FOURTH QUARTER

2011

NORSKE SKOG

NORWEGIAN PAPER TRADITION

Norske Skog

OUR BUSINESS

Norske Skog is a world leading producer of newsprint and magazine paper. The group has 14 fully or partly owned mills in 11 countries and an annual production capacity of 4.4 million tonnes. Through sales offices and agents, newsprint and magazine paper is sold to over 80 countries. The group has 5 100 employees.

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

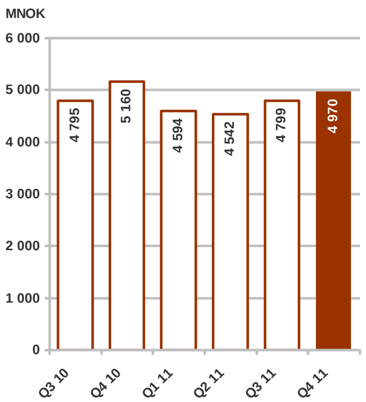
KEY FIGURES (UNAUDITED)

All amounts are presented in NOK million unless otherwise stated.

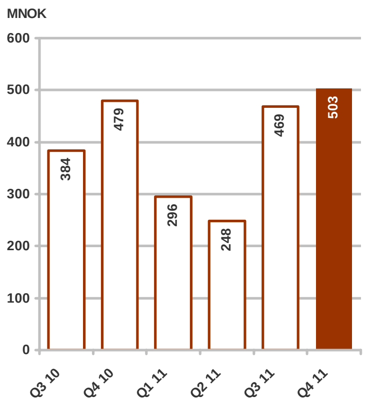
	OCT-DEC 2011	JUL-SEP 2011	OCT-DEC 2010	YTD 2011	YTD 2010
INCOME STATEMENT					
Operating revenue	4 970	4 799	5 160	18 904	18 986
Gross operating earnings	503	469	479	1 515	1 413
Operating earnings	-841	-1 883	-46	-2 701	-2 379
Net profit/loss for the period	-592	-1 841	-198	-2 545	-2 469
Earnings per share (NOK)	-3.12	-9.66	-1.06	-13.36	-12.97
CASH FLOW					
Net cash flow from operating activities	409	413	113	455	397
Net cash flow from investing activities	-104	-21	-38	470	415
Cash flow per share (NOK)	2.15	2.18	0.59	2.40	2.09
OPERATING MARGIN AND PROFITABILITY (%)					
Gross operating margin	10.1	9.8	9.3	8.0	7.4
Return on capital employed	0.9	0.2	0.2	-0.9	-3.1
Return on equity	-7.7	-20.7	-2.0	-28.9	-22.2
Return on assets	-1.8	-7.6	-0.1	-8.7	-7.5
PRODUCTION / DELIVERIES / CAPACITY UTILISATION					
Production (1 000 tonnes)	961	1 011	1 050	3 832	3 998
Deliveries (1 000 tonnes)	1 020	996	1 062	3 857	4 013
Production / capacity (%)	87	91	94	87	89

	31 DEC 2011	30 SEP 2011	30 JUN 2011	31 MAR 2011	31 DEC 2010
BALANCE SHEET					
Non-current assets	15 803	15 892	18 054	19 150	19 271
Current assets	6 171	7 700	7 519	9 327	10 027
Total assets	21 974	23 592	25 573	28 478	29 297
Equity	7 433	7 967	9 851	9 996	10 183
Net interest-bearing debt	7 863	8 066	8 371	8 966	8 889

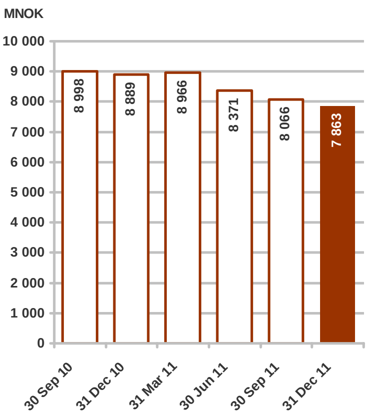
OPERATING REVENUE



GROSS OPERATING EARNINGS



NET INTEREST-BEARING DEBT



REPORT OF THE BOARD OF DIRECTORS FOR THE FOURTH QUARTER OF 2011

- Fourth quarter 2011: Gross operating earnings NOK 503 million (NOK 469 million in the third quarter of 2011). The improvement is driven by lower costs for input factors and a weaker krone
- Full year 2011: Gross operating earnings NOK 1 515 million, and clearly better than the underlying earnings for 2010
- Cash flow from operating activities NOK 409 million in the fourth quarter. Net interest-bearing debt reduced by NOK 203 million in the quarter, to NOK 7 863 million
- Capacity utilisation for the group 87 per cent in the fourth quarter (91 per cent in the third quarter). Decrease due to weaker demand and adaption of operations to release working capital

INCOME STATEMENT

	OCT-DEC 2011	JUL-SEP 2011	OCT-DEC 2010	YTD 2011	YTD 2010
Operating revenue	4 970	4 799	5 160	18 904	18 986
Gross operating earnings [*)]	503	469	479	1 515	1 413
Gross operating earnings after depreciation [**)]	137	39	30	-143	-578
Operating earnings	-841	-1 883	-46	-2 701	-2 379
Profit/loss before income taxes	-996	-2 135	-260	-3 132	-3 320
Net profit/loss for the period	-592	-1 841	-198	-2 545	-2 469

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

COMPARABILITY

As mentioned in previous quarters, a new calculation of the production capacity at Norske Skog's mills was made towards the end of 2010. This resulted in downward adjustments of the capacity at some of the units. Total production capacity in each of the quarters of 2011 was 1 106 000 tonnes compared to 1 121 000 tonnes in each of the quarters of 2010.

In 2010 there were significant gross operating earnings in the Energy segment due to the ongoing sale of excess energy in Norway. This amounted to NOK 150 million in 2010. As previously communicated, no material gross operating earnings were expected in this segment in 2011, because the remaining excess energy in Norway was sold in its entirety in 2010. Gross operating earnings in the Energy segment in the fourth quarter of 2011 were NOK 0 million. The contribution for 2011 as a whole was NOK 3 million.

Income related to pensions was recognised in 2010, due to the transition from a defined benefit to a defined contribution pension plan in Norway. In addition, income was recognised at Norske Skog Walsum as the company's pension plan was curtailed and closed. Total income of NOK 176 million was recognised in 2010 related to pensions, and presented as a reduction of employee benefit expenses. The amount must be excluded when assessing the underlying performance.

Income was also recognised in 2010 related to environmental liabilities of NOK 108 million at Norske Skog Boyer in Australia. The amount was recorded as a reduction of other operating expenses and must be excluded when assessing the underlying performance.

In total, non-recurring items impoved gross operating earnings by NOK 284 million in 2010. These non-recurring items did not have a cash impact.

GROUP COMMENT – GROSS OPERATING EARNINGS

Fourth quarter 2011 compared to third quarter 2011

Gross operating earnings in the fourth quarter of 2011 were NOK 503 million, compared with NOK 469 million in the third quarter. The improvement was largely due to lower costs for input factors and a weaker NOK.

The price of key input factors showed a continued decline in the quarter from the level in the previous quarter. Market prices for pulp and recovered paper were significantly lower at the end of the year compared with the peak level in the second quarter. However, due to the time-lag effect, it takes time before the effect is shown clearly in improved profitability. NOK depreciated on average against USD and GBP from the third quarter to the fourth quarter. The movements for AUD and EUR were, on average, smaller.

Capacity utilisation for the group amounted to 87 per cent in the fourth quarter, compared to 91 per cent in the third quarter. For newsprint outside Europe, there was a decline in capacity utilisation, from 97 per cent in the third quarter to 86 per cent in the fourth quarter. This must be viewed in the context of reduced demand in Australia and adaption of operations in order to release working capital. Sales volumes for newsprint outside Europe declined slightly.

Fourth quarter 2011 compared to fourth quarter 2010

Gross operating earnings in the fourth quarter of 2011 were NOK 24 million better than the reported NOK 479 million in the fourth quarter of 2010. However, that quarter included NOK 129 million income associated with pension scheme changes. Consequently, the year-on-year improvement in underlying gross operating earnings was NOK 153 million. The improvement was driven by higher newsprint prices in Europe and a lower level of fixed costs. Variable costs, adjusted for the lower sales volumes, were on the same level in the two quarters.

Full year 2011 compared to full year 2010

Gross operating earnings for 2011 were NOK 1 515 million, which was an improvement of NOK 102 million from 2010. The underlying gross operating earnings improved by around NOK 400, since income was recognised in relation to pensions and environmental provisions in 2010. Furthermore, gross operating earnings in 2010 included a significant contribution from the Energy segment. The improvement in earnings was mainly related to increased prices for newsprint in Europe. Lower sales volumes, high costs for input factors and a stronger NOK had a negative impact on earnings.

SPECIAL ITEMS IN THE OPERATING EARNINGS UNDER IFRS

	OCT-DEC 2011	JUL-SEP 2011	OCT-DEC 2010	YTD 2011	YTD 2010
Restructuring expenses	-361	-4	-25	-387	-57
Other gains and losses	-532	-43	-77	-201	-1 578
Impairments	-86	-1 875	27	-1 969	-165

Restructuring expenses of NOK 361 million in the fourth quarter related to provisions made as a result of the decision to shut down Norske Skog Follum, and a cost reduction programme at Norske Skog Walsum.

Other gains and losses in the fourth quarter were mainly due to the reduced value of commodity contracts (energy contracts) and embedded derivatives of NOK 556 million. The reduction was largely a result of lower market prices for electricity in Norway. In addition, there were some gains on sales of fixed assets and accrued property damage insurance compensation in connection with the fire at Norske Skog Saugbrugs. For the full year 2011, NOK 83 million was recognised as income relating to property damage insurance compensation at Norske Skog Saugbrugs.

Impairments of NOK 86 million were made in the fourth quarter as a result of the decision to shut down Norske Skog Follum.

FINANCIAL ITEMS

	OCT-DEC 2011	JUL-SEP 2011	OCT-DEC 2010	YTD 2011	YTD 2010
Net interest expenses including realised gain/loss on interest rate derivatives	-147	-199	-163	-674	-709
Unrealised gain/loss on interest rate derivatives	-3	0	-19	-22	-44
Net interest expenses	**-150**	**-200**	**-181**	**-696**	**-753**
Currency gains/losses [*)]	-146	-240	-20	-43	-136
Other financial items	-62	189	-12	110	-35
Total financial items	**-358**	**-251**	**-213**	**-629**	**-924**

[*)] Currency gains and losses on accounts receivable and accounts payable are reported as operating revenue and cost of materials respectively.

Net interest expenses were NOK 147 million in the quarter. There was only a minor change in the underlying interest expenses from the third quarter to the fourth quarter, because both quarters included non-recurring items but with the opposite sign. Interest expenses for the full year 2011 were NOK 674 million and showed a decline from 2010, which is in line with the reduction in net debt during the year.

Currency losses in the quarter related primarily to the change in value of the group's rolling cash flow hedge as a result of a weaker NOK. Currency losses for the full year 2011 were NOK 43 million, with on average lower currency fluctuations for the year seen as a whole.

Other financial items in the third quarter included gains realised on the buy-back of bonds.

CASH FLOW

	OCT-DEC 2011	JUL-SEP 2011	OCT-DEC 2010	YTD 2011	YTD 2010
Gross operating earnings	503	469	479	1 515	1 413
Change in working capital and adjustments *)	125	-75	-130	-382	-564
Cash from net financial items	-182	25	-198	-557	-520
Taxes paid	-38	-6	-38	-121	67
Net cash flow from operating activities	409	413	113	455	397
Purchases of fixed assets	-165	-119	-137	-490	-411
Sales of fixed assets	94	75	108	246	168

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

Net cash flow from operating activities was NOK 409 million in the fourth quarter, which was in line with NOK 413 million in the third quarter. Gross operating earnings and the release of working capital contributed positively in the quarter, whilst provisions for restructuring expenses and paid interest costs reduced cash flow. Net cash flow from operating activities for the full year 2011 was NOK 455 million, which was a slight improvement from the previous year. The improvement was due to slightly higher gross operating earnings and a relatively small increase in working capital during the year. Payments received related to the business interruption insurance settlement for Norske Skog Saugbrugs amounted to NOK 150 million.

The net decrease in working capital of NOK 125 million in the quarter was due to the reduction of inventory. The reported increase in accounts receivable was entirely due to receivables related to sales of non-core activities and is not included in working capital. The gross decrease in working capital including provisions for restructuring expenses was NOK 494 million. More information is given in the cash flow statement later in this report.

Investments in fixed assets were NOK 165 million in the quarter, driven by projects in Australia and New Zealand and completion work at Norske Skog Saugbrugs after the previous fire damage. Investments for the year amounted to NOK 490 million, of which NOK 93 million related to Norske Skog Saugbrugs.

Sales of fixed assets in the fourth quarter included NOK 50 million in received property damage insurance compensation related to Norske Skog Saugbrugs. During 2011, Norske Skog received NOK 79 million in payments in connection with the above-mentioned insurance settlement.

BALANCE SHEET

	31 DEC 2011	30 SEP 2011	31 DEC 2010
Non-current assets	15 803	15 892	19 271
Cash and cash equivalents	1 200	2 427	4 440
Other current assets	4 971	5 273	5 586
Total assets	21 974	23 592	29 297
Equity including minority interests	7 433	7 967	10 183
Non-current liabilities	10 184	10 051	13 875
Current liabilities	4 356	5 574	5 240
Net interest-bearing debt	7 863	8 066	8 889

Equity including minority interests was NOK 7 433 million at 31 December 2011, a reduction of NOK 534 million from the previous quarter and NOK 2 750 million lower than the prior year end. Equity per share was NOK 39. For further information, see the detailed statement of changes in equity later in this report.

Total assets were reduced by NOK 1 618 million from the previous quarter, mainly due to repayment of a bond loan in October. The fact that investments were lower than depreciation, and the fall in value of energy contracts also contributed to the reduction.

Net interest-bearing debt was NOK 7 863 million at 31 December 2011, a reduction of NOK 203 million from the end of the third quarter. For the full year, there was a decrease in net interest-bearing debt of NOK 1 026 million.

Current liabilities amounted to NOK 4 356 million at 31 December 2011. Of this, NOK 931 million was interest-bearing and consisted mainly of a bond loan of NOK 655 million with maturity 1 March this year.

Cash and cash equivalents amounted to NOK 1 200 million at 31 December 2011.

SEGMENT INFORMATION

NEWSPRINT TOTAL

	OCT-DEC 2011	JUL-SEP 2011	OCT-DEC 2010	YTD 2011	YTD 2010
Operating revenue	2 883	3 087	3 138	11 967	11 535
Gross operating earnings	378	397	244	1 318	1 059
Gross operating earnings after depreciation	128	97	-61	174	-363
Gross operating margin	13.1	12.8	7.8	11.0	9.2
Production (1 000 tonnes)	595	698	722	2 673	2 748
Deliveries (1 000 tonnes)	627	689	731	2 678	2 746
Production / capacity (%)	86	92	94	90	89

The newsprint segment includes the geographic regions newsprint Europe, newsprint outside Europe and sales offices. Norske Skog's total annual production capacity for newsprint is 2 760 000 tonnes.

Gross operating earnings in the fourth quarter were somewhat weaker than in the third quarter. This was partly due to changed reporting, but also weaker volumes in Australia. The improvement from the fourth quarter of 2010 was mainly driven by significantly higher newsprint prices in Europe. Capacity utilisation in the fourth quarter of 2011 was 86 per cent, down from 92 per cent in the previous quarter.

The underlying progress from 2010 to 2011 was stronger than shown by the reported figures, since the figures included positive non-recurring items related to pensions and environmental provisions. The main explanation was again significantly higher newsprint prices in Europe.

Global demand for newsprint declined by around five per cent in 2011, based on uncertain figures showing a decline of almost 20 per cent in China. Assuming a flat development in China, in line with the price movements for domestic newsprint, the demand for newsprint fell by around three per cent worldwide in 2011.

NEWSPRINT EUROPE

	OCT-DEC 2011	JUL-SEP 2011	OCT-DEC 2010	YTD 2011	YTD 2010
Operating revenue	1 368	1 548	1 551	6 034	5 642
Gross operating earnings	141	144	-3	387	0
Gross operating earnings after depreciation	31	-2	-149	-161	-612
Gross operating margin	10.3	9.3	-0.2	6.4	0.0
Production (1 000 tonnes)	315	381	417	1 488	1 561
Deliveries (1 000 tonnes)	333	374	429	1 488	1 566
Production / capacity (%)	87	89	95	90	89

This segment includes Norske Skog's European operations in the newsprint market, with mills in Norway, France and Austria. Total annual production capacity is 1 455 000 tonnes. Norske Skog Parenco was transferred from newsprint to magazine paper from the fourth quarter of 2011, as the bulk of production has shifted to magazine paper.

Gross operating earnings in the fourth quarter were in line with the third quarter, but there would have been some improvement if Norske Skog Parenco had been reported as before. There was some positive contribution from higher underlying sales volumes and lower costs for input factors. A stronger GBP gave a positive translation effect in NOK. Capacity utilisation was 87 per cent in the quarter, compared to 89 per cent in the previous quarter.

For 2011 as a whole, there was a marked improvement from a zero profit the year before. Furthermore, the 2010 results included additional income related to pensions. The improvement was due to higher newsprint prices in 2011, from very low levels in 2010, which more than offset higher costs and a stronger NOK. Sales volumes were relatively stable in 2011 and 2010.

Demand for newsprint in Europe fell by about three per cent in 2011 after an increase of around two per cent in 2010.

NEWSPRINT OUTSIDE EUROPE

	OCT-DEC 2011	JUL-SEP 2011	OCT-DEC 2010	YTD 2011	YTD 2010
Operating revenue	1 423	1 484	1 504	5 679	5 617
Gross operating earnings	236	246	269	915	1 065
Gross operating earnings after depreciation	97	95	111	319	257
Gross operating margin	16.6	16.6	17.9	16.1	19.0
Production (1 000 tonnes)	280	317	306	1 185	1 187
Deliveries (1 000 tonnes)	294	314	302	1 190	1 181
Production / capacity (%)	86	97	93	91	90

This region consists of Norske Skog's operations in Australasia, South America and Asia. Total annual production capacity is 1 305 000 tonnes, of which 865 000 tonnes are in Australasia.

Gross operating earnings in the fourth quarter showed a decline compared with the third quarter. The decrease was due to lower volumes in Australasia, with reduced domestic demand and relatively more exports with lower margins to Southeast Asia. This decline was offset to some extent by increased contribution from the operations in South America. There was a clear reduction in production volume in the segment from the previous quarter and a fall in capacity utilisation from 97 per cent to 86 per cent.

Gross operating earnings of NOK 915 million for the full year 2011 were slightly lower than in 2010 even when the income recognised in connection with environmental provisions that year is excluded. Higher costs for input factors in 2011 contributed to pressure on margins, while a stronger AUD gave a positive currency translation effect to NOK. Year-on-year sales volumes and production levels were stable.

Demand for newsprint in Australia fell by seven per cent in 2011. For South America, there was a decline in demand of around one per cent.

MAGAZINE PAPER

	OCT-DEC 2011	JUL-SEP 2011	OCT-DEC 2010	YTD 2011	YTD 2010
Operating revenue	1 966	1 568	1 691	6 291	6 288
Gross operating earnings	139	77	169	291	305
Gross operating earnings after depreciation	29	-47	40	-197	-215
Gross operating margin	7.1	4.9	10.0	4.6	4.8
Production (1 000 tonnes)	366	313	328	1 159	1 249
Deliveries (1 000 tonnes)	392	307	332	1 178	1 266
Production / capacity (%)	88	89	94	79	89

This segment includes Norske Skog's operations in the magazine paper market, located exclusively in Europe, with mills in Norway, Germany, Austria and the Netherlands. Total annual production capacity is 1 665 000 tonnes. Norske Skog Parenco was transferred to the magazine paper segment from newsprint from the fourth quarter of 2011, as the bulk of production is now magazine paper.

Gross operating earnings showed an improvement compared with the third quarter. Relatively high sales volumes, together with a reduction in costs for input factors and a stronger USD contributed to the improvement. In addition, the result was positively influenced by Norske Skog Parenco being included in the magazine paper segment in the fourth quarter. Capacity utilisation in the quarter was 88 per cent, which was in line with 89 per cent in the previous quarter.

Gross operating earnings for the full year 2011 were slightly lower than the reported NOK 305 million for 2010. However, gross operating earnings in 2010 included an amount relating to the reversal of pension provisions. There was therefore an improvement in the underlying operating earnings. Higher prices for magazine paper and relatively stable volumes contributed positively. The fire at Norske Skog Saugbrugs and higher costs for input factors had a negative impact on the result.

Demand for both SC (uncoated) magazine paper and LWC (coated) magazine paper in Europe was lower in 2011 compared with the previous year, with a decrease of four and five per cent, respectively.

ENERGY

	OCT-DEC 2011	JUL-SEP 2011	OCT-DEC 2010	YTD 2011	YTD 2010
Operating revenue	301	308	606	1 497	2 218
Gross operating earnings	0	0	56	3	150
Gross operating earnings after depreciation	0	0	56	3	150
Operating earnings	-560	-123	-106	-494	-1 543

The segment's ordinary activities include the purchase and resale of energy to the Norwegian mills and Norske Skog Pisa in Brazil. For accounting purposes, purchase of energy for these mills is recognised as a cost of materials in the segment, with resale at contract price.

Due to the sale of surplus energy in Norway in 2010, gross operating earnings in the energy segment were, as expected, not significant.

In addition to the earnings from ordinary activities mentioned above, the operating earnings under IFRS include the fair value adjustments on energy contracts and embedded derivatives. The contracts are presented in the balance sheet in accordance with IAS 39 *Financial Instruments - Recognition and Measurement*, which means that the value consists of the difference between the estimated market price and contract price over the contract period, discounted to present value. At the end of the fourth quarter, the group had recognised amounts in the balance sheet relating to the contracts in Norway and New Zealand. The value can fluctuate significantly from quarter to quarter due to changes in expected future energy prices, and are also influenced by changes in exchange rates, price indices and the discount rate.

OTHER ACTIVITIES

	OCT-DEC 2011	JUL-SEP 2011	OCT-DEC 2010	YTD 2011	YTD 2010
Operating revenue	501	545	586	2 193	2 154
Gross operating earnings	-15	-5	10	-98	-100
Gross operating earnings after depreciation	-20	-11	-5	-123	-150

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

HEALTH AND SAFETY

The H-value (the number of lost-time injuries per million working hours) was 1.99 in the 12 month period from 1 January 2011 to 31 December 2011.

EVENTS IN THE FOURTH QUARTER OF 2011

In December 2011, Norske Skog's corporate assembly approved the closure of Norske Skog Follum as a result of overcapacity in the market, lack of profitability and limited competitiveness. The mill has an annual production capacity of 290 000 tonnes. Production will be phased out during the first quarter of 2012. Norske Skog will now seek to create new activities at Follum in cooperation with local authorities and businesses.

RISK MANAGEMENT

Norske Skog conducts continuous evaluations of operational and financial risk factors. The main operational risks are related to prices and sales volume of newsprint and magazine paper, and the prices of key input factors such as wood, recovered paper and energy. Financial risk management includes primarily currency, interest rate and liquidity risk. The annual report for 2010 provides a description of risk factors and risk management.

RELATED PARTIES

Some of the company's shareholders are forest owners that supply wood to the group's mills in Norway. All transactions with related parties are conducted in accordance with general market terms and conditions. None of the board members receive remuneration for their work for the company from any source other than the company itself.

SHARES

The foreign ownership share at 31 December 2011 was 23 per cent, which is 13 percentage points lower than at the previous year end. An overview of the main shareholders at 4 January 2012 is included on page 22, and is based on information supplied by RD:IR and VPS through the service Nominee ID.

OUTLOOK FOR 2012

A flat sales price development is expected in 2012. Volumes are expected to be somewhat lower, with weak economic conditions and a structural decline in demand. The market balance for magazine paper is more stable due to reduced capacity in the industry. It is expected that a lower price level for input factors will contribute positively to the group's profitability.

OXENØEN BRUG, 7 FEBRUARY 2012 – THE BOARD OF DIRECTORS IN NORSKE SKOGINDUSTRIER ASA

Eivind Reiten
Chair

Gisèle Marchand
Deputy chair

Finn Johnsson
Board member

Helge Evju
Board member

Alexandra Bech Gjørv
Board member

Paul Kristiansen
Board member

Inge Myrlund
Board member

Svein-Erik Veie
Board member

Åse Aulie Michelet
Board member

Sven Ombudstvedt
President and CEO

INTERIM FINANCIAL STATEMENTS, FOURTH QUARTER 2011

INCOME STATEMENT

NOK MILLION	Note	OCT-DEC 2011	JUL-SEP 2011	OCT-DEC 2010	YTD 2011	YTD 2010
Operating revenue	6	**4 970**	**4 799**	**5 160**	**18 904**	**18 986**
Distribution costs		-464	-470	-484	-1 786	-1 856
Cost of materials		-2 688	-2 866	-3 127	-11 243	-11 539
Change in inventories		-281	45	-44	-118	-31
Employee benefit expenses		-690	-697	-590	-2 793	-2 709
Other operating expenses		-344	-342	-436	-1 450	-1 438
Gross operating earnings		**503**	**469**	**479**	**1 515**	**1 413**
Depreciation	5	-365	-429	-450	-1 658	-1 991
Gross operating earnings after depreciation		**137**	**39**	**30**	**-143**	**-578**
Restructuring expenses	4	-361	-4	-25	-387	-57
Other gains and losses		-532	-43	-77	-201	-1 578
Impairments	3, 5	-86	-1 875	27	-1 969	-165
Operating earnings		**-841**	**-1 883**	**-46**	**-2 701**	**-2 379**
Share of profit in associated companies	3	203	-2	-1	198	-17
Financial items	3, 12	-358	-251	-213	-629	-924
Profit/loss before income taxes		**-996**	**-2 135**	**-260**	**-3 132**	**-3 320**
Income taxes		404	294	62	588	851
Net profit/loss for the period		**-592**	**-1 841**	**-198**	**-2 545**	**-2 469**
Majority share of net profit/loss for the period		-592	-1 834	-201	-2 536	-2 462
Minority share of net profit/loss for the period		0	-8	2	-8	-6
Basic/diluted earnings per share (NOK)		-3.12	-9.66	-1.06	-13.36	-12.97

STATEMENT OF COMPREHENSIVE INCOME

NOK MILLION	OCT-DEC 2011	JUL-SEP 2011	OCT-DEC 2010	YTD 2011	YTD 2010
Net profit/loss for the period	**-592**	**-1 841**	**-198**	**-2 545**	**-2 469**
Other comprehensive income					
Currency translation differences	426	119	267	69	532
Tax expense on translation differences	-112	-2	-26	-68	-26
Hedge of net investment in foreign operations	-7	-140	25	19	162
Tax expense on net investment hedge	-242	-26	-5	-268	-22
Reclassifications to income statement (divestment of operations)	-7	5	0	42	0
Tax expense on reclassifications	0	0	0	0	0
Other items	1	1	-13	2	-9
Tax expense on other items	0	0	0	0	0
Other comprehensive income	**59**	**-43**	**248**	**-205**	**637**
Comprehensive income	**-533**	**-1 884**	**50**	**-2 749**	**-1 832**
Majority share of comprehensive income	-533	-1 877	47	-2 740	-1 828
Minority share of comprehensive income	0	-7	3	-9	-4

BALANCE SHEET

NOK MILLION	NOTE	31 DEC 2011	30 SEP 2011	31 DEC 2010
Deferred tax asset		352	128	137
Other intangible assets	5	148	149	160
Property, plant and equipment	5	12 622	12 616	15 909
Investment in associated companies	3	422	203	209
Other non-current assets	8	2 258	2 796	2 856
Total non-current assets		**15 803**	**15 892**	**19 271**
Inventories		1 867	2 279	2 013
Receivables	11	2 732	2 616	2 485
Cash and cash equivalents	7	1 200	2 427	4 440
Other current assets	8, 11	372	378	1 089
Total current assets		**6 171**	**7 700**	**10 027**
Total assets		**21 974**	**23 592**	**29 297**
Paid-in equity		12 303	12 303	12 303
Retained earnings and other reserves		-4 883	-4 350	-2 143
Minority interests		13	13	22
Total equity		**7 433**	**7 967**	**10 183**
Pension obligations		541	577	559
Deferred tax liability		500	470	923
Interest-bearing non-current liabilities	7	8 407	8 322	11 717
Other non-current liabilities	8	736	683	676
Total non-current liabilities		**10 184**	**10 051**	**13 875**
Interest-bearing current liabilities	7	931	2 453	1 954
Trade and other payables	11	2 837	2 675	2 845
Tax payable		31	40	32
Other current liabilities	8, 11	557	407	409
Total current liabilities		**4 356**	**5 574**	**5 240**
Total liabilities		**14 540**	**15 625**	**19 115**
Total equity and liabilities		**21 974**	**23 592**	**29 297**

OXENØEN BRUG, 7 FEBRUARY 2012 – THE BOARD OF DIRECTORS IN NORSKE SKOGINDUSTRIER ASA

Eivind Reiten
Chair

Gisèle Marchand
Deputy chair

Finn Johnsson
Board member

Helge Evju
Board member

Alexandra Bech Gjørv
Board member

Paul Kristiansen
Board member

Inge Myrlund
Board member

Svein-Erik Veie
Board member

Åse Aulie Michelet
Board member

Sven Ombudstvedt
President and CEO

CASH FLOW STATEMENT

NOK MILLION	OCT-DEC 2011	JUL-SEP 2011	OCT-DEC 2010	YTD 2011	YTD 2010
Cash generated from operations	4 925	4 580	5 018	18 726	18 920
Cash used in operations	-4 297	-4 186	-4 669	-17 594	-18 070
Cash from net financial items	-182	25	-198	-557	-520
Taxes paid	-38	-6	-38	-121	67
Net cash flow from operating activities [1)]	**409**	**413**	**113**	**455**	**397**
Purchases of fixed assets	-165	-119	-137	-490	-411
Sales of fixed assets	94	75	108	246	168
Acquisition of shares in companies and other financial payments	-34	-28	-10	-63	-112
Sales of shares in companies and other financial payments	2	52	0	777	770
Net cash flow from investing activities	**-104**	**-21**	**-38**	**470**	**415**
New loans raised	5	7	5	1 141	53
Repayments of loans	-1 486	-481	-117	-5 311	-465
Purchases/sales of treasury shares	0	0	0	0	1
New equity	0	0	0	0	1
Net cash flow from financing activities	**-1 481**	**-474**	**-112**	**-4 170**	**-409**
Foreign currency effects on cash and cash equivalents	-51	115	-19	5	-204
Total change in cash and cash equivalents	**-1 227**	**33**	**-56**	**-3 240**	**199**
[1)] Reconciliation of net cash flow from operating activities					
Gross operating earnings	503	469	479	1 515	1 413
Restructuring expenses	-361	-4	-25	-387	-57
Change in working capital	494	-71	-10	-38	-245
Other items in operating earnings with/without cash effects	-8	0	-95	43	-262
Cash flow from net financial items	-182	25	-198	-557	-520
Taxes paid	-38	-6	-38	-121	67
Net cash flow from operating activities	**409**	**413**	**113**	**455**	**397**

STATEMENT OF CHANGES IN GROUP EQUITY

NOK MILLION	PAID-IN EQUITY	RETAINED EARNINGS	HEDGE ACCOUNTING	OTHER EQUITY RESERVES	TOTAL BEFORE MINORITY INTERESTS	MINORITY INTERESTS	TOTAL EQUITY
Equity 1 January 2010	**12 302**	**-583**	**349**	**-81**	**11 987**	**28**	**12 015**
Net profit/loss for the period	0	-2 262	0	0	-2 262	-9	-2 270
Other comprehensive income for the period	0	0	120	268	388	2	389
Change in holding of treasury shares	2	0	0	0	2	0	2
Change in ownership in subsidiaries	0	0	0	-1	-1	2	1
Equity 30 September 2010	**12 303**	**-2 845**	**469**	**186**	**10 113**	**23**	**10 136**
Net profit/loss for the period	0	-200	0	0	-200	2	-198
Other comprehensive income for the period	0	0	20	227	247	1	248
Change in ownership in subsidiaries	0	-2	0	3	1	-4	-3
Equity 31 December 2010	**12 303**	**-3 048**	**489**	**416**	**10 161**	**22**	**10 183**
Net profit/loss for the period	0	-1 944	0	0	-1 944	-8	-1 952
Other comprehensive income for the period	0	0	0	-263	-263	-1	-264
Equity 30 September 2011	**12 303**	**-4 992**	**489**	**153**	**7 954**	**13**	**7 967**
Net profit/loss for the period	0	-592	0	0	-592	0	-592
Other comprehensive income for the period	0	0	-249	308	59	0	59
Equity 31 December 2011	**12 303**	**-5 584**	**240**	**461**	**7 420**	**13**	**7 433**

NOTES TO THE INTERIM FINANCIAL STATEMENTS

1. GENERAL INFORMATION

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

All amounts in the interim financial statements are presented in NOK million unless otherwise stated. Due to rounding, there may be differences in the summation of columns.

The interim financial statements were authorised for issue by the board of directors in Norske Skogindustrier ASA on 7 February 2012.

2. ACCOUNTING POLICIES

The interim financial statements of Norske Skog have been prepared in accordance with IAS 34 *Interim Financial Reporting*. The interim financial statements do not disclose all the information and disclosures required in the annual financial statements, and should be read in conjunction with the group's annual financial statements as at 31 December 2010. The interim financial statements are unaudited.

The accounting policies applied in the preparation of the interim financial statements are consistent with those applied in the preparation of the annual financial statements for the year ended 31 December 2010, except for the adaptation of amended standards and new interpretations which are mandatory from 1 January 2011. These changes are described in the annual financial statements for 2010. However, none of these currently have a material impact on the financial position or performance of the group.

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

3. ESTIMATES, JUDGEMENTS AND ASSUMPTIONS

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

Estimated decline in value of intangible assets and tangible fixed assets

Intangible assets which have an indefinite useful life and goodwill are not subject to amortisation, but are tested annually for impairment. Tangible fixed assets and intangible assets that are subject to amortisation are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Since the carrying amount of the net assets in the group at the end of the fourth quarter of 2011 is higher than its market capitalisation, an impairment evaluation of the recoverable amount of the group's cash-generating units has been made. The recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. Value in use is the present value of the future cash flows expected to be derived from a cash-generating unit. The group's cash-generating units are Europe newsprint, Europe magazine paper (light weight coated (LWC)), Australasia newsprint, South America newsprint, Norske Skog Saugbrugs magazine paper (super calendered (SC)), Norske Skog Parenco magazine paper (NorCal), Norske Skog Follum magazine paper and Norske Skog Singburi newsprint.

Calculation of value in use requires use of estimates. When estimating the value in use at 31 December 2011, no impairment need was identified.

Impairment losses on tangible fixed assets in the fourth quarter of 2011 as a result of the decision to permanently close the paper production at Norske Skog Follum, amount to NOK 86 million. This amount is split into NOK 51 million for Europe newsprint and NOK 35 million for Norske Skog Follum magazine paper.

Total impairment losses of NOK 1 969 million have been recognised in the financial year 2011. The total impairment losses consist of NOK 96 million related to Europe newsprint, NOK 139 million for Europe magazine paper (light weight coated (LWC)), NOK 103 million for Australasia newsprint, NOK 241 million for South America newsprint, NOK 184 million for Norske Skog Singburi newsprint, NOK 244 million for Norske Skog Saugbrugs magazine paper (super calendered (SC)), NOK 35 million for Norske Skog Follum magazine paper and NOK 927 million for Norske Skog Parenco magazine paper (NorCal). The impairments have mainly arisen as a result of a higher weighted average cost of capital, reduced cash flow horizon, a stronger Norwegian krone (Norske Skog Saugbrugs magazine paper (super calendared (SC)), permanent closure of Norske Skog Follum and changes in the composition of cash-generating units (Norske Skog Parenco magazine paper (NorCal)).

The possibility of reversing impairment losses in prior periods on tangible fixed assets, intangible assets (except goodwill) and investments in associated companies has also been evaluated at 31 December 2011. Norske Skog owns a 33.65% stake in Malaysian Newsprint Industries Sdn. Bhd. (MNI). The investment is recognised in the consolidated financial statements in accordance with the equity method. The impairment assessment for MNI indicates that there are grounds for the reversal of previous impairments. Based on this, impairments of NOK 204 million have been reversed in the fourth quarter of 2011. The amount has been presented in the income statement line Share of profit in associated companies. The carrying value of Norske Skog's investment in MNI amounts to NOK 394 million at 31 December 2011, which is equivalent to Norske Skog's share of the equity recognised in MNI's company accounts. Beyond these reversals, no further reversals of previous impairments have been made in 2011.

The estimation of recoverable amount is based on assumptions regarding the future development of several factors. These include price development for finished goods, sales volumes, input prices (wood, recovered paper, energy, development in salaries etc.), capital expenditure on tangible fixed assets, currency rates and interest rates. This means that there will be uncertainty when it comes to the outcome of the calculations. Norske Skog has performed sensitivity analyses using the variables mentioned above to predict how fluctuations will impact recoverable amount. In relation to the assumptions made in the calculation of the present value of future cash flows, recoverable amount is most sensitive to changes in prices of finished goods, sales volume and exchange rate movements. A reduction in sales price (from 2013) and sales volume in the cash flow period of 5% will cause a reduction in recoverable amount in the order of NOK 5 400 million and NOK 1 900 million respectively. Correspondingly, a weakening of USD of 5% will cause a NOK 800 million reduction in the recoverable amount. A price increase of 5% on the input prices for wood, recovered paper, energy and labour will reduce recoverable amount by approximately NOK 800 million, NOK 600 million, NOK 500 million and NOK 700 million respectively.

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

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

See Note 9 in the annual financial statements for 2010 for more information regarding the calculation of fair value of derivatives.

Provisions

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

Provisions for future environmental- and dismantling liabilities are based on a number of assumptions made using management's best judgement. Changes in any of these assumptions could have an impact on the group's provisions and costs. Provisions for future environmental and dismantling costs have been updated in the fourth quarter of 2011 with new market-based assumptions for discount rates and inflation, and the timing of the liabilities has been assessed. In the fourth quarter of 2011, environmental costs of NOK 13 million have been recognised in the income statement, and costs for the full year amount to NOK 23 million. This is presented in the income statement line Other operating expenses. Capitalised dismantling and environmental liabilities amount to NOK 102 million and NOK 283 million respectively at 31 December 2011, and are presented in the balance sheet line Other non-current liabilities. The expense recognised relating to unwinding of the discount in 2011 amounts to NOK 5 million for dismantling liabilities and NOK 12 million for environmental liabilities. These amounts are presented in the income statement line Financial items.

See Note 2 in the annual accounts for 2010 for a more thorough description of important accounting estimates and assumptions impacting the preparation of financial statements.

4. RESTRUCTURING EXPENSES

Restructuring expenses of NOK 361 million in the fourth quarter of 2011 were mainly due to provisions for severance pay and other costs as a result of the decision to shut down paper production at Norske Skog Follum (NOK 287 million). In addition, there were restructuring expenses of NOK 59 million related to provisions for severance pay in connection with a cost reduction programme at Norske Skog Walsum, as well as some smaller adjustments to provisions made in earlier periods.

Restructuring expenses of NOK 4 million in the third quarter of 2011 were related to provisions for redundancy costs as a result of downsizing at the head office at Oxenøen.

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Restructuring expenses of NOK 23 million in the second quarter of 2011 were mainly related to provisions for redundancy costs as a result of the new operating model in Norske Skog, implemented in May. The main elements constituting the total provision were NOK 13 million at Norske Skog Logistics in Antwerp, NOK 6 million at the head office and NOK 3 million relating to Norske Skog Focus employees. There was also a further provision of NOK 1 million relating to an updated estimate for redundancy payments after the reorganisation of the European sales organisation.

There were no restructuring expenses in the first quarter of 2011.

5. PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

JAN-DEC 2011	PROPERTY, PLANT AND EQUIPMENT	OTHER INTANGIBLE ASSETS	TOTAL
Carrying value at beginning of period	15 909	160	16 069
Depreciation	-1 636	-22	-1 658
Impairments	-1 969	0	-1 969
Acquisitions *)	533	99	632
Value change, biological assets	44	0	44
Disposals	-377	-89	-466
Currency translation difference	118	0	118
Carrying value at end of period	**12 622**	**148**	**12 770**

*) The difference between acquisitions and the line Purchases of fixed assets in the cash flow statement is due to finance leases, allocated emission allowances and accruals for payments.

6. OPERATING SEGMENTS

OCT-DEC 2011	NEWSPRINT	MAGAZINE PAPER	ENERGY	OTHER ACTIVITIES	ELIMINATIONS	NORSKE SKOG GROUP
Operating revenue	**2 883**	**1 966**	**301**	**501**	**-682**	**4 970**
Distribution costs	-269	-175	0	-20	0	-464
Cost of materials	-1 516	-1 072	-302	-397	598	-2 688
Change in inventories	-133	-147	0	-1	0	-281
Employee benefit expenses	-378	-267	0	-44	0	-690
Other operating expenses	-209	-165	0	-54	84	-344
Gross operating earnings	**378**	**139**	**0**	**-15**	**0**	**503**
Depreciation	-250	-110	0	-5	0	-365
Gross operating earnings after depreciation	**128**	**29**	**0**	**-20**	**0**	**137**
Restructuring expenses	-158	-214	0	12	0	-361
Other gains and losses	-12	27	-560	12	0	-532
Impairments	-51	-35	0	0	0	-86
Operating earnings	**-92**	**-193**	**-560**	**4**	**0**	**-841**

YTD 2011	NEWSPRINT	MAGAZINE PAPER	ENERGY	OTHER ACTIVITIES	ELIMINATIONS	NORSKE SKOG GROUP
Operating revenue	**11 967**	**6 291**	**1 497**	**2 193**	**-3 043**	**18 904**
Distribution costs	-1 129	-577	0	-80	0	-1 786
Cost of materials	-6 904	-3 775	-1 493	-1 744	2 674	-11 243
Change in inventories	-13	-104	0	-1	0	-118
Employee benefit expenses	-1 597	-976	0	-220	0	-2 793
Other operating expenses	-1 006	-568	-1	-246	370	-1 450
Gross operating earnings	**1 318**	**291**	**3**	**-98**	**0**	**1 515**
Depreciation	-1 145	-488	0	-25	0	-1 658
Gross operating earnings after depreciation	**174**	**-197**	**3**	**-123**	**0**	**-143**
Restructuring expenses	-160	-217	0	-11	0	-387
Other gains and losses	20	115	-497	160	0	-201
Impairments	-624	-1 345	0	0	0	-1 969
Operating earnings	**-589**	**-1 644**	**-494**	**26**	**0**	**-2 701**

YTD 2010	NEWSPRINT	MAGAZINE PAPER	ENERGY	OTHER ACTIVITIES	ELIMINATIONS	NORSKE SKOG GROUP
Operating revenue	**11 535**	**6 288**	**2 218**	**2 154**	**-3 209**	**18 986**
Distribution costs	-1 108	-632	0	-116	0	-1 856
Cost of materials	-6 761	-3 889	-2 064	-1 588	2 763	-11 539
Change in inventories	6	-35	0	-1	0	-31
Employee benefit expenses	-1 617	-854	0	-238	0	-2 709
Other operating expenses	-996	-573	-4	-310	446	-1 438
Gross operating earnings	**1 059**	**305**	**150**	**-100**	**0**	**1 413**
Depreciation	-1 421	-520	0	-49	0	-1 991
Gross operating earnings after depreciation	**-363**	**-215**	**150**	**-150**	**0**	**-578**
Restructuring expenses	-43	-5	0	-9	0	-57
Other gains and losses	44	7	-1 693	64	0	-1 578
Impairments	-165	0	0	0	0	-165
Operating earnings	**-527**	**-214**	**-1 543**	**-95**	**0**	**-2 379**

OPERATING SEGMENT NEWSPRINT

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

INCOME STATEMENT	OCT-DEC 2011	JUL-SEP 2011	OCT-DEC 2010	YTD 2011	YTD 2010
Operating revenue	**2 883**	**3 087**	**3 138**	**11 967**	**11 535**
Distribution costs	-269	-286	-294	-1 129	-1 108
Cost of materials	-1 516	-1 780	-1 844	-6 904	-6 761
Change in inventories	-133	32	-28	-13	6
Employee benefit expenses	-378	-400	-400	-1 597	-1 617
Other operating expenses	-209	-257	-327	-1 006	-996
Gross operating earnings	**378**	**397**	**244**	**1 318**	**1 059**
Depreciation	-250	-299	-305	-1 145	-1 421
Gross operating earnings after depreciation	**128**	**97**	**-61**	**174**	**-363**
Restructuring expenses	-158	0	-16	-160	-43
Other gains and losses	-12	25	29	20	44
Impairments	-51	-573	27	-624	-165
Operating earnings	**-92**	**-451**	**-21**	**-589**	**-527**
Share of operating revenue from external parties (%)	98	99	98	99	98
OPERATING REVENUE PER REGION					
Newsprint Europe	1 368	1 548	1 551	6 034	5 642
Newsprint outside Europe	1 423	1 484	1 504	5 679	5 617
Sales offices and other activities	1 135	1 198	1 192	4 533	4 497
Eliminations	-1 043	-1 144	-1 109	-4 279	-4 221
Total	**2 883**	**3 087**	**3 138**	**11 967**	**11 535**
GROSS OPERATING EARNINGS PER REGION					
Newsprint Europe	141	144	-3	387	0
Newsprint outside Europe	236	246	269	915	1 065
Sales offices and other activities	1	6	-22	16	-5
Eliminations	0	0	0	0	0
Total	**378**	**397**	**244**	**1 318**	**1 059**

OPERATING SEGMENT MAGAZINE PAPER

The Magazine paper segment encompasses production and sale of the paper qualities super calendered (SC), machine finished coated (MFC), light weight coated (LWC) and NorCal. Magazine paper is used in magazines, catalogues and advertising materials. Norske Skog Parenco is reported in the operating segment for magazine paper from the fourth quarter of 2011.

INCOME STATEMENT	OCT-DEC 2011	JUL-SEP 2011	OCT-DEC 2010	YTD 2011	YTD 2010
Operating revenue	**1 966**	**1 568**	**1 691**	**6 291**	**6 288**
Distribution costs	-175	-166	-163	-577	-632
Cost of materials	-1 072	-975	-1 042	-3 775	-3 889
Change in inventories	-147	20	-18	-104	-35
Employee benefit expenses	-267	-243	-152	-976	-854
Other operating expenses	-165	-128	-147	-568	-573
Gross operating earnings	**139**	**77**	**169**	**291**	**305**
Depreciation	-110	-124	-129	-488	-520
Gross operating earnings after depreciation	**29**	**-47**	**40**	**-197**	**-215**
Restructuring expenses	-214	0	-4	-217	-5
Other gains and losses	27	29	5	115	7
Impairments	-35	-1 302	0	-1 345	0
Operating earnings	**-193**	**-1 321**	**41**	**-1 644**	**-214**
Share of operating revenue from external parties (%)	97	97	95	95	95

OPERATING SEGMENT ENERGY

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

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

INCOME STATEMENT	OCT-DEC 2011	JUL-SEP 2011	OCT-DEC 2010	YTD 2011	YTD 2010
Operating revenue	**301**	**308**	**606**	**1 497**	**2 218**
Distribution costs	0	0	0	0	0
Cost of materials	-302	-308	-549	-1 493	-2 064
Change in inventories	0	0	0	0	0
Employee benefit expenses	0	0	0	0	0
Other operating expenses	0	0	-1	-1	-4
Gross operating earnings	**0**	**0**	**56**	**3**	**150**
Depreciation	0	0	0	0	0
Gross operating earnings after depreciation	**0**	**0**	**56**	**3**	**150**
Restructuring expenses	0	0	0	0	0
Other gains and losses	-560	-123	-163	-497	-1 693
Impairments	0	0	0	0	0
Operating earnings	**-560**	**-123**	**-106**	**-494**	**-1 543**
Share of operating revenue from external parties (%)	25	26	52	33	49

OTHER ACTIVITIES

Activities in the group that do not fall into any of the three operating segments Newsprint, Magazine paper and Energy, are presented under Other activities. This includes corporate functions, real estate activities, trading and sorting of recovered paper and purchase and resale of wood.

INCOME STATEMENT	OCT-DEC 2011	JUL-SEP 2011	OCT-DEC 2010	YTD 2011	YTD 2010
Operating revenue	**501**	**545**	**586**	**2 193**	**2 154**
Distribution costs	-20	-18	-26	-80	-116
Cost of materials	-397	-421	-445	-1 744	-1 588
Change in inventories	-1	-7	2	-1	-1
Employee benefit expenses	-44	-55	-38	-220	-238
Other operating expenses	-54	-49	-68	-246	-310
Gross operating earnings	**-15**	**-5**	**10**	**-98**	**-100**
Depreciation	-5	-6	-16	-25	-49
Gross operating earnings after depreciation	**-20**	**-11**	**-5**	**-123**	**-150**
Restructuring expenses	12	-4	-5	-11	-9
Other gains and losses	12	26	51	160	64
Impairments	0	0	0	0	0
Operating earnings	**4**	**11**	**40**	**26**	**-95**
Share of operating revenue from external parties (%)	30	25	26	28	28
OPERATING REVENUE					
Recovered paper	196	232	225	906	851
Real estate activities	0	1	5	5	19
Bio-fuel	0	0	0	0	0
Corporate functions	47	60	60	226	253
Miscellaneous	266	268	308	1 108	1 089
Eliminations	-8	-17	-13	-52	-58
Total	**501**	**545**	**586**	**2 193**	**2 154**
GROSS OPERATING EARNINGS					
Recovered paper	3	3	6	18	27
Real estate activities	-2	-1	-9	-15	-14
Bio-fuel	0	0	-4	0	-17
Corporate functions	-6	-6	13	-80	-110
Miscellaneous	-10	-1	5	-21	14
Eliminations	0	0	0	0	0
Total	**-15**	**-5**	**10**	**-98**	**-100**

7. INTEREST-BEARING DEBT

NET INTEREST-BEARING DEBT

Norske Skog has recognised an amount in the balance sheet as a result of the termination of a large part of the fair value hedge portfolio in the first half of 2009. A hedge reserve (deferred income) amounting to NOK 270 million is included in interest-bearing debt as at 31 December 2011. The corresponding figure as at 31 December 2010 was NOK 338 million.

The hedge reserve does not constitute any payment obligation for the group, but will be amortised in the income statement over the lifetime of the debt that has been hedged.

31 DEC 2011	REPORTED KEY FIGURES	KEY FIGURES ACCORDING TO LOAN AGREEMENT *)
Interest-bearing non-current liabilities	8 407	8 263
Interest-bearing current liabilities	931	929
- Hedge reserve	270	256
- Fair value hedge	5	5
- Cash and cash equivalents	1 200	1 130
= Net interest-bearing debt	**7 863**	**7 801**
Adjusted net interest-bearing debt **)		7 887

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

LOAN COVENANTS

In the second quarter of 2011, Norske Skog signed a three-year credit facility of EUR 140 million and a Euro-denominated bond loan of EUR 150 million with a maturity of five years. The credit facility was renegotiated at the end of December 2011.

The loan covenants in the group's credit facility of EUR 140 million are partly linked to the interest coverage ratio (EBITDA / net interest expense) and debt ratio (net interest-bearing debt / EBITDA). In accordance with the agreement, all key figures are calculated at the average exchange rate per month for the last 12-month period.

The group's bond loan does not include financial covenants.

31 DEC 2011	REPORTED FIGURES	LOAN COVENANTS **)
EBITDA (last 12 months)	1 515	
Adjusted EBITDA *) (last 12 months)	1 518	
Net interest expense (last 12 months)	674	
Net interest-bearing debt / Adjusted EBITDA	5.20	< 6.00
EBITDA / Net interest expense	2.25	> 1.75

*) Adjusted EBITDA consists of gross operating earnings for the group, excluding units that have been sold during the last 12 months.
**) The loan covenants presented in the table are as at 31 December 2011.

LOAN COVENANTS 2012	31 MAR 2012	30 JUN 2012	30 SEP 2012	31 DEC 2012
Adjusted net interest-bearing debt / Adjusted EBITDA	< 6.00	< 5.50	< 5.00	< 4.75
EBITDA / Net interest expense	> 1.75	> 2.00	> 2.25	> 2.25

DEBT REPAYMENT SCHEDULE

CONTRACTUAL INSTALMENT PAYMENTS ON CURRENT AND NON-CURRENT INTEREST-BEARING DEBT	31 DEC 2011
2012 – first quarter	747
2012 – second quarter	17
2012 – third quarter	150
2012 – fourth quarter	17
2013	58
2014	950
2015	1 068
2016	1 108
2017	3 518
2018	35
2019	66
2020	37
2021	26
2022 to 2033	1 248
Total	**9 045**

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

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

	ASSETS		LIABILITIES	
31 DEC 2011	CURRENT	NON-CURRENT	CURRENT	NON-CURRENT
Energy contracts and embedded derivatives in energy contracts	306	2 002	-116	-162
Other raw material contracts	2	15	-3	-29
Other derivatives and financial instruments carried at fair value	18	12	-201	0
Total	**327**	**2 029**	**-320**	**-191**

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

An increased energy price has a positive effect on fair value. The energy forward price in the Nordic region is down both in the short- and long-end compared to the previous quarter. In New Zealand, the energy forward price almost unchanged in the short-end and down in the medium-term.

When NOK strengthens there is a positive effect on fair value. A weakened USD against BRL has a negative effect on fair value. NOK has strengthened against EUR and weakened against USD and NZD during the fourth quarter. USD has strengthened against BRL.

A decrease in consumer price index estimates has a positive effect on fair value. The estimate for consumer price index in Norway has decreased. Other consumer price indices affecting fair value only show minor changes compared to the previous quarter.

9. NORSKE SKOG GROUP – QUARTERLY FIGURES

INCOME STATEMENT	OCT-DEC 2011	JUL-SEP 2011	APR-JUN 2011	JAN-MAR 2011	OCT-DEC 2010	JUL-SEP 2010
Operating revenue	**4 970**	**4 799**	**4 542**	**4 594**	**5 160**	**4 795**
Distribution costs	-464	-470	-421	-431	-484	-476
Cost of materials	-2 688	-2 866	-2 732	-2 956	-3 127	-2 910
Change in inventories	-281	45	-58	176	-44	-39
Employee benefit expenses	-690	-697	-702	-703	-590	-712
Other operating expenses	-344	-342	-381	-383	-436	-273
Gross operating earnings	**503**	**469**	**248**	**296**	**479**	**384**
Depreciation	-365	-429	-432	-431	-450	-513
Gross operating earnings after depreciation	**137**	**39**	**-184**	**-136**	**30**	**-129**
Restructuring expenses	-361	-4	-23	0	-25	-22
Other gains and losses	-532	-43	5	369	-77	-175
Impairments	-86	-1 875	0	-8	27	0
Operating earnings	**-841**	**-1 883**	**-202**	**225**	**-46**	**-326**
Share of profit in associated companies	203	-2	-3	-1	-1	-1
Financial items	-358	-251	-67	46	-213	50
Profit/loss before income taxes	**-996**	**-2 135**	**-271**	**270**	**-260**	**-278**
Income taxes	404	294	-9	-101	62	34
Net profit/loss for the period	**-592**	**-1 841**	**-280**	**169**	**-198**	**-244**
OPERATING REVENUE PER SEGMENT						
Newsprint	2 883	3 087	3 114	2 883	3 138	2 944
Magazine paper	1 966	1 568	1 276	1 482	1 691	1 606
Energy	301	308	391	496	606	527
Other activities	501	545	540	607	586	504
Eliminations	-682	-710	-779	-873	-861	-786
Total	**4 970**	**4 799**	**4 542**	**4 594**	**5 160**	**4 795**
GROSS OPERATING EARNINGS PER SEGMENT						
Newsprint	378	397	270	274	244	352
Magazine paper	139	77	15	60	169	41
Energy	0	0	2	1	56	30
Other activities	-15	-5	-39	-39	10	-38
Eliminations	0	0	0	0	0	0
Total	**503**	**469**	**248**	**296**	**479**	**384**
SHARE OF OPERATING REVENUE FROM EXTERNAL PARTIES (%)						
Newsprint	98	99	99	99	98	98
Magazine paper	97	97	92	93	95	96
Energy	25	26	38	39	52	46
Other activities	30	25	27	28	26	26

10. THE NORSKE SKOG SHARE

	31 DEC 2011	30 SEP 2011	30 JUN 2011	31 MAR 2011	31 DEC 2010	30 SEP 2010
Share price (NOK)	4.52	4.21	8.95	17.90	13.85	11.75
Book value of equity per share (NOK)	39.08	41.88	51.77	52.53	53.50	53.25

11. RECLASSIFICATION IN THE BALANCE SHEET

A review of the balance sheet was carried out during the third quarter of 2011. This resulted in reclassification of certain current asset and liability items. The modified classification has been applied retrospectively, such that comparative figures in the balance sheet have been restated.

Prepayments to suppliers have been moved from Other current assets to Receivables. The change has an effect of NOK 73 million as at 31 December 2011 (NOK 75 millioner as at 30 September 2011 and NOK 88 million as at 31 December 2010).

Accrued financial costs and short-term obligations related to financial instruments are moved from Trade and other payables to Other current liabilities. The change has an effect of NOK 216 million as at 31 December 2011 (NOK 336 million as at 30 September 2011 and NOK 332 million as at 31 December 2010).

Accrued expenses and provisions for goods received but not invoiced are reclassified from Other current liabilities to Trade and other payables. The change has an effect of NOK 46 million as at 31 December 2011 (NOK 68 million as at 30 September 2011 and NOK 103 million as at 31 December 2010).

12. EVENTS AFTER THE BALANCE SHEET DATE

In December 2011, Norske Skog signed an agreement regarding the settlement of seller's credit related to the sale of Klosterøya, the site where Norske Skog Union was located. The agreement was signed with a reservation linked to the purchaser obtaining financing. Financing has been arranged in 2012 and the settlement of the purchase price of the order of NOK 100 million will take place in mid-February 2012. Impairment of the seller's credit of NOK 42 million is included in the income statement line Financial items in the interim financial statements for the fourth quarter.

During the third and fourth quarters of 2011, a review of Norske Skog's European shared service functions was conducted. As a result of this review, it was decided in January 2012 to close Norske Skog's shared service function located in Antwerp in Belgium. The closure will be implemented during the first half of 2012. Restructuring costs are estimated to be approximately NOK 10 million and will be expensed in the first quarter of 2012.

On 12 January 2012, Norske Skog signed a long-term energy contract with Nord-Trøndelag Elektrisitetsverk (NTE) for the supply of electricity for the paper mill at Skogn. The agreement ensures supply of 0.4 TWh per year until the end of 2018.

No events have occurred after the balance sheet date with significant impact on the interim financial statements for the fourth quarter of 2011.

13. PRINCIPAL SHAREHOLDERS

PRINCIPAL SHAREHOLDERS AT 4 JANUARY 2012	NUMBER OF SHARES	OWNERSHIP %
Viken Skog	10 897 825	5.74
Folketrygdfondet	7 924 431	4.17
AT Skog	6 671 000	3.51
SKAGEN Fondene	6 275 000	3.30
Allskog	5 261 414	2.77
Acadian Asset Management	5 142 679	2.71
Astrup Fearnley AS	4 596 219	2.42
Dimensional Fund Advisors	4 487 692	2.36
Uthalden AS	3 720 000	1.96
Awilco Invest AS	3 400 000	1.79
Aviva Investors	3 095 523	1.63
Fiducia AS	2 806 644	1.48
Nordea Bank PLC Finland	2 599 100	1.37
Bank of New York stocklending collateral account	2 597 371	1.37
Nobelsystem Scandinavia AS	2 500 000	1.32
Havlide AS	2 296 466	1.21
AS Herdebred	2 112 005	1.11
Danske Bank, Copenhagen (PB)	2 030 049	1.07
Mjøsen Skog	1 970 560	1.04
Shareholders with < 1%	109 561 548	57.68
Total	**189 945 626**	**100.00**

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

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