

NORSKE SKOG 2003

Report 1st quarter

Low prices and a continued strong Norwegian krone

Improvement 2003 on track

Using newspapers in education



Norske Skog

Low prices and a continued strong NOK

Low prices and a continued strong Norwegian krone affected the result in the first quarter 2003. Higher volumes and strict cost management partially offset these effects, when compared to the result in the first quarter 2002. The Company's financial position is good. The Improvement 2003 programme is being carried out according to plan and is beginning to yield results. An improvement in the market situation depends on economic developments in the US and other regions, and on growth in the advertising market.

Group earnings

Operating revenue during the first quarter was NOK 121 million lower than in the first quarter of 2002. The decline reflects lower sales prices and the effect of the stronger Norwegian krone, which was partially upset by higher sales volumes.

The operating profit for first quarter 2003 was NOK 156 million lower than in the same period of 2002. The Norwegian krone was stronger during the first quarter of this year than in the same quarter a year ago. Based on average exchange rates during the quarter, the krone was 3% stronger against the Euro, 11% stronger against the British pound and 21% stronger against the US dollar. The relatively stronger NOK resulted in a net currency effect of approximately negative NOK 200 million in the first quarter 2003. Operating earnings were favourably affected by electricity trading, which yielded a profit of NOK 143 million during first quarter 2003. No further such gains are expected later this year.

Financial items amounted to negative NOK 523 million in first quarter 2003, against negative NOK 194 million in the same period of 2002. While the Norwegian krone strengthened

dramatically during 2002 – consequently resulting in a negative impact of just over NOK 1 billion on last year's operating earnings – the krone weakened slightly during the last part of first quarter 2003. This led to realised and unrealised losses on currency hedges amounting to a total of NOK 213 million during the quarter. During the same period last year, Norske Skog had currency gains of NOK 190 million. Over the long term, a further weakening of the krone will continue to have a positive impact on the operating result.

Owing to lower debt, net interest costs in the first quarter of 2003 were NOK 247 million, against NOK 309 million in first quarter 2002.

RESULT FIRST QUARTER 2003 KEY FIGURES, GROUP

	1/03	1/02	2002
Op. revenue NOK mill.	5 555	5 676	23 471
Op. earnings NOK mill.	380	536	1 906*
Pre-tax earn. NOK mill.	710	243	806
Net. earn. NOK mill.	290	141	1 162
Gross op. margin %	21.3	24.7	22.1
Net. op. margin %	6.9	9.5	8.1
Deliveries 1000t	1 225	1 080	4 924
Prod./capacity %	88	81	86

* Excluding restructuring costs of NOK 600 million.

The pre-tax earnings figure includes NOK 907 million from the sale of Norske Skog's power plants. The after-tax gain was NOK 471 million.

Earnings per share after tax in first quarter 2003 were NOK 2.19 (NOK 1.07). Net cash flow from operations was NOK 500 million (NOK 740 million), corresponding to NOK 3.78 per share (NOK 5.60).

IMPROVED RESULT IN PARTLY-OWNED COMPANIES

Affiliated companies contributed a total of negative NOK 54 million as the share of their after-tax results. The affiliated companies' deficit was almost halved, compared with first quarter 2002.

NorskeCanada, of which Norske Skog owns 30.6%, accounts for negative NOK 44 million, and Malaysian Newsprint Industries, where Norske Skog's ownership stake is 34%, for negative NOK 14 million.

Financial

SATISFACTORY FINANCIAL KEY FIGURES

The Company's financial position is good. The ratio between the Company's net interest-bearing debt and equity capital (gearing) was 0.92 at the end of first quarter 2003. The reduction from 1.02 at the turn of the year largely reflects the sale of the power plants in January.

At the end of first quarter 2003 the equity capital ratio was 41.5%, compared to 39.9% at the end of last year. The weakening of the Norwegian krone during the first quarter increased the value of the assets Norske Skog has outside Norway, which increased equity capital by NOK 912 million.

LOWER DEBT

At the end of first quarter 2003 net interest-bearing debt was NOK 17 434 million. The sale of the power plants in January provided the Company with NOK 1 268 million in cash, which was used to pay off debt. The weakening of the Norwegian krone during the first quarter led to an increase of NOK

Profit and loss account

NOK million	Jan-Mar 03	Jan-Mar 02	2002
Operating revenue	5 555	5 676	23 471
Distribution costs	-470	-430	-1 865
Other operating expenses	-3 902	-3 845	-16 408
Operating Earnings before Depreciation	1 183	1 401	5 198
Depreciation and amortisation	-803	-865	-3 292
Operating Earnings before provision for restructuring costs	380	536	1 906
Provision for restructuring costs	-	-	-600
Operating earnings	380	536	1 306
Earnings from affiliated companies ¹⁾	-54	-99	-290
Financial items	-523	-194	-405
Other items	907	-	195
Earnings before taxation	710	243	806
Taxation	-420	-100	362
Net earnings	290	143	1 168
The minority's share of net earnings	-	2	6
The majority's share of net earnings	290	141	1 162
Earnings per share	2.19	1.07	8.79
Earnings per share fully diluted	2.19	1.07	8.79

¹⁾ Earnings from affiliated companies are included after taxation.

Statement of cash flow

NOK million	Jan-Mar 03	Jan-Mar 02	2002
Cash flow from operating activities			
Cash generated from operations	5 893	6 159	23 575
Cash used in operations	-5 088	-4 693	-18 290
Cash from net financial items	-221	-347	-625
Taxes paid	-84	-379	-973
Net cash flow from operating activities	500	740	3 687
Cash flow from investment activities			
Investments in operational fixed assets	-187	-202	-1 146
Sales of operational fixed assets	12	4	44
Other investments	-	-52	170
Dividend received	-	-	-
Net cash from sold shares in subsidiaries ¹⁾	1 268	48	498
Net cash used for acquisition of companies	-	-2	-6
Net cash flow from investment activities	1 093	-204	-440
Cash flow from financial activities			
Net change in long-term liabilities	-1 453	-2 480	-6 411
Net change in short-term liabilities	-286	697	884
Dividend paid	-	-	-792
New equity	-	-	-
Net cash flow from financial activities	-1 739	-1 783	-6 319
Translation difference	22	-36	-218
Total change in liquid assets	-124	-1 283	-3 290

¹⁾ In first quarter 2003 the amount consists of cash from sale of power plants in Norway. In 2002 the amount consists of sale of forests in Southern Norway, forests in Sweden and settlement for Flooring AS.

Balance sheet

NOK million	31-03-03	31-03-02	31-12-02
Intangible fixed assets	4 828	4 574	4 682
Operational fixed assets	32 032	35 788	31 127
Long-term receivables and affiliated companies	2 658	3 853	2 388
Fixed assets	39 518	44 215	38 197
Inventory	2 327	2 362	2 080
Receivables	3 501	3 910	3 821
Short term investments	403	1 397	381
Liquid assets	341	1 477	487
Current assets	6 572	9 146	6 769
Total assets	46 090	53 361	44 966
Paid in equity	8 424	8 409	8 438
Retained earnings	10 542	10 857	9 326
Minority interests	163	190	157
Shareholders' equity	19 129	19 456	17 921
Deferred taxes	2 802	2 952	2 021
Interest-free long-term liabilities and other obligations	914	981	889
Interest bearing long-term liabilities	17 313	23 839	17 925
Interest free current liabilities	5 067	5 229	5 063
Interest bearing current liabilities	865	904	1 147
Total liabilities and shareholders' equity	46 090	53 361	44 966

Financial key figures

	Definitions	Jan-Mar 03	Jan-Mar 02	2002
Net operating margin before restructuring costs %	1	6.9	9.5	8.1
Net operating margin after restructuring costs %	1	6.9	9.5	5.6
Gross operating margin before restructuring costs %	2	21.3	24.7	22.1
Gross operating margin after restructuring costs %	2	21.3	24.7	19.6
Equity ratio %	3	41.5	36.5	39.9
Equity ratio excl. minority interests %	4	41.1	36.1	39.5
Net interest bearing debt		17 434	21 869	18 204
Net debt/Equity		0.91	1.12	1.02
Net debt/Equity excl. minority interests		0.92	1.14	1.02
Earnings per share after taxes	5	2.19	1.07	8.79
Earning per share - fully diluted		2.19	1.07	8.79
Cash flow per share after taxes	6	3.78	5.60	27.89
Cash flow per share - fully diluted		3.78	5.60	27.89

Definitions:

1: Net operating margin = Operating earnings : Operating revenue

2: Gross operating margin = Operating earnings before depreciation : Operating revenue

3: Equity ratio = (Shareholders' equity + Minority interests) : Total assets

4: Equity ratio excl. minority interests = Shareholders' equity : Total assets

5: Earnings pr. share = Net earnings : Average number of shares

6: Cash flow per share = Cash flow from operating activities : Average number of shares

801 million in foreign currency debt. However, overall net interest-bearing debt has been reduced by NOK 770 million since the turn of the year.

Norske Skog's debt repayment profile is favourable, thereby ensuring the Company's ability to repay its loans even during periods of weak economic growth. Standard & Poor's recently maintained Norske Skog's credit rating. This is a declaration of confidence in the Company. The outlook was, however, lowered from "stable" to "negative". The downgrading of the outlook has no impact on the interest costs of the Company's long-term debt or borrowing facilities.

Investments in plant during first quarter 2003 amounted to NOK 187 million, and can be expected to rise during the coming quarters.

At the end of the first quarter the Company had liquid reserves of approximately NOK 6.7 billion, in long-term drawing rights and cash.

SHAREPRICE DEVELOPMENT

Once a year the Company's employees, plus members of the Board and Corporate Assembly, are offered the opportunity to buy shares at a 20% rebate. This year, 196 030 shares were sold, compared with 270 290 shares at the same time last year. The price was NOK 73.

In total, 28.9 million Norske Skog shares were traded on the Oslo Stock Exchange during the first quarter of 2003. At the end of the quarter, international investors owned 38% of the Company's shares.

The share price was NOK 92.50 on March 31, 2003. This corresponds to a return of negative 10% so far this year, while the Oslo Stock Exchange Benchmark Index fell by 11% during the same period.

Norske Skog measures the relative return on its shares over rolling two-year periods, against a reference index consisting of its competitors, the Oslo Stock Exchange Benchmark Index and Morgan Stanley's world index for forest industry companies. During the two-year period 31.03.2001-31.03.2003 Norske Skog shares yielded a return which was 3 percentage points lower than the reference index.

Strategic

The Improvement 2003 programme is being implemented as planned and is beginning to yield results. More than 300 initiatives have been identified which will help reduce costs. The aim remains to cut costs by at least NOK 2 billion by the end of 2004.

The project has now been taken over by the line organisation. Every division in Norske Skog is involved in this task, and has been given responsibility for quality and implementation within their respective areas.

The process of divesting the Group's forest properties in mid-Norway has been initiated.

INVESTING IN QUALITY

Norske Skog has decided to invest NOK 260 million to rebuild paper machine PM4 at Norske Skog Bruck, Austria. In addition, NOK 90 million will be invested in a rebuild of paper machine PM6 at Norske Skog Saugbrugs, in Halden, Norway. These investments will improve paper quality, so that the mills can continue to serve the most discriminating paper customers in Europe and the US. This will help strengthen Norske Skog's position as one of the world's leading producers of high-quality magazine paper. Both these projects will be carried out early in 2004.

AGREEMENT WITH KLABIN WOUND UP

The joint venture company Norske Skog Klabin in Brazil was wound up on March 31, in accordance with the original agreement. In this connection, Norske Skog has bought up its partner in the agreement, thereby securing goodwill valued at NOK 164 million, which has been capitalised on the balance sheet. Norske Skog's customers in Brazil will be served by deliveries from Norske Skog Pisa in Brazil and Norske Skog's European mills.

Operations and market

PRODUCTION CURTAILMENTS

It was necessary to implement production curtailments in the first quarter, too. Currency and cost considerations meant that the production curtailments in Europe were applied primarily at the

Company's Norwegian mills. One of the paper machines at Norske Skog Union was temporarily shut down in March, and is expected to restart in the second half of 2003. On April 1, a 130 000 tonnes/year newsprint machine in Brazil (Norske Skog Klabin) was permanently shut down.

The level of activity in the world's publication paper markets was – at the end of the first quarter – mainly unchanged from the fourth quarter of last year, except from normal seasonal effects, and reflected the world economic uncertainties. A wait-and-see attitude by advertisers affected the situation of the printed media and their paper requirements.

Total output of newsprint and magazine paper, including the Group's 50% share of Pan Asia Paper, reached 1 285 000 tonnes in the first quarter of 2003. This corresponds to 88% of quarterly capacity. Deliveries totalled 1 225 000 tonnes, against 1 080 000 tonnes in the same period last year. The increase in both production and deliveries mainly reflects very low volumes in first quarter 2002.

EUROPE – NEWSPRINT

KEY FIGURES:

	1/03	1/02	2002
Op. revenue NOK mill.	1 786	1 857	7 556
Op. earnings NOK mill.	124	177	643
Gross op. margin %	20.5	23.2	21.2
Net. op. margin %	6.9	9.5	8.5
Deliveries 1000t	490	436	1 914
Prod./capacity %	85	79	86

Operating revenue from newsprint activity in Europe was down by NOK 71 million during the first quarter, or 4% lower than in the corresponding period of 2002. Operating earnings fell by NOK 53 million. The annual contracts for newsprint deliveries to Europe in 2003 involve a price decline in local currencies of 7-11%. Measured in Norwegian kroner, average prices are 15% lower than in first quarter 2002. Profits on electricity trading totalling NOK 111 million are included in the operating earnings for activities in Europe.

Newsprint demand in Europe remains weak, and at the same level as in the first quarter of 2002. There are no immediate signs of improvement. Increased deliveries to markets outside Europe

implies higher distribution costs. The average price of recovered paper was approximately the same in first quarter 2003 as in fourth quarter 2002, but reduced collection led to price increases in March.

EUROPE – MAGAZINE PAPER

KEY FIGURES:

	1/03	1/02	2002
Op. revenue NOK mill.	1 561	1 491	6 531
Op. earnings NOK mill.	184	136	546
Gross op. margin %	24.5	22.6	20.9
Net. op. margin %	11.8	9.1	8.4
Deliveries 1000t	314	258	1 230
Prod./capacity %	93	81	87

Operating revenue from magazine paper was NOK 70 million or 5% higher in the first quarter of 2003 than in the corresponding period of 2002. Operating earnings rose by NOK 48 million. Increased volumes were the main reason for this rise. Profits from electricity trading, at NOK 32 million, are included in the figure for operating earnings.

Demand for magazine paper in Europe rose marginally from first quarter 2002 to first quarter 2003. Relatively good demand for magazine paper in the US – particularly for coated grades – led to higher exports. Total deliveries from European magazine paper producers were 7% higher than the low level in the same period last year. Prices for magazine paper in Europe, measured in local currencies, are 4 – 5% below the level of fourth quarter 2002.

SOUTH AMERICA

KEY FIGURES:

	1/03	1/02	2002
Op. revenue NOK mill.	254	305	1 107
Op. earnings NOK mill.	13	12	-9
Gross op. margin %	29.9	32.1	25.2
Net. op. margin %	5.3	4.1	-0.8
Deliveries 1000t	77	68	326
Prod./capacity %	93	91	90

Operating revenue in South America was down by NOK 51 million or 17% compared with first quarter 2002. Operating earnings were at the same level, even though one-time items associated with the termination of the Klabin joint venture, resulted in negative gross operating margin at the mill.

Even so, the gross operating margin is relatively high and reflects high efficiency and a satisfactory cost position at Norske Skog's two other mills in the region. Measured in Norwegian kroner, the average sales price was 27% lower than in first quarter 2002. The markets for newsprint and magazine paper remain weak, but prices are stable at a low level.

From second quarter 2003 onwards, the market share in South America will be maintained through exports from Europe.

AUSTRALASIA

KEY FIGURES:

	1/03	1/02	2002
Op. revenue NOK mill.	890	954	3 807
Op. earnings NOK mill.	97	193	546
Gross op. margin %	29.4	38.2	31.3
Net. op. margin %	10.9	20.2	14.2
Deliveries 1000t	202	188	826
Prod./capacity %	90	88	88

Operating revenue in Australasia was down by NOK 64 million, or 7%, compared with first quarter 2002. Operating earnings in first quarter 2003 were NOK 96 million lower than in the same period last year, but NOK 11 million higher than in fourth quarter 2002. The operating earnings were affected by a 7% newsprint price reduction in Australia from July 1, 2002. This price cut was partly offset by a 3% price increase in New Zealand, from January 1, 2003. Volume trends in Australia have been satisfactory so far this year.

PANASIA

KEY FIGURES:

	1/03	1/02	2002
Op. revenue NOK mill.	572	618	2 688
Op. earnings NOK mill.	81	132	562
Gross op. margin %	26.2	34.1	32.2
Net. op. margin %	14.2	21.4	20.9
Deliveries 1000t	147	130	628
Prod./capacity %	83	75	87

Norske Skog owns 50% of PanAsia. The Company's share of operating revenue was NOK 46 million, or 7% lower than in first quarter 2002. Operating earnings were NOK 51 million lower. The decline reflects generally weaker markets and somewhat higher raw material costs.

Increased deliveries outside the home markets of Korea and China led to lower

average prices than in first quarter 2002. Prices on domestic markets were stable, in the local currencies.

NORSKECANADA ¹⁾

	1/03	1/02	2002
Op. revenue CAD mill	386	324	1 482
Op. earnings CAD mill	-36	-43	-123
Gross op. margin %	3.1	-	3.8

Norske Skog has an ownership stake of 30.6% in NorskeCanada. Producers in North America have announced an increase in newsprint prices of USD 50 to USD 530 per tonne. This price increase is in the process of being implemented.

Newsprint demand rose by 4% in the US during the first quarter, probably affected by expectations of a price increase.

Satisfactory health and safety results

Health and safety has the highest priority, even during restructuring periods. At the end of March, Norske Skog Union, in Skien, Norway, could report a year without lost-time injuries.

The Company as a whole had an H-value of 3.6 during the first quarter (number of lost-time injuries per million hours worked). This is the best result ever recorded. In 2002 Norske Skog achieved an H-value of 4.

Future prospects

The decline in consumption of newsprint and magazine paper appears to have stopped. The uncertain political and economic situation makes it difficult to say anything specific about when an upturn might start. An improvement depends on economic developments in the US and other regions, and on growth in the advertising market.

To adapt to market demand, Norske Skog will continue to implement necessary production curtailments.

Improvement 2003 is being implemented as planned, and is expected to reduce costs by NOK 1 billion during the current year.

Lysaker, May 7, 2003

The Board of Norske Skogindustrier ASA

Revenue and profit per area

OPERATING REVENUE

NOK million	Jan-Mar 03	Jan-Mar 02	2002
Europe			
Newsprint	1 786	1 857	7 556
Magazine paper	1 561	1 491	6 531
Total Europe	3 347	3 348	14 087
South America			
Newsprint	254	305	1 107
Australasia			
Newsprint	890	954	3 807
Asia			
Newsprint	572	618	2 688
Other activities			
Other industry in Norway	128	179	682
Other revenues	442	352	1 249
Total Other activities	570	531	1 931
Staff/Eliminations	-78	-80	-149
Total Group	5 555	5 676	23 471

OPERATING EARNINGS BEFORE DEPRECIATION

NOK million	Jan-Mar 03	Jan-Mar 02	2002
Europe			
Newsprint	366	431	1 604
Magazine paper	383	338	1 363
Total Europe	749	769	2 967
South America			
Newsprint	75	98	281
Australasia			
Newsprint	261	365	1 197
Asia			
Newsprint	150	211	865
Other activities			
Other industry in Norway	4	31	105
Other revenues	-	-	-
Total other activities	4	31	105
Staff/Eliminations	-56	-73	-217
Total Group	1 183	1 401	5 198

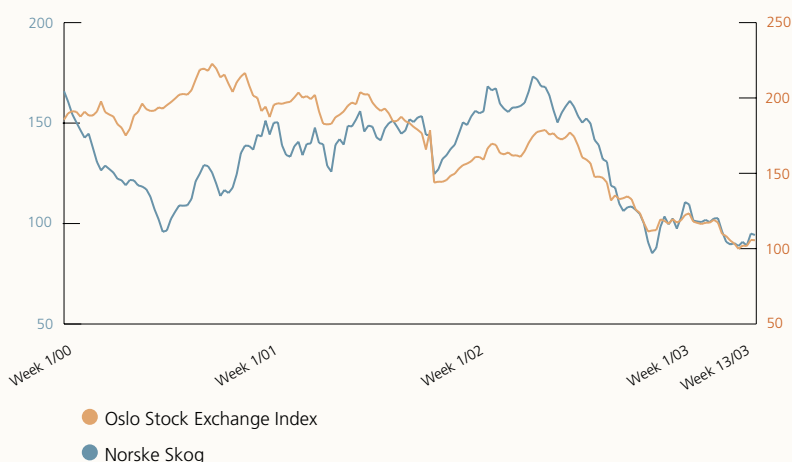
Norske Skog Shares

Key figures		January - March 2003				Per 07.05 2003		
Share price	Share price	High	Low	Earnings per share	Booked equity per share	Share price	Market value	
02.01.03	31.03.03						NOK mill.	
NOK 102.50	92.50	105.00	86.50	2.19	143.00	105.00	13 979	

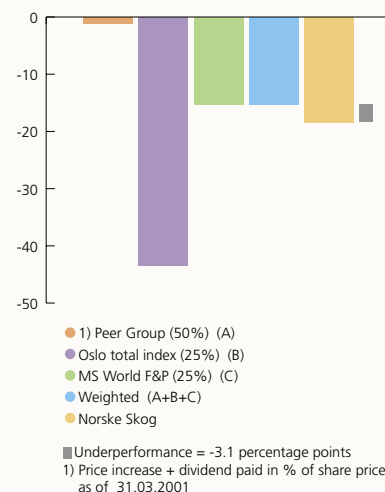
OPERATING EARNINGS

NOK million	Jan-Mar 03	Jan-Mar 02	2002
Europe			
Newsprint	124	177	643
Magazine paper	184	136	546
Total Europe	308	313	1 189
South America			
Newsprint	13	12	-9
Australasia			
Newsprint	97	193	546
Asia			
Newsprint	81	132	562
Other activities			
Other industry in Norway	-6	17	47
Other revenues	-	-	-
Total other activities	-6	17	47
Staff/Eliminations	-113	-131	-429
Restructuring costs	-	-	-600
Total Group	380	536	1 306

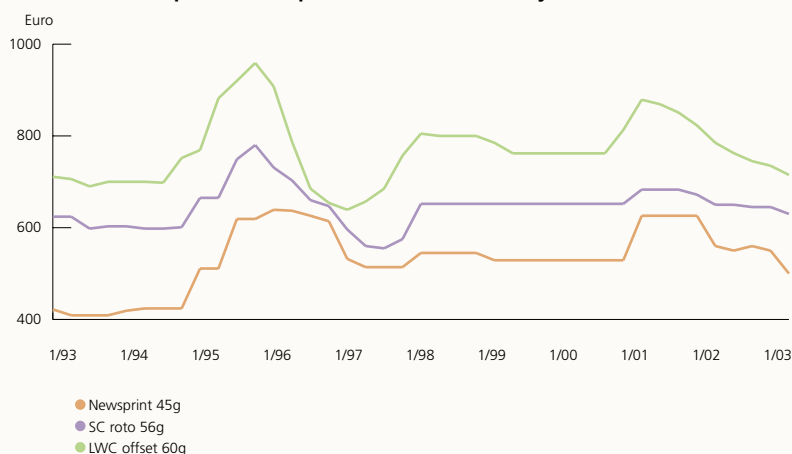
Share price development 2000-2003



Relative TSR
31.03.2001-31.03.2003



Price development newsprint, SC, LWC - Germany



PRODUCTION BY PRODUCT/AREA

1 000 tonnes	Jan-Mar 03	Jan-Mar 02	2002
Europe			
Newsprint	485	445	1 925
Magazine paper	349	295	1 267
South America			
Newsprint	87	85	332
Australasia			
Newsprint	213	208	832
Asia			
Newsprint	151	137	635
Norske Skog Total			
Total Newsprint	936	875	3 724
Total Magazine paper	349	295	1 267
Total printing paper	1 285	1 170	4 991

Quarterly comparison

NOK million	1/03	4/02	3/02	2/02	1/02	4/01	3/01	2/01	1/01
Operating revenue	5 555	6 082	5 815	5 898	5 676	6 618	6 940	8 163	8 633
Op. earnings before depr.	1 183	1 194	1 134	1 468	1 401	1 731	2 021	2 130	2 537
Depreciation and amortisation	803	762	822	842	865	839	773	854	857
Op. earn. before restructuring costs	380	432	312	626	536	892	1 248	1 276	1 680
Restructuring costs	-	-600	-	-	-	-	-	-	-
Operating earnings	380	-168	312	626	536	892	1 248	1 276	1 680
Earnings before taxation	710	-52	-62	677	243	748	923	869	1 354
The majority's share of net earn.	290	374	182	465	141	532	628	536	798

QUARTERLY COMPARISON

NOK million	1/03	4/02	3/02	2/02	1/02	4/01	3/01	2/01	1/01
Operating revenue									
Europe	3 347	3 654	3 563	3 522	3 348	3 711	3 428	3 643	3 437
North America	-	-	-	-	-	-	1 154	1 930	2 371
South America	254	291	247	264	305	557	421	487	474
Australasia	890	942	911	1 000	954	1 074	1 062	1 096	1 241
Asia	572	681	698	691	618	759	561	519	595
Other activities	570	539	450	411	531	564	487	585	683
Staff/Eliminations	-78	-25	-54	10	-80	-47	-173	-97	-168
Total operating revenue	5 555	6 082	5 815	5 898	5 676	6 618	6 940	8 163	8 633
Op. earn. before depreciation									
Europe	749	692	651	854	769	900	1 186	1 228	1 141
North America	-	-	-	-	-	-	133	148	506
South America	75	81	56	45	98	230	175	209	211
Australasia	261	241	246	345	365	309	351	340	454
Asia	150	180	222	252	211	248	190	202	229
Other activities	4	40	16	18	31	34	30	56	46
Staff/Eliminations	-56	-40	-57	-46	-73	10	-44	-53	-50
Total op. earnings before depr.	1 183	1 194	1 134	1 468	1 401	1 731	2 021	2 130	2 537
Operating earnings									
Europe	308	268	203	405	313	562	902	932	851
North America	-	-	-	-	-	-	26	-31	334
South America	13	16	-10	-27	12	136	90	122	125
Australasia	97	86	93	174	193	132	180	158	255
Asia	81	115	139	177	132	154	126	153	183
Other activities	-6	26	1	3	17	19	15	38	26
Restructuring costs	-	-600	-	-	-	-	-	-	-
Staff/Eliminations	-113	-79	-114	-106	-131	-111	-91	-96	-94
Total operating earnings	380	-168	312	626	536	892	1 248	1 276	1 680

Improvement programme

-We will continuously see results from the improvement programme. Our goal of cutting costs by at least NOK 2 billion by 2004 remains unchanged. President and CEO Jan Reinås made this clear in his briefing at the General Meeting on April 10.

Mr. Reinås pointed out that Norske Skog last year felt the effects of the recession, after many profitable years. He also emphasised that the company has a sound financial position, and is well prepared to meet the future.

– We are using the recession to develop a stronger and more competitive Norske Skog. We are also prepared to tackle a prolonged recession and are better equipped to meet new growth, said Reinås.

Despite the recession Norske Skog has good cash flow from operations. The company paid off debt by NOK 2.4 billion in 2002. In this period of constantly weaker markets, Norske Skog has strengthened its financial position and achieved the group's targets for net interest-bearing debt to equity capital (gearing) and equity ratio.

Mr. Reinås said that the acquisitions and global growth the last years had strengthened Norske Skog. He called particular attention to the company's strong position in Asia, where demand for newsprint increased by 7% even in a year like 2002. The company has great confidence in the outlook for Asia, especially in the longer term. The combination of a large population, rising literacy and economic growth provides a great growth potential for Norske Skog's products.

Reinås also emphasised that Norske Skog's position as a global company has

generated significant potential for cost cutting and streamlining. Norske Skog produces one product and uses the same technology in all its mills worldwide. These are central prerequisites to the improvement programme, now being implemented throughout the entire company.

- We have a good starting point for streamlining and standardising in sales, production, procurement and other functions. By transferring best practise and establishing standardised solutions throughout the whole company, we can achieve significant efficiencies and cost reductions. We view the future with optimism, said Jan Reinås.

Changes in the Group's company bodies

The General Meeting voted on April 10, 2003 to change the company's articles so that the Board shall consist of minimum seven, maximum ten members. The election committee's proposal to this effect is based on the need to establish efficient structures for the Board's work, to illustrate the importance and responsibility of this work, and to underline the commitment required of Board members. In evaluating the Board's size and composition, the election committee and the Corporate Assembly will at all times need to analyse the Company's requirements.

The Corporate Assembly elected a new Board on April 10. In accordance with the changes in the Articles, the number

of members was reduced. Deputy chairman Jon R. Gundersen and board member Stig Johansen left the Board. The remaining members of the Board were re-elected. Egil Myklebust replaced Gundersen as deputy chairman of the Board.

The Board now consists of five shareholder-elected members and two members elected by the employees:

Lars W. Grøholt, Board chairman

Egil Myklebust, Deputy chairman

Halvor Bjørken

Øivind Lund

Gisèle Marchand

Kåre Leira

Jan Vidar Grini

Lists of the members of the Corporate Assembly, its deputy members, observers and members of the election committee after the elections at the General Meeting on April 10, may be found on Norske Skog's web site (www.norske-skog.com).

During the General Meeting and the meeting of the Corporate Assembly it was decided that the remuneration of members of the company bodies should not be changed this year.

President and CEO Jan Reinås stressed that Norske Skog has a sound financial position.

on track



Improvement 2003

Norske Skog's Improvement 2003 programme is on schedule and delivering results. The goal to reduce Norske Skog's costs by minimum NOK 2 billion by the end of 2004 remains unchanged.

Over the past few years Norske Skog has grown into a global company, strongly focused on its core area, wood-containing publication paper. This provides a particularly favourable point of departure for streamlining and standardising the business, and taking out synergies. Among other things, a common standard has been worked out for how the mills should be organised and manned. This system widens the scope for transferring knowledge and implementing "best practice" throughout the company.



Head of Corporate IT, Bassim Haj.

DEMANNING

Norske Skog's total workforce will be reduced by more than 1 200 people.

At the corporate head office at Oxenøen, most of the changes in administrative functions have now been announced.

Based on current plans, most mills will have defined the new organisation structure before July. Each mill is following a step-by-step

implementation plan.

IT PROJECTS

As part of Improvement 2003 Norske Skog's IT organisation is to be standardised and streamlined. Norske Skog estimates that uniform IT-solutions could, overall, reduce the company's costs by about NOK 150 million during the coming 18 months. Efficient IT-solutions will also yield cost reductions in other parts of the business.

At present, there are eight different business solutions. A project called COMPASS will give all Norske Skog's units in Europe a common IT solution. This project is being given high priority, because the implementation of COMPASS is a prerequisite for many other improvement measures. The new solutions shall be in place at the European units during 2003.

Another project, HARLEY V 2, covers the implementation of a global IT infrastructure. The project will – among other things – intro-

duce a single e-mail solution, instead of the eight that the company has today. The goal is to launch this project in the third quarter of 2003.

Enterprise Performance Management (EPM) is a tool for managing the business at all levels. EPM covers forecasts, monthly reports and analyses. The system provides management with rapid access to up-to-date information. It is important that the management of a cyclical sector can quickly reach correct decisions, so that production can be adapted to changes in the market situation. The complete system will be in use from January 2004.

TRANSACTION SERVICE CENTERS

Norske Skog has established two Transaction Service Centers (TSC), at Antwerp (Belgium) and Skogn (Norway), to centralise and streamline administrative functions which at present are spread among mills and sales offices. The establishment and manning of TSC Antwerp has started. Appointments to TSC Skogn will be made from July to October.

Investments strengthen Norske Skog's position

Norske Skog must, as a leading manufacturer of wood-containing publication paper, produce cost-efficiently and deliver stable quality.

Norske Skog has decided to invest NOK 260 million in rebuilding paper machine PM4 at Norske Skog Bruck, Austria, and NOK 90 million in rebuilding paper machine

PM6 at Norske Skog Saugbrugs, in Halden, Norway.

These investments will improve paper quality, so that the mills can continue to serve the most discriminating

paper customers in Europe and the US in the future. The investments help strengthen Norske Skog's position.

The rebuild of the machines will start early in 2004.

Norske Skog and the World Association of Newspapers (WAN) will co-operate to develop programmes for the use of newspapers and magazines in school classroom lessons throughout the world. Several of the projects concern countries in which democratisation has created better conditions for a free press.

Using newspapers in education

The co-operation agreement between Norske Skog and WAN runs, initially, for five years, and has a total value of nearly NOK 13 million. President and CEO Jan Reinås and WAN director Timothy Balding signed an agreement on March 25, 2003.

WAN organises the newspaper industry worldwide and represents 18 000 members, including both editors and newspaper organisations, in over 150 countries.

STIMULATE READING INTEREST

Newspaper in education (NIE) is an offshoot of WAN. It develops programmes designed to increase analytical skills and appreciation of the role played by newspapers in a democratic society. The programmes provide educational support for teachers and train children to understand rights and responsibilities, to handle negative feelings and resolve conflicts, and to develop tolerance and sensitivity about ethnical and religious differences.

Norske Skog and WAN have a shared interest in stimulating young people to establish the kind of lifestyle in which reading newspapers and magazines plays a key role. It is important to reduce illiteracy, support education and the flow of information so that young people, particularly in developing countries, better can understand their societies and democracy. An international survey shows that children who learn reading and writing from newspapers have a greater chance of achieving success later in life. The use of newspapers and magazines at an early age can help create life-long readers and socially aware young people.

A BRIGHT FUTURE FOR THE NEWSPAPER INDUSTRY

WAN director Timothy Balding maintains that the newspaper industry has a bright future.

-Readers want analyses, comments and information in depth. They don't get that from TV and radio. After ten years of the Internet we know that people don't want to spend all their time in front of a screen, says Balding. He adds that the total figure for newspaper circulation is increasing – not least because of growth in Asia.



Children at Positive Ambiental School in Curitiba, Brazil, like reading newspapers.

A year without injuries at Union

At the end of March, Norske Skog Union celebrated a year without having experienced a single lost-time injury (H-value). Union could in 2002 boast the lowest

H-value of any of Norske Skog's European mills. In addition, Union has cut the total number of undesirable incidents. This improvement reflects systematic efforts in

many fields.

A high standard of health and safety is not valuable merely for its own sake. Improved morale and safety also contribute to increased

productivity.

Although Norske Skog is in a difficult situation, in which the focus is on Improvement 2003, health and safety shall still have the highest priority.

www.norske-skog.com with a new visual design

New visual design supports our core area: wood-containing publication paper.

Member centre - a service for authorised users to access restricted areas of the web.

The news section is divided into information about Norske Skog, press releases and promotional abstracts for new articles and relevant sections of the web.

Banner link to new and relevant information.

The screenshot shows the Norske Skog website homepage. The main header features the company name 'Norske Skog' in a large, bold font, with 'ON THE WEB' in smaller text to the right. Below the header is a navigation bar with a 'MEMBER CENTRE' section containing a 'LOGIN' button and a search bar with a 'SEARCH' button and the word 'Advanced' next to it. A vertical navigation menu on the left lists: GLOBAL HOME, ABOUT US, NEWSROOM, INVESTOR RELATIONS, PRODUCTS, and ENVIRONMENT. The main content area is divided into several sections: 'ABOUT US' with the headline 'Global strength - local presence' and a photo of a woman reading a magazine; 'PRESS RELEASES' with a list of recent news items; 'INVESTOR RELATIONS' with a photo of CEO Jan Reinås and a link to an address; and 'PRODUCTS' with a photo of a tomato. On the right side, there is a 'Stock Quotes' section showing market data for 11.04.2003, and a 'Norske Skog's websites' section with links to regional sites. A banner at the top right features the text 'NORSKE SKOG 2002 Annual Report' and a photo of a woman.

The main navigation bars are structured to make navigation fast and easy for our users.

Always updated stock information.

Quick links to Norske Skog's operations worldwide.

Highlight of specific issues.

New name in corporate management



Rob Lord (44) has been appointed Executive Vice President for Australasia, effective March 3, 2003. In his new position, Lord has operative responsibility for sales and marketing and for the mills in the region. In addition, he will represent Norske Skog vis-à-vis regional interest groups, and follow up likely business opportunities in the area.

Lord held a number of leading posts in the paper and pulp industry in Australasia before assuming responsibility for Norske Skog's sales and marketing in Australasia in 2000. He has teacher training, a degree in forest industry studies, a Bachelor of Science degree and a MBA.

Share sales to employees

All employees of Norske Skogindustrier ASA and its subsidiaries in and outside Norway are offered, once a year, an opportunity to buy the company's shares at a rebate on the market price. The offer is also extended to the members of the Board and Corporate Assembly.

A total of 1 033 employees participated in this year's share sale, compared with 1 807 in 2002. This year, 196 030 shares were purchased, compared with 270 290 shares last year. The price per share was NOK 73. In 2002 it was NOK 133.

Norske Skog best at Investor Relations

This year, as last, Norske Skog has been judged the best Norwegian company at providing information to the financial market.

Regi Research & Strategy, a Swedish market analysis bureau, and Geelmyden.Kiese, a Norwegian public relations company, have jointly studied the Investor Relations performances of Norwegian

firms. Having mapped the factors that analysts regard as most important, they have asked the companies surveyed about the same factors. The study is based on each company's press releases, annual and quarterly reports, Internet web site, the availability of, and trust, in management, confidence in its CEO and in those responsible for Investor

Relations.

- It is encouraging that Norske Skog scores high in this type of survey. That means that the company's core values – openness, honesty and co-operation – are reflected in our reputation in the financial market, says director Jarle Langfjæran. He is responsible for Investor Relations in Norske Skog.

High score on environment and social responsibility

Norske Skog has been included in additional indexes for companies with high standards on sustainability and corporate social responsibility.

Ethibel, based in Brussels, Belgium, is a leading European research organisation in the field of corporate social responsibility (CSR) and sustainable development. Every year, Ethibel reviews hundreds of companies world-wide on their economic, social and environmental performance. The best performing com-

panies are included in the "Ethibel Investment Register" and "Ethibel Sustainability Indexes". Norske Skog has been included in both categories.

The registers and indexes are used as the basis for Socially Responsible Investment (SRI) products for a growing number of banks, fund managers and institutional investors.

Recently, Storebrand awarded Norske Skog the "best-in-class" award, qualifying for investments in

Storebrand Principle Funds. This grade is awarded to the one-third of companies in Morgan Stanley's world index that received the highest scores for social responsibility and environmental awareness in each industry.

Norske Skog is also included in other CSR- and sustainability indexes, among these the FTSE4Good Global Index.



Norske Skog Klabin wound up

The activities of the joint venture company Norske Skog Klabin in Brazil were wound up on March 31, in accordance with the original agreement. The paper machine, with capacity of 130 000 tonnes of newsprint, has been returned to Klabin, which will from now on produce packaging paper.

Norske Skog has built up good customer relations and market share in Brazil. Both

will be maintained through production at Norske Skog Pisa in Brazil and by exports from Norske Skog's mills in Europe.

Norske Skog Klabin was the start of Norske Skog's activity in South America. Through Norske Skog Klabin, and the subsequent acquisition of Norske Skog Pisa, the company has attained a position as the only producer of newsprint in Brazil. Norske

Skog is, without comparison, the largest producer on the South American continent.

South America is a very interesting growth area. In the longer term, Norske Skog's aim is to build a new paper machine at the Pisa mill. This investment would utilise the existing infrastructure at the mill as well as exploit the advantage of plantation pine nearby.

More information on Internet

Additional information about Norske Skog may be found on www.norske-skog.com, including:

- All result reports • Press releases • Presentation to the stock market
- Basic information about the company's organisation, management and activities
- Information about the mills, products and markets • Information about environmental issues

Norske Skogindustrier ASA

Oksenøyveien 80
P.O. Box 329, 1326 Lysaker
Phone: +47 67 59 90 00
Fax: +47 67 59 91 81

www.norske-skog.com

Design & Print:

Vestfjorden Grafisk AS

Photo:

Bård Gudim
Håvard Solerød

Front cover:

Children all over the world take part in the educational programme delivered by Newspaper in Education. The picture displays children, whose parents work at Norske Skog Bio Bio in Chile. Photo: Håvard Solerød.