	**42**	**(52)**	**(5)**	**42**	**(5)**
Restructuring expenses	0	0	0	0	0
Other gains and losses	(4)	(3)	(2)	(4)	(2)
Impairments	0	(2 032)	0	0	0
Operating earnings	**38**	**(2 087)**	**(7)**	**38**	**(7)**

Key figures	Q1/08	Q4/07	Q1/07	YTD 2008	YTD 2007
Gross operating margin	10.2 %	5.0 %	9.5 %	10.2 %	9.5 %
Production / capacity	97 %	93 %	89 %	97 %	89 %

Deliveries and production	Q1/08	Q4/07	Q1/07	YTD 2008	YTD 2007
Production	337	324	308	337	308
Deliveries	298	339	304	298	304

ENERGY

Income statement	Q1/08	Q4/07	Q1/07	YTD 2008	YTD 2007
Operating revenue	418	335	285	418	285
Distribution costs	0	0	0	0	0
Cost of materials	(423)	(333)	(306)	(423)	(306)
Change in inventories	0	0	0	0	0
Employee benefit expenses	0	0	0	0	0
Other operating expenses	0	0	0	0	0
Gross operating earnings	**(5)**	**2**	**(21)**	**(5)**	**(21)**
Depreciations	0	0	0	0	0
Gross operating earnings after depreciations	**(5)**	**2**	**(21)**	**(5)**	**(21)**
Restructuring expenses	0	0	0	0	0
Other gains and losses	986	5 013	(337)	986	(337)
Impairments	0	0	0	0	0
Operating earnings	**981**	**5 015**	**(358)**	**981**	**(358)**

OTHER ACTIVITIES

Income statement	Q1/08	Q4/07	Q1/07	YTD 2008	YTD 2007
Operating revenue	923	956	869	923	869
Distribution costs	(28)	(16)	(11)	(28)	(11)
Cost of materials	(749)	(767)	(788)	(749)	(788)
Change in inventories	(12)	(47)	61	(12)	61
Employee benefit expenses	(93)	(113)	(82)	(93)	(82)
Other operating expenses	(104)	(102)	(105)	(104)	(105)
Gross operating earnings	**(63)**	**(89)**	**(56)**	**(63)**	**(56)**
Depreciations	(13)	(6)	(17)	(13)	(17)
Gross operating earnings after depreciations	**(76)**	**(95)**	**(73)**	**(76)**	**(73)**
Restructuring expenses	(18)	0	13	(18)	13
Other gains and losses	0	0	0	0	0
Impairments	7	0	0	7	0
Operating earnings	**(87)**	**(95)**	**(60)**	**(87)**	**(60)**

Operating revenue - Other activities	Q1/08	Q4/07	Q1/07	YTD 2008	YTD 2007
Recovered paper	414	365	306	414	306
Real estate activities	6	7	0	6	0
Corporate functions	94	70	80	94	80
Miscellaneous	425	533	493	425	493
Eliminations	(16)	(19)	(10)	(16)	(10)
Total	**923**	**956**	**869**	**923**	**869**

Gross operating earnings - Other activities	Q1/08	Q4/07	Q1/07	YTD 2008	YTD 2007
Recovered paper	5	8	7	5	7
Real estate activities	(1)	(6)	0	(1)	0
Corporate functions	(73)	(75)	(74)	(73)	(74)
Miscellaneous	6	(16)	11	6	11
Eliminations	0	0	0	0	0
Total	**(63)**	**(89)**	**(56)**	**(63)**	**(56)**

INCOME STATEMENT

	Q1/08	Q4/07	Q1/07	YTD 2008	YTD 2007
Operating revenue	**6 269**	**6 956**	**6 726**	**6 269**	**6 726**
Distribution costs	(579)	(592)	(592)	(579)	(592)
Cost of materials	(3 913)	(3 709)	(3 872)	(3 913)	(3 872)
Change in inventories	120	(473)	306	120	306
Employee benefit expenses	(874)	(860)	(919)	(874)	(919)
Other operating expenses	(534)	(544)	(474)	(534)	(474)
Gross operating earnings	**489**	**778**	**1 175**	**489**	**1 175**
Depreciations	(721)	(719)	(735)	(721)	(735)
Gross operating earnings after depreciations	**(232)**	**59**	**440**	**(232)**	**440**
Restructuring expenses	(198)	0	0	(198)	0
Other gains and losses	694	4 983	(383)	694	(383)
Impairments	(1 254)	(4 866)	0	(1 254)	0
Operating earnings	**(990)**	**176**	**57**	**(990)**	**57**
Share of profit in associated companies	(1)	1	13	(1)	13
Financial items	(117)	(259)	(205)	(117)	(205)
Profit before tax	**(1 108)**	**(82)**	**(135)**	**(1 108)**	**(135)**
Taxes	142	(828)	36	142	36
Net profit	**(966)**	**(910)**	**(99)**	**(966)**	**(99)**
Attributable to minority interests	(11)	(30)	(5)	(11)	(5)
Attributable to equity holders of the company	(955)	(880)	(94)	(955)	(94)
Earnings per share	(5.04)	(4.65)	(0.50)	(5.04)	(0.50)

BALANCE SHEET

	31.03.2008	31.12.2007	31.03.2007
Deferred tax asset	12	11	221
Other intangible assets	200	132	3 046
Property, plant and equipment	25 676	28 401	32 489
Investments in associated companies	223	234	343
Other non-current assets	750	529	420
Total non-current assets	**26 861**	**29 307**	**36 519**
Inventories	2 895	2 731	2 970
Receivables	3 666	3 811	3 918
Cash and cash equivalents	1 982	1 792	537
Other current assets	6 704	5 619	596
Total current assets	**15 247**	**13 953**	**8 021**
Total assets	**42 108**	**43 260**	**44 540**
Paid-in equity	12 297	12 310	12 309
Retained earnings	1 725	3 282	5 583
Minority interests	356	365	432
Total equity	**14 378**	**15 957**	**18 324**
Pension obligations	529	519	537
Deferred tax	1 776	2 033	1 619
Interest-bearing non-current liabilities	17 153	17 294	14 552
Other non-current liabilities	1 764	1 687	1 772
Total non-current liabilities	**21 222**	**21 533**	**18 480**
Interest-bearing current liabilities	1 075	1 141	2 683
Trade and other payables	4 460	3 702	3 832
Tax payable	89	73	159
Other current liabilities	884	854	1 062
Total current liabilities	**6 508**	**5 770**	**7 736**
Total liabilities	**27 730**	**27 303**	**26 216**
Total equity and liabilities	**42 108**	**43 260**	**44 540**

CASH FLOW

	Q1/08	Q4/07	Q1/07	YTD 2008	YTD 2007
Cash flow from operating activities					
Cash generated from operations	6 332	6 937	6 727	6 332	6 727
Cash used in operations	(5 540)	(5 758)	(5 896)	(5 540)	(5 896)
Cash from net financial items	65	(317)	(247)	65	(247)
Paid taxes	(25)	(341)	23	(25)	23
Net cash flow from operating activities	**832**	**521**	**607**	**832**	**607**
Cash flow from investing activities					
Investments in operational fixed assets	(390)	(599)	(199)	(390)	(199)
Sales of operational fixed assets	105	9	1	105	1
Net cash from sold shares in other companies	0	0	0	0	0
Net cash flow from investing activities	**(285)**	**(590)**	**(198)**	**(285)**	**(198)**
Cash flow from financing activities					
Net change in long-term liabilities	(204)	5	(18)	(204)	(18)
Net change in current liabilities	(57)	(93)	(282)	(57)	(282)
Purchased / sold treasury shares paid	(15)	0	0	(15)	0
Dividend received	0	0	0	0	0
Dividend paid	0	0	0	0	0
Net cash flow from financing activities	**(276)**	**(88)**	**(300)**	**(276)**	**(300)**
Translation difference	(16)	5	(2)	(16)	(2)
Total change in liquid assets	**255**	**(152)**	**107**	**255**	**107**

FINANCIAL ITEMS

	Q1/08	Q4/07	Q1/07	YTD 2008	YTD 2007
Net interest costs	(291)	(289)	(258)	(291)	(258)
Interest rate derivatives	41	38	2	41	2
Realized currency gains/losses cash flow hedge	145	148	(72)	145	(72)
Unrealized currency gains/losses cash flow hedge	(50)	(95)	153	(50)	153
Other currency gains/losses	79	(25)	2	79	2
Other financial items	(41)	(36)	(32)	(41)	(32)
Total financial items	**(117)**	**(259)**	**(205)**	**(117)**	**(205)**

CHANGES IN EQUITY

	Paid-in equity	Retained earnings	Minority interests	Total equity
Total equity 1 January 2008	**12 310**	**3 282**	**365**	**15 957**
Currency translation adjustment and other	(13)	(602)	2	(613)
Net profit for the period	0	(955)	(11)	(966)
Total equity 31 March 2008	**12 297**	**1 725**	**356**	**14 378**

Accounting Principles

The interim financial statements for first quarter 2008 has been prepared in accordance with IAS 34 Interim Financial Reporting.

IMPLEMENTATION OF IFRS 8 OPERATING SEGMENTS

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

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

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

The group has 19 fully or partly owned mills on four continents. Two of the mills produce only magazine paper, two are producing both magazine paper and newsprint and 15 are producing newsprint only. Both the Newsprint and the Magazine paper segment represent an aggregation of the mills in the group producing the two paper qualities.

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

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

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

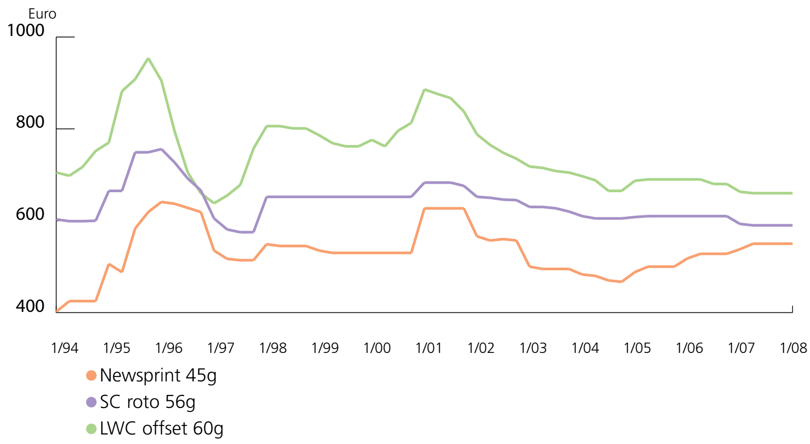
INCOME STATEMENT NORSKE SKOG GROUP - QUARTERLY

	Q1/08	Q4/07	Q3/07	Q2/07	Q1/07
Operating revenue	6 269	6 956	6 641	6 794	6 726
Distribution costs	(579)	(592)	(631)	(585)	(592)
Cost of materials	(3 913)	(3 709)	(3 778)	(3 856)	(3 872)
Change in inventories	120	(473)	31	280	306
Employee benefit expenses	(874)	(860)	(875)	(841)	(919)
Other operating expenses	(534)	(544)	(537)	(663)	(474)
Gross operating earnings	**489**	**778**	**851**	**1 129**	**1 175**
Depreciations	(721)	(719)	(712)	(713)	(735)
Gross operating earnings after depreciations	**(232)**	**59**	**139**	**416**	**440**
Restructuring expenses	(198)	0	0	0	0
Other gains and losses	694	4 983	69	(206)	(383)
Impairments	(1 254)	(4 866)	0	26	0
Operating earnings	**(990)**	**176**	**208**	**236**	**57**
Share of profit in associated companies	(1)	1	6	17	13
Financial items	(117)	(259)	66	(80)	(205)
Profit before tax	**(1 108)**	**(82)**	**280**	**173**	**(135)**
Taxes	142	(828)	(75)	(52)	36
Net profit	**(966)**	**(910)**	**205**	**121**	**(99)**
Attributable to minority interests	(11)	(30)	(16)	(14)	(5)
Attributable to equity holders of the company	(955)	(880)	221	135	(94)
Earnings per share	(5.04)	(4.65)	1.20	0.71	(0.50)

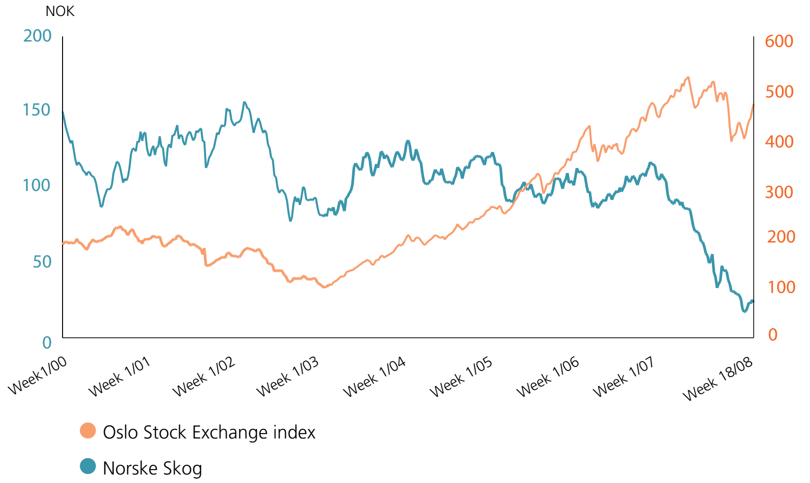
OPERATING REVENUE PER SEGMENT - QUARTERLY

	Q1/08	Q4/07	Q3/07	Q2/07	Q1/07
Newsprint	4 427	4 998	4 696	5 015	4 904
Magazine paper	1 514	1 671	1 719	1 522	1 598
Energy	418	335	246	252	285
Other activities	923	956	922	940	869
Eliminations	(1 013)	(1 004)	(942)	(935)	(930)
Total	**6 269**	**6 956**	**6 641**	**6 794**	**6 726**

PRICE DEVELOPMENT NEWSPRINT, SC, LWC - GERMANY



SHARE PRICE DEVELOPMENT 2000-2008



THE NORSKE SKOG SHARE

KEY FIGURES	JANUARY - MARCH 2008						AT 02.05.2008	
	02-01-08	31-03-08	High	Low	Earnings per share	Booked equity per share	Share price	Market value NOK mill.
Norske Skog A	**45,85**	**17,75**	**45,85**	**16,80**	**-5,04**	**74,25**	**23,35**	**4 435**

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