

ANNUAL REPORT 1998



100
1899 - 1999
MOELVEN
Moelven Industrier ASA

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ANNUAL REPORT 1998

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We reserve the right to amend these dates.

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the moelven group

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Moelven Industrier ASA is a Norwegian manufacturing company listed on the Oslo Stock Exchange and with its head office at Moelv, Norway. The Group has 2,300 employees and a consolidated turnover of 3,300 million Norwegian kroner (NOK). From 1 January 1999, Moelven's operations have been organised into five business areas: Sawmills, Timber Processing, Interior Layout, Laminated Timber, and Construction & Contracting. These five business areas between them comprise 38 independent subsidiaries in eight countries, the majority of them in Norway and Sweden.

Through acquisition of the Westwood Group and Notnäs AB, **THE TIMBER INDUSTRY DIVISION** has expanded to comprise nine sawmill operations and eight timber processing companies in Sweden and Norway. With effect from 1 January 1999, these subsidiaries have been organised into two separate companies:

- Moelven EuroTimber AS sawmills
- Moelven EuroWood AS timber processing

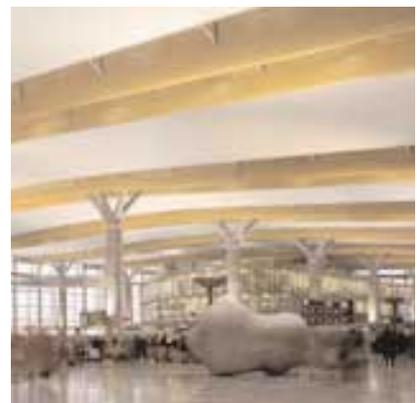
MOELVEN EUROTIMBER AS covers the sawmills, while **MOELVEN EUROWOOD AS** is responsible for manufacturing processed timber products. This makes Moelven the largest single-source supplier for builders' merchants in the Scandinavian and Central European markets.

THE INTERIOR LAYOUT DIVISION is Scandinavia's leading manufacturer and supplier of interior layout systems for commercial premises, with subsidiaries in Norway and Sweden.

THE LAMINATED TIMBER DIVISION is one of Europe's leading manufacturers of laminated timber (glulam). The division is involved in a joint venture in Denmark, Limtræ Danmark AS. The need for further changes in

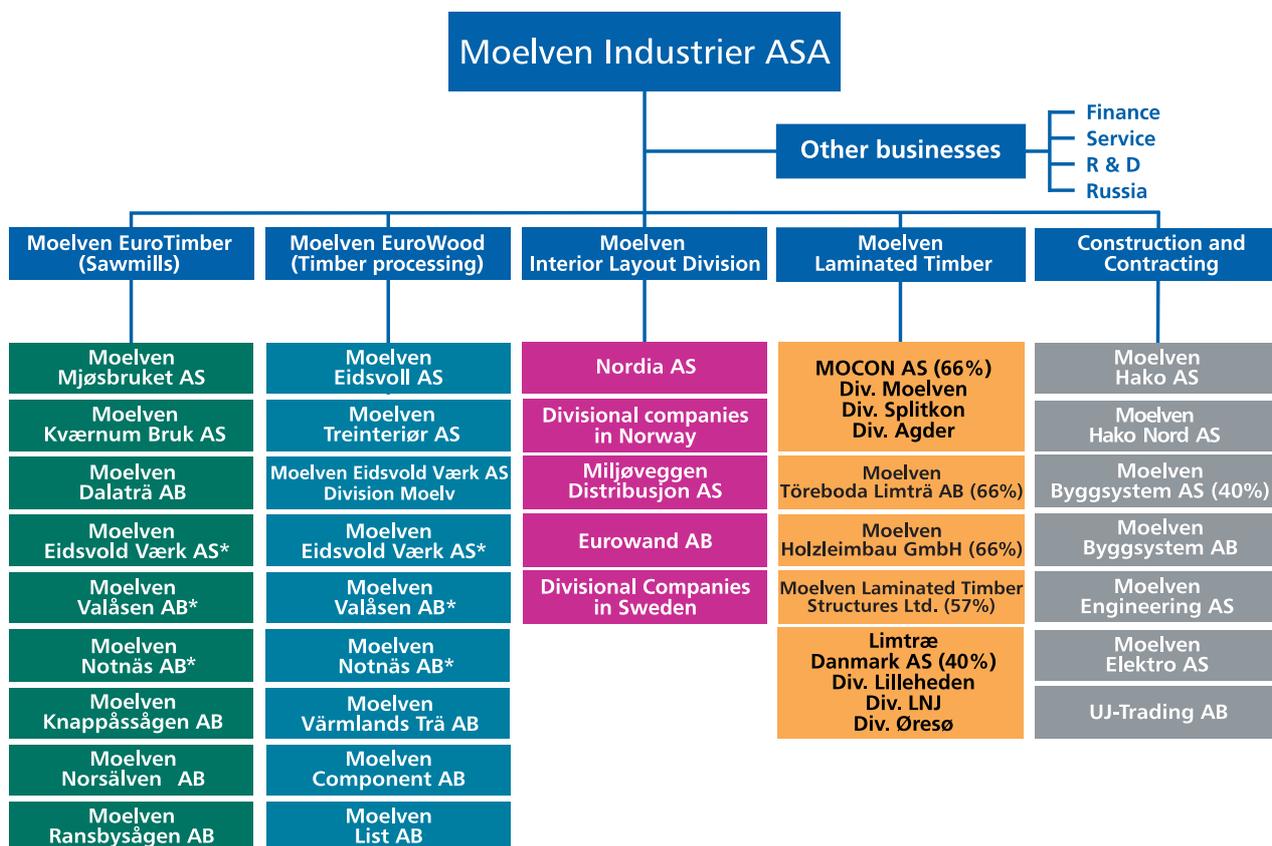
the structure of the industry has led to the establishment of Mocon AS in Norway, comprising Moelven Limtre, Splitkon and Agder Limtre. The Laminated Timber Division also includes Moelven Töreboda Limträ AB, Sweden's largest glulam manufacturer.

THE CONSTRUCTION & CONTRACTING DIVISION comprises construction-related businesses operating in the contract market. Moelven is Scandinavia's largest manufacturer and supplier of prefabricated building modules for hotels, schools, nurseries, offices, hospitals and permanent or temporary accommodation of any kind. This business area also includes electrical and engineering businesses.



organisation chart

AT 4.3.1999



* Companies involved in both sawmill and processing activities

Business area	Turnover NOKm.	Products	Employees
Sawmills	1 600	Sawn timber	690
Timber Processing	650	Processed wood products, e.g. panelling, flooring, moulding, components and building sections	268
Interior Layout Division	480	Interior layout systems for commercial premises	462
Laminated Timber Division	370	All dimensions and glulam, standard and custom	325
Construction and Contracting	500	Prefabricated buildings, engineering and electro	460



Bjarne Gulvik, Chairman

OPERATING REVENUES AND PROFIT

Consolidated operating revenues in 1998 was NOK 3,027 million (NOK 2,378 million in 1997). Of the total increase of NOK 650 million, NOK 440 million is attributable to Westwood AB (Group) and Notnäs AB, acquired on 1 May 1998. The remainder of the increase was contributed largely by the Interior Layout and Construction & Contracting divisions. Within the latter division, NOK 100 million is attributable to Byggsystem AB and Byggsystem AS, acquired at the end of 1997.

Operating profit after depreciation was NOK 53 million (NOK 125 million). Ordinary depreciation amounted to NOK 93 million, an increase of around NOK 20 million on 1997. Net interest payable was NOK 40 million, and net pre-tax profit for the year was NOK 17 million. Pre-tax profit in 1997, excluding net gains on asset sales of NOK 45 million, was NOK 93 million. The Group's

tax liability is NOK 2.7 million. As a result of Moelven's acquisition of new subsidiaries, the amount of depreciation and interest payments has increased to NOK 33 million.

Performance in the period from September to December showed a marked improvement on the first eight months of 1998, with profits in large parts of Moelven's operations reaching the same levels as in the last four months of 1997.

The performance of Moelven's new subsidiaries in Sweden picked up towards the end of 1998, with an improved result from operations of some NOK 30 million. These subsidiaries had a negative impact of NOK 19 million on the consolidated profit for 1998. The restructuring process proceeded as planned, but trends in the timber industry as a whole failed to live up to expectations after some upward movement in prices early in the second half of the year. This was due to a marked disparity between raw-materials costs and market prices for finished goods. A key factor in this connection was the steady reduction in the prices of sawmill by-products, primarily woodchips for the pulp industry. Four of the Group's sawmills also suffered from a shortage of timber supplies during the autumn, which restricted their output. The processing businesses enjoyed somewhat better profit margins than the sawmills in 1998.

The Group's laminated timber businesses underwent extensive restructuring in 1998.

FINANCIAL SITUATION

At 31 December 1998 the Group's total assets stood at NOK 1,852 million, an increase of some NOK 650 million on the previous year. The Group's new Swedish subsidiaries have total assets of around NOK 500 million, while the remaining increase of NOK 150 million is a consequence of increased activity by the Construction & Contracting and Interior Layout divisions and a general increase in the amount of capital tied up by the Timber Industry division. This is being gradually reduced over the first half of 1999. The Group enjoys a healthy cash position.

Net interest-bearing liabilities totalled NOK 684 million, in line with the estimates included in acquisition prospectuses. These liabilities therefore represent around 20% of operating income (a slight increase compared with 1997) but are expected to be reduced in 1999.

Capital expenditure on fixed assets and equipment (excluding acquisitions) totalled NOK 104 million in 1998, in line with depreciation for the year. The Group's equity capital is NOK 577 million (an increase of NOK 173 million on 1997), giving an equity-to-assets ratio of 31.2%. In the light of its sound financial situation, the Group refinanced the bulk of its interest-bearing liabilities in 1998 by taking out a multi-currency drawing facility worth NOK 450 million and an amortising loan of SEK 250 million.

These loans are being provided by four banks and have terms of five and seven years respectively from the date



Arthur J. Aasland



Carl Graff-Wang



Agnar Aas



Per Starnnes

they were taken out. The loans have provided the Group with a long-term source of finance on markedly better terms than it was previously possible to obtain. As a result, the Group's Swedish assets are now largely financed by Swedish liabilities. At the end of 1998 the Group completed interest rate swaps for parts of the new financing facility in Swedish kronor, with terms of four and five years respectively. More than half the Group's interest-bearing liabilities now have a fixed rate of interest for two or more years, with nominal interest rates significantly lower than was previously the case.

With the introduction of the euro, many of the Group's customers and competitors started using a common currency in 1998. The companies in the Group are well prepared for the technical and commercial challenges resulting from this move.

TIMBER INDUSTRY

The companies in the Timber Industry division had a total operating income of NOK 1,589 million in 1998 (NOK 1,253 million in 1997).

Income from the newly acquired Westwood and Notnäs subsidiaries accounted for around NOK 440 million, and the net increase for the division was approximately NOK 310 million. The discrepancy is due to a fall of over NOK 100 million in the prices of companies' finished products compared with 1997.

Output volumes remained at the same level as the previous year.

The division's operating profit was

NOK 20 million (NOK 78 million) after depreciation totalling NOK 56 million (NOK 39 million).

Moelven's sawmills are performing better than most major players in the industry, but profit margins need to improve substantially. Synergy between old and new subsidiaries will be a contributing factor in this regard. By the beginning of 1999, timber supplies had returned to normal. Since the start of the new year, the Timber Industry subsidiaries have been split into two separate business areas: Sawmills and Timber Processing. The aim is to sharpen the market focus on processed timber products and to offer a comprehensive range of solutions to the major chains of builders' merchants in Scandinavia and Germany. The Group is pinning its hopes on increased specialisation among subsidiaries and the new marketing concept for the processing businesses being introduced during the first half of 1999.

LAMINATED TIMBER

Operating revenues for the Group's Laminated Timber businesses was on a par with 1997, with combined turnover amounting to NOK 435 million.

The Laminated Timber division recorded an operating loss of NOK 0.4 million after ordinary depreciation totalling NOK 16 million. In 1997 the division made a profit of NOK 5 million.

The September – December period was somewhat better than the preceding eight months, with an operating profit of NOK 4 million.

As in 1997, the performance of the

Laminated Timber division in 1998 reflected the low prices resulting from substantial overcapacity in Europe and continuing low levels of consumption in Japan. Poor profit figures necessitated a complete restructuring of the industry in our domestic markets. In April 1998, Moelven's two glulam subsidiaries in Denmark, Moelven Øresø Limtræ AS and Moelven LNJ Limtræ AS, merged with Limtræ Lillehæden AS to form Limtræ Danmark AS, in which Moelven holds 40% of the shares and ITH AS the remaining 60%. The new company made a profit in the second half of 1998, bolstering Moelven's consolidated profits. A 40% share of the new Danish company's operating income and profits has been included in the Group accounts.

At the start of 1999, Moelven's remaining laminated timber subsidiaries merged with two other Norwegian glulam manufacturers, Splitkon AS and Agder Limtre AS. The new company, Mocon AS, accounts for more than 70% of Norway's glulam output. The priority is to dovetail the product ranges and capacity of the constituent businesses, boosting the company's competitiveness in the domestic and export markets. The new structure is also expected to help improve the profitability of these businesses.

In addition, specific measures have been taken to strengthen the profitability of Moelven Limtre AS, with rationalisation and staffing reductions equivalent to 18 man-years.

The division's Swedish subsidiary, Moelven Töreboda Limträ AB, complet-



Peder Chr. Løvenskiold



*Hans Johnsen
(employee representative)*



*Iver Melby
(employee representative)*



*Bjørn Solberg Antonsen
(alternate employee representative)*

ed a programme of capital expenditure intended to produce a 20 per cent productivity improvement in parts of the production line. This has enabled the company to eliminate a costly additional shift which was periodically required earlier in the year. At the beginning of 1999, Töreboda was seeing an increase in demand from the Japanese market.

INTERIOR LAYOUT

The two companies that make up the Interior Layout division enjoyed another good year in 1998, with an increase in turnover of 16% in the Norwegian part of the business.

Total operating revenues was NOK 477 million (NOK 418 million), and operating profits were NOK 42 million (NOK 37 million) after depreciation totalling NOK 3.5 million.

In addition to their operating profits, the Interior Layout businesses received net interest payments of NOK 8.5 million resulting from the way in which they operate. Consequently, this was again the Group's most profitable business sector in 1998.

In Norway, Nordia AS enjoyed a healthy flow of orders for new-build and refurbishment projects alike. The company has made it a priority to maintain a high proportion of refurbishment-related work, to reduce its vulnerability to the expected decline in new-build activity. The company is endeavouring to broaden its product range somewhat and to keep pace with the growing trend towards design-and-build contracts in both the new-build and the refurbishment market, which it sees as a potential growth area. In 1998, Nordia AS invested almost NOK 16 million in its Jessheim plant and to improve logistics operations and facilities for on-site assembly.

The project to introduce a fully integrated IT system has continued into 1999, with an overall cost ceiling of NOK 10 million.

In Sweden the level of turnover at Eurowand AB remains low, but the

company is performing well. The Swedish market was showing some positive signs in late 1998 and early 1999. However, no major changes are expected in the overall Swedish construction market, so any growth in Sweden will have to come about in part through a further increase in market share and through new product areas. Eurowand AB opened a new branch office in Central Sweden at the start of 1999 and is stepping up its activities in those areas where it sees the greatest potential for the immediate future.

The Interior Layout businesses offset fluctuations in capacity between Norway and Sweden by working together and, to some extent, by undertaking export contracts for Scandinavian customers.

CONSTRUCTION AND CONTRACTING

Total operating revenues for the Construction & Contracting businesses was NOK 557 million (NOK 344 million).

The increased turnover was primarily due to the newly acquired subsidiaries from the Westwood Group, Moelven Byggsystem AB and Moelven Byggsystem AS. Between them, these companies had a negative impact on operating profits in 1998, which overall for the division were NOK 19 million (NOK 23 million) after depreciation totalling NOK 5.7 million.

The Construction & Contracting division in Norway reported a satisfactory performance by both Moelven Hako AS and Moelven Engineering AS. The level of activity remained consistently high throughout the year, and the companies entered 1999 with a healthy backlog of orders. At the start of 1999 the electrical engineering operations of Moelven Engineering AS were hived off into a separate limited company. This business has seen strong growth and encouraging profit figures. The Swedish module manufacturer, Moelven Byggsystem AB, totally restructured its operations in 1998 and completed the fulfilment of old orders at prices which in

some cases were unacceptably low. Performance picked up towards the end of the year, with the company recording a profit in the September – December period.

The Norwegian and Swedish subsidiaries can now complement one another by offering a pan-Scandinavian product range allowing great flexibility and high capacity in most areas. The division has developed new types of module for permanent use, and hotel modules were in particular demand at the beginning of 1999.

The Swedish company UJ-Trading AB now forms part of the Construction & Contracting division, reinforcing the Group's technical expertise and international experience.

OTHER BUSINESSES

The operations of Moelven Industrier ASA, the Group's R&D activities, Moelven FireGuard AS and Moelven Nor East AS with its Russian subsidiaries are included under the heading of other businesses.

Total operating costs for the year were NOK 28 million (NOK 18 million). The increase on the 1997 figure was largely due to one-off costs resulting from acquisitions in Sweden and project-related costs within Moelven FireGuard AS and Moelven Nor East AS.

Moelven Fire Guard AS formed part of the Group's R&D programme until the end of 1998 and has now moved into the operational phase, producing and marketing fire-resistant timber products.

Moelven Nor East AS had a negative impact on Group profits in 1998. Activities are being reduced somewhat pending political and economic developments in Russia. The company continues to operate as normal on the timber import side and will supply about 10% of the Group's sawmill requirements.

At the end of 1998, total financial exposure to Russian businesses remained well below NOK 10 million. At this level, the company intends to maintain a long-term presence in Russia.

The Group's R&D activities in 1998 were costed at around NOK 10 million, most of which is included in the costs mentioned above.

EMPLOYEES AND ENVIRONMENT

At the end of 1998 the Group employed 2,298 people – 1,153 of them in Norway and 1,145 in other countries, primarily Sweden. The Group's subsidiaries offer a good working environment, and the Board of Directors is satisfied with the level of cooperation within the Group. The employees of Moelven's newly acquired subsidiaries have also displayed a positive attitude to the new owners and the changes taking place. In the opinion of the Board of Directors, the Group's subsidiaries comply with the requirements of the authorities with regard to the external environment. Please refer to the section on the environment under the "Business Areas" heading.

INVESTMENTS

The Group's capital expenditure on fixed assets and equipment, excluding fixed assets added through company acquisitions, totalled NOK 104 million in 1998. Expenditure on restructuring, product and market development and R&D was charged against income on an ongoing basis.

REMUNERATION

Salaries and other remuneration in 1998 were as follows:

Auditor:			
Fee	NOK	290 000	
Consultancy	NOK	300 000	
Corporate assembly:	NOK	185 500	

Board of Directors:	NOK	693 500
Chief Executive Officer:		
Salary	NOK	1 450 000
Other benefits	NOK	51 215
Severance terms 24 months on full salary*		

*curtailed after 12 months if in receipt of other income.

APPROPRIATION OF ANNUAL PROFIT

The report of Board of Director's deals with the annual accounts for the Group as a whole and for the parent company, Moelven Industrier ASA. The consolidated accounts for 1998 show a net profit after tax of NOK 14,250,000, while the parent company recorded a net profit after tax of NOK 2,286,033. After receipt of Group contributions totalling NOK 58,796,200, the company has a net distributable profit of NOK 61,082,233.

The company paid a dividend of NOK 0.25 per share for 1997. The Board regards it as one of the Group's principal objectives to benefit the company's shareholders through an increase in the value of their shares and/or a reasonable dividend payment. The Group's performance suggests continued caution is necessary. With a view to meeting shareholders' expectations and generating future interest in Moelven shares, the Board proposes to pay a dividend of NOK 0.25 per share for 1998. Provision for dividend NOK 23 160 596. Allocation to distributable reserves NOK 37 921 637.

MILLENNIUM PREPARATIONS

Moelven's preparations for the year 2000 are being handled by a central IT team, which is ensuring that all systems are identified, examined and risk-assess-

ed. Systems assessed as critical will be modified or replaced by 1 July 1999. At present the risk is believed to be limited.

OUTLOOK

The Timber Industry Division entered 1999 with better prices for incoming orders than a year ago. There is still some uncertainty surrounding the increase in market prices for spruce timber products, but the outlook is more encouraging than at the start of 1998. Prices for pine timber products fell throughout the second half of 1998, but were expected to bottom out early in the winter owing to reduced output. With stable output throughout the year and gradually increasing synergy between subsidiaries, profit margins in 1999 are expected to be better than the previous year's.

We anticipate an improvement in the performance of the Laminated Timber businesses as a result of the restructuring carried out. It is unreasonable to expect major changes in the market, so any improved performance will stem from internal productivity improvements and coordinated rationalisation of capacity among the various subsidiaries. Interior Layout and Construction & Contracting had a high level of activity at the start of 1999, and given the significant proportion of orders from the refurbishment market, any reduction in the level of new-build activity in Norway is expected to have limited implications for Moelven subsidiaries.

The Group has little requirement for capital expenditure on fixed assets and equipment in 1999. The Group's financial position is healthy and is expected to improve further during 1999.

Moelv, 4 March 1999



Bjarne Gulvik
Chairman



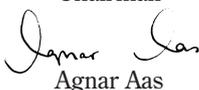
Peder Chr. Løvenskiold



Arthur J. Aasland



Per Stamnes



Agnar Aas



Carl Graff-Wang



Iver Melby



Hans E. Johnsen

(Amounts in NOKm)	1998	1997	1996	1995	1994	
TURNOVER						
Operating revenues	3 027	2 378	2 196	2 221	1 907	
Operating profit	53	125	62	92	113	
Net financial items	- 40	- 32	- 36	- 49	- 55	
Pre-tax profit	17	138	29	46	55	
BALANCE						
Investments in fixed assets	104	104	69	108	45	Capitalised investments less investments due the purchase of other companies
Total capital	1 852	1 201	1 132	1 148	970	
Net interest-bearing debt	681	380	394	387	425	
Working capital	1 258	784	693	667	596	Share capital + net interest-bearing debt
EARNINGS/PROFITABILITY						
Net operating margin	1.7 %	5.3 %	2.8 %	4.2 %	5.8 %	$\frac{\text{Operating profit}}{\text{Operating revenues}}$
Gross operating margin	4.8 %	8.3 %	6.1 %	6.8 %	9.3 %	$\frac{\text{Operating profit} + \text{ordinary depreciation}}{\text{Operating revenues}}$
Return on equity	2.8 %	36.4 %	9.9 %	14.6 %	30.3 %	$\frac{\text{Profit before extraordinary items} - \text{taxes}}{\text{Average share capital and reserves}}$
Profitability on working capital	4.1 %	16.3 %	7.3 %	10.1 %	11.9 %	$\frac{\text{Operating profit}}{\text{Average working capital}}$
Interest cover	1.3	3.7	1.5	1.7	1.8	$\frac{\text{Profit before extraord. items} + \text{financial costs}}{\text{Financial costs}}$
CAPITAL						
Equity ratio	31.2 %	33.6 %	26.4 %	24.4 %	17.6 %	$\frac{\text{Share capital and reserves}}{\text{Total capital}}$
Capital turnover rate	1.8	2.0	1.9	2.0	1.8	$\frac{\text{Operating revenues}}{\text{Average total capital}}$
LIQUIDITY						
Current ratio	1.83	1.68	1.75	1.41	1.35	$\frac{\text{Current assets}}{\text{Current liabilities}}$
Quick ratio	0.84	0.72	0.95	0.68	0.64	$\frac{\text{Liquid funds} + \text{financial investments} + \text{receivables}}{\text{Current liabilities}}$
Cash flow from operations (NOKm)	107.1	202.9	100.1	97.9	112.0	Profit before extraordinary items – taxes + depreciation
SHARES						
Earnings per share in NOK	0.17	1.85	0.41	0.54	0.73	$\frac{\text{Profit before extraordinary items} - \text{taxes}}{\text{Number of shares (avg. of 85 630 678)}}$
Cash flow per share in NOK	1.25	2.87	1.42	1.39	1.87	$\frac{\text{Cash flow}}{\text{Number of shares}}$
Market price in NOK at 31.12.	4.80	6.90	7.60	6.60	9.40	
Adjusted RISK-amount per share in NOK at 01.01.	- 0.35	- 0.10	- 0.12	- 0.16	0.00	Overall RISK for the Group Estimated RISK at 01.01.1999 is NOK – 0.25 per share
Dividend in NOK per share	0.25	0.25	0.00	0.00	0.00	
Price/earnings ratio (P/E)	28.20	3.73	18.54	12.22	12.88	$\frac{\text{Market price at 31.12.}}{\text{Profit before extraord. items} - \text{taxation per share}}$
Total return per share	- 28.6 %	- 5.9 %	15.2 %	- 29.8 %	3.3 %	$\frac{\text{Dividend per share} + \text{change in value}}{\text{Market price}}$

accounts

PROFIT AND LOSS ACCOUNT

(Amounts in NOKm)	Moelven Industrier ASA		The Group		Note
	1998	1997	1998	1997	
Operating revenues	29.7	21.1	3 027.4	2 377.5	1/2/3
Cost of goods sold	0.0	0.0	1 945.4	1 468.5	4
Change in stock of work in progress, finished products and projects	0.0	0.0	- 36.3	- 46.5	
Wages, salaries and social security costs	3.6	3.0	662.1	501.2	18
Other purchase/sales/admin. costs	23.4	21.9	306.5	255.3	
Ordinary depreciation	3.3	3.6	93.0	71.7	15/17
Bad debts incl. provisions	0.0	0.1	4.0	1.9	5
Operating costs	30.3	28.6	2 974.7	2 252.1	
OPERATING PROFIT/LOSS *)	- 0.6	- 7.5	52.7	125.4	
Profit from associated companies	- 0.6	47.8	3.7	44.8	22
Dividends from subsidiaries	3.0	3.0	-	-	
Dividends from other shares	3.9	0.0	0.3	0.4	
Interest received from Group companies	0.4	0.0	-	-	
Other financial income	1.3	0.6	25.9	19.2	
Interest paid to Group companies	- 4.6	- 2.0	-	-	
Other financial expenses	- 0.5	- 5.2	- 65.8	- 52.0	
Financial income/financial expenses	3.5	- 3.6	- 39.6	- 32.4	
PRE-TAX PROFIT	2.3	36.7	16.8	137.8	
Taxation	0.0	0.0	2.7	6.6	6/7
Minority interests	-	-	0.2	0.0	24
NET PROFIT/LOSS	2.3	36.7	14.3	131.2	
Profit per share	-	-	0.17	1.85	
Average number of shares	85 630 678	70 744 380	85 630 678	70 744 380	
The Board's proposal for appropriation of net profit/loss and capital transfers					
Provisions for dividends NOK 0.25 per share	- 23.2	-17.8	-	-	
Group contributions received	58.8	56.7	-	-	
Legal reserves	0.0	- 0.6	-	-	
Distributable reserves	- 37.9	- 44.2	-	-	
Loss carried forward	0.0	- 30.8	-	-	
Total	- 2.3	- 36.7	- 14.3	- 131.2	25
*) The operating loss of the parent company is covered by the Group contributions received.					

(Amounts in NOKm)	Moelven Industrier ASA		The Group		Note
	1998	1997	1998	1997	
CASH FLOW FROM OPERATIONS					
Pre-tax profits	2.3	36.7	16.8	137.8	
Tax paid	0.0	0.0	- 6.6	- 0.5	6
Ordinary depreciation	3.3	3.6	93.0	71.7	15/17
Gain/loss from the sale of fixed assets	- 6.2	- 0.1	-14.4	- 1.1	2
Pension costs, provided for but not paid	- 2.2	- 2.0	1.3	0.3	18
Profit from associated companies	0.6	- 47.8	- 3.7	- 44.8	22
Dividends	3.0	3.0	-	-	
Change in current assets excl. liquid funds and deposits	10.9	- 18.9	48.4	- 95.5	
Changes in current liabilities excl. loans	- 24.8	16.2	- 56.0	31.0	
Net cash flow from operations	- 13.1	- 9.3	78.8	98.9	
CASH FLOW FROM INVESTMENTS					
Payments to purchase fixed assets excl. acquisitions	- 7.3	- 3.0	- 95.7	- 104.3	16
Payment to acquire subsidiaries	-10.8	- 12.4	- 8.0	- 10.5	*)
Sale of fixed assets	0.0	0.2	5.0	3.9	16
Long-term investments, financial	- 14.5	65.2	- 6.4	0.2	
Short-term lendings	11.1	8.8	0.0	0.0	
Net cash flow from investments	- 21.5	58.8	- 105.1	- 110.7	
CASH FLOW FROM FINANCING					
Changes in short-term borrowings and overdrafts	3.4	- 150.8	25.7	- 0.6	
Liquid shares in profits from assoc. companies	0.0	48.9	1.3	48.9	
Changes in long-term debt	0.0	- 9.9	40.7	- 108.7	
Issue of equity	0.0	6.1	0.0	6.1	
Payment of dividends	- 17.8	0.0	- 17.8	0.0	
Group contributions	58.8	56.7	-	-	
Net cash flow from financing	44.4	- 49.0	49.9	- 54.3	
LIQUID FUNDS					
Net change in liquid funds during the year	9.8	0.6	23.6	- 66.1	
Liquid funds at 01.01.	0.9	0.3	12.6	78.7	
Liquid funds at 31.12.	10.7	0.9	36.2	12.6	8
AVAILABLE LIQUID FUNDS					
Liquid funds at 31.12.	10.7	0.9	36.2	12.6	
Unutilised drawing rights at 31.12.	20.0	20.0	345.0	150.0	
Available liquid funds at 31.12.	30.7	20.9	381.2	162.6	
*) Additional information in connection with acquisition of subsidiaries:					
Additions: Liquid funds			2.8	1.9	
Current assets			335.1	31.5	
Fixed assets			386.0	12.2	
Non interest-bearing debt			160.8	25.2	
Interest-bearing debt			338.1	10.9	
Share capital			225.0	9.5	
Total capital from acquisitions			723.9	45.6	
1998: Acquisition of Westwood AB (Group), Notnäs AB and Rosèn & Co. AB					
1997: Acquisition of Byggsystem AS and Byggsystem AB					

(Amounts in NOKm)	Moelven Industrier ASA		The Group		Note
	1998	1997	1998	1997	
ASSETS					
Cash and bank deposits	10.7	0.9	36.2	12.6	8
Investments	0.3	0.2	0.4	0.2	19
Trade receivables	0.1	0.1	298.1	224.1	5
Receivables	13.4	0.3	110.2	42.4	9
Receivables from Group companies	19.7	32.4	-	-	
Stocks	0.0	0.0	501.3	361.7	10
Prepayments	0.0	0.0	18.6	13.5	
Current assets	44.2	33.9	964.8	654.5	
Investments in subsidiaries	620.4	376.8	-	-	20
Investments in other companies	18.3	10.0	24.1	6.1	21/23
Investments in associated companies	0.4	1.7	5.0	12.2	22
Net pension funds	51.7	46.9	65.1	55.8	18
Bonds and other securities	0.1	0.4	0.5	3.7	
Other receivables	9.0	5.2	15.6	14.3	
Receivables from Group companies	59.6	42.3	-	-	
Long-term financial investments	759.5	483.3	110.3	92.1	
Machinery, vehicles and fixtures	0.9	1.1	456.9	245.0	16/17
Buildings	25.3	24.5	269.5	176.6	16/17
Land	5.5	5.5	36.4	16.6	16/17
Fixed assets	31.7	31.1	762.8	438.2	
Financial goodwill	-	-	14.0	16.4	15
TOTAL ASSETS	835.4	548.3	1 851.9	1 201.2	

(Amounts in NOKm)	Moelven Industrier ASA		The Group		Note
	1998	1997	1998	1997	
LIABILITIES, CAPITAL AND RESERVES					
Provision for dividends	23.2	17.8	23.2	17.8	
Bank overdraft, multi-currency credit	0.0	12.6	26.1	2.7	12
Taxation and social security	1.5	1.3	123.8	92.7	
Income corporation tax	0.0	0.0	2.6	6.4	
Trade creditors	2.1	0.7	252.1	181.4	
Other short-term liabilities	5.8	4.6	99.9	89.5	11
Debt to Group companies	9.0	3.8	-	-	
Current liabilities	41.6	40.8	527.7	390.5	
Mortgage debt	0.0	0.0	216.2	196.4	12
Promissory note loans	0.0	0.0	515.6	193.9	12
Net pension commitments	0.8	0.0	9.2	6.1	18
Other short-term debt	4.5	6.0	4.4	10.4	
Debt to Group companies	171.5	100.0	-	-	12
Long-term liabilities	176.8	106.0	745.4	406.8	
Minority interests	-	-	1.5	0.0	24
Share capital: 92 642 384 shares at NOK 5.-	463.2	356.7	463.2	356.7	25
Legal reserves	0.6	0.6	0.6	0.6	
Undistributable equity	463.8	357.3	463.8	357.3	
Distributable reserves	153.2	44.2	113.5	46.6	
Share capital and reserves	617.0	401.5	577.3	403.9	25
TOTAL LIABILITIES AND SHARE CAPITAL AND RESERVES	835.4	548.3	1 851.9	1 201.2	
Mortgages – secured debt	0.0	112.6	274.1	393.0	14
Guarantees	532.1	356.8	62.3	81.7	13

Moelv, 4 March 1999



Frode Alhaug
President & C.E.O.



Hans Rindal
Corporate Director, Finance



Morten Sveiverud
Corporate Accounts Manager

CONSOLIDATION PRINCIPLES Consolidated companies

The statement of accounts for the Group has been prepared as if the Group was one unit. The statement of accounts encompasses the parent company Moelven Industrier ASA and the subsidiaries where Moelven Industrier ASA, directly or indirectly, owns more than 50 per cent of the shares or by agreement has the controlling influence in the company.

Investments in companies where the Group owns between 20 and 50 per cent of the shares and where the Group also has a considerable influence are dealt with according to the equity method.

The accounts for subsidiaries which have joined the Group in the course of the year are entered in their entirety on the balance sheet as at 31.12. and the results from the date of purchase until 31.12 are entered in the profit and loss account.

For subsidiaries sold in the course of the year, transactions from 01.01 until the date of sale are included in the profit and loss account.

Elimination of shares in subsidiaries/goodwill

Shares in the subsidiaries are eliminated against the subsidiaries' capital and reserves at the time of purchase. Included in share capital and reserves is the equity portion of temporary differences between accounting and taxable values in the subsidiary at the time of purchase. Any excess value at the time of purchase is ascribed to the relevant assets and depreciated subsequently in line with these. Deferred tax is calculated based on gross excess value and entered as a liability. Excess value which cannot be ascribed to assets is entered in the Group balance sheet as goodwill and depreciated over a 10-year period.

In connection with acquisitions, revised estimates of company assets at the time of the acquisition and dispositions to cover restructuring costs may influence consolidated financial goodwill. Based on the new information about the assets in the acquired companies, the acquisition costs and goodwill may be revised in the first full accounting year after the acquisition takes place.

Conversion of foreign subsidiaries

The annual statement of accounts for foreign subsidiaries is, with regard to the items on the balance sheet, converted to NOK at year-end exchange rates, with the exception of share capital and reserves which are converted at a historical rate. All items in the profit and loss accounts are converted to NOK at average rates of exchange for the accounting year. The difference which arises in connection with consolidation is entered in the Group balance sheet under unrestricted capital and reserves.

Shares and participating interest in associated companies

Associated public companies, in which the Group does not have a controlling interest, but still has considerable influence and a significant ownership share (20–50 per cent), are valued in the Group accounts in accordance with the equity method of accounting. The Group's share of the company's results after taxes (and depreciation on paid VAT), is listed as "share of result in associated companies". In the Group's balance, shares in associated companies are listed at cost price, including any accumulated share of the results. Any share of the results must be subtracted from any dividends received.

On the balance sheet of the holding company, the shareholdings are listed according to the cost method of accounting. When depreciating in accordance with the requirements of the Norwegian Companies Act, the value of the share is listed as the shareholder's share of the associated company's value. The ownership interest in general partnerships in which the Group has significant influence is listed in accordance with the equity method of accounting. The net result is shown on a separate line in the profit and loss account. The net amount of the share of the companies' assets and liabilities is shown on the balance sheet.

Jointly controlled companies

For companies that are jointly controlled and owned, the straight line method of accounting is applied, with the inclusion of the Group's proportional share of the company's profit/loss and balance lines.

Minority interests

Minority interests are listed in the Group's balance sheet as the foreign ownership interests' share of book value equity in the relevant subsidiary. In the results for the Group, a reduction or addition is made corresponding to the minority interest's share of the result after taxes for the company.

Elimination of internal transactions

Unrealised profits in the companies' inventories relating to intra-Group deliveries are eliminated from the Group's inventories and operating profit.

Profits in connection with sales of fixed assets within the Group are eliminated from the ordinary depreciable base and operating profits. Deferred tax is eliminated from the Group's statement of accounts so that the charge tax in connection with internal profits is not payable until the stock is sold from the Group.

In the Group statement of accounts, eliminations have also been made for internal dividends, Group contributions, income and expenditure transfers, and accounts due and debts between the Group's companies.

Sub-Groups

The Norwegian Banking, Insurance and Securities Commission (Kredittilsynet) has given Moelven dispensation from the requirement of producing a consolidated financial statement for the subGroups. The Moelven Group is divided into four business areas. The organisation of the business areas does not follow the formal ownership structure.

VALUATION AND CLASSIFICATION PRINCIPLES

Classification of assets and liabilities

Assets and liabilities arising in connection with the circulation of goods within the undertaking are classified as current assets and current liabilities respectively. Other receivables and short-term liabilities are classified as short-term items if they fall due within a one-year period after the closing of the accounts. Other assets and long-term liabilities are classified as fixed assets and long-term liabilities respectively.

Starting in 1998, the first year's payment on long-term financing is treated as a long-term loan. The corresponding figures in the balance sheet and key figures diagram have been revised.

Accounts receivable

Accounts receivable and other receivables appear in the balance sheet after provisions for possible losses.

Assets and liabilities in foreign currencies

Assets and liabilities in foreign currencies are converted according to the lowest/highest exchange rates at the time of acquisition and the exchange rate at 31.12. For short-term items, the unrealised exchange rate losses at 31.12 are calculated and entered as costs in the same manner as other costs, provided that they are not offset by equivalent gains in the same currency. Other unrealised gains are not entered as income apart from the reversal of earlier unrealised losses entered as costs.

Long-term items are evaluated individually in accordance with the above. Accounts receivables and payables secured by forward exchange rate contracts are converted at the forward rate at 31.12.

Offbalance sheet financial instruments

The underlying intentions of the financial agreements entered into governs how they are treated for accounting purposes.

Safeguarding mechanisms – foreign currency

As a rule, the Group usually finances the acquisition of assets with debt in the same currency. Payments in and out in connection with the purchase and sale in foreign currencies is usually safeguarded through futures contracts.

Foreign currency gains or losses in connection with this type of safeguarding is reported together with the objects the agreement intends to protect, such as sales income vis-a-vis relative purchase costs. Costs relating to safeguarding against foreign currency fluctuations in relation to loan transactions are reported as financial items.

Safeguarding mechanisms – interest

At the turn of the year, the Group had NOK 258 million in long-term, fixed-rate mortgages. Any gains or losses as a result of premature termination of the loans are reported as financial items. An increasing part of the Group's debt is valued with a margin against a basic, defined interest rate. Parts of this are safeguarded with caps, floors and swap agreements. Payments in and out in connection with this type of safeguarding are reported together with the items the agreement intends to protect, i.e. financial costs.

Inventories

Inventories of raw materials and goods for resale (commodities) are valued at the lower value of the acquisition cost and net actual value.

The actual value is the presumed sales price at the future date of sale, after deductions for sales costs.

Inventories of manufactured goods (work in progress and finished manufactured goods) and contracts are estimated at the full manufacturing cost at the place of manufacture or at the expected sales value if this is lower than the full cost of manufacture.

In addition to the cost of the acquisition of the raw materials and purchased goods, other direct or indirect production costs plus a proportion of the fixed costs associated with the production process, are included in the full cost of manufacture.

Projects

Contracted projects are entered as a net amount in the balance sheet. This involves reducing gross project balances by advance payment in connection with contracts. This also applies to projects with a long-term completion schedule or individual contracts that at any time tie up more than 20 per cent of the individual undertaking's capacity.

Projects with a long-term completion schedule are estimated at the full production cost plus a share of profit based on the degree of completion. The degree of completion is based on the accrued expenses in relation to the calculated total costs. Expected loss on contracts is fully charged in the accounts.

Shares in other companies

Short-term shares are estimated according to the net portfolio principle at the lower of the acquisition cost and actual value at the year-

end. Shares in other companies at 31.12 are assessed individually.

Gains/losses in connection with sales or write-downs of shareholdings are dealt with as operating revenues/operating costs.

Pension funds, pension commitments and pension costs

Most of the Group's Norwegian companies have collective pension plans through insurance companies. These are plans, which entitle employees to an agreed future pension. The benefits are based on the number of years of earnings and the salary level reached at retirement.

For the Group's foreign companies, the pension plans are based on the employer's contributions in accordance with agreed schemes.

The pension schemes are dealt with in the accounts according to NRS (Norwegian Accounting Standards) for pension costs. Commitments which are based on schemes are calculated actuarially. The commitments are reduced by the value of the total pension funds and aggregated with the net present value of uninsured commitments. The commitments for contract pensions are included in the calculations.

For the Group's main scheme, the pension funds are larger than the pension commitments. The over-funding is shown as "net pension funds" under financial investments on the balance sheet. The over-funding is utilisable from the point of view of the Group's composition and alternative use of the pension funds.

Pension costs, which encompass the current value of the year's pension savings with accrued interest costs of pension commitments reduced by the expected returns on pension funds, are dealt with as operating costs under "salaries and employer's contributions".

Research and development expenses

All expenses in connection with market surveys, market developments and development of new products are entered in the accounts as costs as they arise.

Investments in environment

Expenses in connection with efforts to improve the interior or exterior environment are entered in the accounts as costs as they arise, unless the efforts lead to an increase in capacity, productivity or economic life-span.

State operating/investment subsidies

Inclusion of operating subsidies in revenue follows the basic revenue/cost posting principles. Received operating subsidies are posted against the cost and revenue items to which the subsidy relates and are treated as a cost reduction in cases where the subsidy is ear-marked for certain operating costs.

Investment subsidies are treated according to the gross principle and entered as operating revenues. Posting occurs in line with depreciation on the object of investment.

Fixed assets/depreciation

Fixed assets are entered on the balance sheet at the original purchase price with deductions for accumulated ordinary depreciation. Ordinary depreciation is undertaken in accordance with a fixed depreciation schedule, and is reckoned linearly over the lifetime of the assets.

Gains/losses in connection with sales of fixed assets are treated as ordinary operating revenues/costs.

Maintenance costs

Costs in connection with normal maintenance and repairs of production equipment and other fixed assets are entered as costs as they arise.

Upgrading and replacements of fixed assets are considered to be investments and capitalised.

Leasing

A difference is made between financial and operational leasing, based on a concrete assessment of the individual leasing agreement. In operational leasing, the leasing fees are entered directly as costs. Leased fixed assets, on the other hand, are capitalised and depreciated as ordinary fixed assets over the lifetime of the asset. Future payment commitments are classified as interest-bearing debt, with a contractual split between the leasing fee as part financial cost and part instalment on debt.

Deferred tax

Budgeting for deferred tax is carried out according to the liability method without discounting.

Calculated deferred tax based on temporary differences between tax return accounts and the general statement of accounts are offset against future tax benefits generated by deferrable losses on the tax return.

New accounting law as of 01.01.99

A new accounting law came into effect on 01.01.1999 in Norway. The change in assessment principles and classification of accounting posts brought on by the new law will have an effect on Moelven's accounts in the future. If the new accounting law had been in effect for the years 1998/97, then this would primarily have had an effect on the tax costs in the profit and loss accounts and on the deferred tax benefits in the balance sheet.

NOTE 1: Acquisition and sale of companies

After balance date – events in 1999:

- With effect 01.01.99, Moelven's Laminated Timber companies in Norway and Sweden – Moelven Limtre AS and Moelven Töreboda Limträ AB – will be merged with Agder Limtre AS and Splitkon AS and form a new glulam Group in which the Norwegian companies merge and establish the company Mocon AS. Mocon Holding AS will be the legal owner, and Moelven will own 66.6 per cent of the company through voting shares. Together with the preferred shares Moelven owns in the company, Moelven's ownership share will be at 80.9 per cent.
- With effect 01.01.99, 60 per cent of the shares in Moelven Byggsystem AS in Hurdal were sold. In the purchasing contract, the parties agreed that Moelven sell the rest of the Group's ownership share over a period of three years.

1998:

- In March 1998, Moelven Industrier ASA acquired the remaining 21 per cent of the shares in Moelven Hako AS. As payment, 1,050,783 shares of Moelven Industrier ASA were issued with a total value of NOK 9.3 million. The acquisition resulted in a reduction of earlier capitalised goodwill of NOK 5.6 million. The remaining goodwill from the acquisition of Moelven Hako AS gives an annual depreciation of NOK 0.8 million over the next 4 years.
- In April, Moelven's glulam companies in Denmark were merged into a new glulam company Limtræ Danmark AS which becomes a jointly controlled company together with the publicly listed Danish company ITH AS. Moelven owns 40 per cent in the new company. ITH AS has an option to purchase Moelven's shares after 01.01.2001. If this option is not used, then Moelven has the option to purchase the shares in the company owned by ITH AS.
- In May, Moelven Industrier ASA acquired 100 per cent of the shares in Notnäs AB and 51 per cent of the shares in Westwood AB. An offer to take over the remaining shares was tendered. At the deadline for acceptance in June, the acceptance rate was 99.8 per cent. As payment, a total of 20,247,032 shares in Moelven Industrier ASA were issued for a total value of NOK 170 million. After distribution of the cost price on identifiable assets and commitments – with NOK 40 million set aside for restructuring – NOK 10 million has been allocated as goodwill in the balance with a depreciation period of 10 years. The allocation has been used in its entirety in 1998. The purchase is listed in the accounts according to the purchase method and the companies are consolidated as of 01.05.98. The companies, which are located in western Sweden, produce and process wood products.
- In June, Moelven Industrier ASA acquired 100 per cent of the shares in Rosén & Co Trä AB for NOK 9.9 million. The cost price was in its entirety distributed among identifiable assets. The company is located in Lidköping in Sweden and produces mouldings. The company is consolidated as of 01.07.98.
- In June, Moelven Industrier ASA – through Moelven Westwood AB – sold the building products company Westwood Bygghandel in Karlstad AB and Skalet in Karlstad AB.

Of the above-mentioned events, only the acquisitions of Westwood AB (Group) and Notnäs AB are of a size and scope that call for pro forma figures. Had the companies become part of the Moelven Group in 1998 and 1997, then the key figures in the pro forma table would have been as follows in NOKm (Pro forma figures not audited.):

Pro forma:	1998	1997
Operating revenues	3.341	3.389
Depreciation, corrected for goodwill depreciation due to acquisition	94	106
Operating profit	26	120
Net operating margin	0.8 %	3,5 %

1997:

- In November, Moelven Industrier ASA acquired the companies Byggsystem AS and Byggsystem AB from Westwood AB for NOK 10.5 million. After distribution of the cost price on identifiable assets, goodwill was capitalised at NOK 2.9 million for depreciation over a period of 10 years. The companies produce modules and building elements which are complementary products to Moelven Hako AS. Byggsystem AS is located in Hurdal and Byggsystem AB in Säffle. After a review of the cost price in 1998, capitalised goodwill was redistributed to buildings in Moelven Byggsystem AB.

NOTE 2: Operating revenues

In the post for Group operating revenues, deliveries between Group companies for NOK 500 million (NOK 256 million in 1997) have been eliminated. Included in the post are gains from the sale of fixed assets, NOK 14 million (NOK 1 million in 1997). The geographic distribution of the operating revenues, as well as the distribution among business areas, is shown in Note 3.

NOTE 3: BUSINESS AREAS

3.1 KEY FIGURES FOR THE GROUP AND THE BUSINESS AREAS

(Amounts in NOKm)	The Group		Timber Industry		Interior Layout		Laminated Timber		Construction and Contracting		Others incl. eliminations	
	1998	1997	1998	1997	1998	1997	1998	1997	1998	1997	1998	1997
Operating revenues	3 027.4	2 377.5	1 589.1	1 253.0	476.9	417.7	434.6	421.9	557.2	343.5	- 30.4	- 58.6
Operating profit	52.7	125.4	19.5	77.8	42.1	37.2	- 0.4	5.3	19.2	22.9	- 27.7	- 17.8
Financial items	- 35.9	12.4	- 23.5	- 9.1	8.5	9.1	- 7.1	- 4.7	0.0	- 2.4	- 14.0	19.5
Profit before tax	16.8	137.8	- 4.0	68.7	50.6	46.2	- 7.5	0.6	19.2	20.4	- 41.5	1.9
Total capital	1 851.9	120.1	1 192.6	728.1	238.2	215.0	261.1	250.5	107.8	209.0	52.2	- 201.4
Equity ratio	31.2	33.6	40.0	43.2	54.7	58.5	21.5	31.4	33.4	39.3	-	-
Gross operating margin	4.8	8.3	4.8	9.3	9.6	9.7	3.5	4.8	4.5	8.5	-	-
Depreciations	93.0	71.7	56.1	38.7	3.5	3.5	15.7	14.9	5.7	6.2	12.0	8.4
Cash flow from operations	109.8	209.5	52.1	107.4	54.1	49.7	8.2	15.5	24.9	26.6	- 29.5	10.3
Investments	103.7	116.7	64.6	30.5	17.9	12.2	8.8	46.1	6.6	22.4	5.8	5.5
Number of employees	2 298	1 759	990	604	464	386	326	353	459	376	59	40
Pro forma operating revenues	3 341	3 389	1 873	2 037	477	418	435	422	557	438	- 1	75

Pro forma operating revenues show Westwood AB (Group) and Notnäs AB consolidated for 1998 and 1997 as a whole. The companies were acquired for accounting purposes as of 01.05.98. (Pro forma figures have not been audited).

Criteria for division into business areas

The divisions are based on Moelven's four core business areas: timber industry, interior layout for commercial premises, laminated timber and construction and contracting. The business areas are built around independent subsidiaries with clearly defined activities within their chosen fields. All transactions between the business areas take place on normal business terms. The division into business areas does not follow the formal legal ownership structure.

Items that are not attributable to the business areas

The item "others incl. eliminations" includes elimination of internal transactions and services between divisions. It also includes the accounting figures for the parent company Moelven Industrier ASA, the Group's IT and R&D service functions, as well as the Group's activities in Russia.

3.2 Operating revenues by geographical markets

Operating revenues (pro forma) (Amounts in NOKm)	The Group		Timber Industry		Interior Layout		Laminated Timber		Construction and Contracting		Other incl. eliminations	
	1998	1997	1998	1997	1998	1997	1998	1997	1998	1997	1998	1997
Scandinavia	2 265	2 249	1 089	1 377	464	412	210	224	524	389	- 22	- 153
Euro-countries	640	672	487	535	7	4	144	133	2	0	0	0
Rest of Europe	292	273	193	205	6	2	48	17	23	49	21	0
Japan	61	141	33	93	0	0	29	48	0	0	0	0
Rest of world	83	54	71	55	0	0	3	0	8	0	0	- 1
Total	3 341	3 389	1 873	2 265	477	418	435	422	557	438	0	- 154

3.3 Distribution of operating revenues by producing country

Operating revenues (pro forma) (Amounts in NOKm)	The Group		Timber Industry		Interior Layout		Laminated Timber		Construction and Contracting		Other incl. eliminations	
	1998	1997	1998	1997	1998	1997	1998	1997	1998	1997	1998	1997
Norway	1 357	1 151	436	482	358	314	114	107	460	302	- 12	- 52
Sweden	1 802	2 109	1 437	1 783	119	104	136	170	97	136	14	- 85
Denmark	182	129	0	0	0	0	185	145	0	0	- 2	- 16
Total	3 341	3 389	1 873	2 265	477	418	435	422	557	438	0	- 153

3.4 Number of employees by business area

No. of employees	The Group		Timber Industry		Interior Layout		Laminated Timber		Construction and Contracting		Other	
	1998	1997	1998	1997	1998	1997	1998	1997	1998	1997	1998	1997
Norway	1 153	1 038	273	300	367	291	112	113	352	295	49	39
Sweden	1 046	592	717	304	97	95	123	117	107	76	2	0
Denmark	78	109	0	0	0	0	78	109	0	0	0	0
Other	21	20	0	0	0	0	13	14	0	5	8	1
Total	2 298	1 759	990	604	464	386	326	353	459	376	59	40

3.5 Distribution of customer receivables and stocks by business area

Restricted operating capital (Amounts in NOKm)	The Group		Timber Industry		Interior Layout		Laminated Timber		Construction and Contracting		Other incl. eliminations	
	1998	1997	1998	1997	1998	1997	1998	1997	1998	1997	1998	1997
Trade receivables	298.1	224.1	153.0	104.3	17.6	15.8	45.8	28.8	78.2	73.3	3.5	1.9
Raw materials and purchased goods	159.0	142.0	98.6	89.2	10.7	10.3	17.7	23.6	31.7	18.9	0.3	0.0
Work in progress	72.7	32.3	64.5	23.0	0.9	1.3	1.5	1.6	5.7	6.5	0.1	- 0.1
Finished goods	223.7	142.4	186.3	101.8	0.8	0.8	32.6	38.3	3.1	1.5	0.9	0.0
Orders	45.9	45.0	0.0	0.1	8.9	9.3	0.5	1.9	26.1	23.0	10.4	10.7
Total stocks and orders	501.3	361.7	349.4	214.1	21.3	21.7	52.3	65.4	66.6	49.9	11.7	10.6
Gross restricted operating capital	799.4	585.8	502.4	318.4	38.9	37.5	98.1	94.2	144.8	123.2	15.2	12.5
Trade creditors	252.2	181.4	156.2	115.3	26.7	20.8	23.0	14.7	39.1	29.1	7.2	1.5
Net restricted operating capital	547.2	404.4	346.2	203.1	12.2	16.7	75.1	79.5	105.7	94.1	8.0	11.0
As per cent of pro forma operating revenues	16 %	17 %	18 %	16 %	3 %	4 %	17 %	19 %	19 %	22 %	-	-

NOTE 4: Cost of goods sold

(Amounts in NOKm)	Group	
	1998	1997
Purchase of raw materials, semi-finished goods, goods for resale and services incl. increased provision for warranty and service commitments	1 786.0	1 396.0
Transport costs of goods sold	145.8	113.2
Changes in stocks of raw materials and purchases	13.6	- 40.7
Cost of goods sold	1 945.4	1 468.5

NOTE 5: Accounts receivables – losses on receivables incl. provision for loss

(Amounts in NOKm)	Moelven Industrier ASA		Group	
	1998	1997	1998	1997
Provision against losses 01.01.	0.4	0.4	6.9	7.7
The year's recorded losses	0.0	0.1	5.7	2.8
Change in provision for loss	0.0	0.0	- 1.7	- 0.9
Losses on accounts receivables	0.0	0.1	4.0	1.9
Provision against loss 31.12.	0.4	0.4	5.2	6.8

Many of the Group's companies have debt insurance. As of 31.12.98, 55 % of the Group's operating revenues were insured.

Gross accounts receivables	0.5	0.5	303.3	230.9
Provision for bad debts	- 0.4	- 0.4	- 5.2	- 6.8
Net accounts receivables	0.1	0.1	298.1	224.1

NOTE 6: Taxable income – taxation cost

(Amounts in NOKm)	Moelven Industrier ASA		Group	
	1998	1997	1998	1997
Pre-tax profits	2.3	36.7	16.8	137.8
Group contribution	58.8	56.1	58.8	56.1
Permanent differences	- 2.5	- 0.2	1.6	2.1
Changes in negative/positive temporary differences	- 7.4	- 41.9	50.4	- 52.8
Utilisation of losses brought forward	- 51.2	- 50.7	- 119.9	- 119.9
Taxable income for the year	0.0	0.0	7.7	23.3
Taxes payable:				
Norway	0.0	0.0	0.1	0.3
Sweden	-	-	0.1	6.3
Denmark and other countries	-	-	2.5	0.0
Total taxes payable	0.0	0.0	2.7	6.6
Change in deferred tax	0.0	0.0	0.0	0.0
Total taxes	0.0	0.0	2.7	6.6

NOTE 7: Differences between accounting balances and tax-related balances

7.1 Deferred tax

(Amounts in NOKm)	Moelven Industrier ASA		Group	
	1998	1997	1998	1997
Provision for receivables	- 49.9	- 49.9	- 4.0	- 3.2
Provision for stocks	0.0	0.0	19.0	12.6
Cost provisions according to generally accepted accounting principles	- 0.4	- 0.3	- 2.7	- 8.4
Other short-term temporary differences	0.0	0.0	- 4.9	- 3.1
Subtotal short-term differences	- 50.3	- 50.2	7.4	- 2.1
Accumulated excess tax depreciation	- 24.1	- 25.9	89.5	- 21.1
Gain and loss in associated company	29.7	37.5	32.1	37.5
Gain and loss	- 0.1	0.1	7.5	6.3
Pension funds	51.8	46.9	65.1	55.8
Pension commitments	- 0.8	0.0	- 9.2	- 6.1
Other long-term items	- 133.2	- 138.0	- 172.5	- 177.5
Subtotal long-term items	- 76.7	- 79.4	12.6	- 105.1
Accommodated tax carry-forwards	0.0	0.0	- 20.0	0.0
Tax reducing differences (-) tax increasing (+)	- 127.0	- 129.6	0.0	- 107.2
Deferred tax liability	0.0	0.0	0.0	0.0

7.2 Deferred tax benefit

(Amounts in NOKm)	Moelven Industrier ASA		Group	
	1998	1997	1998	1997
Non-accommodated negative differences	126.3	129.6	67.6	107.2
Non-accommodated carry-forwards	51.3	102.5	212.8	167.6
Deferred tax benefit base	177.6	232.1	280.4	274.8

7.3 Tax carry-forwards

(Amounts in NOKm)	Moelven Industrier ASA		Group	
	1998	1997	1998	1997
Tax carry-forwards:				
Norway	51.3	102.5	119.2	153.6
Sweden	-	-	103.7	4.5
Denmark and other countries	-	-	9.9	9.5
Total	51.3	102.5	232.8	167.6

For the Group's Norwegian companies, the deficits have been carried forward in their entirety for the time period 1993-1998, and the timeframe in which the carry-forward opportunity expires is from 2003 to 2008. Of the tax-related deficit carried forward in the Group's Swedish companies, NOK 55 million has come about through the purchase of the Westwood Group. These deficits may over a five year period – beginning the year after the acquisition – only be offset against profit from companies that were part of the Westwood Group at the time of the acquisition. A deficit incurred in 1998 for the purchased companies may be used for all the Group's Swedish companies in 1999. A tax deficit in Sweden may be carried forward for an unlimited period of time. In Denmark, the cut off period is after 5 years.

NOTE 8: Bank deposits – restricted deposits

(Amounts in NOKm)	Moelven Industrier ASA		Group	
	1998	1997	1998	1997
Employee tax deductions	0.0	0.0	4.7	5.0
Other restricted bank accounts	0.7	0.0	1.8	0.0
Total	0.7	0.0	6.5	5.0

NOTE 9: Other receivables

(Amounts in NOKm)	Moelven Industrier ASA		Group	
	1998	1997	1998	1997
Receivables from employees	0.0	0.0	4.7	3.3
VAT credit	0.2	0.1	28.0	10.5
Other receivables	13.2	0.2	77.5	28.6
Total	13.4	0.3	110.2	42.4

Included in the remaining receivables for 1998 is the temporary financing of SIVA Moelv Næringspark AS with interest-bearing receivables of NOK 37.5 million – NOK 11.7 million of which has been contributed by Moelven Industrier ASA.

NOTE 10: Stocks and orders

See also Note 3 in which stocks and orders are distributed by business area.

(Amounts in NOKm)	Group	
	1998	1997
Raw materials and purchased goods	159.0	142.0
Work in progress	72.7	32.3
Finished goods	223.7	142.4
Orders	45.9	45.0
Total stocks and orders	501.3	361.7
Specification of projects:		
Own projects	10.5	11.0
Contracts at 31.12.	112.7	103.7
Payments on account	- 77.3	- 69.7
Total projects – net	45.9	45.0

NOTE 11: Other current liabilities

(Amounts in NOKm)	Moelven Industrier ASA		Group	
	1998	1997	1998	1997
Payments on account from customers	0.0	0.0	4.1	1.3
Future commitments to minority owners in subsidiaries	0.0	0.0	0.0	18.2
Provision for warranty and service commitments	0.0	0.0	4.2	2.8
Other accrued expenses not yet due	5.8	4.6	91.6	67.2
Total	5.8	4.6	99.9	89.5

Warranty and service commitments expected to fall due in more than one year are presented under "Other long-term debt" with NOK 4.2 million (NOK 2.8 million in 1997).

NOTE 12: Interest-bearing debt

12.1 Bank overdraft drawing rights and long-term loans

(Amounts in NOKm)	Moelven Industrier ASA		Group	
	1998	1997	1998	1997
Bank overdraft – Group account/multi-currency credit	0.0	12.6	26.1	2.7
Long-term interest-bearing debt in:				
NOK	0.0	0.0	120.2	147.3
SEK	0.0	0.0	596.2	177.9
Others	0.0	0.0	15.4	65.1
Interest-bearing long-term debt to Group companies	171.5	100.0	–	–
Total	171.5	112.6	757.9	393.0

12.2 Repayment plans on long-term loans

(Amounts in NOKm)	Moelven Industrier ASA		Group	
	1998	1997	1998	1997
Long-term debt falling due within:				
1 year	0.0	0.0	61.9	34.5
2 years	0.0	0.0	52.0	36.2
3 years	0.0	0.0	71.8	36.0
4 years	0.0	0.0	44.9	76.2
5 years	0.0	0.0	242.8	83.3
6 years and later	0.0	0.0	258.4	124.1
Total	0.0	0.0	731.8	390.3

12.3 Interest adjusting

(Amounts in NOKm)	Currency		
	SEK	NOK	DKK/GBP/DEM
Interest adjustment for the following years:			
1999	301.7	26.7	15.4
2000	22.5	48.8	0.0
2001	64.1	38.1	0.0
2002	0.0	8.9	0.0
2003	100.0	0.0	0.0
2004	113.0	0.0	0.0
2005	0.0	0.0	0.0
2006	18.7	0.0	0.0
Total	620.0	122.5	15.4

NOTE 13: Guarantees

(Amounts in NOKm)	Moelven Industrier ASA		Group	
	1998	1997	1998	1997
Loan guarantees/financial guarantees	461.0	290.2	8.3	5.7
Surety and prepayment guarantees	62.2	58.5	53.3	75.0
Guarantees for employee tax deductions	8.9	8.1	0.0	0.0
Joint guarantees other companies	0.0	0.0	0.5	0.6
Employee guarantees	0.0	0.0	0.2	0.4
Total	532.1	356.8	62.3	81.7

NOTE 14: Mortgages – secured loans

14.1 Loans with security in property

(Amounts in NOKm)	Moelven Industrier ASA		Group	
	1998	1997	1998	1997
Bank overdraft – Group account/multi-currency credit	0.0	12.6	2.5	2.7
Long-term loans	0.0	100.0	271.6	390.3
Total	0.0	112.6	274.1	393.0

14.2 Book value of pledged assets

(Amounts in NOKm)	Moelven Industrier ASA		Group	
	1998	1997	1998	1997
Share in subsidiaries	0.0	83.5	–	–
Other receivables and prepayments	0.0	75.2	44.0	281.7
Stocks	0.0	0.0	100.3	318.2
Bonds and other securities	0.0	0.4	0.0	4.1
Machinery and vehicles	0.0	1.1	84.3	184.0
Buildings	0.0	24.5	46.2	170.1
Land	0.0	5.5	6.3	16.1
Total	0.0	190.2	281.1	974.2

NOTE 15: Financial goodwill in connection with acquisition of subsidiaries

(Amounts in NOKm)	Group	
	1998	1997
Companies in the timber industry	5.8	5.8
Additions from acquisition of Westwood AB, Notnäs AB and Rosén & Co. AB	10.3	0.0
Depreciation for year	- 3.5	- 0.6
Accumulated depreciation	- 5.2	- 1.7
Subtotal timber industry	10.9	4.1
Construction and contracting companies	16.5	13.6
Reduction from gradual acquisition of Moelven Hako AS – 21 per cent remaining	- 5.6	–
Reassessment of goodwill on excess value of buildings, Moelven Byggsystem AB	- 2.9	2.9
Depreciation for year	- 0.7	- 1.6
Accumulated depreciation	- 4.9	- 4.2
Subtotal Construction and contracting	3.1	12.3
Total capitalised goodwill	24.1	19.4
Depreciation for year	- 4.3	- 2.2
Accumulated depreciation	- 10.1	- 5.9
Total for Group	14.0	16.4

All acquisitions relating to capitalised goodwill are within the Group's primary business areas. The period of depreciation is set at 10 years.

NOTE 16: Investments in and sale of plant and property

Group (Amounts in NOKm)	1998		1997		1996		1995		1994	
	Invest.	Sale	Invest.	Sale	Invest.	Sale	Invest.	Sale	Invest.	Sale
Machines, vehicles and equipment	279.3	7.8	86.7	3.7	60.7	3.4	127.0	6.3	36.3	3.0
Buildings	141.4	34.3	29.0	0.2	31.1	9.6	32.1	5.7	8.9	168.0
Land	25.0	10.4	1.0	0.0	0.0	0.4	1.1	0.6	0.0	3.9
Total	445.7	52.5	116.7	3.9	91.8	13.4	160.2	12.6	45.1	174.9

1998: Investments of NOK 342 million arising from the acquisition of Westwood AB with subsidiaries and Notnäs AB and Rosén & Co. AB are included. Included in the invested amounts from the acquisition is NOK 88 million in capitalised VAT. Another NOK 15 million is included from fixed asset financed through leasing agreements. Leasing financing is included in the Group's interest-bearing debt with a corresponding amount. Included in the disposal of fixed assets is the NOK 30 million sale of fixed assets/land in the Westwood Group.

1997: Investments in fixed assets acquired through the purchase of Byggsystem AS/Byggsystem AB are included, totalling NOK 12 million.

1996: Included in the Group's investments are fixed assets acquired through the purchase of Øresø Limtræ AS, totalling NOK 23 million.

1995: Included in the Group's investments are fixed assets acquired through the purchase of Moelven Eidsvold Værk AS and Hako Modul AS, totalling NOK 52 million.

1994: Included as sales of fixed assets are disposals in connection with the sale of Moelven Eiendom AS, totalling NOK 150 mill.

Moelven Industrier ASA (Amounts in NOKm)	1998		1997		1996		1995		1994	
	Invest.	Sale								
Machines, vehicles and equipment	0.0	0.0	1.0	0.2	0.0	0.0	0.1	0.2	0.1	0.2
Buildings	7.1	9.2	2.0	0.0	6.1	0.1	4.8	0.0	0.0	0.6
Land	0.2	0.3	0.0	0.0	0.0	0.0	0.0	0.0	0.2	0.0
Total	7.3	9.5	3.0	0.2	6.1	0.1	4.9	0.2	0.4	0.8

NOTE 17: Plant and properties

17.1 Plant and properties, book value

(Amounts in NOKm)	Moelven Industrier ASA				Group			
	Vehicles Machinery Equipment	Buildings	Land	TOTAL	Vehicles Machinery Equipment	Buildings	Land	TOTAL
Acquisition value at 01.01.1998 ¹⁾	3.3	52.3	6.3	61.9	615.9	340.7	22.5	979.1
Additions 1998	0.0	7.1	0.2	7.3	279.3	141.4	25.0	445.7
Value at disposal	0.0	4.6	0.2	4.8	66.5	51.0	7.7	125.2
Acquisition value at 31.12.1998	3.3	54.8	6.3	64.4	828.7	431.1	39.8	1 299.6
Acc. ordinary depreciation 01.01.1998	2.3	27.8	0.8	30.9	364.0	168.2	2.8	535.0
Disposals acc. depreciation 1998	0.0	1.5	0.0	1.5	58.7	28.2	0.0	86.9
Depreciations current year ²⁾	0.1	3.2	0.0	3.3	66.5	21.6	0.6	88.7
Acc. ord. depreciations 31.12.1998	2.4	29.5	0.8	32.7	371.8	161.6	3.4	536.8
Net book value 01.01.1998	1.0	24.5	5.5	31.0	251.9	172.5	19.7	444.1
Net book value 31.12.1998	0.9	25.3	5.5	31.7	456.9	269.5	36.4	762.8
Ordinary depreciations rates in %	7 - 12%	5 - 7%	-	-	7 - 12%	5 - 7%	-	-
Temporary differences:								
Accumulated excess tax depreciation	- 4.8	- 19.3	0.0	- 24.1	39.9	- 61.0	0.0	- 21.1
Gain and loss	0.0	- 0.1	0.0	- 0.1	0.2	6.1	0.0	6.3

¹⁾ Acquisition value 01.01.1998 is adjusted for exchange gain/loss on conversion of subsidiaries to NOK, and comprises NOK 6.0 million of exchange gains in 1998.

²⁾ Depreciation for the year in accordance with the profit and loss account includes depreciation on fixed assets of NOK 88.7 million, and amortisation on goodwill of NOK 4.3 million.

17.2 Annual operating leasing costs

(Amounts in NOKm)	Moelven Industrier ASA		Group	
	1998	1997	1998	1997
Vehicles	0.5	0.4	4.5	3.8
Machinery and equipment	0.3	0.1	4.5	2.0
Buildings	1.2	1.3	3.8	2.6
Total	2.0	1.8	12.8	8.4

NOTE 18: Pension costs/pension commitments

18.1 Pension costs

(Amounts in NOKm)	Moelven Industrier ASA		Group	
	1998	1997	1998	1997
Earnings for the year	1.6	1.1	5.6	3.0
Interest cost on pension commitments	2.2	1.9	4.1	3.1
Pension costs (gross)	3.8	3.0	9.7	6.1
Expected return on pension assets	- 5.8	- 5.5	- 8.5	- 7.5
Changes in estimates	- 0.2	0.5	0.1	2.0
Pension costs (net), Insured and uninsured plans	- 2.2	- 2.0	1.3	0.6
Pension costs for contractual pensions	0.0	0.0	1.5	0.9

18.2 Pension commitments

(Amounts in NOKm)	Moelven Industrier ASA		Group	
	1998	1997	1998	1997
Balance at 01.01				
Accumulated earnings	26.2	27.6	48.0	40.6
Pensions based on future salary increases	4.6	2.0	3.5	7.2
Pension commitments (gross)	30.8	29.6	51.5	47.8
Pensions funds	- 77.7	- 74.5	- 107.3	- 100.0
Pension commitments (net), surplus	- 46.9	- 44.9	- 55.8	- 52.2
Balance at 31.12.				
Pension commitments (gross)	35.1	30.7	67.9	51.5
Pension funds (anticipated)	- 80.1	- 72.6	- 117.5	- 101.7
Estimated change and variance, not charged	- 5.9	- 5.0	- 6.3	- 5.6
Pension commitments (net), surplus	- 50.9	- 46.9	- 55.9	- 55.8
Total net pension funds, permissible insured schemes	- 51.7	- 46.9	- 65.1	- 55.8
Insured schemes not allowed to be offset by over-financed schemes	0.8	0.0	0.8	0.0
Pension commitments, contractual pensions	0.0	0.0	8.4	6.1
Total pension commitments	0.8	0.0	9.2	6.1

The Group's total pension commitments (TBO) for insured schemes are estimated at NOK 92 million at the end of 1998. The TBO is the current value of likely future pension commitments, assuming that the members remain in the scheme through to retirement age.

Insured schemes

Pension funds are larger than pension commitments for the Group's insured schemes. The surplus is in its entirety related to stipulations in the Norwegian Tax Law and is managed by Moelven Industrier ASA. Surplus is assessed to be viable on the basis of the Group's composition and the possibility of alternative use of the funds. In 1998, an insured scheme was established which is not subject to stipulations in the tax law and which cannot be offset against over-financed schemes.

Uninsured schemes

Uninsured schemes are in their entirety related to contractual pensions and calculated in accordance with Norwegian Accounting Standards regarding pension costs. The commitment is included in employers' national insurance contributions. The Group has accounted for an expected tendency of 25 per cent of contractual pensions to be drawn from the age of 62. All uninsured pension commitments have been included in the above-mentioned calculation. Pension schemes in the Group's foreign subsidiaries are organised in separate schemes.

18.3 Financial assumptions

(In percent)	Moelven Industrier ASA		Group	
	1998	1997	1998	1997
Return on pension assets	8.0 %	8.0 %	8.0 %	8.0 %
Discount rate	7.0 %	7.0 %	7.0 %	7.0 %
Growth in annual salaries and state pensions	3.3 %	3.3 %	3.3 %	3.3 %
Annual adjustment of pension being drawn	2.5 %	2.5 %	2.5 %	2.5 %

The pension commitments that apply to the Group's Norwegian companies cover a total of 529 people for the insured schemes, of whom 423 are active and 105 are pensioners. The pension commitments in connection with contractual pensions encompass a total of 949 persons.

The annual cost regarding the estimated variance is based on the total anticipated remaining years of employment of the members over the next 15 years. The estimated variance does not exceed 10 per cent of the higher of the pension commitments and pension funds for the start of the year.

NOTE 19: Shares and participating interest in other companies, short term

(Amounts in 1000 NOK)	Share-capital	Number of shares	Face value	Book value historical	Book value at 31.12. 1998
Storebrand ASA	1 884 900	4 600	23	546	276
Others	-	-	-	201	116
Total	-	-	-	747	392

NOTE 20: Shares in subsidiaries

(Amounts in 1000 NOK)	Share of ownership	Company's share capital	Number of shares	Face value	Book value at 31.12.1998
Moelven Treindustrigruppen AS	100	100 000	10 000	100 000	110 897
Moelven Innredningsgruppen AS	100	40 000	4 000	40 000	55 000
Moelven Limtregruppen AS	100	20 000	2 000	20 000	30 000
Moelven Hako AS	100	31 688	158 440	31 688	50 299
Moelven Engineering AS	100	3 000	3 000	3 000	7 200
Moelven Service AS	100	500	500	500	500
Moelven Industrier AB	100	SEK 10 000	10 000	SEK 10 000	83 450
Moelven Finans AS	100	77 000	2 200 000	77 000	77 888
Moelven Portefølje AS	100	100	100	100	2 550
Moelven France SARL	100	FRF 4 000	4 000	FRF 4 000	3 561
Moelven Iberica SA	100	ESB 9 000	9 000	ESB 9 000	960
Ringsaker Hus AS	100	500	500	500	500
Moelven Nor East AS	62.8	3 270	4 410	1 635	4 310
Moelven Byggsystem AS	100	1 500	15 000	1 500	2 632
Moelven Byggsystem AB	100	SEK 5 000	50 000	SEK 5 000	9 778
Moelven Westwood AB	99.8	SEK 107 048	10 680 957	SEK 106 810	99 358
Moelven Notnäs AB	100	SEK 3 250	650 000	SEK 3 250	71 532
Rosèn & Co. Trä AB	100	SEK 225	225 000	SEK 225	9 858
Moelven Elektro AS	100	100	100	100	100
Total Moelven Industrier ASA					620 373
Moelven Mjøsbruket AS	100	12 000	12 000	12 000	15 990
Moelven Kværnum Bruk AS	100	2 000	4 000	2 000	2 360
Moelven Trekomponenter AS	100	5 500	5 500	5 500	10 000
Moelven Treinteriør AS	100	3 000	3 000	3 000	6 982
Moelven Eidsvoll AS	100	8 500	850	8 500	18 500
Moelven Eidsvold Værk AS	100	32 500	32 500	32 500	35 578
Total Moelven Treindustrigruppen AS					89 410

NOTE 20: cont.

(Amounts in 1000 NOK)	Share of ownership	Company's share capital	Number of shares	Face value	Book value at 31.12.1998
Moelven Knappåssågen AB	100	SEK 2 000	20 000	SEK 2 000	40 205
Moelven Norsälven AB	100	SEK 3 500	35 000	SEK 3 500	44 880
Moelven Ransbysågen AB	100	SEK 1 000	10 000	SEK 1 000	15 895
Moelven Värmlands Trä AB	100	SEK 3 000	3 000	SEK 3 000	19 542
Moelven Component AB	100	SEK 1 800	18 000	SEK 1 800	2 525
Westwood Skog AB	100	SEK 3 800	38 000	SEK 3 800	5 049
UJ-Trading AB	100	SEK 1 000	10 000	SEK 1 000	3 740
Westwood Bygghandel i Köping AB	100	SEK 800	8 000	SEK 800	935
Westwood Timber AB	100	SEK 600	6 000	SEK 600	1 029
Byggnadsfirma Karlernäs & Persson AB	100	SEK 100	1 000	SEK 100	103
Lerans Såg AB	100	SEK 1 000	10 000	SEK 1 000	1 309
Skåre Kontorshotell AB	100	SEK 100	1 000	SEK 100	94
Skåre Värmcentral AB	100	SEK 100	1 000	SEK 100	93
Total Moelven Westwood AB					135 397
Nordia AS	100	22 000	2 200	22 000	52 610
Miljøveggen Distribusjon AS	100	100	100	100	100
Total Moelven Innredningsgruppen AS					52 710
Moelven Limtre AS	100	11 000	11 000	11 000	24 862
Moelven Limtræ Gruppen Danmark AS	100	DKK 10 500	10 500	DKK 10 500	29 067
Moelven Laminated Timber Structures Ltd.	85	GBP 50	12 500	GBP 50	1
Total Moelven Limtregruppen AS					53 930
Moelven Industrier AB owns:					
Moelven Valåsen AB	100	SEK 50 000	500 000	SEK 50 000	120 610
Moelven Dalaträ AB	100	SEK 20 000	200 000	SEK 20 000	55 160
Moelven Töreboda Limträ AB	100	SEK 12 000	120 000	SEK 12 000	70 125
Eurowand AB	100	SEK 4 000	40 000	SEK 4 000	43 010
					288 905
Moelven Limtræ Gruppen Danmark AS owns:					
LNJ Limtræ AS	100	DKK 6 000	6 000	DKK 6 000	16 834
Moelven LNJ Limtræ AS	100	DKK 1 500	100	DKK 1 500	0
Moelven Øresø Limtræ AS	100	DKK 6 000	6 000	DKK 6 000	0
Moelven Systembygg AS	100	DKK 7 500	7 500	DKK 7 500	8 435
Moelven Holzleimbau GmbH	100	DEM 200	20	DEM 200	2 303
Moelven Industrie GmbH	100	DEM 100	10	DEM 100	0
					27 572
Moelven Töreboda Limträ AB owns:					
Moelven Töreboda Poland Sp.zo.o	100	PLN 4	40	PLN 4	8
Rosén & Co. Trä AB owns:					
Moelven List AB	100	SEK 750	7 500	SEK 750	1 425
Moelven Hako AS owns:					
Moelven Hako Nord AS	70	5 700	40 000	5 700	4 000
Moelven Systembygg AB	100	SEK 50	500	SEK 50	0
Owned 62.8 per cent by Moelven Industrier ASA and 32.6 per cent Moelven Treindustrigruppen AS:					
Moelven Nor East AS	95.4	3 270	5 475	3 120	8 570
Owned 50 per cent by Moelven Treindustrigruppen AS and 50 per cent by Moelven Nor East AS:					
OOO Moelven Nor East	100	RUR 675	67	RUR 675	853
Moelven Nor East AS owns:					
Nor East Timber AS	100	600	600	600	632
Moruscon AS	100	50	50	50	50

NOTE 21: Shares and participating interest in other companies, long-term.

(Amounts in 1000 NOK)	Share of ownership	Company's share capital	Number of shares	Face value	Book value at 31.12.1998
Vamo AS ¹⁾	45.0	1 000	4 500	450	450
Moelven Elementbygg AS	66.7	600	4 000	400	46
Mjøssentret AS	50.0	2 000	1 000	1 000	1 000
Mjøskompetanse AS	7.7	130	1	10	10
Moelven FireGuard AS ²⁾	68.2	11 000	7 500	7 500	8 500
SIVA Moelv Næringspark AS	40.0	20 000	8 000	8 000	8 000
Norge på Expo 2000 AS	8.0	3 000	1	250	250
Others				20	
Total Moelven Industrier ASA					18 276
Bäckebrons Sägverk AB	11.0	SEK 1 800	2 000	SEK 198	280
Others					4
Total Moelven Westwood AB					284
Nye Land Sag AS	30.0	5 000	1 500	1 500	1 500
Firma Kiehn Holz GmbH	8.0	DEM 3 000	1	DEM 240	1 310
FireGuard Scandinavia AS	2.0	11 149	196 500	196	196
Others					441
Total Moelven Treindustrigruppen					3 447
Impregnor AS	1.0	7 100	400	50	90
Mocon Holding AS	67.0	117	78	78	78
Jures Medis AB	15.0	LT 6 032 725	180 426	LT 902	966
Limtræ Danmark AS	40.0	DKK 27 000	10 800	DKK 10 800	23 800
Svenskt Limträ AB	33.0	SEK 100 000	333	SEK 33	31
Total Moelven Limtregruppen					24 965
ZAO Moelven CAS	50.0	USD 4	1	USD 2	23
OOO Moelven Energo	31.6	USD 4 750	1	USD 1 500	9 870
Total other companies					9 893
Total					56 865
¹⁾ Included are shares treated as associated company shares in Group accounts (see Note 22)					
Vamo AS					450
²⁾ Included are shares treated as jointly controlled company shares in Group account (see Note 23)					
Moelven FireGuard AS					8 500
Limtræ Danmark AS					23 800
Total					32 300
Total for Group					24 115

NOTE 22: Shares (20 % –) and interest in associated companies, by equity method

(Amounts in 1000 NOK)	Share of ownership	Value at 01.01.98	Balance Additions/Disp.	Value at 31.12.98	Share profit
Vamo KS	40.5	773	- 759	0	- 14
Moelven Elementbygg KS	60.0	928	- 568	360	- 568
Total Moelven Industrier ASA		1 701	- 1 327	360	- 582
Vamo AS ¹⁾	45.0		450	450	3 870
Residencial Los Bermejales SA	75.0	218	107	325	108
ANS Land Sag Eiendom	30.0	1 584	- 323	1 261	0
Vikingskipet Motell ANS	50.0	3 415	- 862	2 553	260
Moelven FireGuard AS ²⁾	68.2	5 239	- 5 239	0	0
Total for Group		12 157	- 7 194	4 949	3 656

NOTE 23: Shares and interest in jointly controlled businesses – straight line method

(Amounts in 1000 NOK)	Share of ownership	Value at 01.01.98	Balance Additions/Disp.	Value at 31.12.98	Share profit after tax
Moelven FireGuard AS ²⁾	68.2	5 239	- 4 905	334	- 4 082
Limtræ Danmark AS ²⁾	40.0	-	27 914	27 914	3 277
Total for Group		5 239	23 009	28 248	- 805

NOTE 23: cont

The companies' relative share in NOK million of key parts of the Group's results and balance sheet for 1998.

Profit or loss item		Balance sheet item	
Operating revenues	73.8	Current assets	27.0
Operating profit	2.5	Fixed assets	47.5
Profit after financial items	0.9	Total assets	74.5
Taxation	1.7	Non interest-bearing debt	26.4
		Interest-bearing debt	20.2
		Share capital and reserves	27.9
Net profit/loss	- 0.8	Total liabilities and capital reserves	74.5

NOTE 24: Companies treated as subsidiaries, with minority ownership share

The Group accounts for 1998 include two subsidiaries with minority shares: Moelven Hako Nord AS with a 30 per cent minority share and Moelven Laminated Timber Structures Ltd. with a 15 per cent minority. The companies' relative share in NOK million of the main lines in the Group's results and balance for 1998.

Balance sheet item			
Operating revenues	15.0	Share capital and reserves	1.5
Net profit/loss	- 0.2	Total capital	12.7

NOTE 25: Share capital and reserves – The Group

25.1 Changes in share capital and reserves

(Amounts in NOKm)	Share capital	Legal reserve	Temp.res. capital	Retained earnings	Net profit	Subtotal capital	Share cap. & reserves
Balance at 31.12.1997	356.7	43.2	399.9	4.0		4.0	403.9
Transfer on opening balance		- 42.6	- 42.6	42.6		42.6	
Balance at 01.01.1998	356.7	0.6	357.3	46.6		46.6	403.9
Net profit					14.3	14.3	14.3
Appropriation of net profit				- 9.1	9.1		
Share capital issue	106.5		106.5	71.1		71.1	177.6
Currency exchange difference				6.2		6.2	6.2
Provisions for dividend					-23.2	- 23.2	- 23.2
Minority interests				- 1.3	- 0.2	- 1.5	- 1.5
Balance at 31.12.1998	463.2	0.6	463.8	113.5	0.0	113.5	577.3

25.2 Changes in share capital and reserves – Moelven Industrier ASA

(Amounts in NOKm)	Share capital	Legal reserve	Temp.res. capital	Retained earnings	Net profit	Subtotal capital	Share cap. & reserves
Balance at 01.01.1998	356.7	0.6	357.3	44.2		44.2	401.5
Net profit					2.3	2.3	2.3
Appropriation of net profit				37.9	- 37.9		0.0
Share capital issue	106.5		106.5	71.1		71.1	177.6
Provisions for dividend					- 23.2	- 23.2	- 23.2
Group contributions					58.8	58.8	58.8
Balance at 31.12.1998	463.2	0.6	463.8	153.2	0.0	153.2	617.0

auditor's report

AND CORPORATE ASSEMBLY'S STATEMENT

AUDITORS' REPORT FOR 1998

We have audited the annual report and accounts of Moelven Industrier ASA for 1998, showing a profit for the year of NOK 2.286.083 for the parent company, and a consolidated profit for the year of NOK 14.250.000. The annual report and accounts, which comprise the annual report, profit and loss account, balance sheet, funds flow statements, notes to the accounts and consolidated accounts, are presented by the company's Board of Directors and its managing director.

Our responsibility is to examine the company's annual report and accounts, its accounting records and other related matters.

We have conducted our audit in accordance with relevant laws, regulations and generally accepted auditing standards. We have performed those audit procedures which we have considered necessary to confirm that the annual report and accounts are free of material misstatements. We have examined, on a test basis, evidence supporting the accounts and assessed the accounting principles applied, the estimates made by management, and the content and presentation of the annual report and accounts. To the extent required by generally accepted auditing standards, we have reviewed the company's internal control and the management of its financial affairs.

The Board of Directors' proposal for the application of the profit for the year is in accordance with the requirements of the Public Limited Companies Act.

In our opinion, the annual report and accounts have been prepared in accordance with the requirements of the Companies Act and present fairly the financial position of the company and of the Group as of December 31, 1998 and the result of its operations for the financial year, in accordance with generally accepted accounting principles.

Oslo, 4 March 1999
PricewaterhouseCoopers DA



Svein-A. Martinsen
Statsautorisert revisor

(State Authorized Public Accountant (Norway))

Note: The translation into English has been prepared for information purposes only.

STATEMENT BY THE CORPORATE ASSEMBLY

At a meeting on 4 March 1999, the Corporate Assembly considered the report of the Board of Directors and proposals for the annual accounts of Moelven Industrier ASA and the Group, and the proposal for the appropriation of the profit for the year made by Moelven Industrier ASA.

The Corporate Assembly recommends that the Annual General Meeting approves the Board's proposal for the annual accounts of Moelven Industrier ASA and the Group, and the proposal for the appropriation of the profit for the year made by Moelven Industrier ASA.

Moelv, 4 March 1999



Axel Krogvig
Chairman of the Corporate Assembly

corporate assembly

BOARD OF DIRECTORS AND GROUP MANAGEMENT

BOARD OF DIRECTORS



Front, from the left: Per Stamnes, Arthur J. Aasland, Bjarne Gulvik (Chairman) and Hans E. Johnsen.
Back, from the left: Carl Graff-Wang, Bjørn Solberg Antonsen, Agnar Aas, Iver Melby and Peder Chr. Løvenskiold.

GROUP EXECUTIVE BOARD



Front, from the left: Haumann Sund and Reidar Mo.
Back, from the left: Frode Alhaug (President and CEO), Anders L. Fossum, Ola Mørkved Rinnan, Dag Sand and Hans Rindal.

BOARD OF DIRECTORS

Members

	Number of shares
Axel Krogvig (Chairman)	974
Bjørn H. Rasmussen	438
Odd Torland	0
Harry Konterud	30 000
Odd Tangnæs	0
Ola Vik	0
Fredrik Wahl	0
Jørgen Kjærnes	0
Øivind Andersen *	200
Harald Løkkesveen *	56
Per Cocozza *	0
Steinar Hagen*	0

Alternates

Jan Teksum	337
Dyre Østby	10 000
Lars W. Grøholt	4 166
Tor Mattsson	0

BOARD OF DIRECTORS

Bjarne Gulvik (Chairman)	10 000
Arthur J. Aasland **	35 000
Agnar Aas	1 000
Carl Graff-Wang**	25 000
Per Stamnes	0
Hans E. Johnsen*	1 250
Iver Melby*	11 000

Alternate, attending all meetings

Peder Chr. Løvenskiold**	8 663 000
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Alternate employee representative, attending all meetings

Bjørn Solberg Antonsen	1 724
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GROUP EXECUTIVE BOARD

Frode Alhaug (President and CEO)	62 000
Anders L. Fossum	16 000
Dag Sand	12 500
Reidar Mo	20 000
Ola Mørkved Rinnan	6 828
Haumann Sund	16 332
Hans Rindal**	40 000

AUDITOR

Svein-A. Martinsen	0
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* Employee representative

** Including companies

SALE OF SHARES

The shares are listed on the Oslo Stock Exchange, and 26,917,000 shares have been traded in the course of the year, which is equivalent to 29 per cent of the number of shares at year's end. Sales totalled NOK 199,135,000.

SHARE ISSUES AND ISSUE AUTHORISATIONS

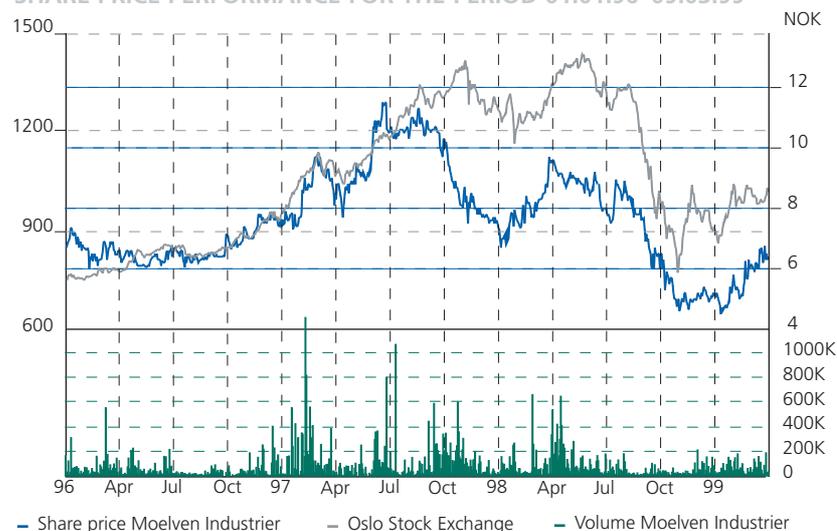
During the year, three share issues for in all 21,297,815 shares were completed. The share issues took place in connection with the acquisition of Westwood AB and Notnäs AB, as well as the taking over of the remaining 21 per cent of the shares in Moelven Hako AS. The total number of shares at year's end had thereby increased to 92,642,384 shares.

On 10.04.97, the board was granted an authorisation to increase

the share capital by up to NOK 10,000,000, equalling 2,000,000 shares. The authorisation applies to placements to employees and is valid

for five years. A total of NOK 5,998,745, equalling 1,199,749 shares, remain under the authorisation as of 15.02.99.

SHARE PRICE PERFORMANCE FOR THE PERIOD 01.01.96–09.03.99



DEVELOPMENT OF THE COMPANY'S SHARE CAPITAL SINCE 1 JANUAR 1989

Year/Type of change	Changes in share capital NOK mill.	Total share capital NOK mill.	Face value NOK	Number of shares
1989: Share capital increase 3:1	23.0	91.8	25.0	3 672 900
Placement to Group's employees bonus shares	1.2	93.0	25.0	3 720 000
	2.3	95.3	25.0	3 813 499
1992: Depreciation of value	- 76.3	19.1	5.0	3 813 499
Share capital increase 11:4	52.4	71.5	5.0	14 300 621
Placement to Norwegian Industrial Fund	0.7	75.1	5.0	15 014 906
1993: Share capital increase	125.0	200.1	5.0	40 014 906
Conversion of convertible loans	52.2	252.3	5.0	50 455 877
1994: Conversion of convertible loans	48.8	300.1	5.0	60 014 906
1995: Placement to industrial investors	45.0	352.7	5.0	69 014 906
Placement to Norw. Industrial & Regional Development Fund	7.6	352.7	5.0	70 544 318
1997: Placement to the Group's employees	4.0	356.7	5.0	71 344 569
Remainder under authorisation: 1 199 749 shares Valid for 5 years from date of General Meeting 10 April 1997				
1998: Placement for acquisition of Moelven Hako AS	5.3	362.0	5.0	72 395 352
Placement for acquisition of Notnäs AB	42.5	404.5	5.0	80 895 352
Placement for acquisition of Westwood AB	58.7	463.2	5.0	92 642 384

EQUITY-TO-ASSETS RATIO, DIVIDEND POLICY AND USE OF OWN SHARES

The Group believes that an equity-to-assets ratio of 35–40% will provide adequate financial flexibility for an international manufacturing Group competing freely in our sector.

As from 1999, Norwegian law allows public limited companies to purchase their own shares. At the annual general meeting in spring 1999, the board intends to seek authorisation enabling it to buy back up to 9,264,238 shares at a nominal value of NOK 5.00, equivalent to a total nominal value of NOK 46 321 190, or 10% of share capital. It is intended that the board should have the discretion to purchase and sell the company's own shares as it sees fit. The price must be no less than NOK 2.50, no more than NOK 20.00 and on a par with the market price at any given time.

One of the Group's objectives is to benefit the company's shareholders through an increase in the value of their shares and/or a reasonable dividend, in line with that paid by other companies which provide obvious comparisons. Because some of the Group's subsidiaries operate in a distinctly cyclical sector, dividend payments need to be balanced against long-term income.

MARKET INFORMATION

The company is committed to providing players in the financial markets with detailed information enabling them to judge its financial position accurately. With effect from 1 January 1999, the company will publish interim reports every three months rather than every four months as previously. As well as regular reports, ongoing information on important developments is a priority. Moelven makes active use

of the internet in this connection, publishing information on the Group's web site at <http://www.moelven.com>. During 1998 an increasing number of independent analyses of the company were published, providing an important source of additional information.

RISK ADJUSTMENT

When selling shares, Norwegian shareholders must adjust the cost price for tax purposes in accordance with the RISK amount (a Norwegian scheme requiring the purchase price of shares to be adjusted for tax purposes to reflect the change in taxable capital). This does not apply to shareholders resident in other countries, who are taxed according to the legislation applying in their own country.

COMPANY'S LARGEST SHAREHOLDERS AT 4 MARCH 1999		
Share capital: NOK 463 211 920 Number of shares: 92 642 384	Number of shares	Participating interest
Den norske Bank ASA	34 413 756	37.15
Løvenskiold Gran AS	8 663 000	9.35
Atle AB	5 596 074	6.04
SND Invest AS	4 843 697	5.23
Vestviken Skogeierforening	4 339 884	4.68
AB Westerygllen	2 451 823	2.65
Glommen Fond AS	1 300 000	1.40
TINE Pensjonskasse	1 276 400	1.38
Fokus SMB, managed by Fokus Forvaltning	1 233 000	1.33
Västra Skogsägarna	1 200 000	1.30
Nedre Glommen Skogeierforening	861 000	0.93
	66 178 634	71.4

RISK-amount per share	
Date	Amount
Per 01.01.93	0.00
Per 01.01.94	0.00
Per 01.01.95	- 0.16
Per 01.01.96	- 0.12
Per 01.01.97	- 0.10
Per 01.01.98	- 0.35
Per 01.01.99 (estimated)	- 0.25

1998 was not an easy year to predict. It proved difficult to maintain the level of income we had hoped for following our successful performance in 1997. The Timber Industry division started the year with lower prices and a downward trend, not managing to achieve improved margins until the latter part of the year. The Group faced a choice between continued consolidation and expansion in selected areas. Consolidation would have been the easy option, possibly yielding greater earnings per share in the short term. However, profit levels in the Timber Industry Division would have remained unsatisfactory, so we opted to play an active role in a much-needed restructuring of the industry, with a view to strengthening the Group's strategic position.

To reinforce and gradually increase the value of the Group, Moelven made a series of major acquisitions in late 1997 and in 1998 – Byggsystem AB and Byggsystem AS in the Construction & Contracting sector, and the Timber Industry companies in Värmland. We faced a major task in turning these businesses round at a time when profits in the Scandinavian timber industry are small or non-existent, and when there can be no question of sitting back and waiting for times to improve. We opted for positive action to change the conditions under which we operate, and consequently Moelven now has a better starting point than ever before. We are now in a position to concentrate our manufacturing operations in a part of Scandinavia offering high-quality raw materials consistent with our image. Moelven has absorbed the costs of these acquisitions, which has had a negative impact on our performance. However, after six months' operation we are seeing considerable improvements within our new subsidiaries, and the benefits of synergy will gradually become apparent in 1999.

In the Laminated Timber Division, we broke with our previous policy and sought to put in place appropriate joint

ownership structures on the grounds that improvements within individual companies would not yield sufficient profits. From our shareholders' point of view, we believe it is right for Moelven to seek the best solutions for the industry, and that this should take precedence over 100% ownership. As a result we have been involved in several mergers within the Scandinavian laminated-timber industry, and at the start of 1999 we were starting to see an improvement in performance.

Like our other divisions, Construction & Contracting became a Norwegian-Swedish business in 1998. After several good years in the Norwegian building and construction market, the focus is now on product development – to reduce our dependence on conventional construction projects – and on becoming a pan-Scandinavian operation so that we are in a position to increase our market share in Sweden.

Manufacturing prefabricated modules in both Norway and Sweden will provide us with greater flexibility and increased scope for utilising capacity in line with local economic fluctuations. Considerable efforts have been devoted to making the new Swedish subsidiary profitable, and the outlook for 1999 is encouraging. Our engineering operations are well placed, forming a bridge between the industry-oriented module manufacturing businesses and the service-based concepts offered by the Interior Layout division.

The building and construction market is becoming increasingly specialised, with design-and-build contracting developing as a speciality in its own right. We see considerable potential for expansion by combining Moelven's manufacturing operations with increased design-and-build capacity, in addition to our comprehensive interior layout concepts. The Interior Layout division continues to perform well, in line with the trend set in recent years. This business sector is the most profitable in



the Group, and expansion in this field is taking priority over investment in less profitable subsidiaries.

At the beginning of 1999 we have seen a reduced level of activity in the Norwegian market across several of our business sectors, but our subsidiaries are well prepared for this. Flexible manufacturing capacity and increased focus on service targeted at multiple markets will make the Group less vulnerable to fluctuations in individual markets. The splitting of the former Timber Industry division into separate sawmill and processing divisions is intended to improve our performance in both areas while benefiting the Group as a whole. Moelven enjoys a sound financial position, but a clear objective is to reduce the Group's debts and further strengthen our equity capital. The interests of shareholders must be safeguarded through long-term development of the industry, but we also need to consider the shorter-term objective of boosting our share price. Growth must be balanced against the risk for our shareholders. A priority for 1999 will be to obtain a healthy cash-flow from new and old subsidiaries alike, and capital expenditure will be significantly less than in the last few years.

Moelv, March 1999

Frode Alhaug
President and CEO



the timber industry division

SAWMILLS AND TIMBER PROCESSING

Through the acquisition of the Swedish Westwood Group and the two companies Notnäs AB in Torsby and Rosén & Co AB in Lidköping. Moelven's Timber Industry Division grew in the course of 1998 to comprise nine sawmills and eight timber processing companies. This clarified the need to separate the two sides of the business. A decision was taken in November to carry out a re-structuring in order to develop the operations in two separate areas – sawmills and timber processing. With effect from 1.1.99, the two activities were organised, respectively, as:

- Moelven EuroTimber AS – Sawmills
- Moelven EuroWood AS – Timber processing

KEY FIGURES

Timber Industry Division (Amounts in NOKm)	1998	1997	1996	1995	1994
Operating revenues	1 589.1	1 253.0	1 076.8	1 160.0	944.0
Operating profit	19.5	77.8	11.7	69.5	103.5
Financial items	- 23.5	- 9.1	- 11.0	- 10.7	- 20.6
Result before extraordinary items	- 4.0	68.7	0.7	58.8	82.6
Total capital	1 192.6	728.1	668.1	656.4	523.5
Equity ratio	40.0	43.2	46.2	47.7	33.0
Gross operating margin	4.8	9.3	5.0	9.2	13.9
Depreciation	56.1	38.7	41.7	36.7	28.0
Cash flow from operations	52.1	107.4	42.4	95.5	110.6
Investments	64.6	30.5	34.0	73.5	25.3
Number of employees	990	604	620	653	552
Pro forma with Westwood AB (Group) and Notnäs AB in the Timber Industry Division for period 1998 – 1994					
Operating revenues	1 873	2 037	1 773	1 948	1 705
Operating profit	3	72	- 27	115	188
Number of employees	990	1061	1083	1104	1006

the timber industry division

SAWMILLS

SAWMILLS

All our sawmills supply unprocessed sawn timber to the international market. Moelven's strategy in this business area is to specialise the production of unprocessed sawn timber for the various market segments on the basis of long-term customer relations.

CO-ORDINATED PRODUCTION

The philosophy behind the acquisition of Notnäs AB and the Westwood Group's companies is to achieve a greater degree of co-ordinated and specialised production. Our new Swedish mills now handle either spruce or pine or small logs (spruce and pine). In this way one also achieves co-ordination in the supply of raw materials. The sawmills in Norway specialise in spruce while the two other Swedish mills, Moelven Dalaträ AB and Moelven Valåsen AB, handle volumes which entail production of both spruce and pine.

ENVIRONMENTALLY FRIENDLY RAW MATERIAL

The majority of all the spruce and pine we buy is felled in forests which are considered to be the best in Scandinavia. Our entire sawmilling operation is based on consideration for the environment and on felling which

is managed according to the forests' own premises. Each of our Swedish and Norwegian mills works in close co-operation with the forest owners whose responsibility it is to ensure that growth and felling are related to sustainable ecological production. In addition, our mills have made contracts in both Sweden and Norway for the delivery of wood chips and bark to regional bio-energy plants. This underlines the fact that timber is a many-sided and environmentally friendly resource.

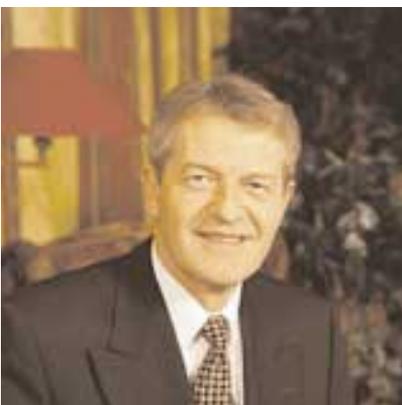
MARKET/OUTLOOK

1998 was a difficult year for the timber industry. The autumn was marked by a shortage of logs at very many of the sawmills. An unusually wet autumn made felling operations difficult. This limited the supply of saw timber throughout the Nordic countries. The difficult felling conditions had even greater effect in Russia, which also reduced log imports significantly.

The difficult raw material situation reduced production by approx. five percent compared with a normal year. Shortage of logs also made the autumn negotiations on raw material prices difficult. The reduction in raw material prices has been less than expected. Stocks of finished products are still low in Europe. The stock situa-

tion at the mills is more complicated, however. For one thing, the stocks of pine have built up somewhat towards the end of the year while stocks of spruce have gone down. Overall, stocks are rather lower.

Price movements for sawn timber have varied. Pine prices have tended to fall throughout the second half of the year to end six percent down. The price of spruce has risen in the same period by just under ten percent and this tendency seems likely to continue into 1999. On the other hand, the outlook for pulp material is still negative. The profits of Moelven's new companies Notnäs and Westwood have not been satisfactory. Lack of logs has led to reduced production and a delayed improvement in profitability. The re-organisation of the work of the new Swedish companies has however been completed and we expect that this will produce results in 1999. In the process we have confirmed that there is a significant potential in the companies for improvement and synergetic effects. The results of co-ordinated planning are beginning to appear. The co-ordination of marketing, log purchases and logistics has already had a positive effect.



Managing Director Anders L. Fossum



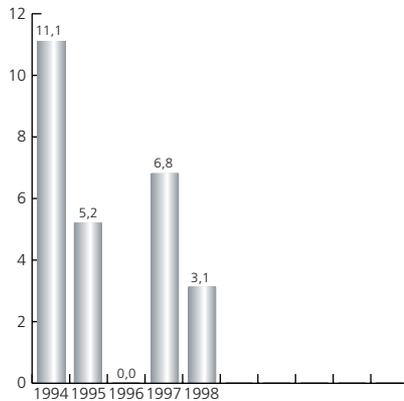
Back, from left: Bjørn Bergkvist, Lars Bergkvist and Urban Bodare.

Front, from left: Bjørn Kristiansen, Nils Eric Magnusson, Ulf Rosenlund, Karl-Arne Iderot and Anders L. Fossum.

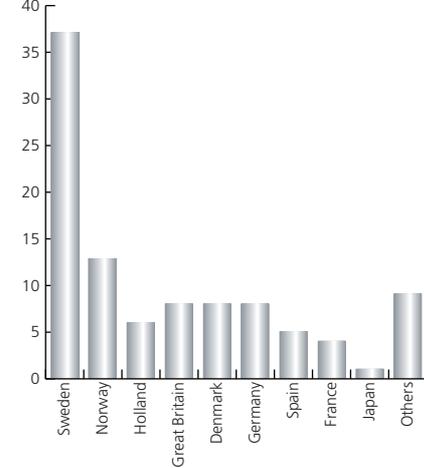
the timber industry division

SAWMILLS

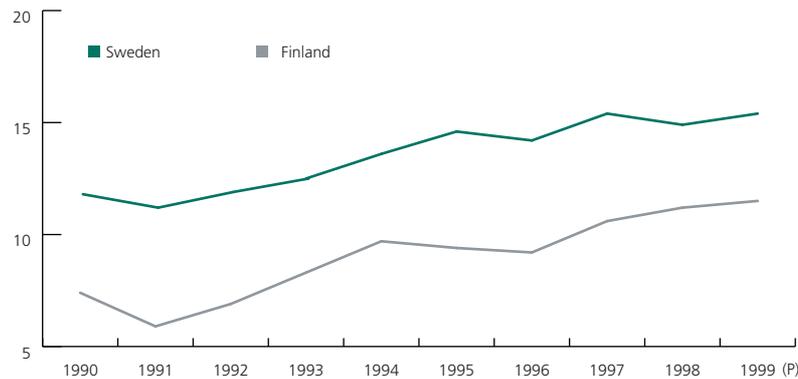
NET OPERATING MARGIN OVER TIME (IN PER CENT)



TURNOVER PER MARKET (IN PER CENT)



PRODUCTION DEVELOPMENT IN SWEDEN AND FINLAND (CUBIC METRES OF SAWN TIMBER)



EuroTimber	Volume m ³	Turnover NOKm	Products	Number of employees	Established/acquired
Sawmills					
Moelven Valåsen AB * Gen. Man. Karl-Arne Iderot	280 000	430	Sawn timber of spruce and pine	176	/1988
Moelven Dalaträ AB Gen. Man. Urban Bodare	140 000	255	Sawn timber of spruce and pine	94	/1985
Moelven Notnäs AB * Gen. Man. Ulf Rosenlund	160 000	220	Sawn timber of spruce and pine	97	/1998
Moelven Knappåssågen AB Gen. Man. Lars Bergkvist	100 000	160	Sawn timber of spruce	80	/1998
Moelven Norsälven AB Gen. Man. Karl-Arne Iderot	70 000	105	Sawn timber of pine	54	/1998
Moelven Ransbysågen AB Gen. Man. Nils Eric Magnusson	40 000	70	Sawn timber of small logs (spruce and pine)	34	/1998
Moelven Eidsvold Værk AS * Gen. Man. Bjørn Bergkvist	95 000	140	Sawn timber of spruce	100	/1994-95
Moelven Mjøsbruket AS Gen. Man. Einar Hårstadhaugen**	65 000	100	Sawn timber of spruce	39	/1978-79
Moelven Kværnum Bruk AS Gen. Man. Bjørn Kristiansen	20 000	30	Sawn timber of spruce	16	/1984

* Companies involved in both sawmill and processing activities ** As of 1.8.1999

the timber industry division

TIMBER PROCESSING

TIMBER PROCESSING

Of Moelven's nine production companies in the processing area, five are in Sweden and four in Norway. Apart from the Westwood companies and Notnäs AB, the new company in this Group is the Swedish moulding manufacturer Rosén & Co AB of Lidköping, now known as Moelven List AB. This makes Moelven EuroWood AS one of Europe's largest suppliers of a full range of finished timber products. Its turnover is approx. NOK 650 million-worth of moulding, floor boarding, panelling, wooden components, building sections and impregnated materials.

PRODUCTION

Production is mainly directed towards builders' merchants, but international industrial clients are also large customers. The organisation of processing as a separate business area means that Moelven is one of the few firms in the

market which is able to offer the whole range of products to Scandinavian and German chains of builders' merchants. In order to satisfy future demands in terms of quality, choice and distribution, the Moelven EuroWood AS companies are specialised and co-ordinated within particular product groups.

Moelven EuroWood AS is developing bar-code systems for processed timber and is preparing for electronic trade in several products.

Raw materials are drawn from forests which are considered to be the best in Scandinavia. Processed timber products have an important competitive advantage in the market over their substitutes, particularly on account of their environmentally friendly attributes.

MARKET/OUTLOOK

Following a historically excellent year in 1998, we anticipate a certain decline in the consumption of timber products in

Norway in 1999. Our processing companies have stepped up their marketing activities and have the clear aim of increasing their share of the existing market.

The prospects for the Swedish market are good and we believe it is realistic to expect an increase in volume of around ten percent. Compared to 1998, only small changes in European activity are anticipated, but production capacity is being expanded in the Nordic countries which may lead to market pressures. The Norwegian processing industry is mainly directed to the Norwegian market. A fall in consumption can therefore lead to over-production and pressure on prices.

Internationally, there are clear signs of recovery in Japan.



Managing Director Dag Sand

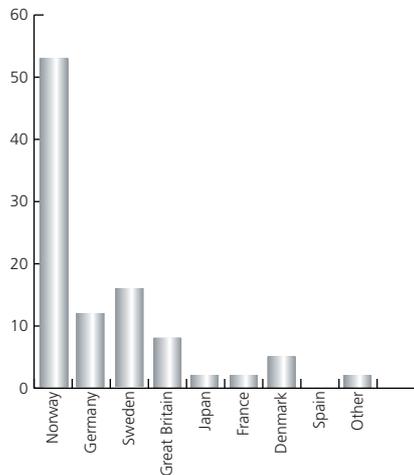


Back, from left: Bertil Ohlsson, Per Schøyen and Kjell Kihlander. Front, from left: Mikael Axelsson, Ulf Rosenlund, Karl-Arne Iderot, Dag Sand and Bjørn Bergkvist.

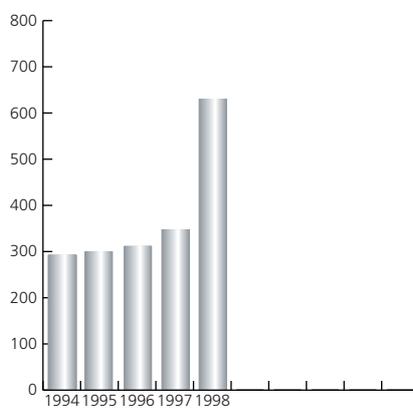
the timber industry division

TIMBER PROCESSING

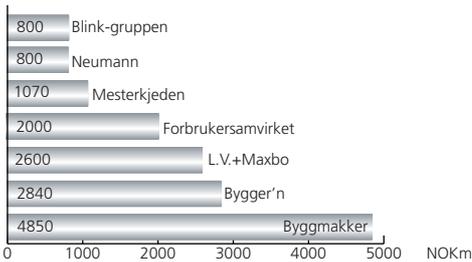
TURNOVER PER MARKET (IN PER CENT)



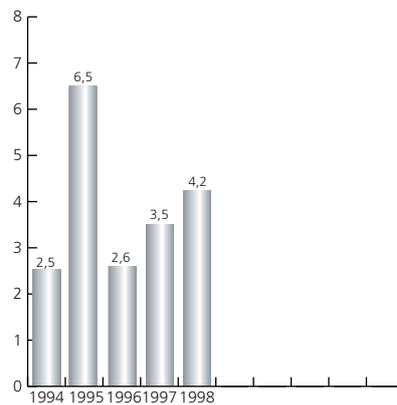
DEVELOPMENT IN TURNOVER (NOK MILL.)



BUILDERS' MERCHANT CHAINS – END-USERS TURNOVER



NET OPERATING MARGIN OVER TIME (IN PER CENT)



EuroWood	Volume m³	Turnover NOKm	Products	Number of employees	Established/acquired
Timber processing					
Moelven Valåsen AB * Gen. Man. Karl-Arne Iderot	50 000	75	Components, building section	22	/1988
Moelven Notnäs AB * Gen. Man. Ulf Rosenlund	60 000	140	Exterior/interior panelling	33	/1998
Moelven List AB Gen. Man. Bertil Ohlsson	5 000	30	Mouldings with or without surface treatment	24	/1998
Moelven Värmlands Trä AB Gen. Man. Kjell Kihlander	80 000	140	Exterior/interior panelling	50	/1998
Moelven Component AB Gen. Man. Mikael Axelsson	15 000	50	Components for door and window production	29	/1998
Moelven Eidsvoll AS Gen. Man. Per Schøyen	10 000	75	Mouldings with or without surface treatment	58	/1989
Moelven Eidsvold Værk AS * Gen. Man. Bjørn Bergkvist	75 000	125	Exterior/interior panelling, buildings sections	21	/1994-95
Moelven Treinteriør AS	20 000	55	Flooring and panelling, natural and treated	31	/1986

* Companies involved in both sawmill and processing activities.



interior layout division

RATIONAL OFFICES

Moelven's Interior Layout Division, together with the operational companies Nordia AS in Norway and Eurowand AB in Sweden, is the leading producer and supplier of ready-to-fix system interiors for commercial buildings in the Nordic countries.

Nordia AS has its administrative and logistical headquarters at Jessheim, and has in addition a total of 14 district and sales offices covering the whole country. The sister company Eurowand AB has its main offices at Örebro, while production takes place in the neighbouring district of Kumla. The company has four regional offices in Sweden. The two companies have a turnover of NOK 480 million and employ altogether 464 people.

KEY FIGURES

Interior Layout Division (Amounts in NOKm)	1998	1997	1996	1995	1994
Operating revenues	476.9	417.7	397.9	410.8	340.1
Operating profit	42.1	37.2	25.0	26.0	17.2
Financial items	8.5	9.1	9.7	10.3	4.0
Result before taxation	50.6	46.2	34.7	36.6	21.2
Total capital	238.2	215.0	202.2	204.1	118.1
Equity ratio	54.7	58.5	59.3	57.1	58.3
Gross operating margin	9.6	9.7	7.2	7.1	5.8
Depreciation	3.5	3.5	3.7	3.2	2.6
Cash flow from operations	54.1	49.7	38.4	39.5	23.8
Investments	17.9	12.2	1.8	6.1	1.7
Number of employees	464	386	360	394	389

interior layout division

RATIONAL OFFICES

THE PRODUCTS

Nordia AS and Eurowand AB design, make and fit complete system interiors for commercial buildings. The term system interior means all kinds of partitioning, with or without glazing, partition fittings and acoustic screen walls, and a range of suspended ceilings and raised computer floors, suitable for offices, hospitals and other commercial and service buildings.

The products are supplied either to given standards or are specially designed in collaboration with architects and users. This ensures that the users get custom-made solutions from a single supplier who can provide a turn-key service from scheme design to fitted interior - a flexible and appropriate office layout.

MARKET

The market (mainly in Norway and Sweden) is divided into two segments - competitive tendering and direct negotiation. The companies base their customer portfolios mainly on long-term relationships with the most important players in the non-housing construction field. The Interior Layout

Division's customers include both public and private sector organisations which are involved in design, construction, maintenance and management of commercial premises.

ENVIRONMENT

The high re-cycling value of these products confirms their environmentally friendly profile. The system partitions are easily moved when needs change and this reduces their annual cost compared to that of traditional building methods. Re-erection is undertaken while the premises are in use. The products meet all environmental, acoustic, fire-resistance and stability requirements.

Because the materials are pre-fabricated and surface treated in the factory, the release of gasses, the use of fillers, and all cutting, sanding and painting, on site is eliminated or much reduced.

THE FUTURE AND DEVELOPMENTS

Following several years of intense activity, the Norwegian commercial building market is weakening in 1999. We expect however that the mainten-

ance (rehabilitation, alteration and addition) sector of the market will continue steady in 1999. The situation in Sweden is less easily forecast. There are many positive signals and trends but uncertainty has arisen about the immediate future of certain sectors of the Swedish export industry. This has led to continued weakness in demand. We do not therefore expect any great change in the Swedish market in 1999 but expect activity to continue at the level of the past two years. Eurowand AB will intensify its efforts in the rehabilitation market in the central Swedish regions.

The Interior Layout companies will put totally integrated IT systems into operation in 1999 in order to increase efficiency and quality for the customer. Measures to widen the scope of the products and services offered have been put into effect so that they are better suited to the future needs of our most important customers. This involves among other things a greater degree of specialisation in the organisation and a greater emphasis on training and teaching all Groups of employees.



General Manager Reidar Mo

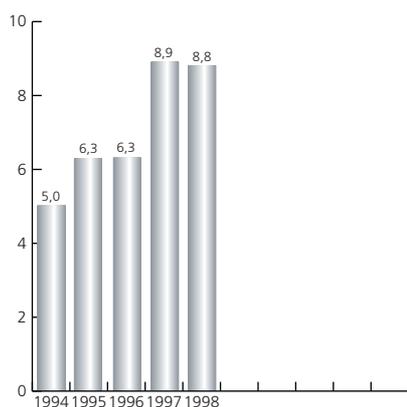


From left: Häkan Rotquist, Odd Harald Ryen and Reidar Mo.

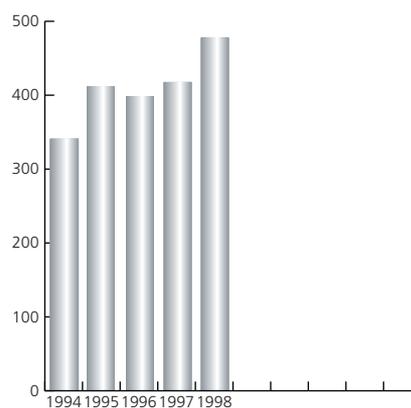
interior layout division

RATIONAL OFFICES

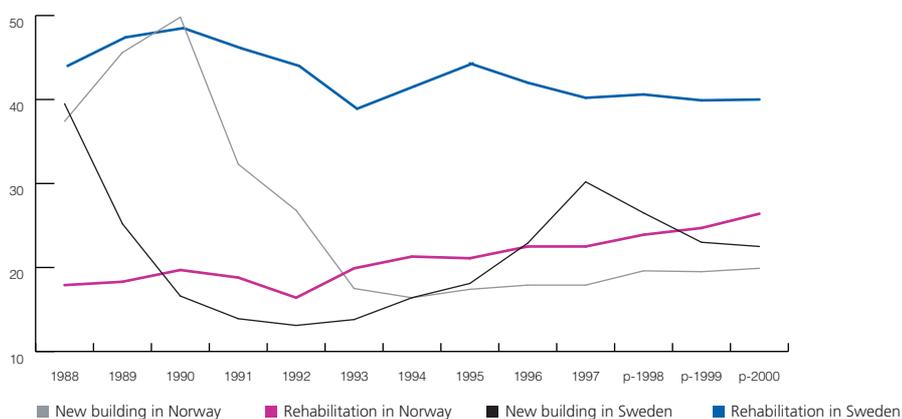
NET OPERATING MARGIN OVER TIME (IN PER CENT)



SALES DEVELOPMENT (NOK MILL.)



START OF OFFICE AND COMMERCIAL CONSTRUCTION (NOK BILLION)



Interior Layout Division	Turnover NOKm	Products	Number of employees	Established/acquired
Nordia AS Gen. Man. Reidar Mo	370	Structural interior layouts in commercial premises	365	/1989
Eurowand AB Gen. Man. Håkan Rotquist	110	Structural interior layouts in commercial premises	97	/1989



laminated timber division

ARCHITECTURE AND SPAN

THE ENTERPRISE

In 1998 Moelven's Laminated Timber Division completed structural and ownership changes in all its companies. At the beginning of 1998 the division comprised production companies in Norway (one), Sweden (one) and Denmark (two), together with the two sales companies in Germany and Poland respectively, all of these being 100% owned. The division also had an 85% share in a British sales company and a 15% share in a production company in Lithuania.

Since 1 May 1998 the companies Moelven LNJ Limtræ AS and Moelven Øresø Limtræ AS have been merged with AS Limtræ Lilleheden and AS Limfjordstræ to become Limtræ Danmark AS. The Laminated Timber Division owns 40 per cent of the shares in this company, and the stock exchange listed Danish company ITH AS owns 60 per cent. ITH AS holds an option to purchase Moelven's shares after owner 60 per cent 1.1.2001. If this is not taken up, Moelven has the reciprocal option.

On 23 September 1998 Agder Limtre AS, Splitkon AS and Moelven Limtre AS presented their plan to merge the companies into Mocon AS. Mocon AS, the Swedish Moelven Töreboda Limträ AB and the two sales companies further planned to form a new holding company, Mocon Holding AS. Moelven would own 66 percent of the ordinary shares while Agder Skogeigarlag would own 8 and Limtre Holding AS (Splitkon shareholders) would own 26 per cent. In addition to the ordinary share capital of NOK 39 million, preference shares to the face value of NOK 29 million would be created. These preference shares would be convertible to ordinary shares. Moelven would own all of these shares. The merger was agreed to by all parties and the new structure was put into organisational effect from November, although formally only from the 1 January 1999.

The changes, which have been made, mean that the business area is now being developed by better structured and larger units. Moelven is thus actively pursuing its laminated timber activities and will have charge of the operational management through the company boards.

KEY FIGURES

Laminated Timber Division (Amounts in NOKm)	1998	1997	1996	1995	1994
Operating revenues	434.6	421.9	430.6	419.9	348.2
Operating profit	- 0.4	5.3	15.6	10.4	18.9
Financial items	- 7.1	- 4.7	- 3.6	0.2	- 0.8
Profit before tax	- 7.5	0.6	12.0	10.6	18.1
Total capital	261.1	250.5	233.9	211.8	168.8
Equity ratio	21.5	31.4	36.0	49.2	47.5
Gross operating margin	3.5	4.8	6.8	5.0	8.3
Depreciation	15.7	14.9	13.7	10.7	9.9
Cash flow from operations	8.2	15.5	25.7	21.3	28.0
Investments	8.8	46.1	40.9	22.3	14.9
Number of employees	326	353	384	346	320

laminated timber division

ARCHITECTURE AND SPAN

THE PRODUCTS

The field of application for glulam stretches from a wide choice of dimensions in straight beams for use in housing, schools and business premises to larger and more complicated constructions with spans up to 150 metres. Laminated timber is also being used more and more for pedestrian and road bridges and for electricity pylons. As a material, glulam has a high strength-to-weight ratio and high fire resistance, and is easily worked. Increasing attention to architecture, design, environment and the use of resources also gives glulam an advantage. The opening of Oslo Gardermoen Airport with its unprecedented roof construction has given laminated timber and Moelven great publicity.

MARKET AND COMPETITION

Broadly speaking, there are three markets – trade, industry and projects. Trade customers sell standard products either from their own stores or by direct distribution from the factories. Industrial customers demand suitable materials for their own production, notably of pre-fabricated housing,

while developers and contractors use glulam in larger, individual projects, usually with the architect, the consulting engineer and the manufacturer all being involved.

The Laminated Timber Division's most important markets are Scandinavia, Germany, Japan, Italy, Poland and Britain. 40 per cent of sales are in the Scandinavian market where the companies of the division have a market share of around 60 per cent.

The many glulam buildings in Scandinavia demonstrate that laminated timber has a great potential compared to steel and concrete. The railway stations in Stockholm and Malmö which were supplied by Moelven Töreboda Limträ AB in Sweden in the 1920's are examples of the material's durability and of our long history in the industry. Competition in the big markets of Germany, Japan, Italy and France has increased in recent years. Austria, Germany and Sweden have all increased their productive capacity significantly. The firms concerned anticipated strong growth in Germany and Japan. Growth in Germany stopped in 1995-96 and Japan experienced an

unexpected fall of more than 20 per cent in 1997. Moelven's 1995-96 ambitions in the glulam business area had already by the end of that period been superseded by a strategy of consolidation which has now been fulfilled.

The industry must adjust itself to a degree of over-capacity and must, in a totally different way from before, concentrate on the development of its own structures and marketing. This has been carried through in Norway and Denmark and we are now directing similar attention to Germany.

RESULTS

1998 has been the international laminated timber industry's most difficult year and in general terms it has only been the smaller companies with limited exports which have produced positive results.

The operations in Denmark have reached their targets and show a good increase in profits after the merger, but over the whole year there is a small loss.

Moelven Töreboda Limträ AB with its large export proportion (70 per cent)



*Managing Director Ola Mørkved
Rinnan.*



*Gen. Man. Claes Håkanson,
Moelven Töreboda Limträ AB.*



*Gen. Man. Morten L. Johansen,
Mocon AS.*



*Gen. Man. Wilfried Röhrs,
Moelven Holzleimbau GmbH.*

laminated timber division

ARCHITECTURE AND SPAN

has had a difficult year and returns a nil result. Moelven Limtre AS carried through a major staff reduction in the autumn because the company had been unable to reach the intended rate of production and volume of sales. The effect of this and other measures in Norway will be felt in 1999 and meanwhile the result for 1998 depresses the division's accounts by NOK 5.8 million after financial items. Abolition of staff posts at the division level will also show its effect on costs in 1999. Overall, this produces an operating loss of NOK 0.4 million for the business area and a total loss before tax of NOK 7.5 million.

OUTLOOK

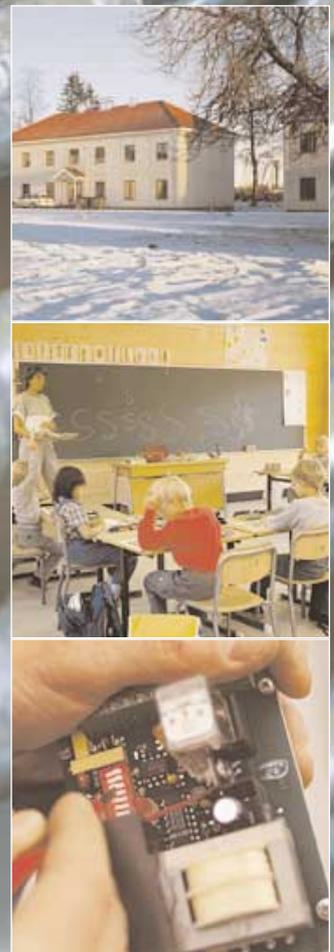
The movement of export prices is largely dependent on whether Japan will again increase its use of spruce glulam from Europe at the expense of Douglas Fir from the USA and Canada.

The trend is positive and this, together with a stable internal market in Europe, gives grounds for hope of price increases within one or two years. The good experience of synergy in Denmark, and the foregoing analyses of Mocon AS's base in Norway, give reason to expect an improved result for the new Norwegian company.

Moelven Töreboda Limträ AB has a strong order book at the beginning of the year and investment in a new laminating plant at the factory in 1998 has produced the expected cost savings. With the cost reductions which have been made and with the new structures in both Denmark and Norway, it is realistic to aim at an operating result for the division which matches the Group's expectations.

Laminated Timber Division	Volume m ³ *	Turnover NOKm *	Products	Number of employees	Established/acquired
Manufacturing companies					
Mocon AS, (66 per cent):	33 500	195			1999/
- div. Moelven	19 500	-	Standard, custom and contract deliveries	100	
- div. Splitkon	10 000	-		46	
- div. Agder	4 000	-		15	
Moelven Töreboda Limträ AB,	36 000	170	Standard, custom and contract deliveries	123	1918/82
Limträ Danmark AS, (40 per cent):	50 000	275			1998/
- div. Lilleheden	26 000	-	Standard, custom and contract deliveries	119	
- div. LNJ	18 000	-		63	
- div. Øresø	6 000	-		38	
AB Jures Medis, (15 per cent)	3 000	12	Standard, custom and contract deliveries		
Sales companies					
Moelven Holzleimbau GmbH	28 000	100	Sale of standard goods and contract deliveries in Germany	7	1989/
Moelven Laminated Timber Structures Ltd.	2 000	25	Sale of standard goods and contract deliveries in England	6	1989/98
Moelven Töreboda Poland Sp.zo.o	2 000	10	Sale of standard goods and contract deliveries in Poland	1	1998/

* Figures for volume and turnover correspond to 100 per cent ownership.



construction and contracting

PRE-FABRICATED BUILDINGS
ENGINEERING AND ELECTRICAL SERVICES

The Group has organised within the Construction and Contracting business area those activities which operate in the building contract industry. The area can be divided into two main sectors:

1. *Pre-fabricated buildings*
2. *Engineering and electrical services*

PRE-FABRICATED BUILDINGS

The Moelven Group is Scandinavia's largest firm in the pre-fabricated and modular buildings market. The companies Moelven Hako AS at Moelv, Moelven Hako Nord AS at Kirkenes, Moelven Byggsystem AS at Hurdal and Moelven Byggsystem AB at Säffle have developed highly rational and modern systems for the pre-fabrication of ready-to-erect building modules and units. For the customers this means a very short and efficient building time. The results are flexible, cost-effective and rational buildings.

ENGINEERING AND ELECTRICAL SERVICES

Moelven Engineering AS has technical, operational and project administrative skills and experience in building and mechanical engineering. It offers services which are suited to the individual customer's needs and wishes. The company has also had its own electrical services department which from 1.1.1999 was separated and established as Moelven Elektro AS.

KEY FIGURES

Construction and Contracting (Amounts in NOKm)	1998	1997	1996	1995	1994
Operating revenues	557.2	343.5	342.7	292.0	214.7
Operating profit	19.2	22.9	26.2	20.7	9.7
Financial items	0.0	- 2.4	- 0.1	- 0.3	- 0.5
Profit before tax	19.2	20.4	26.1	20.4	9.2
Total capital	107.8	209.0	165.3	112.5	75.6
Equity ratio	33.9	39.3	35.3	40.9	41.4
Gross operating margin	4.5	8.5	8.6	8.0	5.6
Depreciations	5.7	6.2	3.2	2.5	2.3
Cash flow from operations	24.9	26.6	29.3	22.9	11.5
Investments	6.6	22.4	8.9	4.0	2.1
Number of employees	459	376	240	280	224

construction and contracting

ENGINEERING AND ELECTRICAL SERVICES

PRODUCTION AND PRODUCTS

Moelven's building module companies have over many years developed highly rational and modern systems for the pre-fabrication of ready-to-erect building modules and units. For the customers this means a very short and efficient building time. The results are flexible, cost-effective and rational build-ings.

From the start in the 1950's to the present time, Moelven has produced approx. 100,000 building modules, originally as simple site huts. Nowadays the companies deliver approx. 4,000 units a year to sites, schools, offices and hotels, etc. This corresponds to 80,000 m² of finished building. The modules are delivered either as permanent structures or as portable/temporary buildings. The companies have a turnover of NOK 390 million. This is approx. 75 percent of the Construction and Contracting division's output.

MARKET

Our building module companies work primarily in the contracting market, which consists mainly of professional clients and contractors in the public and private business sector. The construction and infrastructure and the hotel markets have provided several particularly interesting contracts during 1998. The companies secured a firm position in the market in 1998 through strong growth, establishment in Kirkenes and the acquisitions in Hurdal and Säffle.

80 percent of sales are within the Norwegian and Swedish markets. The companies also export to projects in Europe and have, among others, had major orders from H M Prison Service in Britain.

OUTLOOK

At the beginning of 1999 the companies had satisfactory order books. Moelven Hako AS had already signed

contracts for approx. NOK 100 million which corresponds to 3-4 months of full production. The three other companies had a rather smaller volume of orders in the pipeline.

The City of Oslo continues to be a major customer for Moelven Hako AS in addition to the fact that there is great activity in hotel construction and in the supply of site huts to contractors, shipyards, offshore platforms, etc.

In 1998 Moelven Hako Nord AS and Moelven Byggsystemer AB have to a great extent received their orders from Southern Norway. There are now clear signs that the Swedish market is picking up and that the flow of orders will increase in due course.

The companies have worked out a scheme for retirement flats and nursing accommodation, and we expect that orders for them will increase.

Construction and Contracting	Number of modules	Turnover NOKm	Products	Number of employees	Established/ acquired
Moelven Hako AS Gen. Man. Bjørn Willanger	2 000	310	Transportable and semi-permanent modules	152	1950/96
Moelven Byggsystem AB Man. Arne Østby-Deglum	1 100	98	Transportable and semi-permanent modules	97	/1997
Moelven Byggsystem AS* Man. Knut Jenssen	400	34	Building elements	42	/1997
Moelven Hako Nord AS Man. Oddvar Mortensen	400	39	Transportable and semi-permanent modules	29	/1996

* 60 per cent of the company where sold at 1.1.1999.



General Manager
Bjørn Willanger



Manager
Oddvar Mortensen



Manager
Knut Jenssen



Manager
Arne Østby-Deglum

construction and contracting

ENGINEERING AND ELECTRICAL SERVICES

ENGINEERING AND ELECTRICAL SERVICES

Companies belonging to this part of the business area (Construction and Contracting) are as follows:

- Moelven Engineering AS
- Moelven Elektro AS
- UJ-Trading AB

MOELVEN ENGINEERING AS

The company has technical, operational and project administrative skills and experience and comprises two departments, construction and mechanical equipment. Moelven Engineering AS supplies production plant, machinery, and operational and maintenance services. The company is also qualified to undertake commissions in the fields of design team leadership, building technology and project management, as well as being a contractor in its own

right. These activities are service based and tailor-made to suit the individual customer's needs and wishes.

Moelven Engineering AS offers its services to private businesses, professional developers and the public sector, primarily in Eastern Norway. The company also undertakes project work in other parts of Norway, as well as some in Russia and Sweden.

The company has had its own electrical services department which from 1.1.1999 was separated and established as Moelven Elektro AS.

MOELVEN ELEKTRO AS

The company provides technological electrical services and supplies electrical plants for industrial and commercial buildings. The company has several large contracts in the Oslo region and in 1997 set up a branch office in Oslo.

The company is ambitious to grow larger and to take a bigger share of the industrial and the commercial buildings markets.

UJ-TRADING AB

UJ-Trading AB is a Swedish subsidiary which previously belonged to the Westwood Group. The company is mainly concerned with the sale of new and second-hand machinery to the timber industry. UJ-Trading AB had a turnover in 1998 of SEK 44 million of which SEK 24 million was for exports. The company has 30 years of experience in the industry and is a leading player in the sale of used sawmilling plants for export from the Nordic countries, for which it also provides planning services.

Construction and Contracting	Turnover NOKm	Products	Number of employees	Established/acquired
Moelven Elektro AS Gen. Man. Geir Bjørke	100	Electrical systems, high and low power	69	1.1.1999
Moelven Engineering AS Man. Erik Weisser-Svendsen	50	Development, production and maintenance of production equipment. Building management and contracting services	60	1905/1990
UJ-Trading AB Gen. Man. Hans Jansson	40	Sale of new and used machines for the woodworking industry	10	/1998



Manager
Erik Weisser-Svendsen



General Manager
Hans Jansson



General Manager
Geir Bjørke



Oslo Airport Gardermoen – paneled ceilings in fire-resistant wood from Moelven FireGuard AS.



RESEARCH AND DEVELOPMENT (R&D)

Moelven FireGuard AS has, since its establishment in 1995 under the name TimberTech AS, been merged with FireGuard Skandinavia in Trondheim. The company has begun producing fire-resistant timber products at Moelv and has, among other things, delivered 20,000 square metres of fire-resistant suspended ceilings and partitions to the terminal building and railway station at Oslo Gardermoen Airport.

Moelven FireGuard AS offers its products to professional clients in the building market, both for internal and external use.

Fire-resistant timber is classified as K1 in1/out1 in terms of Norwegian Standard 3919. The company holds Licence No. 703 from the Norwegian Certification System AS, which is the highest class for timber materials.

Because of the risk of fire spreading, multi-storey buildings have usually been clad with plasterboard or steel sheeting, backed by concrete or masonry. Such walls can now be built with fire-resistant timber.



Moelven Nor East AS leads and co-ordinates activities within the fields of log importation, building projects and the setting-up of industries in Russia.

THE GROUP'S ACTIVITIES IN RUSSIA

The company Moelven Nor East AS leads and co-ordinates activities within the fields of log importation, building projects and the setting-up of industries in Russia. The subsidiary company OOO Moelven Nor East at St Petersburg has administrative and operational functions in Russia and is responsible for the export of logs to Norway and Sweden, together with support functions for building and industrial projects.

Moelven Nor East AS has, in collaboration with the Russian contractors Energomashstroj and the European Bank of Reconstruction and Development (EBRD), set up the timber products factory OOO Moelven Energo at Kolpino, near St Petersburg. Production has so far been directed to the export market.

Opportunities in the Russian building market are being investigated through the part-owned company ZAO Moelven CAS in Moscow. The building of two, high-quality demonstration houses on the outskirts of Moscow was started in 1998.

Among the other companies classified under the heading "other businesses" are the parent company and two service companies which mainly provide internal services and manage all the properties which are independent of the operation of the primary business areas.



Moelven bases its industrial production mainly on timber as a raw material. Wood is part of nature's own life cycle and seen in this way it is a renewable resource. It is this year 100 years since Moelven started its timber-based industry. For 100 years we have run an industry based on a renewable resource. The whole of our value-creating chain, from the seed's germination in the forest to the dispatch of finished products to the markets, is based on one hundred percent environmentally friendly raw material.

It is now firmly established that the proper use of the forest's resources is the most cost-effective way of binding CO₂. The final breakthrough for this opinion came at the UN's environmental conference at Kyoto in Japan just a year ago. Not only does the forest bind CO₂, but wise forest management is an investment in future resources. The northern conifer forest belt, which extends right round the globe, is attracting more and more attention in relation to climatic considerations. If sustainable development, which does not damage the environment, is the aim, then we are, among other things, dependent on an international realisation of the importance of using timber products and of substituting bio-energy for fossil fuels.

It is therefore worrying when consumers choose non-timber-based alternatives instead of the environmentally friendly products made of nature's own raw material – wood. From an environmental point of view, it ought to be of great concern that products made of steel, aluminium, PVC and concrete – all of which represent highly energy-demanding industries – are chosen as substitutes for timber, for example in building structures, external cladding and windows. Moelven is part of an industry with long and rich traditions in Norwegian history. All five of our business areas have in common that, both in our production processes and in our handling of wastes and bi-products, we contribute to a high degree of recycling and good use of resources in a long-term environmental perspective.



environmentally friendly industry

MODERN PRODUCTS

SAWMILLS AND TIMBER PROCESSING

Sawmills consume considerable energy needed for running the machines, for heating the premises and for drying the products. But few industries re-use a higher proportion of their waste.

Moelven Valåsen AB at Karlskoga in Sweden is an example of how what was once treated as waste is now used for efficient energy production. Technical studies made a year ago showed that something had to be done about the sawmill's two heating plants. It was also known that more stringent government requirements for scrubbing exhaust gases would involve major investment. The result was that we made an agreement with Vattenfall on the same principles, but on an even larger scale, as for the agreement made by Moelven Dalaträ at Mockfjärd.

At a cost of SEK 28 million, Vattenfall has now built a new heating plant at Moelven Valåsen AB – with an annual capacity of 16 MW. The new plant will filter out phosphorus, manganese and phenols (organic compounds) from the log basin. Under the agreement, Vattenfall will supply Valåsen with the heating energy the company needs for a 20-year period at an inflation-indexed price. In addition, Vattenfall has undertaken to buy annually 180,000 cubic metres of bark and 20,000 cubic metres of shavings and sawdust from Moelven Valåsen AB. The agreement further includes an option to take over the plant after ten years.

At Moelven Notnäs AB at Torsby in Sweden a separate production line has been set up for fuel briquettes. The briquettes, made of pure wood shavings of spruce and pine, are used for generating bio-electric power and have an effective calorific value of 16.5-17.5 MJ/kg.

Moelven Eidsvold Værk AS took part in securing the supply of bi-products for the establishment of the new remote heating plant at Gardermoen. This plant delivers energy generated from bi-pro-

ducts such as bark and sawdust from the timber industry. The plant has now been in operation for a year and a half. The plant has not run at full capacity because of technical problems and it has therefore not been possible to handle the planned quantities of bi-products. It is expected that the technical problems will be solved in the course of the year and that the plant will be an important customer for our bi-products.

INTERIOR LAYOUT

The production of goods by our subsidiary Nordia AS is a good example of how a conscious concern for the environment can also improve profitability. Since 1992 the company's profits have maintained a strongly rising trend. Focus on the environment has been one of the factors in this success.

Nordia's products are known for their high degree of re-cyclability. System partitions are easily moved when needs change and this leads to solutions with lower annual costs than those for traditional building methods. Re-erection is undertaken while the premises are in use. The products meet all environmental, acoustic, fire-resistance and stability requirements. This demonstrates the products' environmental profile.

The company Eurowand AB has produced an internal environmental report and uses it deliberately in its marketing. There is considerable focus on the environment in Sweden and the company aims to be environmentally certified in the course of 1999.

LAMINATED TIMBER

In collaboration with the Highways Department in Hedmark County, Moelven has built altogether ten timber bridges in glulam and has as many schemes under design. The 180-metre-long Evenstad bridge in Østerdalen in Norway represents a breakthrough for the construction of timber bridges. In the course of the coming year it will be the Tynset bridge's turn. This will be Norway's first timber bridge to carry a

national highway and will have a daily traffic flow of between 4,000 and 5,000 vehicles, averaged over the year. Aesthetically, there is a clear likeness between the old wooden bridges and the new. The most important difference is that with modern laminating and jointing techniques one can stretch the technical limits much further. A development of impregnation in which the laminations are impregnated with salt before they are glued, increases durability and reduces maintenance costs significantly compared with steel and concrete. Experience with bridges built of concrete shows that these – particularly in coastal regions – have a tendency to decay more quickly than is desirable. Steel construction is liable to corrode and both the steel and concrete industries are known for their high energy demands. This underlines the advantages from an environmental point of view of building in timber. In addition to the fact that timber bridges allow great architectural variety and adaptability, they also have an aesthetic quality which makes them blend happily with the natural surroundings.

Statnett, the national electricity grid authority, has adopted this point of view in connection with the execution of the project "The 300 kV Hadeland-Roa line". There are many indications that laminated timber electricity pylons will increasingly replace steel and concrete masts.

CONSTRUCTION AND CONTRACTING

Our production of building modules represents, in the same way as our production of system layouts, a significant reduction of site waste. The building module concept is moreover based on standards which reduce material wastage and shorten the building time on site. The module-based technique also means that one can easily move units for further use instead of demolishing them.

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Moelven



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