



# annual report 1999

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We reserve the right to amend these dates.

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*Moelven shall be a leading European company in the timber and building supplies industries. The company aims at becoming an international supplier of quality products to industrial and business customers.*

*The Group's basic philosophy is based on the principle that the authority and accountability for business decisions shall be grounded at the local level. The Group's management structure is therefore highly decentralised, and responsibility for operations is assigned to the various subsidiaries and divisions.*

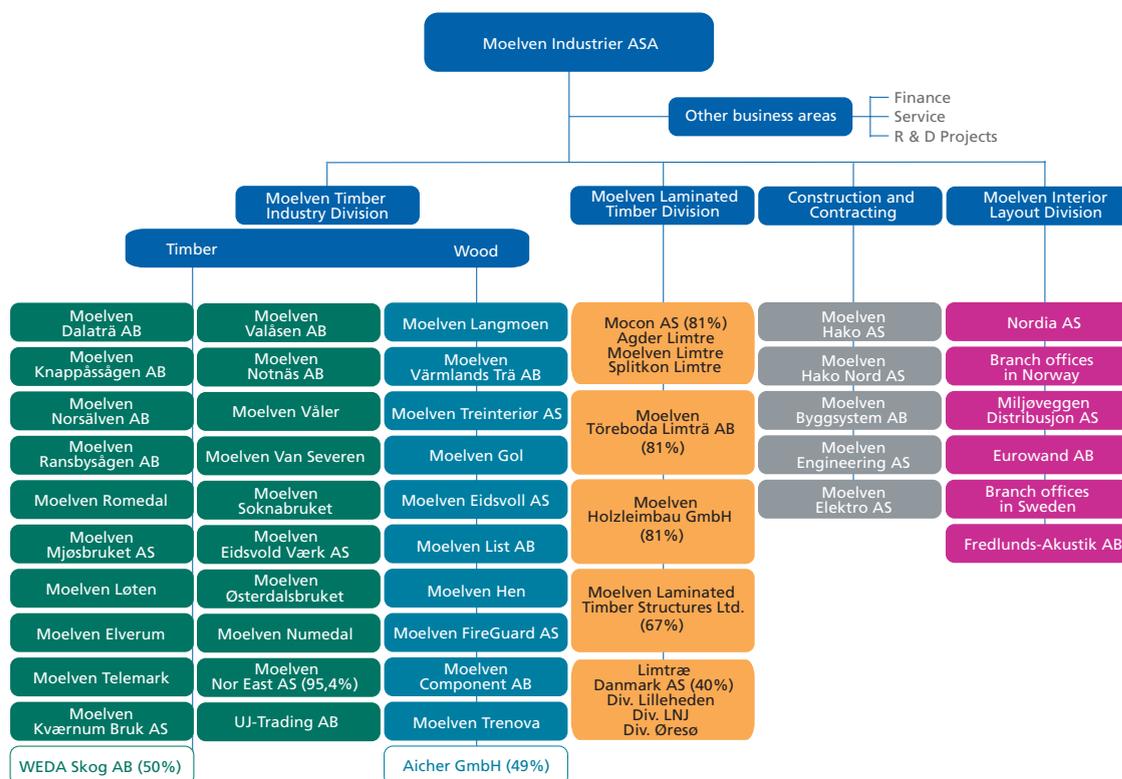
*Moelven also has a significant amount of activity in various niche sectors, particularly with respect to the field of contracting, e.g. interior layouts for commercial premises, construction and contracting services and laminated timber products. The Group will continue to play a leading role in these important business segments.*



*HMF-impregnated (heavy metal free) pine panelling – Oslo Airport Gardermoen.*

the group's business concept

# organisation chart as of 8 March 2000



Business area	Turnover NOK mill.	Products	Number of employees
Moelven Timber Industry Division - Moelven Timber – sawmills - Moelven Wood – processing	1 568 621	Sawn timber Processed wood products, e.g. panelling, flooring, moulding	686 336
Moelven Laminated Timber Division	531	All dimensions of glulam, standard, custom and contract deliveries	414
Construction & Contracting	562	Prefabricated buildings, engineering and electro	412
Moelven Interior Layout Division	536	Interior layout systems for commercial premises	488



**Moelven Industrier ASA** is a Norwegian manufacturing company listed on the Oslo Stock Exchange and with its head office at Moelv, Norway. After the acquisition of the timber industry activities of Forestia, the Group now has 3,200 employees and a consolidated turnover of NOK 4,800 million. Moelven's operations are organised into four business areas: Timber Industry (sawmills and processing), Laminated Timber, Construction & Contracting and Interior Layouts (interior layouts for commercial premises). In all, the four business areas comprise 52 independent subsidiaries and production facilities in eight countries, the majority of them in Norway and Sweden.

**Moelven's Timber Industry Division** has, by acquiring the timber industry of Forestia AS, grown to comprise 18 sawmills and 10 processing companies in Norway and Sweden. The Timber Industry Division is organised into two separate industry segments: sawmills in Moelven Timber and processing facilities in Moelven Wood.

As a result of the acquisition, Moelven is now one of the four largest Scandinavian timber industry companies, and will become a major supplier to builder's merchants in the Scandinavian and Central European markets.

**Moelven's Laminated Timber division** consists of the Norwegian companies Mocon AS, Moelven Limtre, Splitkon Limtre and Agder Limtre. Moelven also

has a stake in the Danish market through the establishment of Limtræ Danmark AS. The Group has sales companies in Germany and England, as well as sales offices in Poland and Lithuania through the Swedish subsidiary Moelven Töreboda Limträ AB.

**The Construction & Contracting Division** comprises all of Moelven's 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 a wide range of permanent and temporary accommodation. This business area also includes the companies Moelven Elektro AS and Moelven Engineering AS, which offer electrical and engineering services.

**Moelven's Interior Layout Division** is Scandinavia's leading producer and supplier of layout interiors for commercial premises. The Group is represented in Norway through the company Nordia AS and in Sweden by Eurowand AB.



*HMF impregnated (heavy metal free) external pine panelling – Oslo Airport Gardermoen.*

the group's business areas

## *important events*

The single most important event in 1999 for the Group was the acquisition of Forestia. When the Extraordinary General Meeting in Moelven Industrier ASA on 17 January 2000 voted to support a private placing with Norske Skogindustrier ASA, all that remained for finalising the deal was to obtain formal approval from the authorities. For Moelven as a Group, this transaction was a truly memorable achievement. A more

award-winning exhibition stand at "Bygg Reis Deg" continued via Moelven's participation in establishing the company "Norway at Expo 2000 AS." Among the other organisations and companies behind "Norway at Expo 2000 AS" are the Norwegian Ministry of Trade and Industry, Hydro, Statoil, Telenor, Statkraft, Color Line, Hurtigruten and the Norwegian Tourist Council. The idea behind Moelven's participation is to use

Layout Division – established a branch office in Vesterås, and expanded even further in February 2000 by acquiring the Swedish company Fredlunds Akustik AB in Uppsala. In May 1999, Moelven Elektro AS purchased the company Grøndalen Elektro AS in Raufoss. The company will now serve as a division of Moelven Elektro AS. Later in the year Moelven Elektro AS purchased the company Østby Elektriske AS in Tønsberg. The latest acquisitions are a step in the company's strategy to branch out beyond the Oslo region.

In January 2000, Moelven Industrier decided to acquire 49 per cent of the shares in the German sales, distribution and processing company Aicher GmbH. The acquisition is a step in the Group's desire to strengthen its marketing reach in Germany for processed timber products.

Later the same month, Moelven Industrier ASA sold its 50% share in the commercial centre Mjøssentret AS in Moelv.



detailed description of this transaction is included on pages 42-44 of this report.

### **100-YEAR ANNIVERSARY FOR MOELVEN**

1999 was also the year that Moelven celebrated a century of industrial activity. The celebrations took a variety of forms, such as an award-winning stand at the annual builders' fair "Bygg Reis Deg" in Oslo, and locally with an open day at Moelv, where the company's own historical museum "Moelven Collections" was officially opened. In connection with the opening of the museum, the employees had a big celebration as well.

The marketing activities that started with the creation of the

World Fair in Hannover to actively market the Group's products. The Fair opens 1 June and lasts through the month of October. All estimates indicate that between 300,000 and 500,000 persons will visit this year's World Fair.

In addition to Moelven's more general support of Expo 2000, Moelven Engineering AS was hired to construct the Norwegian pavilion. This will also be a very interesting assignment for subcontractors Moelven Hako AS, Mocon AS div. Moelven Limtre and Moelven Elektro AS.

### **NEW ACQUISITIONS AND SALES**

In 1999, the subsidiary Eurowand AB – part of the Interior

### **SWEDISH RAW MATERIAL SUPPLIER**

In the autumn 1999, Moelven Industrier joined together with two Swedish timber industry groups, Bergkvist-Insjön and AB Karl Hedin, to establish a jointly owned company in Sweden that would ensure a reliable supply of raw materials for the Group's sawmills. The new company's name is Weda Skog AB, and will in the future co-ordinate all raw material purchases among the three owners. Annually the newly established company will purchase about three million cubic metres of timber for a total value of about SEK 1 500 million.



1999 was a year in which the Moelven Group laid the foundations for further growth and development. The preconditions necessary for such growth varied among Moelven's four business areas. The European forestry industry is increasingly consolidating into larger and larger international constellations, led on by major Finnish companies. The largest players span over several continents, and have at the beginning of this year further strengthened their role among the world's leading industrial forestry companies. Developments seem to indicate that the wood processing industries wish to distance themselves from local forestry activities. The industry's owners would benefit by focussing more on the market and end products and less on raw materials and control. To some degree, the Finns have also – just as the large American companies – introduced this dimension into the timber industry. In Norway and Sweden, the timber industry is still very fragmented and very locally oriented. We think that the changes that have been introduced in 1999 – with Moelven playing a major role – symbolise the start of a restructuring process necessary for the timber industry as a whole. In an international context, Moelven is a beginner in

this tradition-bound industry. But while the rest of the industry is closely linked to the raw material side of the industry, Moelven has entered the industry with a solid starting point in the market.

The timber industry must be run in a professional manner and based on the same business criteria that apply for the rest of the forestry industry. Moelven has reached far by establishing a strong position in a limited geographic area. The increase in profit by the Swedish companies Westwood and Notnäs was as expected in 1999. In business areas where the profit margin has not been satisfactory, new measures have been implemented that should be in place by the end of the first quarter of this year.

So far this year the Group's progress has been favourable, and we have high expectations with respect to the benefits resulting from the integration of Forestia and Moelven. By coordinating Forestia's and Moelven's activities in Norway and Sweden, we expect over a three-year period to harvest savings in the range of about NOK 100 million.

The management will lay down guidelines requiring each of the individual operational units to document their gains, and necessary measures will be implemented for those units that do not reach their goals. Unused capacity, or unprofitable activities, must be phased out.

The other business areas in the Group had a satisfactory end-result in 1999. The Group's target for the subsidiaries is a seven per cent operating margin after depreciation, and this was achieved by a solid margin for the two divisions Construction & Contracting and Interior Layout.

There is still plenty of room

for improvement in performance for the companies in the Laminated Timber Division. The companies in this division have had to learn a number of hard lessons by having to survive with consistently low prices in all markets, and measures have been implemented to ensure lower capacity costs for all the companies. The outlook for obtaining better margins in 2000 is much better than in the previous year.

Orders on book and production volumes are good for this time of year.

The Construction & Contracting and Interior Layout divisions have achieved savings by working closer together. Further growth will come through a combination of organic growth – in local markets with room for growth, and through acquisitions, where the potential for earnings is similar to the margins the companies are currently expected to generate.

Sweden is a growth market both in the short and long terms. In Norway, the Moelven companies have good capacity in relation to expected market developments, and attention will now be focussed on further product development and an expansion of the companies' range of products and services. The Group's investment policy in the time ahead will be directed at marketing, system development and human resources development.

Frode Alhaug  
President and CEO

comments from the president and CEO

## directors' report

### SUMMARY

Moelven's 100th year has been an active one. Operating revenues have risen in every division and the Group has increased its profit. Moreover, significant strategic decisions have been taken in the course of the past year and the Group is growing fast as a result of acquisitions. Geographically, production clearly has its centre of gravity in Norway and Sweden, while the company's products are also sold all over Europe and in many other parts of the world. The growth is targeted and it is concentrated on the four existing areas of operation. This has made Moelven a leading actor within its business areas in both Norway and Sweden.

In a period of increasing international competition, one must constantly aim to put together a portfolio of operations which can make use of each other. The Interior Layout Division and the Construction and Contracting Division together make up a contracting business with a range of industrialised products, which stands up well in competition with the more traditional building contractors. The contract side of the Laminated Timber Division strengthens both the Group's position in the market and its

capacity in the borderland between industrial products and contract deliveries. The Timber Industry Division with its sawmills and processing factories constitutes Moelven's second centre of gravity. Standardised glulam production also belongs to this part of the whole operation. Despite unsatisfactory profitability, Moelven has for many years been among the best in the mechanical processing of timber. With the acquisitions made in the course of recent years, Moelven has become one of Europe's biggest actors in this field. The acquisitions were made to strengthen our position at a time when the industry is being rapidly restructured. It is anticipated that the foundations for a more profitable future have thereby been laid.

An increasing rate of change in the market puts great demands on the organisation's decision-making speed and flexibility if the earnings are to be acceptable over time. This demands decentralised solutions in which the authority and responsibility lie with the individual business unit. This simplifies the relationship between the individual employee's business decisions and the Group's profit, something which is good both for motivation and profit.

### OPERATING REVENUES AND PROFIT

Operating revenues in 1999 amounted to NOK 3,525.7 million (against NOK 3,027.4 million in 1998). Operating profit was NOK 89.6 million (52.7). This is NOK 37 million better than for the same period the year before. Compared with the equivalent figure for the whole of 1998 in which Westwood and Notnäs are included, the operating revenues have increased by NOK 185 million and the operating profit shows an improvement of NOK 64 million. Net financial expenses amounted to NOK 43.1 million (33.6 excluding dividends received) and the operating result before tax was NOK 46.5 million (22.8).

### THE BUSINESS AREAS

#### *The Timber Industry Division*

The group is organised in two areas, Moelven Timber (sawmills) and Moelven Wood (processing). In addition to concentrating on the running of the existing factories in Sweden and Norway, a lot of work has been done in 1999 in the way of structural measures. This led towards the end of the year to an agreement for a merger with the timber industry activities of Forestia AS, a subsidiary of Norske Skog-industrier ASA. The merger



*Peder Chr. Lovenskiold,  
Chairman*

*Arthur J. Aasland*

*Carl Graff-Wang*

*Per Starnes*

means that the operating revenues within this business area will increase by approximately 70%. The board sees this merger as an important step towards the improvement of overall trading conditions and of future profitability. In Sweden Moelven has, with the two Swedish timber industry groups Bergkvist-Insjön AB and Karl Hedin AB, founded the raw material company Weda Skog AB. The object is to secure for the parties a long-term and rational supply of raw materials. The previous pattern of supply had, among other things, involved the two-way transport of logs and extra costs for the respective companies. The new company will buy approximately three million cubic metres of timber annually to a value of some SEK 1,500 million.

For Moelven's sawmills the year has been marked by a weak international market, especially for pine products. Prices for spruce products showed some improvement in the second half of the year. The re-organisation following the acquisition of Westwood and Notnäs has been a priority job which was effectively completed in the course of the year. Operating revenues were NOK 1,568.0 million in 1999 (1,309.0) and the operating profit was NOK 3.8 million (4.5). Compared with the equivalent figures for 1998, in which Westwood and Notnäs are included, the turnover increased by NOK 49 million and the gross profit showed an improvement of NOK 18 million.

The processing companies have had a relatively stable year. Gross revenues in 1999 were NOK 620.4 million (547.4) and the operating profit was NOK 13.4 million (15.0). Compared with the equivalent figures for 1998 in which Westwood and

Notnäs are included, there was a slight fall in turnover which did not reduce the profit. Market conditions in Sweden have improved while in Germany there has been increased competition. Negotiations for the purchase of a share in Aicher GmbH proceeded during the year and the final contract was signed just after the year end. The company buys, distributes and produces processed timber products and is located in south-east Germany. The acquisition was made to strengthen our presence in one of the Group's close and important export markets.

#### *Laminated Timber*

The glulam business shows an increased profit compared with the previous year. This is to a large extent due to the structural changes that have been made. Demand has increased in the Japanese and Swedish markets during the year. There is strong demand in Germany but the price level is still low because of a surplus in the supply of standard glulam products. Operating revenues in 1999 were NOK 530.8 million (434.6). This includes 100% of the activities in Norway and Sweden and 40% of the activity in Limtræ Danmark AS. The operating profit was NOK 7.2 (-0.4). Despite the fact that all the companies in this area are now partly owned, Moelven will maintain an important position within the Scandinavian laminated timber industry and work continues to strengthen this position in the future, particularly in Sweden and Norway.

#### *Construction and Contracting*

Demand has risen in the Swedish building market during 1999. The Norwegian market has held up at the same level as in the

year before. The share of modules delivered to buildings such as schools and hotels has increased while deliveries of accommodation units to contractors have somewhat fallen off. Operating revenues in 1999 were NOK 561.6 million (557.2) and the operating profit was NOK 42.7 million (19.2). The order books at most of the companies in this business area are at the same level as they were at the end of 1998.

The electrical side of the division sends a large proportion of its deliveries to the Norwegian new-build market. In addition, it has for a long time had orders related to the supply of building modules. Work was done in 1999 to increase supplies to the repair and maintenance market, partly in collaboration with the companies of the Interior Layout Division.

#### *Interior Layout*

There has been an upward movement in demand in the interior layout market in Sweden in 1999. This applies particularly to supplies for new buildings. This has compensated for some decline in the Norwegian new-build market. However, a significant share of supplies goes to the rehabilitation of commercial buildings, a sector which has shown steady growth both in Norway and Sweden. Operating revenues in 1999 were NOK 526.0 million (476.9) and the operating profit was NOK 45.5 million (42.1). Modular system interior layouts for industrial and commercial buildings are very competitive with traditional builder's work and this has made it possible to grow through an increase in the market share. The range of products has also been somewhat widened.

## directors' report

### Other businesses

Operating revenues in 1999 were NOK 77.8 million (79.2) and the operating profit, including the parent company, was NOK -23.0 million (-27.7). Apart from the Group's parent company, the division embraces Moelven FireGuard AS and Moelven NorEast AS, as well as a string of minor businesses. The scope of the activities which lie outside the range of the Group's four business areas, has been further reduced in 1999 and now comprises assets which have a book value of less than NOK 30 million.

### EMPLOYEES AND ENVIRONMENT

At the end of the year the Group had 2,404 employees. Of these, 1,171 were employed in Norway and 1,116 in Sweden. The working environment in the Group's companies is considered good and co-operation with the employees' organisations works constructively. Absence due to illness was 5.37 percent, representing 30,063 working days. The number of reported personnel-injury accidents at work was 78, of which 53 involved injuries requiring sick-leave. This gives an H-value of 12.45.

The activities pursued in Moelven's four business areas are all of a character which is

hardly environmentally damaging. The Timber Industry Division is based on a renewable raw material, manufacturing proceeds without much discharge to air or water and with a limited use of chemicals. The energy balance is good, and several plants are actually producing more bioenergy than they themselves use. Several of the products are suitable for recycling, and have a long life because they can be adapted to suit the users' changing needs. The board considers the many positive environmental factors associated with the Group's business as a competitive advantage of increasing significance. Weight is therefore attached to dealing with the existing environmental challenges in a way which strengthens this competitive advantage. A special statement on this matter is to be found on page 66 of this annual report.

### INVESTMENT AND CASH FLOW

NOK 72 million was invested in fixed assets and equipment in 1999. This represents 65 % of the level of depreciation and is NOK 32 million less than in the previous year. This year's investment includes NOK 5 million from joint ventures through the 40 % share in Limtræ Danmark

AS. The low level of investment is reasonable as most plants are in good technical condition. The limited need for investment contributes positively to the cash flow which was NOK 155.6 million (113.1).

### BALANCE SHEET AND FINANCE

Working capital was NOK 1,309 million (1,304) at the close of the year. Of the increase over the previous year, NOK 60 million is due to adjustments to suit the new accounting regulations. The return on working capital was 6.8 percent (5.0) which does not satisfy the Group's requirement for 13 percent. The Timber Industry Division in particular ties up a lot of capital in current assets and efforts are directed towards holding this figure at the lowest possible level. Net interestbearing debt was NOK 680 million (678). Interest swap agreements have been entered into in connection with the long-term debt which reduce the risk associated with changes in the rate of interest. The liquid reserve, including unutilised credit facilities, was NOK 406 million (375). The major part of the unutilised credit facilities is made up of agreements which have more than three years to run and this secures a foreseeable liquid position for the



*Svein Steen Thomassen*

*Iver Melby  
(employee representative)*

*Bjørn Solberg Antonsen  
(employee representative)*

*Hans Roset (alternate  
employee representative)*

Group. To finance the acquisition of Forestia AS, new credit facilities of EUR 50 million were arranged. The agreement runs for five years and further strengthens the Group's liquid reserves. The exchange rate risk associated with the buying and selling of goods is reduced by the individual business unit entering into futures contracts.

The Group's total equity was NOK 629.1 (625.8). This is equivalent to an equity ratio of 32.6 percent (33.1). The accounts are drawn up on the assumption of continued operation. A private placing of 26.4 million shares is being made to Norske Skog-industrier ASA in connection with the acquisition of Forestia AS. This increases the Group's equity by NOK 198 million. The size of the issue means that the purchase of Forestia AS makes little impact on the Group's equity ratio. Norske Skog-industrier ASA becomes the second largest shareholder with a 22.2 percent interest.

#### ALLOCATION OF NET PROFIT FOR THE YEAR

The annual report deals jointly with the Group and the parent

company Moelven Industrier ASA. The parent company's annual accounts show a profit available for allocation of NOK 42 936 407 after the receipt of group contributions of NOK 51 386 600.

The board wants a significant proportion of the company's profit to be distributed to shareholders in the form of a dividend. As parts of the Group's business are within a cyclical industry and the board wants to maintain a certain predictability in dividend distribution, it is the board's intention to declare a dividend corresponding to 40 percent of the Group profit after tax, averaged over a complete trade cycle.

On this basis, the board recommends a dividend of NOK 0.25 per share for 1999, as in 1998. This leads to a provision for dividends of NOK 29 760 596. The remainder of the year's profit, NOK 13 175 811 will be transferred to other equity.

#### OUTLOOK

The board expects good results from the Timber Industry Division in the future. There

remains however a good deal of work to be done in the rationalising and in the practical coordination of the timber industry companies. The effects on profits will appear gradually. The board anticipates a busy year throughout the whole Group, but with some variations between business areas. The Construction and Contracting Division and the Interior Layout Division expect rather weaker demand from the new-build sector in Norway, while the prospects in the Swedish market and in the rehabilitation market are promising. The laminated timber companies have bigger order books at the beginning of the current year than is usual at this time of the year and their capacity will be well used.

The board expects the consolidated net profit for the year 2000 to be better than in 1999.

Moelv, 6 March 2000  
Moelven Industrier ASA

  
Peder Chr. Løvenskiold  
Chairman of the Board

  
Arthur J. Aasland

  
Carl Graff-Wang

  
Per Stamnes

  
Svein Steen Thomassen

  
Iver Melby

  
Bjørn Solberg Antonsen

  
Frode Alhaug  
President and CEO

## *corporate assembly, board of directors and group management*



*Peder Chr. Løvenskiold, chairman of the board (Left)  
and Axel Krogvig, chairman of the corporate assembly.*

### **CORPORATE ASSEMBLY**

Axel Krogvig, chairman  
Bjørn H. Rasmussen  
Odd Torland  
Harry Konterud  
Jaroslav Havlicek  
Lars W. Grøholt  
Fredrik Wahl  
Jørgen Kjærnes  
Jan Slattum \*)  
Harald Løkkesveen \*)  
Per Cocozza \*)  
Steinar Hagen\*)

### **Alternates:**

Jan Teksum  
Dyre Østby  
Ola Vik  
Tor Mattsson

### **BOARD OF DIRECTORS (AS AT 08.03.00)**

Peder Chr. Løvenskiold, chairman  
Arthur J. Aasland  
Svein Steen Thomassen  
Carl Graff-Wang  
Per Stamnes  
Bjørn Solberg Antonsen \*)  
Iver Melby \*)

### **Alternate, attending all meetings: (from 16.02.2000)**

Jan Oksum

### **Alternate employee representative, attending all meetings:**

Hans Roset \*)  
Arne Rødø \*)

### **GROUP EXECUTIVE BOARD**

Frode Alhaug, President and CEO  
Anders L. Fossum  
Dag Sand  
Reidar Mo  
Haumann Sund  
Hans Rindal  
Morten Sveiverud

*\*) Employee representative*



*Front row from left: Haumann Sund, Anders L. Fossum, Dag  
Sand and Frode Alhaug. Back row from left: Morten Sveiverud,  
Reidar Mo and Hans Rindal.*

# key financial figures

MOELVEN INDUSTRIER – THE GROUP

(Amounts in NOK million)	1999	1998	1997	1996	1995	
<b>PROFIT AND LOSS</b>						
Operating revenues	3 526	3 027	2 378	2 196	2 221	
Depreciation	110	93	72	71	60	
Operating profit	90	53	125	62	92	
Net interest and financial items	- 43	- 34	- 32	- 36	- 49	
Operating result before tax	47	23	138	29	46	
<b>BALANCE</b>						
Investments in fixed assets	72	104	104	69	108	Capitalised investments less investments due the acquisition of other companies
Total capital	1 928	1 893	1 236	1 132	1 148	
Net interest-bearing debt	680	678	380	394	387	
Working capital	1 309	1 304	819	693	667	Equity + net interest-bearing debt
<b>EARNINGS/PROFITABILITY</b>						
Net operating margin	2.5 %	1.7 %	5.3 %	2.8 %	4.2 %	$\frac{\text{Operating profit}}{\text{Operating revenues}}$
Gross operating margin	5.7 %	4.8 %	8.3 %	6.1 %	6.8 %	$\frac{\text{Operating profit} + \text{depreciation}}{\text{Operating revenues}}$
Return on equity	5.4 %	3.0 %	25.0 %	9.9 %	14.6 %	$\frac{\text{Operating result after tax}}{\text{Average equity}}$
Profitability on working capital	6.8%	5.0 %	16.3 %	7.30 %	10.1 %	$\frac{\text{Operating profit}}{\text{Average working capital}}$
Interest cover	1.7	1.4	3.7	1.5	1.7	$\frac{\text{Operating result} + \text{financial costs}}{\text{Financial costs}}$
<b>CAPITAL</b>						
Equity ratio	32.6 %	33.1 %	35.5 %	26.4 %	24.4 %	$\frac{\text{Total equity}}{\text{Total capital}}$
Capital turnover rate	1.8	1.9	2.0	1.9	2.0	$\frac{\text{Operating revenues}}{\text{Average total capital}}$
<b>LIQUIDITY</b>						
Current ratio	1.74	1.83	1.68	1.75	1.41	$\frac{\text{Current assets}}{\text{Current liabilities}}$
Quick ratio	0.79	0.84	0.72	0.95	0.68	$\frac{\text{Liquid funds} + \text{financial investments} + \text{receivables}}{\text{Current liabilities}}$
Cash flow from operations (NOK million)	155.6	113.1	202.9	100.1	97.9	Operating result before tax - taxes payable + depreciation
<b>SHARES</b>						
Earnings per share in NOK	0.37	0.19	1.40	0.41	0.54	$\frac{\text{Operating result}}{\text{Number of shares}}$
Average number of shares (mill.)	92.6	85.6	70.7	70.5	70.5	
Cash flow per share in NOK	1.68	1.32	2.87	1.42	1.39	$\frac{\text{Cash flow from operations}}{\text{Number of shares}}$
Market price in NOK at 31.12.	7.65	4.80	6.90	7.60	6.60	
RISK-amount in NOK per share at 01.01.	- 0.25	- 0.35	- 0.10	- 0.12	- 0.16	Overall RISK for Group Estimated RISK at 01.01.2000 is NOK - 0.25
Dividend in NOK per share	0.25	0.25	0.25	0.00	0.00	
Price/earnings ratio (P/E)	20.9	28.20	3.75	18.54	12.22	$\frac{\text{Market price at 31.12.}}{\text{Ordinary result - per share}}$
Total return per share	64.6 %	- 26.8 %	- 5.9 %	15.2 %	- 29.8 %	$\frac{\text{Dividend per share} + \text{change in value}}{\text{Market price}}$
<b>PERSONNEL</b>						
Number of employees at 31.12.	2 404	2 298	1 759	1 640	1 686	
Average no. of employees	2 351	2 181	1 700	1 663	1 644	

The key figures for 1996 and 1995 have not been revised with respect to the new accounting act.

# profit and loss account

MOELVEN INDUSTRIER – THE GROUP

(Amounts in NOK million)	Note	1999	1998	1997
Revenue		3 488.4	2 991.7	2 336.7
Other operating income		37.3	35.7	40.8
<b>Operating revenues</b>	<b>2, 3</b>	<b>3 525.7</b>	<b>3 027.4</b>	<b>2 377.5</b>
Raw materials and consumables used	4	2 239.7	1 945.4	1 468.5
Change in stock of work in progress, finished goods and projects		- 9.0	- 36.3	- 46.5
Payroll expenses	17	747.6	662.1	501.2
Depreciation on fixed assets and intangible assets	14, 16	110.1	93.0	71.7
Other operating expenses		347.7	310.5	257.2
<b>Operating expenses</b>		<b>3 436.1</b>	<b>2 974.7</b>	<b>2 252.1</b>
<b>OPERATING PROFIT</b>		<b>89.6</b>	<b>52.7</b>	<b>125.4</b>
Income from associates		0.0	3.7	44.8
Other interest received		3.5	5.3	4.9
Other financial income		12.5	21.0	14.7
Other interest expenses		- 44.7	- 32.4	- 23.5
Other financial expenses		- 14.4	- 27.5	- 28.5
<b>Financial income/financial expenses</b>		<b>- 43.1</b>	<b>- 29.9</b>	<b>12.4</b>
<b>OPERATING RESULT BEFORE TAX</b>		<b>46.5</b>	<b>22.8</b>	<b>137.8</b>
Tax on ordinary result	5, 6	12.5	6.4	38.6
<b>OPERATING RESULT</b>		<b>34.0</b>	<b>16.4</b>	<b>99.2</b>
Minority interests	21	- 0.1	0.2	0.0
<b>NET PROFIT FOR THE YEAR</b>	<b>20</b>	<b>33.9</b>	<b>16.6</b>	<b>99.2</b>
<b>Profit per share</b>		<b>0.37</b>	<b>0.19</b>	<b>1.40</b>
Average number of shares		92 642 384	85 630 678	70 744 380

# balance sheet at 31.12.

MOELVEN INDUSTRIER – THE GROUP

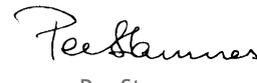
(Amounts in NOK million)	Note	1999	1998	1997
<b>ASSETS</b>				
Deferred tax asset	6	33.5	45.0	35.0
Goodwill	14	23.3	10.0	16.4
<b>Total intangible fixed assets</b>		<b>56.8</b>	<b>55.0</b>	<b>51.4</b>
Land		30.8	36.4	16.6
Buildings and other real property		279.0	269.5	176.6
Machinery and plant		422.4	438.6	235.2
Fixtures and fittings, tools, office machinery etc.		15.3	18.3	9.8
<b>Total tangible fixed assets</b>	15, 16	<b>747.5</b>	<b>762.8</b>	<b>438.2</b>
Investments in associates	19	11.0	5.0	12.2
Investments in shares	18	26.4	24.1	6.1
Bonds and other receivables	7	24.2	16.1	18.0
Net pension funds	17	71.1	65.1	55.8
<b>Total financial fixed assets</b>		<b>132.7</b>	<b>110.3</b>	<b>92.1</b>
<b>Total fixed assets</b>		<b>937.0</b>	<b>928.1</b>	<b>581.7</b>
Stocks	8	540.8	520.0	375.2
Trade debtors	7	335.2	298.1	224.1
Other debtors	7	82.4	110.7	42.6
<b>Total debtors</b>		<b>417.6</b>	<b>408.8</b>	<b>266.7</b>
Bank deposits, cash in hand, etc.	10, 11	32.1	36.2	12.6
<b>Total current assets</b>		<b>990.5</b>	<b>964.7</b>	<b>654.5</b>
<b>TOTAL ASSETS</b>	20	<b>1 927.5</b>	<b>1 892.9</b>	<b>1 236.2</b>
<b>EQUITY AND LIABILITIES</b>				
Share capital		463.2	463.2	356.7
Share premium reserve		71.1	71.1	0.0
<b>Total paid-in capital</b>		<b>534.3</b>	<b>534.3</b>	<b>356.7</b>
Other equity		90.0	90.0	82.2
Minority interests	21	4.8	1.5	
<b>Total equity</b>	22	<b>629.1</b>	<b>625.8</b>	<b>438.9</b>
Pension liabilities	17	9.4	9.2	6.1
Other provisions		5.6	4.2	2.5
<b>Total provisions</b>		<b>15.0</b>	<b>13.4</b>	<b>8.6</b>
Liabilities to financial institutions	10	692.8	723.0	390.3
Other long-term liabilities	9	24.1	3.0	7.9
<b>Total other long-term liabilities</b>		<b>716.9</b>	<b>726.0</b>	<b>398.2</b>
Liabilities to financial institutions	10	19.7	26.1	2.7
Trade creditors		263.1	252.1	181.4
Tax payable		1.1	2.6	6.4
Public duties payable		123.6	123.8	92.7
Dividends		29.7	23.2	17.8
Other short-term liabilities	9	129.3	99.9	89.5
<b>Total short-term liabilities</b>		<b>566.5</b>	<b>527.7</b>	<b>390.5</b>
<b>Total liabilities</b>		<b>1 298.5</b>	<b>1 267.1</b>	<b>797.3</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	20	<b>1 927.5</b>	<b>1 892.9</b>	<b>1 236.2</b>
Mortgages	13	216.3	274.1	393.0
Guarantees	12	65.4	62.3	81.7

Moelv, 6 March 2000  
Moelven Industrier ASA

  
Peder Chr. Løvenskiold  
Chairman of the Board

  
Arthur J. Aasland

  
Carl Graff-Wang

  
Per Stamnes

  
Svein Steen Thomassen

  
Iver Melby

  
Bjørn Solberg Antonsen

  
Frode Alhaug  
President and CEO

# cash flow statement

MOELVEN INDUSTRIER – THE GROUP

(Amounts in NOKm)	Note	1999	1998	1997
<b>CASH FLOW FROM OPERATIONS</b>				
Operating result before tax		46.5	22.8	137.8
Tax paid	5	- 2.7	- 6.6	- 0.5
Ordinary depreciation	16	110.1	93.0	71.7
Gain/loss from the sale of fixed assets	2	- 3.3	- 14.4	- 1.1
Pension costs, provided for but not paid	17	3.4	1.3	0.3
Income from associates	19	0.0	- 3.7	- 44.8
Changes in current assets, excl. liquid funds and deposits		- 54.0	48.4	- 95.5
Changes in current liabilities excl. loans		29.3	- 56.0	31.0
<b>Net cash flow from operations</b>		<b>129.3</b>	<b>84.8</b>	<b>98.9</b>
<b>CASH FLOW FROM INVESTMENTS</b>				
Payments to purchase fixed assets excl. acquisitions	15	- 72.0	- 95.7	- 104.3
Net payments to acquire/sell subsidiaries		- 1.9	- 8.0	- 10.5
Sale of fixed assets	15	12.6	5.0	3.9
Long-term investments, financial		- 19.3	- 6.4	0.2
<b>Net cash flow from investments</b>		<b>- 80.6</b>	<b>- 105.1</b>	<b>- 110.7</b>
<b>CASH FLOW FROM FINANCING</b>				
Changes in short-term liabilities and overdrafts		- 41.0	25.7	- 0.6
Liquid share of income from associates		2.6	1.3	48.9
Changes in long-term debt		8.8	34.7	- 108.7
Issue of equity		0.0	0.0	6.1
Payment of dividends		- 23.2	- 17.8	0.0
<b>Net cash flow from financing</b>		<b>- 52.8</b>	<b>43.9</b>	<b>- 54.3</b>
<b>LIQUID FUNDS</b>				
Net change in liquid funds during year		- 4.1	23.6	- 66.1
Liquid funds at 01.01.		36.2	12.6	78.7
<b>Liquid funds at 31.12.</b>	10	<b>32.1</b>	<b>36.2</b>	<b>12.6</b>
<b>AVAILABLE LIQUID FUNDS</b>				
Liquid funds at 31.12.		32.1	36.2	12.6
Unutilised credit facilities at 31.12.		376.0	345.0	150.0
Restricted deposits		2.4	6.5	5.0
<b>Available liquid funds at 31.12.</b>		<b>405.7</b>	<b>374.7</b>	<b>157.6</b>
<b>Additional information in connection with acquisition/sale of subsidiaries:</b>				
Additions:				
Fixed assets	-	15.8	386.0	12.2
Current assets		9.4	335.1	31.5
Liquid funds		3.3	2.8	1.9
Total equity		6.9	225.0	9.5
Interest-bearing debt		14.6	338.1	10.9
Non interest-bearing debt		7.0	160.8	25.2
<b>Total balance from acquisitions</b>		<b>28.5</b>	<b>723.9</b>	<b>45.6</b>

1999: Acquisition of Splitkon AS and Agder Limtre AS. Acquisition of Grøndalen Elektro AS and Østby Elektriske AS. Sale of Moelven Byggsystem AS.  
 1998: Acquisition of Westwood AB (group), Notnås AB and Rosèn & Co. AB.  
 1997: Acquisition of Byggsystem AS and Byggsystem AB.

## 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 5 to 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 other equity.

### *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 excess value), is listed as "Income from associates". 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 statement. The net amount of the share of the

companies' assets and liabilities is shown in the balance.

### *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 tax charge 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*

Moelven does not produce consolidated financial statements for the sub-groups. The Moelven Group is divided into four business areas. The organisation of the business areas does not follow the formal ownership structure.

# accounting principles

## 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.

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*

Monetary items nominated in foreign currencies are translated at the exchange rate quoted on the balance sheet date. Unrealised exchange rate gains/losses at 31.12 are calculated and entered as other financial gains/costs. An exception is made from the balance sheet date rate principle in connection with currency safeguarding. Other posts in foreign currencies are calculated according to the lowest/highest rate at the time of acquisition and rate at 31.12. Accounts receivables and payables secured by forward exchange rate contracts are converted at the forward rate at 31.12.

### *Off-balance 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 197.8 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*

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 liabilities 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. Liabilities which are based on schemes are calculated actuarially. The liabilities are reduced by the value of the total pension funds and aggregated with the net present value of uninsured liabilities. The liabilities for contract pensions are included in the calculations.

For the Group's main scheme, the pension funds are larger than the

pension liabilities. The overfunding 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 liabilities 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 lifespan.

#### *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 in 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*

Provisions 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 is offset against future tax benefits generated by deferrable losses on the tax return. This means that any posted deferred tax gain/liability is a net amount. There are, however, certain limitations on offsetting these amounts. For example, one may not do so for temporary differences that cannot be offset within the same time period. The earlier limitation specifying that a deferred tax gain may not exceed a deferred tax liability no longer applies according to the new accounting act.

### **NEW ACCOUNTING ACT AS OF 01.01.99**

A new accounting act came into effect on 01.01.1999 in Norway. The

change in assessment principles and classification of accounting posts brought on by the new act will have an effect on Moelven's accounts in the future. If the new accounting act 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. Figures used for comparison in this report have been revised accordingly.

Comparative figures for 1998 and 1997 have been revised to include transactions that would have had an impact on the results and balance according to the accounting principles specified in the new accounting act.

The year-end result for 1998 was revised to account for a currency gain of NOK 6 million, which had been posted as an unrealised gain in accordance with the earlier accounting act. In addition, the reported tax expense has been revised from NOK 2.7 million to NOK 6.4 million. For the accounting year 1997, the changes in the year-end result are in their entirety related to an increase in taxes. For 1997, taxes increased from NOK 6.6 million to NOK 38.6 million.

At 31.12.1998, temporary tax reducing differences amounted to NOK 280 million. Based on an assessment of probable earnings and the possible application of a tax reducing difference, NOK 45 million in deferred tax gains were capitalised at 31.12.1998. As a consequence of this rule, the excess-value figure relating to the purchase of Westwood AB/Notnäs AB in 1998 was amended by a net amount of NOK 4 million – having the effect that activated goodwill was reduced by a corresponding amount. These items were included in a revised balance for 1998. For 1997, a deferred tax gain of NOK 35 million was capitalised.

# notes

## MOELVEN INDUSTRIER – THE GROUP

### NOTE 1. Acquisition and sale of businesses

#### After balance date – events in 2000:

- In February, Eurowand AB acquired all of the shares in the interior layout company Fredlunds Akustik AB, in Uppsala. In 1999, the company – 20 employees – had sales totalling SEK 20 million.
  - In a meeting on 6 October 1999, the Board of Moelven Industrier ASA presented a proposal to acquire all of the shares in Forestia AS, a timber industry company owned fully by Norske Skogindustrier ASA. The proposal to issue a direct placement of shares with Norske Skog was adopted in the extraordinary general meeting held for Moelven on 17 January 2000. As payment for the Transaction, Moelven will issue 26.4 million shares in Norske Skog at a rate of NOK 7.50, as well as make a cash payment of NOK 61 million. In all the payment for the Transaction amounts to NOK 259 million. After the Transaction, Moelven will have a share capital of NOK 595,211,920, distributed among 119,042,384 shares. Norske Skog will be the next largest shareholder with an ownership share of 22.2 %. The payment gives less value on concrete fixed assets in the range of NOK 160 million, which will give a reduction in future depreciation of NOK 16 million over a 10 year period. NOK 30 million will be allocated for the anticipated restructuring of the business. Deferred tax on lost value and provisions equal NOK 54 million. Consolidation in Moelven will first come about from 17 January 2000.
- The timber industry activities in Forestia had sales amounting to NOK 1,300 million in 1999. The company has 820 employees.

If Forestia had been a part of the Moelven Group for all of 1999, 1998 and 1997, the key financial figures (pro forma) would have been as follows (amounts in NOK million; pro forma figures not audited):

Pro forma results:	1999	1998	1997
Operating revenues	4 717	4 587	4 679
Depreciation revised to account for lost value write-offs from Transaction	161	157	160
Operating profit	77	45	171
Net operating margin (in %)	1.6 %	1.0 %	3.7 %
Number of employees	3 196	3 143	2 324

- Moelven EuroWood AS acquired 49 % of the shares in the German timber industry company Aicher GmbH, The transaction took effect as of 01.01.2000. The past year the company – 115 employees – had sales of NOK 160 mill.
- Moelven EuroTimber AS entered into a collaboration agreement with two Swedish sawmill groups, AB Karl Hedin and Bergqvist-Insjön AB, to establish a purchasing company for timber in Wärrmland and Dalarna – Weda Skog AB. Moelven owns 50 % of the shares, while the other two parties own 25 % each. The company is operational as of 01.01.2000.
- Together with other timber industry companies and raw material suppliers, Moelven EuroTimber AS founded a company to improve the efficiency of timber transport – «Transportfellesskapet Østlandet AS». Moelven owns 20 % of the shares in this company. After the acquisition of Forestia AS, Moelven takes over another 20 % share in the company, thereby coming up to a total of 40 %. The company is operational as of 01.01.2000.

#### 1999:

- With effect at 01.01.99, Moelv's laminated timber companies in Norway and Sweden – through Moelven Limtre AS and Moelven Töreboda Limträ AB – joined together with Agder Limtre AS and Splitkon AS to establish a new laminated timber group, in which the Norwegian companies merged and formed the company Mocon AS. Mocon Holding AS is the legal owner, and Moelven's ownership stake is 80.9% in converted preference capital. Moelven has demanded that the minority owner exercise his option to sell the 14.6% share for NOK 20 million. Moelven will then consolidate the Mocon companies as 100% owned, with minority interests at 4.4%. The discounted sales amount translates into capitalised goodwill equalling NOK 13.2 million, which will be depreciated over a 10-year period.
- With effect 01.01.99, 60% of the shares in Moelven Byggsystem AS in Hurdal were sold. In the purchase contract, the parties agreed that Moelven would sell off the rest of the Group's ownership share in the course of a 3-year period.
- Moelven Elektro AS was in operation as of 01.01.99. The electric services activities in Moelven Engineering AS were transferred to Moelven Elektro AS as of the same date.
- In May, Moelven Elektro AS acquired 100 per cent of the shares in Grøndalen Elektro AS, Raufoss, with a subsequent merger. The purchase gave capitalised goodwill equalling NOK 1.7 million, which will be depreciated over a 5-year period. In 1998, the company – 18 employees – had sales of NOK 15 million.
- As of 01.07.99, the remaining 31.8% shares in Moelven FireGuard AS were acquired at no extra cost.
- In October, Moelven Elektro AS acquired 100 per cent of the shares in Østby Elektriske AS, in Sem. The purchase gave capitalised goodwill equalling NOK 1.4 million, which will be depreciated over a 5-year period.

#### 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 fused into a new glulam company Limträ Denmark 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 exercised, 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.

If the companies had been a part of the Moelven Group for the years 1998 and 1997, the key financial figures (pro forma) would have been as follows (amounts in NOK million; Pro forma figures not audited):

Pro forma results:	1998	1997
Operating revenues	3,341	3,389
Depreciation, adjusted for goodwill depreciation due to acquisition	94	106
Operating profit	26	120
Net operating margin	0.8 %	3.5 %
Number of employees	2 298	2 324

- 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 moulding. The company is consolidated as of 01.07.98.
- In June, Moelven Industrier ASA through Moelven Westwood AB sold the builders' merchants companies Westwood Bygghandel in Karlstad AB and Skalet in Karlstad AB.

#### 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 395 million (NOK 500 million in 1998 and NOK 256 million in 1997) have been eliminated. Included in the post are gains from the sale of fixed assets, NOK 3.3 million (NOK 14 million in 1998 and NOK 1 million in 1997).

**NOTE 3. Business areas**

**3.1 Main figures for Group and business areas**

**Criteria for division into business areas/divisions**

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. Also included in this area are assets independent of operations, industrial properties in close proximity to Moelv which today are used by companies outside of the Group and various properties and building modules associated with older building development projects. The assets, which are independent of operations, have a total book value just under NOK 30 million.

Key figures	Group			Timber Industry			Laminated Timber		
	1999	1998	1997	1999	1998	1997	1999	1998	1997
Operating revenues	3 525.7	3 027.4	2 377.5	1 949.4	1 589.1	1 253.0	530.8	434.6	421.9
Depreciation	110.1	93.0	71.7	71.1	56.1	38.7	18.9	15.7	14.9
Operating profit	89.6	52.7	125.4	17.2	19.5	77.8	7.2	- 0.4	5.3
Financial items	- 43.1	- 29.9	12.4	- 27.5	- 23.5	- 9.1	- 8.4	- 7.1	- 4.7
Operating result before tax	46.5	22.8	137.8	- 10.3	- 4.0	68.7	- 1.2	- 7.5	0.6
Gross operating margin	5.7	4.8	8.3	4.5	4.8	9.3	4.9	3.5	4.8
Cash flow from operations	156.6	115.8	209.5	60.8	52.1	107.4	17.7	8.2	15.5
Total capital	1 927.5	1 892.9	1 236.2	1 182.6	1 192.6	728.1	280.3	234.4	250.5
Interest-bearing debt	712.5	751.9	393.1	410.1	438.1	171.1	153.0	124.1	118.3
Interest-free debt	586.0	515.3	404.2	303.0	277.2	242.2	90.6	59.9	53.5
Equity ratio	32.6	33.0	35.5	39.7	40.0	43.2	13.1	21.5	31.4
Investments	72.4	103.7	116.7	35.3	64.6	30.5	11.2	8.8	46.1
No. of employees	2 404	2 298	1 759	1 022	990	604	414	326	353
Pro forma operating revenues	3 526	3 341	3 391	1 949	1 873	2 037	531	435	422

Key figures continue	Interior Layout			Construction and Contracting			Others incl. eliminations		
	1999	1998	1997	1999	1998	1997	1999	1998	1997
Operating revenues	526.0	476.9	417.7	561.6	557.2	343.5	- 42.1	- 30.4	- 58.6
Depreciation	5.3	3.5	3.5	6.8	5.7	6.2	8.0	12.0	8.4
Operating profit	45.5	42.1	37.2	42.7	19.2	22.9	- 23.0	- 27.7	- 17.8
Financial items	7.6	8.5	9.1	1.2	0.0	- 2.4	- 16.0	- 8.0	19.5
Operating result before tax	53.1	50.6	46.2	43.9	19.2	20.4	- 39.0	- 35.5	1.9
Gross operating margin	9.7	9.6	9.7	8.8	4.5	8.5	-	-	-
Cash flow from operations	58.4	54.1	49.7	50.7	24.9	26.6	- 31.0	- 23.5	10.3
Total capital	250.5	238.2	215.0	270.4	261.1	209.0	- 56.3	- 33.4	- 166.4
Interest-bearing debt	0.0	0.0	0.0	42.7	57.6	31.7	106.7	132.0	72.0
Interest-free debt	115.9	107.9	89.2	111.8	116.3	95.1	- 35.3	- 46.0	- 75.8
Equity ratio	53.7	54.7	58.5	42.9	33.4	39.3	-	-	-
Investments	11.8	17.9	12.2	6.5	6.6	22.4	7.6	5.8	5.5
Number of employees	488	464	386	412	459	376	68	59	40
Pro forma operating revenues	526	477	418	562	557	438	- 42	- 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).

**3.2 Operating revenues by geographical markets**

Operating revenues	Group			Timber Industry			Laminated Timber		
	1999	1998	1997	1999	1998	1997	1999	1998	1997
Scandinavia	2 292	2 265	2 249	1 049	1 089	1 377	262	210	224
Euro-countries	670	640	672	503	487	535	158	144	133
Rest of Europe	293	291	273	216	193	205	50	48	17
Japan	143	62	141	82	33	93	61	29	48
Rest of the world	128	83	54	99	71	55	-	3	-
<b>Total</b>	<b>3 526</b>	<b>3 341</b>	<b>3 389</b>	<b>1 949</b>	<b>1 873</b>	<b>2 265</b>	<b>531</b>	<b>435</b>	<b>422</b>

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Operating revenues	Interior Layout			Construction and Contracting			Others, incl. eliminations		
	1999	1998	1997	1999	1998	1997	1999	1998	1997
Scandinavia	519	464	412	507	524	389	- 45	- 22	- 153
Euro-countries	4	7	4	2	2		3		
Rest of Europe	3	6	2	24	23	49		21	
Japan									
Rest of the world				29	8				- 1
<b>Total</b>	<b>526</b>	<b>477</b>	<b>418</b>	<b>562</b>	<b>557</b>	<b>438</b>	<b>- 42</b>	<b>- 1</b>	<b>- 154</b>

### 3.3 Distribution of operating revenues by producing country

Operating revenues	Group			Timber Industry			Laminated Timber		
	1999	1998	1997	1999	1998	1997	1999	1998	1997
Norway	1 441	1 357	1 151	471	436	481	232	114	108
Sweden	1 980	1 802	2 109	1 478	1 437	1 783	194	136	170
Denmark	105	182	129				105	185	145
<b>Total</b>	<b>3 526</b>	<b>3 341</b>	<b>3 389</b>	<b>1 949</b>	<b>1 873</b>	<b>2 265</b>	<b>531</b>	<b>435</b>	<b>422</b>

Operating revenues	Interior Layout			Construction and Contracting			Others, incl. eliminations		
	1999	1998	1997	1999	1998	1997	1999	1998	1997
Norway	371	358	313	384	461	302	- 17	- 12	- 52
Sweden	155	119	104	178	97	136	- 25	14	- 85
Denmark								- 2	- 16
<b>Total</b>	<b>526</b>	<b>477</b>	<b>418</b>	<b>562</b>	<b>557</b>	<b>438</b>	<b>- 42</b>	<b>0</b>	<b>- 153</b>

### 3.4. No. of employees per business area

No. of employees	Group			Timber Industry			Laminated Timber		
	1999	1998	1997	1999	1998	1997	1999	1998	1997
Norway	1 171	1 153	1 038	267	273	300	173	112	113
Sweden	1 116	1 046	592	755	717	304	131	123	117
Denmark	98	78	109				98	78	109
Others	19	21	20				12	13	14
<b>Total</b>	<b>2 404</b>	<b>2 298</b>	<b>1 759</b>	<b>1 022</b>	<b>990</b>	<b>604</b>	<b>414</b>	<b>326</b>	<b>353</b>

No. of employees	Interior Layout			Construction and Contracting			Others		
	1999	1998	1997	1999	1998	1997	1999	1998	1997
Norway	373	367	291	302	352	295	56	49	39
Sweden	115	97	95	110	107	76	5	2	
Denmark									
Others						5	7	8	1
<b>Total</b>	<b>488</b>	<b>464</b>	<b>386</b>	<b>412</b>	<b>459</b>	<b>376</b>	<b>68</b>	<b>59</b>	<b>40</b>

### 3.5. Distribution of trade debtors and stocks by business area

Operating capital	Group			Timber Industry			Laminated Timber		
	1999	1998	1997	1999	1998	1997	1999	1998	1997
Trade debtors	335.2	298.1	224.1	166.9	153.0	104.3	53.6	45.8	28.8
Raw materials and purchased goods	540.8	520.1	375.2	376.1	367.0	225.1	59.3	52.6	65.4
Gross operating capital	876.0	818.1	599.3	543.0	520.0	329.4	112.9	98.4	94.2
Trade creditors	263.1	252.2	181.4	163.4	156.2	115.3	25.8	23.0	14.7
<b>Net operating capital</b>	<b>612.9</b>	<b>565.9</b>	<b>417.9</b>	<b>379.6</b>	<b>363.8</b>	<b>214.1</b>	<b>87.1</b>	<b>75.4</b>	<b>79.5</b>
<b>As per cent of operating revenues</b>	<b>17 %</b>	<b>17 %</b>	<b>18 %</b>	<b>19 %</b>	<b>19 %</b>	<b>17 %</b>	<b>16 %</b>	<b>17 %</b>	<b>19 %</b>

Operating capital	Interior Layout			Construction and Contracting			Others, incl. eliminations		
	1999	1998	1997	1999	1998	1997	1999	1998	1997
Trade debtors	28.9	17.6	15.8	78.3	78.2	73.3	7.5	3.5	1.9
Raw materials and purchased goods	31.8	21.3	21.7	54.8	66.6	52.3	18.8	12.5	10.7
Gross operating capital	60.7	38.9	37.5	133.1	144.8	125.6	26.3	16.0	12.6
Trade creditors	24.5	26.7	20.8	42.0	39.1	29.1	7.4	7.2	1.5
<b>Net operating capital</b>	<b>36.2</b>	<b>12.2</b>	<b>16.7</b>	<b>91.1</b>	<b>105.7</b>	<b>96.5</b>	<b>18.9</b>	<b>8.0</b>	<b>11.0</b>
<b>As per cent of operating revenues</b>	<b>7 %</b>	<b>3 %</b>	<b>4 %</b>	<b>16 %</b>	<b>19 %</b>	<b>22 %</b>	<b>-</b>	<b>-</b>	<b>-</b>

## NOTE 4. Cost of goods sold

Amounts in NOK million	1999	1998	1997
Purchase of raw materials, semi-finished goods for resale and services, incl. increased provision for warranty and service commitments	2 083.9	1 786.0	1 396.0
Transport costs of goods sold	172.0	145.8	113.2
Changes in stocks of raw materials and purchases	- 16.2	13.6	- 40.7
<b>Cost of goods sold</b>	<b>2 239.7</b>	<b>1 945.4</b>	<b>1 468.5</b>

## NOTE 5. Taxation

Amounts in NOK million	1999	1998	1997
Pre-tax profits	46.5	22.8	137.8
Nominal tax in Norway 28 %	13.0	6.4	38.6
Net tax effect of tax exempt items and effect of other tax rates abroad	- 0.5	0.0	0.0
<b>Taxes</b>	<b>12.5</b>	<b>6.4</b>	<b>38.6</b>
Taxes consist of payable taxes in:			
Norway	0.0	0.1	0.3
Sweden	1.0	0.1	6.3
Denmark	0.0	2.5	0.0
<b>Total taxes payable</b>	<b>1.0</b>	<b>2.7</b>	<b>6.6</b>
Changes in deferred tax	11.5	3.7	32.0
<b>Total taxes</b>	<b>12.5</b>	<b>6.4</b>	<b>38.6</b>

## NOTE 6. Tax effect of temporary differences between accounting and tax-related balances (based on a 28 % nom. tax rate)

## 6.1. Deferred tax

Amounts in NOK million	1999	1998	1997
<b>Temporary differences:</b>			
Provision for receivables	- 1.1	- 1.1	- 0.9
Provision for stocks	13.8	5.3	3.5
Cost provisions according to generally accepted accounting principles	- 1.9	- 0.7	- 2.3
Other short-term temporary differences	- 0.9	- 1.4	- 0.9
Subtotal short-term differences	9.9	2.1	- 0.6
<b>Temporary differences:</b>			
Accumulated excess tax depreciation	0.6	25.1	- 5.9
Gain/loss account in associated company	6.7	9.0	10.5
Gain/loss account	2.4	2.1	1.8
Pension funds	19.9	18.2	15.6
Pension liabilities	- 2.6	- 2.6	- 1.7
Other long-term items	- 39.6	- 48.3	- 49.7
Subtotal long-term items	- 12.6	3.5	- 29.4
Accommodated tax carry-forwards	0.0	- 5.6	0.0
Tax reducing differences (-), tax increasing differences (+)	- 2.7	0.0	- 30.0
<b>Deferred tax liability</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

## 6.2 Deferred tax benefit

Amounts in NOK million	1999	1998	1997
Non-accommodated negative differences	2.7	18.9	30.0
Non-accommodated carry-forwards	64.1	59.6	46.9
<b>Deferred tax gain</b>	<b>66.8</b>	<b>78.5</b>	<b>76.9</b>
<b>Deferred tax gain capitalised in the accounts</b>	<b>33.5</b>	<b>45.0</b>	<b>35.0</b>

Based on an assessment of the likely earnings and possible application of the tax-reducing differences, only a portion of the total deferred tax gain has been capitalised in the accounts.

## 6.3 Deferred tax benefit from deficits carried forward

Amounts in NOK million	1999	1998	1997
Norway	25.2	33.4	43.0
Sweden	35.9	29.0	1.3
Denmark and others	3.0	2.8	2.6
<b>Deferred tax benefit from deficits carried forward</b>	<b>64.1</b>	<b>65.2</b>	<b>46.9</b>

For the Group's Norwegian companies, the deficits have been carried forward in their entirety for the time period 1993-1999, and the timeframe in which the carry-forward opportunity expires is from 2003 to 2009. 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.

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## NOTE 7. Other receivables

### 7.1. Short-term items

Amounts in NOK million	1999	1998	1997
Trade debtors:			
Trade debtors, gross	338.7	303.3	230.9
Provision against losses	- 3.5	- 5.2	- 6.8
<b>Trade debtors, net</b>	<b>335.2</b>	<b>298.1</b>	<b>224.1</b>
This year's recorded losses	5.8	5.7	2.8
Changes in provision for loss	- 1.7	- 1.7	- 0.9
<b>Losses on accounts receivables</b>	<b>4.1</b>	<b>4.0</b>	<b>1.9</b>
<b>Other debtors</b>			
Receivables from employees	4.4	4.7	3.3
VAT credit	0.3	28.2	10.7
Other receivables	77.7	77.8	28.6
<b>Total other debtors</b>	<b>82.4</b>	<b>110.7</b>	<b>42.6</b>

Included in the post Other 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. This amount was paid off in 1999. Approx. 55% of the Group's operating revenues are covered by debtor insurance.

### 7.2 Long-term items

Of the total amount of bonds and other receivables totalling NOK 18.5 million at 31.12.99, NOK 4.0 million is from SIVA Moelv Næringspark AS (0 in 1998); NOK 1.5 million is from loans to employees (0 in 1998); NOK 1.0 million is from a secured loan in connection with Expo 2000 (0 in 1998); and NOK 4.5 million is from an insured insurance fund (NOK 4.8 million in 1998). Also included here are a number of smaller amounts that in themselves are not of any noteworthy size.

## NOTE 8. Stocks and orders

Amounts in NOK million	1999	1998	1997
Raw materials and purchased semi-finished goods	172.7	159.0	142.0
Work in progress	82.3	72.7	32.3
Finished goods	215.7	223.7	142.4
Orders	44.8	45.9	45.0
Prepayments to suppliers	25.3	18.6	13.5
<b>Total stocks and orders</b>	<b>540.8</b>	<b>519.9</b>	<b>375.2</b>
<b>Specification of projects:</b>			
Own projects at 31.12.	11.1	10.5	11.0
Contracts at 31.12.	84.1	112.7	103.7
Payments on account	- 50.4	- 77.3	- 69.7
<b>Total projects – net</b>	<b>44.8</b>	<b>45.9</b>	<b>45.0</b>

## NOTE 9. Other liabilities

### 9.1 Current liabilities

Amounts in NOK million	1999	1998	1997
Payments on account from customers	9.8	4.1	1.3
Future commitments to minority owners in subsidiaries	0.0	0.0	18.2
Provision for warranty and service commitments	1.7	4.2	2.8
Other accrued expenses not yet due	117.8	91.6	67.2
<b>Total</b>	<b>129.3</b>	<b>99.9</b>	<b>89.5</b>

The item Other accrued expenses not yet due includes only accruals and provisions related to operations.

### 9.2 Long-term items

Warranty and service commitments expected to fall due in more than one year are presented under "Other long-term liabilities" with NOK 3.8 million (NOK 4.2 million in 1998). The post Other long-term liabilities includes a provision for future payment to owners of minority interests in subsidiaries amounting to NOK 16.6 million.

## NOTE 10. Net interest-bearing debt

### 10.1 Interest-bearing receivables and debt

Amounts in NOK million	1999 *	1999	1998	1997
Restricted bank deposits		2.4	6.5	5.0
Other bank deposits		29.7	29.7	7.6
Interest-bearing receivables/loans		0.0	37.5	0.0
<b>Total bank deposits/receivables</b>		<b>32.1</b>	<b>73.7</b>	<b>12.6</b>
<b>Bank overdraft</b>		<b>19.7</b>	<b>26.1</b>	<b>2.7</b>
Long-term interest-bearing debt:				
NOK	7.4 %	92.6	120.2	147.3
SEK	4.6 %	576.1	590.2	177.9
Euro	3.7 %	8.4	0.0	0.0
Others	4.5 %	15.7	15.4	65.1
<b>Total long-term interest-bearing debt</b>		<b>692.8</b>	<b>725.8</b>	<b>390.3</b>
<b>Net interest-bearing debt</b>		<b>680.4</b>	<b>678.2</b>	<b>380.4</b>

\* Average interest.

## 10.2 Repayment plans on long-term loans

Amounts in NOK million	1999	1998	1997
Long-term debt falling due within:			
1 year	47.2	55.9	34.5
2 years	45.2	52.0	36.2
3 years	45.1	71.8	36.0
4 years	295.3	44.9	76.2
5 years	44.1	242.8	83.3
6 years and more	215.9	258.4	124.1
<b>Total</b>	<b>692.8</b>	<b>725.8</b>	<b>390.3</b>

## 10.3 Interest adjusting

Amounts in NOK million – according to currency	NOK	SEK
Interest adjustment for the following years:		
2000	47.0	20.5
2001	36.9	58.5
2002	6.6	100.0
2003	0.0	109.4
2004	0.0	1.5
2005	0.0	50.0
2006	0.0	17.6
<b>Total</b>	<b>90.5</b>	<b>357.5</b>

The loans have been issued with a negative mortgage agreement, and with a standard paragraph relating to share capital, equity ratio and cash flow.

## NOTE 11. Financial market risk

Financial assets exposed to credit or currency risks consist primarily of trade debtors and claims to financial institutions. An assessment has also been made of the solidity of the receivables, and provisions have been set up to account for potential losses. Historically, provisions set off for this purpose have been sufficient to cover such losses. Receivables from financial institutions primarily involve three Scandinavian banks. There are also currency risks involved with the trade receivables. The primary share of the Group's receivables in other currencies involves the currencies SEK, EUR and GBP. The exposure to currency fluctuations is partially covered through futures contracts with duration up to six months. With respect to SEK, much of the risk is offset by accounts payable to suppliers are in the same currency, in addition to that a large part of the Group's interest-bearing debt is in the same currency.

## NOTE 12. Guarantees

Amounts in NOK million	1999	1998	1997
Loan guarantees/financial guarantees	8.3	8.3	5.7
Surety and prepayment guarantees	56.7	53.3	75.0
Joint guarantees other companies	0.4	0.5	0.6
Employee guarantees	0.0	0.2	0.4
<b>Total</b>	<b>65.4</b>	<b>62.3</b>	<b>81.7</b>

## NOTE 13. Mortgages – secured loans

## 13.1 Loans with security in assets

Amounts in NOK million	1999	1998	1997
Bank overdraft	7.7	2.5	2.7
Long-term loans	208.6	271.6	390.3
<b>Total</b>	<b>216.3</b>	<b>274.1</b>	<b>393.0</b>

## 13.2 Book value of pledged assets

Amounts in NOK million	1999	1998	1997
Other receivables and prepayments	105.9	44.0	281.7
Stocks	139.8	100.3	318.2
Bonds and other securities	0.0	0.0	4.1
Machinery, installations, incl. miscellaneous	149.7	84.3	184.0
Buildings	146.8	46.2	170.1
Land	17.8	6.3	16.1
<b>Total</b>	<b>560.0</b>	<b>281.1</b>	<b>974.2</b>

# notes

MOELVEN INDUSTRIER – THE GROUP

## NOTE 14. Financial goodwill in connection with acquisition of subsidiaries

Amounts in NOK million	1999	1998	1997
Companies in the Timber Industry Division	12.1	5.8	5.8
Additions from acquisition of Westwood AB, Notnäs AB and Rosén & Co. AB.	0.0	6.3	0.0
Depreciation for year	- 0.9	- 3.5	- 0.6
Accumulated depreciation	- 6.1	- 5.2	- 1.7
<b>Subtotal Timber Industry</b>	<b>6.0</b>	<b>6.9</b>	<b>4.1</b>
Companies in the Construction and Contracting Division	8.0	16.5	13.6
Reduction from gradual acquisition of Moelven Hako AS, 21% remaining	-	- 5.6	0.0
Reassessment of goodwill on excess value of buildings, Moelven Byggsystem AB	0.0	- 2.9	2.9
Additions from acquisition of Grøndalen Elektro AS and Østby Elektriske AS	3.1	-	-
Depreciation for year	- 0.8	- 0.7	- 1.6
Accumulated depreciation	- 5.7	- 4.9	- 4.2
<b>Subtotal Construction and Contracting</b>	<b>5.4</b>	<b>3.1</b>	<b>12.3</b>
Companies in the Laminated Timber Division			
Additions from establishment of Mocon AS, and assuming that minority interests exercise their put option	13.2	0.0	0.0
Depreciation for year	- 1.3	-	-
Accumulated depreciation	- 1.3	0.0	0.0
<b>Subtotal Laminated Timber Division</b>	<b>11.9</b>	<b>0.0</b>	<b>0.0</b>
<b>Total capitalised goodwill</b>	<b>36.4</b>	<b>20.1</b>	<b>19.4</b>
<b>Depreciation for year</b>	<b>- 3.0</b>	<b>- 4.3</b>	<b>- 2.2</b>
<b>Accumulated depreciation</b>	<b>- 13.1</b>	<b>- 10.1</b>	<b>- 5.9</b>
<b>Total</b>	<b>23.3</b>	<b>10.0</b>	<b>16.4</b>

All acquisitions relating to capitalised goodwill are within the Group's primary business areas. The period of depreciation is set at 10 years. For additions to Elektro in the Construction and Contracting Division, the period of depreciation is set at 5 years. Goodwill from the acquisition of Westwood AB/Notnäs AB in 1998 has been revised as a result of a new assessment of value in 1999. Goodwill amounting to NOK 10.3 million has been reduced to NOK 3.4 million on the basis of the new accounting act, which permits the capitalisation of deferred tax gains. Here the deferred tax gain involves the allocation for restructuring made at the time of the purchase on 01.05.1998.

## NOTE 15. Investments in and sale of fixed assets

Amounts in NOK million	1999		1998		1997		1996		1995	
	Invest.	Sale	Invest.	Sale	Invest.	Sale	Invest.	Sale	Invest.	Sale
Fixtures and fittings etc. *)	7.3	0.3	-	-	-	-	-	-	-	-
Machines and plant	56.7	4.4	279.3	7.8	86.7	3.7	60.7	3.4	127.0	6.3
Buildings and other property	22.6	5.5	141.4	34.3	29.0	0.2	31.1	9.6	32.1	5.7
Land	1.0	2.4	25.0	10.4	1.0	0.0	0.0	0.4	1.1	0.6
<b>Total</b>	<b>87.6</b>	<b>12.6</b>	<b>445.7</b>	<b>52.5</b>	<b>116.7</b>	<b>3.9</b>	<b>91.8</b>	<b>13.4</b>	<b>160.2</b>	<b>12.6</b>

\* For the years 1995-1998, this item was included in Machines and plant (previously "Machines, vehicles and equipment").

1999: Included in the Group's investments are additions amounting to NOK 15 million resulting from the acquisition of Splitkon AS, Agder Limtre AS, Grøndalen Elektro and Østby Elektriske AS. Investments amounting to NOK 5 million were made at the 40% owned Limtræ Danmark AS. Of the overall investments made this year, an amount equal to NOK 15 million is a result of investment decisions made in 1998.

1998: Investments of NOK 342 million arising from the purchase 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 excess value. 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.

## NOTE 16. Plant and properties

### 16.1 Plant and properties, book value

Amounts in NOK million	Buildings and other property	Land	Machines and plant	Fixtures and fittings, tools etc.	TOTAL
Acquisition value at 01.01. <sup>1)</sup>	439.2	35.7	803.7	36.9	1 315.5
Additions 1999	22.6	1.0	56.7	7.3	87.6
Value at disposal	5.9	2.4	26.6	3.3	38.2
<b>Acquisition value at 31.12</b>	<b>455.9</b>	<b>34.3</b>	<b>833.8</b>	<b>40.9</b>	<b>1 364.9</b>
Acc. ord. depreciation at 01.01.	162.3	3.5	350.5	23.0	539.3
Disposals acc. depreciation	3.8	0.0	22.3	2.8	28.9
<b>Depreciation current year <sup>2)</sup></b>	<b>18.4</b>	<b>0.0</b>	<b>83.2</b>	<b>5.4</b>	<b>107.0</b>
Acc. ordinary depreciation at 31.12.	176.9	3.5	411.4	25.6	617.4
Net book value at 01.01	276.9	32.2	453.2	13.9	776.2
<b>Net book value at 31.12</b>	<b>279.0</b>	<b>30.8</b>	<b>422.4</b>	<b>15.3</b>	<b>747.5</b>
Ordinary depreciation rates in %	5 - 7 %	0 %	7 - 12 %	7 - 12 %	-

<sup>1)</sup> Acquisition value at 01.01 is adjusted by NOK 7 million for exchange gain/loss on conversion of subsidiaries to NOK, in addition to an adjustment of NOK 5.7 million for previous years.

<sup>2)</sup> Depreciation for the year in accordance with the profit and loss account includes depreciation on fixed assets of NOK 107 million, and amortisation on goodwill of NOK 3 million.

## 16.2 Annual operating leasing costs

Amounts in NOK million	1999	1998	1997
Vehicles	4.6	4.5	3.8
Machines and equipment	4.7	4.5	2.0
Buildings and property	3.5	3.8	2.6
<b>Total</b>	<b>12.8</b>	<b>12.8</b>	<b>8.4</b>

## NOTE 17. Wages and pension costs/pension liabilities

## 17.1 Payroll expenses

Amounts in NOK million	1999	1998	1997
Wages and salaries	570.8	516.4	397.8
Employer's national insurance contribution and social expenses	137.9	116.0	85.7
Pension costs re. benefit and pension plans	14.1	9.0	6.1
Other social costs	24.8	20.7	11.6
<b>Total</b>	<b>747.6</b>	<b>662.1</b>	<b>501.2</b>

## 17.2 Pension costs

Amounts in NOK million	1999	1998	1997
Earnings for the year	5.9	5.6	3.0
Interest cost on pension liabilities	3.2	4.1	3.1
Pension costs (gross)	9.1	9.7	6.1
Expected return on pension assets	- 6.8	- 8.5	- 7.5
Changes in estimates	1.1	0.1	2.0
<b>Pension costs (net). Insured and uninsured plans</b>	<b>3.4</b>	<b>1.3</b>	<b>0.6</b>
Pension costs for contractual pensions	1.2	1.5	0.9

## 17.3 Pension liabilities

Amounts in NOK million	1999	1998	1997
<b>Balance at 01.01</b>			
Accumulated earnings	61.0	48.0	40.6
Pensions based on future salary increases	6.9	3.5	7.2
Pension liabilities (gross)	67.9	51.5	47.8
Pension funds	- 123.8	- 107.3	- 100.0
<b>Pension liabilities (net), surplus</b>	<b>- 55.9</b>	<b>- 55.8</b>	<b>- 52.2</b>
<b>Balance at 31.12</b>			
Pension liabilities (gross)	65.4	67.9	51.5
Pension funds (anticipated)	- 115.9	- 117.5	- 101.7
Estimated change and variance, not charged	- 11.2	- 6.3	- 5.6
<b>Pension liabilities (net), surplus</b>	<b>- 61.7</b>	<b>- 55.9</b>	<b>- 55.8</b>
<b>Total net pension funds, permissible insured schemes</b>	<b>- 71.1</b>	<b>- 65.1</b>	<b>- 55.8</b>
<b>Insured schemes not allowed to be offset by over-financed schemes</b>	<b>0.0</b>	<b>0.8</b>	<b>0.0</b>
<b>Pension liabilities, contractual pensions</b>	<b>9.4</b>	<b>8.4</b>	<b>6.1</b>
<b>Total pension liabilities</b>	<b>9.4</b>	<b>9.2</b>	<b>6.1</b>

The Group's total pension liabilities (TBO) for insured schemes are estimated at NOK 130 million at the end of 1999 (NOK 92 million for 1998). The TBO is the current value of likely future pension liabilities, assuming that the members remain in the scheme through to retirement age.

**Insured schemes:** Pension funds are larger than pension liabilities 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 1999, certain pension contracts have been phased out and replaced by a new coverage in order to harmonise with the existing pension contracts among the Group's Norwegian subsidiaries. The new pension plans cover approx. 60% of the last salary of the person retiring at 67 years of age.

**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 amended the financial assumptions for expected withdrawal of contractual pensions starting at the age of 62 from 25% to 50%. All uninsured pension liabilities have been included in the above-mentioned calculation. Pension schemes in the Group's foreign subsidiaries are organised in separate schemes.

## 17.4 Financial assumptions

Amounts in NOK million	1999	1998	1997
Return on pension assets	8.0 %	8.0 %	8.0 %
Discount rate	7.0 %	7.0 %	7.0 %
Growth in annual salaries and state pensions	3.3 %	3.3 %	3.3 %
Annual adjustment of pension being drawn	2.5 %	2.5 %	2.5 %

The pension liabilities that apply to the Group's Norwegian companies cover a total of 970 people (529 in 1998/505 in 1997) for the insured schemes, of whom 862 are active and 108 are pensioners. The pension liabilities in connection with contractual pensions encompass a total of 966 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 liabilities and pension funds for the start of the year.

**Events relating to pensions in 2000 for Moelven's Swedish subsidiaries:** Pension funds managed by the Swedish Pension Institute (SPP) have generated more income than what is needed to cover future pensions commitments. It is therefore decided that the funds shall be returned to the companies who have paid into the plan. For the Moelven Group's Swedish subsidiaries, these funds amount to more than SEK 40 million. The rules for how to deal with the amounts from an accounting standpoint have not yet been clarified; however, in relation to what has been proposed thus far, the result should be a positive cash gain for Moelven over the next seven years.

# notes

## MOELVEN INDUSTRIER – THE GROUP

### NOTE 18. 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 31.12.1999
Vamo AS <sup>1)</sup>	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
Bygg Tech Hurdal AS	40.0 %	1 500	6 000	600	1 053
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
Miscellaneous					19
<b>Total Moelven Industrier ASA</b>					<b>10 828</b>
Bäckebrons Sågverk AB	11.0 %	SEK 4 100	4 500	SEK 100	519
Weda Skog AB	50.0 %	SEK 100	500	SEK 100	47
Miscellaneous					4
<b>Total Moelven Westwood AB</b>					<b>570</b>
Nye Land Sag AS <sup>1)</sup>	30 %	5 000	1 500	1 500	1 500
Firma Kiehn Holz GmbH	8 %	DEM 3 000	-	1 310	1 310
Fire Guard Scandinavia AS	2 %	11 149	196 500	196	196
Transportfellesskapet Østlandet AS	20 %	500	100	100	101
Miscellaneous					216
<b>Total Moelven Timber Industry Division</b>					<b>3 323</b>
Impregnor AS	1 %	7 100	400	50	90
Jures Medis AB	15 %	LT 6 032 725	180 426	LT 902	974
Limtræ Denmark AS <sup>2)</sup>	40 %	DKK 27 000		DKK 10 800	25 898
Svenskt Limtræ AB	33 %	SEK 100 000	333	SEK 33	31
<b>Total Moelven Laminated Timber Division</b>					<b>26 994</b>
<b>Others</b>					
000 Moelven Energo	31.6 %	USD 4 750	1	USD 1 500	12 577
<b>Total</b>					<b>54 291</b>
<sup>1)</sup> For shares treated as shares in associated companies in the Group accounts: see note 19					
Vamo AS					450
Nye Land Sag AS					1 500
<sup>2)</sup> For shares treated as shares in jointly controlled businesses in the Group accounts: see note 20					
Limtræ Denmark AS					25 898
<b>Total for Group</b>					<b>26 443</b>

### NOTE 19. Shares (20% -) and interest in associated companies – by equity method

Amounts in 1000 NOK	Share of ownership	Value at 01.01 1999	Balance: Additions/Disp.	Value at 31.12.1999	Share profit
Vamo KS	40.5 %	0	4 102	4 102	- 11
Vamo AS <sup>1)</sup>	45.0 %	450	0	450	0
Moelven Elementbygg KS	60.0 %	360	- 130	230	- 130
Residencial Los Bermejales SA	75.0 %	325	75	400	75
ANS Land Sag Eiendom	30.0 %	1 261	0	1 261	0
Nye Land Sag AS <sup>1)</sup>	30.0 %	0	2 005	2 005	41
Vikingskipet Motell ANS	50.0 %	2 553	14	2 567	14
<b>Total for Group</b>		<b>4 949</b>	<b>6 066</b>	<b>11 015</b>	<b>- 11</b>

### NOTE 20. Shares and interest in jointly controlled businesses – straight line method

Amounts in 1000 NOK	Share of ownership	Value at 01.01 1999	Balance: Additions/Disp.	Value at 31.12.1999	Share profit
Limtræ Danmark AS <sup>2)</sup>	40.0 %	27 914	- 2 109	25 805	2 265

The companies' relative share in NOK million of key parts of the Group's results and balance sheet for 1999.

Profit or loss item	1999	1998	Balance sheet item	1999	1998
Operating revenues	105.4	73.8	Current assets	37.2	27.0
Operating profit	4.3	2.5	Fixed assets	19.2	47.5
Operating result before tax	3.4	0.9	Total assets	56.4	74.5
Taxation	1.1	1.7	Non interest-bearing debt	25.8	26.4
			Interest-bearing debt	13.6	20.2
			Equity	17.0	27.9
<b>Result for the year</b>	<b>2.3</b>	<b>- 0.8</b>	<b>Total equity and liabilities</b>	<b>56.4</b>	<b>74.5</b>

Moelven FireGuard AS, which was included in the 1998-figures, became 100 % owned in the course of 1999.

**NOTE 21. Companies treated as subsidiaries, with minority ownership shares**

The Group accounts for 1999 include the following companies with minority interests:

Moelven Hako Nord AS	30 % (30 % in 98)
Moelven Laminated Timber Ltd	15 % (15 % in 98)
Mocon Holding AS (Group)	4.4 % (new in 99)

The companies' relative share in NOK million of key parts of the Group's results and balance sheet for 1999.

Profit or loss item	1999	1998	Balance sheet item	1999	1998
Operating revenues	30.3	15.0	Equity	4.8	1.5
Net profit for the year	- 0.1	- 0.2	Total capital	16.1	12.7

**NOTE 22. Equity****22.1 Changes in equity**

Amounts in 1000 NOK	Share-capital	Share premium reserve	Legal reserve	Other equity	Retained earnings	Minority interests	Profit/loss	TOTAL equity
Balance at 31.12.1998	463.2		0.6		113.5			577.3
Transfer of legal reserves		0.6	- 0.6					0.0
Transfer of retained earnings		70.5		43.0	- 113.5			0.0
Balance at 31.12.98 after new set-up	463.2	71.1		43.0				577.3
Balance of deferred tax gain				45.0				45.0
Reassessment of goodwill				- 4.0				- 4.0
New assessment rules for items in foreign currency				6.0				6.0
Transfer on opening balance						1.5		1.5
Balance at 01.01.1999	463.2	71.1		90.0		1.5		625.8
Net profit							33.9	33.9
Allocation of net profit				4.1			- 4.1	0.0
Currency exchange difference				- 0.9				- 0.9
Provisions for dividend							- 29.7	- 29.7
Minority interests				- 3.2		3.3	- 0.1	0.0
Balance 31.12.1999	463.2	71.1	0.0	90.0	0.0	4.8	0.0	629.1

In connection with the implementation of the new accounting act involving a new standard and new assessment rules, the share capital on the incoming balance has been amended as follows:

**Transfer in accordance with new standard**

- Surplus from direct placement of shares in 1998 amounts to NOK 71.1 million and has been transferred to a share premium reserve.
- The minority interests' share of the Group's share capital – amounting to NOK 1.5 million – has been included in the Group's equity in accordance with the new guidelines.

**New assessment principles**

- The net result for 1998 has been revised to include a currency gain of NOK 6 million; this amount had been treated as uncapitalised gains in accordance with the previous accounting rules.
- Non-accommodated tax-reducing differences totalled NOK 280 million at 31.12.1998. Based on an assessment of the likely earnings and possible utilisation of tax-reducing differences, NOK 45 million in deferred tax gain was capitalised as of 31.12.1998.
- Based on the rule concerning capitalising deferred taxes, a surplus/loss value analysis relating to a restructuring fund in connection with the acquisition of WestwoodAB/Notnäs AB in 1998 came up with a net change of NOK 4 million. Capitalised goodwill has consequently been reduced by a corresponding amount.

When it comes to provision for the proposed payment of dividends (NOK 0.25 per share for a total amount of NOK 29.7 million), the amount consists of two parts:

1. Dividends on shares registered at 31.12.1999.  
92,642,384 shares at NOK 0.25 per share: NOK 23.2 mill.
2. Dividends on new shares issued and placed with Norske Skogindustrier ASA in connection with the acquisition of Forestia AS – voted on and passed in extraordinary general meeting on 17 Januar 2000.  
26,400,000 shares at NOK 0.25 per share: NOK 6.6 mill.

At the extraordinary general meeting on 17 January 2000, a proposal was also adopted to depreciate the share premium reserve by NOK 70.0 million and to transfer it to other equity, on the condition that Norske Skogindustrier ASA subscribes to the 26.4 million shares.

Preconditions for the above-mentioned adopted proposals are given in excerpts from the minutes of the general meeting.

**Item 3.**

Discussion of board's and corporate assembly's proposal to depreciate the surplus fund at Moelven Industrier ASA by the following share issue, ref. pt. 4.

**The following proposal was adopted:**

Share premium reserve (paid in share capital from earlier share issues) of in all NOK 71,110,423 shall be depreciated by NOK 70,000,000 by transferring this amount to other equity, ref. The Norwegian Public Limited Companies Act §3-2 second section no. 4.

The depreciated amount of 70,000,000 will be replaced through a direct placement of shares in accordance with this notice pt. 4, by an amount corresponding to 26.4 million shares at a rate of NOK 7.50 – for a total of NOK 198,000,000. In accordance with The Norwegian Public Limited Companies Act §12-5, the depreciation may take place without having to notify creditors, assuming that the new share issue under pt. 4 in the Notice takes place.

Emphasis was put on the fact that the passing of the proposal was contingent on the adoption of Item 4, and that if the share expansion in Item 4 does not take place then the decision for adopting Item 4 would be null and void.

# notes

## MOELVEN INDUSTRIER – THE GROUP

### Item 4

The board and corporate assembly propose to complete a direct placement of shares with Norske Skogindustrier ASA as payment in connection with the Transaction (acquisition of Forestia AS).

#### The following proposal was adopted:

- Share capital increased by NOK 132 000 000 by the issuance of 26.4 million new shares.
- Face value per share shall be NOK 5.00.
- Subscription rate per share shall be NOK 7.50.
- The shares will be issued to Norske Skogindustrier ASA.
- Payment for the shares shall consist of shares in Forestia AS.
- The shares shall be issued on subscription document by 1 Juli 2000. The deadline for transfer of payment is the same day as the subscription takes place.
- Dividends will be paid on the new shares already starting in 1999. The new shares also give the owners all ownership rights in the company as of the official registration of the increase in share capital.

### Sak 5

Change in Articles of Association § 4.

It was agreed that the current § 4 would be amended to read:

The company's share capital is NOK 595,211,920.-, distributed among 119,042,384 shares.

The company's shares shall be registered in the Norwegian Register of Securities.

### 22.2 Shares in own company

The Board is authorised to issue 1,199,749 shares to employees in the company. This authorisation is valid until 31 December 2001. In accordance with this delegated authority, the Board is responsible for determining the criteria for allocation and share rate. As specified in the general meeting decision of 29 April 1999, the Board has the authority to purchase up to 9,264,238 of its own shares at the going market rate, however, no lower than NOK 2.50 and no higher than NOK 20.-. The delegated authority is valid for a period of 18 months from the date of the delegation. As of 8 March 2000, the Board had not made any purchases. The Group, through its subsidiary Moelven Laminated Timber Structures Ltd., owned at 8 March 2000 a total of 1,271 shares in Moelven Industrier ASA.

### 22.3 Shares in Moelvens Industrier ASA – owned by Moelven's management

	No. of shares		No. of shares
<b>CORPORATE ASSEMBLY</b>		Carl Graff-Wang	25 000
Axel Krogvig (chairman)	974	Per Stamnes	0
Bjørn H. Rasmussen	438	Bjørn Solberg Antonsen *)	1 724
Odd Torland	0	Iver Melby*)	0
Harry Konterud	30 000	<b>Alternate – elected by shareholders: (Attending all meetings)</b>	
Jaroslav Havlicek	0	Jan Oksum	0
Lars W. Grøholt	4 166	<b>Alternate – elected by employees: (Attending all meetings)</b>	
Fredrik Wahl	0	Hans Roset *	0
Jørgen Kjærnes	0	Arne Rødo *	0
Jan Slattum *)	0	<b>GROUP MANAGEMENT</b>	
Harald Løkkesveen *)	56	Frode Alhaug (President and CEO)	62 000
Per Cocozza *	0	Anders L. Fossum	16 000
Steinar Hagen*)	0	Dag Sand	13 286
<b>Alternates:</b>		Reidar Mo	20 000
Jan Teksum	5 337	Haumann Sund	16 832
Dyre Østby	10 000	Hans Rindal **	41 000
Ola Vik	0	Morten Sveiverud	825
Tor Mattsson	0		
<b>BOARD OF DIRECTORS</b>			
Peder Chr. Lovenskiold (chairman) **	8 663 000		
Arthur J. Aasland	35 000		
Svein Steen Thomassen	0		

\* Employee representative

\*\* Including companies

### 22.4 Company's largest shareholders at 08.03.00

Share capital: NOK 463 211 920 Number of shares: 92 642 384	No. of shares	Participating interest
Den norske Bank ASA	34 413 971	37.1
Løvenskiold Gran AS	8 663 000	9.4
Viken Skogeierforening	5 959 384	6.4
Svenska Handelsbanken (nom)	5 753 951	6.2
SND Invest AS	4 843 697	5.2
AB Westergyllen	2 451 823	2.6
Glommen Fond AS	2 040 000	2.2
Storebrand Livsforsikring P980, stock fund	1 585 000	1.7
TINE Pensjonskasse	1 565 828	1.7
Västra Skogsägarna	1 200 000	1.3
<b>Largest shareholders</b>	<b>68 476 654</b>	<b>73.9</b>
<b>Total</b>	<b>92 642 384</b>	<b>100.0</b>

# profit and loss account/cash flow statement

MOELVEN INDUSTRIER ASA

(Amounts in NOK million)	Note	1999	1998	1997
<b>Operating revenues</b>	1	27.4	29.7	21.1
Payroll expenses		6.7	3.6	3.0
Depreciation on fixed assets and intangible assets	7	3.3	3.3	3.6
Other operating expenses	1	21.8	23.4	22.0
<b>Operating expenses</b>		<b>31.8</b>	<b>30.3</b>	<b>28.6</b>
<b>OPERATING PROFIT</b>		<b>- 4.4</b>	<b>- 0.6</b>	<b>- 7.5</b>
Income from subsidiaries <sup>1)</sup>		71.4	61.8	59.8
Income from associates	11	- 0.1	- 0.6	47.8
Income received from Group companies		0.0	0.4	0.0
Other interest received and financial income		4.3	5.2	0.6
Interest paid to group companies		- 12.8	- 4.6	- 2.1
Other interest and financial expenses		- 0.9	- 0.5	- 5.2
<b>Financial income / financial expenses</b>		<b>61.9</b>	<b>61.7</b>	<b>100.9</b>
<b>OPERATING RESULT BEFORE TAX</b>		<b>57.5</b>	<b>61.1</b>	<b>93.4</b>
Tax on ordinary result	2, 3	14.6	26.5	10.8
<b>OPERATING RESULT</b>		<b>42.9</b>	<b>34.6</b>	<b>82.6</b>
<b>NET PROFIT FOR THE YEAR</b>		<b>42.9</b>	<b>34.6</b>	<b>82.6</b>
<b>The Board's proposal for allocation of net profit/loss and capital transfers:</b>				
Provision for dividends, NOK 0.25 per share		- 29.7	- 23.2	- 17.8
Other equity		- 13.2	- 11.4	- 64.8
<b>Total</b>	<b>12</b>	<b>- 42.9</b>	<b>- 34.6</b>	<b>- 82.6</b>

<sup>1)</sup> The profit and loss account has been revised so that the group contributions are included in "income from subsidiaries".

(Amounts in NOK million)	Note	1999	1998	1997
<b>CASH FLOW FROM OPERATIONS</b>				
Operating result before tax		57.5	61.1	93.4
Ordinary depreciation	7	3.3	3.3	3.6
Gain/loss from sale of fixed assets		- 0.7	- 6.2	- 0.1
Pension costs, provided for but not paid	8	- 0.8	- 2.2	- 2.0
Income from associates	11	- 0.1	0.6	- 47.8
Dividends		0.0	3.0	3.0
Change in current assets, excl. liquid funds and deposits		16.5	10.9	- 18.9
Change in current liabilities, excl. loans		- 6.7	- 24.8	16.2
<b>Net cash flow from operations</b>		<b>69.0</b>	<b>45.7</b>	<b>47.4</b>
<b>CASH FLOW FROM INVESTMENTS</b>				
Payments to purchase fixed assets excl. acquisitions		- 5.0	- 7.3	- 3.0
Net cash expenditure for purchase/sale of subsidiaries		1.9	- 10.8	- 12.4
Sale of fixed assets		2.1	0.0	0.2
Long-term investments, financial		- 32.4	- 14.5	65.2
Short-term lending		0.0	11.1	8.9
<b>Cash flow from investments</b>		<b>- 33.4</b>	<b>- 21.5</b>	<b>58.9</b>
<b>CASH FLOW FROM FINANCING</b>				
Changes in short-term borrowings and overdrafts		0.0	3.4	- 150.8
Liquid share of income from associates		2.5	0.0	48.9
Changes in long-term debt		- 4.0	0.0	- 9.9
Issue of equity		0.0	0.0	6.1
Payment of dividends		- 23.2	- 17.8	0.0
<b>Net cash flow from financing</b>		<b>- 24.7</b>	<b>- 14.4</b>	<b>- 105.7</b>
<b>LIQUID FUNDS</b>				
Net change in liquid funds during year		10.9	9.8	0.6
Liquid funds at 01.01.		10.7	0.9	0.3
Liquid funds at 31.12.		21.6	10.7	0.9
<b>AVAILABLE LIQUID FUNDS</b>				
Liquid funds at 31.12.	6	21.6	10.7	0.9
Unutilised credit facilities at 31.12.		20.0	20.0	20.0
<b>Available liquid funds at 31.12.</b>		<b>41.6</b>	<b>30.7</b>	<b>20.9</b>

# balance sheet at 31.12.

MOELVEN INDUSTRIER ASA

(Amounts in NOK million)	Note	1999	1998	1997
<b>ASSETS</b>				
Deferred tax asset	3	44.3	58.9	85.4
Land	7	4.1	5.5	5.5
Buildings and other real property	7	27.1	25.3	24.5
Machines, installations, fixtures, etc.	7	0.8	0.9	1.1
<b>Total tangible fixed assets</b>		<b>32.0</b>	<b>31.7</b>	<b>31.1</b>
Investments in subsidiaries	9	641.9	620.4	376.8
Loans to group companies		72.2	59.6	42.3
Investments in associates	11	4.3	4.4	1.7
Investments in shares	10	10.8	18.3	10.0
Bonds and other receivables	4	12.1	9.0	5.6
Net pension funds	8	45.8	42.8	46.9
<b>Total financial fixed assets</b>		<b>787.1</b>	<b>754.5</b>	<b>483.3</b>
<b>Total fixed assets</b>		<b>863.4</b>	<b>845.1</b>	<b>599.8</b>
Trade debtors		0.4	0.1	0.1
Receivables from group companies		2.1	11.8	24.2
Loans to group companies		7.9	7.9	8.2
Other receivables	4	6.5	13.7	0.5
<b>Total receivables</b>		<b>16.9</b>	<b>33.5</b>	<b>33.0</b>
Bank deposits, cash in hand etc.	6	21.6	10.7	0.9
<b>Total current assets</b>		<b>38.5</b>	<b>44.2</b>	<b>33.9</b>
<b>TOTAL ASSETS</b>		<b>901.9</b>	<b>889.3</b>	<b>633.7</b>
<b>EQUITY AND LIABILITIES</b>				
Share capital		463.2	463.2	356.7
Share premium reserve		71.1	71.1	0.6
<b>Total paid-in capital</b>		<b>534.3</b>	<b>534.3</b>	<b>357.3</b>
Other equity		149.4	136.2	129.6
<b>Total equity</b>	12	<b>683.7</b>	<b>670.5</b>	<b>486.9</b>
Pension liabilities	8	1.3	0.0	0.0
Long-term, interest-bearing debt to group companies		167.5	168.6	100.0
Other long-term liabilities		5.7	8.6	6.0
<b>Total other long-term liabilities</b>		<b>173.2</b>	<b>177.2</b>	<b>106.0</b>
Bank overdraft within the Group account system		0.0	0.0	12.6
Accounts payable to suppliers		2.8	2.1	0.7
Accounts payable to Group companies		4.2	9.0	3.8
Public duties payable		1.6	1.5	1.3
Dividends		29.7	23.2	17.8
Other short-term liabilities	5	5.4	5.8	4.6
<b>Total current liabilities</b>		<b>43.7</b>	<b>41.6</b>	<b>40.8</b>
<b>Total liabilities</b>		<b>218.2</b>	<b>218.8</b>	<b>146.8</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>901.9</b>	<b>889.3</b>	<b>633.7</b>
Mortgages		0.0	0.0	112.6
Guarantees		538.4	532.1	356.8
Face value per share: NOK 5.-				
<b>Number of shares</b>		<b>92 642 384</b>	<b>92 642 384</b>	<b>71 344 569</b>

**NOTE 1. Other operating revenues**

Amounts in NOK million	1999	1998	1997
Net gain from sale of fixed assets	0.7	6.2	0.1
Net gain from sale of securities	0.4	1.0	0.0
Subsidiaries' share of joint expenses	17.3	13.8	11.3
Income from rentals - external	3.3	3.2	3.0
Income from rentals - internal	4.7	4.8	6.1
Other	1.0	0.7	0.6
<b>Total other operating revenues</b>	<b>27.4</b>	<b>29.7</b>	<b>21.1</b>

**NOTE 2. Taxes**

Amounts in NOK million	1999	1998	1997
Operating result before tax	57.5	61.1	93.4
Permanent differences	0.1	- 2.5	- 0.8
Change in tax-reducing and tax-increasing differences	- 4.0	- 3.1	- 41.3
Utilisation of losses brought forward	- 53.6	- 55.5	- 51.3
Basis for calculating payable taxes (28 %)	0.0	0.0	0.0
Tax payable	0.0	0.0	0.0
Change in deferred taxes	14.6	26.5	10.8
<b>Total taxes</b>	<b>14.6</b>	<b>26.5</b>	<b>10.8</b>

**NOTE 3. Tax effect of temporary differences between accounting balances and tax-related balances (based on 28 % nom. tax)****3.1 Deferred tax liability**

Amount in NOK million	1999	1998	1997
<b>Short-term temporary differences:</b>			
Provision for receivables	- 13.9	- 14.0	- 14.0
Cost provisions according to generally accepted accounting principles	- 0.1	- 0.1	- 0.1
<b>Subtotal short-term temporary differences</b>	<b>- 14.0</b>	<b>- 14.1</b>	<b>- 14.1</b>
<b>Long-term temporary differences:</b>			
Accumulated excess tax depreciation	- 6.4	- 6.7	- 7.3
Gain/loss account in associated company	6.7	8.3	10.5
Gain/loss account	0.2	0.0	0.0
Pension funds	12.9	12.5	13.1
Pension liabilities	- 0.4	0.0	0.0
Other long-term items	- 43.3	- 45.7	- 58.9
<b>Subtotal long-term items</b>	<b>- 30.3</b>	<b>- 31.6</b>	<b>- 42.6</b>
Tax reducing differences (-) tax increasing differences (+)	- 44.3	- 45.7	- 56.7
<b>Deferred tax liability</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

**3.2 Deferred tax benefit**

Amounts in NOK million	1999	1998	1997
Non-accommodated tax reducing differences	44.3	45.7	56.7
Non-accommodated carry-forwards	0.0	13.2	28.7
<b>Deferred tax</b>	<b>44.3</b>	<b>58.9</b>	<b>85.4</b>

**NOTE 4. Receivables****4.1 Other receivables – short-term**

Of the NOK 6.5 million in Other Receivables for 1999, the following has been included: NOK 1.8 million in accruals, and NOK 2.1 million in costs stemming from the acquisition of Forestia – these amounts will be part of the cost price for the company in 2000. The temporary financing of SIVA Moelv Næringspark AS – with an interest-bearing receivable of NOK 11.7 million – has been included in Other Receivables for 1998.

**4.2 Bonds and other securities – long-term**

Of the NOK 12.1 million included in Bonds and other receivables, NOK 4.0 million are receivables from SIVA Moelven Næringspark AS, NOK 1.5 million (compared to 0 in 1998) are loans to employees, NOK 1.0 million (compared to 0 in 1998) is a restricted loan relating to Expo 2000 and NOK 4.5 million (compared to NOK 4.8 million in 1998) represent an insurance-fund insurance.

**NOTE 5. Other short-term liabilities**

This post consists in large part of accrued, not due expenses.

# notes

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## NOTE 6. Guarantees

Amounts in NOK million	1999	1998	1997
Loan guarantees/financial guarantees	470.0	461.0	290.2
Surety and prepayment guarantees	56.7	62.2	58.5
Guarantees for employee tax deductions	11.7	8.9	8.1
<b>Total</b>	<b>538.4</b>	<b>532.1</b>	<b>356.8</b>

The company has no restricted bank deposits.

## NOTE 7. Plant and properties

### 7.1 Plant and properties, book value

Beløp i NOK mill.	Land	Buildings and other property	Machines and installations	Fixtures and fittings, tools etc.	TOTAL
Acquisition value at 01.01.	6.3	54.8	2.7	0.6	64.4
Additions	0.0	4.9	0.0	0.1	5.0
Value at disposal	1.4	0.0	0.0	0.4	1.8
<b>Acquisition value at 31.12.</b>	<b>4.9</b>	<b>59.7</b>	<b>2.7</b>	<b>0.3</b>	<b>67.6</b>
Acc. ordinary depreciation at 01.01.	0.8	29.5	1.8	0.6	32.7
Disposals acc. depreciation	0.0	0.0	0.0	0.3	0.3
<b>Depreciations current year</b>	<b>0.0</b>	<b>3.2</b>	<b>0.1</b>	<b>0.0</b>	<b>3.3</b>
Acc. ord. depreciations 31.12.	0.8	32.6	1.9	0.3	35.6
Net book value 01.01.	5.5	25.3	0.9	0.0	31.7
<b>Net book value 31.12.</b>	<b>4.1</b>	<b>27.1</b>	<b>0.8</b>	<b>0.0</b>	<b>32.0</b>
Ordinary depreciation rates i %	-	5 - 10 %	25 - 30 %	25 - 30 %	

## NOTE 8. Wages, salaries and pension costs/pension liabilities

### 8.1 Payroll expenses

Amounts in NOK million	1999	1998	1997
Wages	6.2	6.6	5.4
Employers' national insurance contribution	1.2	1.3	0.9
Pension costs	- 0.8	- 2.2	- 2.0
Other contributions/other personnel costs, incl. amount charged to subsidiaries	0.1	- 2.1	- 1.3
<b>Total</b>	<b>6.7</b>	<b>3.6</b>	<b>3.0</b>

### 8.2 Pension costs

Amounts in NOK million	1999	1998	1997
Earnings for year	1.5	1.6	1.1
Interest cost on pension liabilities	1.4	2.2	1.9
Pension costs (gross)	2.9	3.8	3.0
Expected return on pension assets	- 3.0	- 5.8	- 5.5
Changes in estimates and deviation	- 0.7	- 0.2	0.5
<b>Pensions costs (net), insured and uninsured plans</b>	<b>- 0.8</b>	<b>- 2.2</b>	<b>- 2.0</b>

### 8.3 Pension liabilities

Amounts in NOK million	1999	1998	1997
<b>Balance at 01.01.</b>			
Accumulated earnings	34.1	26.2	27.6
Pensions based on future salary increases	1.0	4.6	2.0
<b>Pension liabilities (gross)</b>	<b>35.1</b>	<b>30.8</b>	<b>29.6</b>
Pension funds	- 77.9	- 77.7	- 74.5
<b>Pension liabilities (net), surplus</b>	<b>- 42.8</b>	<b>- 46.9</b>	<b>- 44.9</b>
<b>Balance at 31.12.</b>			
Pension liabilities (gross)	21.5	35.1	30.7
Pension funds (anticipated)	- 61.0	- 72.0	- 72.6
Estimated change and variance, not charged	- 5.0	- 5.9	- 5.0
<b>Pension liabilities (net), surplus</b>	<b>- 44.5</b>	<b>- 42.8</b>	<b>- 46.9</b>
<b>Total net pension funds, permissible insured schemes</b>	<b>- 45.8</b>	<b>- 42.8</b>	<b>- 46.9</b>
<b>Insured schemes not allowed to be offset by over-financed schemes</b>	<b>1.3</b>	<b>0.0</b>	<b>0.0</b>

The company's total pension liabilities (TBO) for insured schemes are estimated at NOK 30.8 million at the end of 1999. 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 liabilities for the company's insured schemes. The surplus is in its entirety related to stipulations in the Norwegian Tax act. Surplus is assessed to be viable on the basis of the company's composition and the possibility of alternative use of the funds. In 1998, an insured scheme was established which was not subject to the stipulations in the tax act and which cannot be offset against over-financed schemes.

## 8.4 Financial assumptions

Amounts in NOK million	1999	1998	1997
Return on pension assets	8.0 %	8.0 %	8.0 %
Discount rate	7.0 %	7.0 %	7.0 %
Growth in annual salaries and state pensions	3.3 %	3.3 %	3.3 %
Annual adjustment of pensions being drawn	2.5 %	2.5 %	2.5 %

The pension liabilities that apply to the Group's Norwegian companies cover a total of 96 people for the insured schemes, of whom 7 are active and 89 are pensioners. 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 liabilities and pension funds for the start of the year.

In 1999, certain pension contracts were phased out and replaced by a new scheme designed to harmonise the current pension contracts among the Group's Norwegian subsidiaries. The new pension scheme offers coverage equal to about 60% of the person's salary at age 67. In this connection, the NRS rules regarding pension costs have been implemented at the various Norwegian subsidiaries. Based on the surplus schemes existing in Moelven Industrier ASA, the company has applied to the Norwegian Banking, Insurance and Securities Commission (Kredittilsynet) for permission to distribute a portion of the surplus in Moelven ASA's contracts over to the subsidiaries' contracts.

## NOTE 9. Shares in subsidiaries

Amounts in 1000 NOK	Share of ownership	Company's share capital	No. of shares	Face value	Book value at 31.12.1999
<b>Moelven Industrier ASA owns:</b>					
Moelven EuroTimber 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	200 557	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	3 050
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
Moelven Nor East AS	62.8 %	3 270	4 410	2 054	4 310
Moelven Fireguard AS	100 %	19 000	19 000	19 000	17 500
Moelven Byggsystem AB	100 %	SEK 5 000	50 000	SEK 5 000	9 778
Moelven Westwood AB	100 %	SEK 107 046	40 000 000	SEK 107 046	99 580
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 %	4 500	22 500	4 500	6 500
<b>Total Moelven Industrier ASA</b>					<b>641 863</b>
<b>Moelven EuroTimber AS owns:</b>					
Moelven Mjosbruket AS	100 %	12 000	12 000	12 000	15 990
Moelven Kværnum Bruk AS	100 %	2 000	4 000	2 000	2 360
Moelven EuroWood 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
Moelven Nor East AS	32.6 %	3 270	1 065	1 066	4 260
<b>Total Moelven EuroTimber AS</b>					<b>93 670</b>
<b>Moelven Westwood AB owns:</b>					
Moelven Knappåsågen AB	100 %	SEK 2 000	20 000	SEK 2 000	54 694
Moelven Norsälven AB	100 %	SEK 3 500	35 000	SEK 3 500	52 808
Moelven Ransbysågen AB	100 %	SEK 1 000	10 000	SEK 1 000	16 031
Moelven Värmlands Trä AB	100 %	SEK 3 000	3 000	SEK 3 000	19 709
Moelven Component AB	100 %	SEK 1 800	18 000	SEK 1 800	2 546
UJ-Trading AB	100 %	SEK 1 000	10 000	SEK 1 000	3 772
Fragaria Invest AB	100 %	SEK 800	8 000	SEK 800	943
Trädan i Karlstad AB	100 %	SEK 100	1 000	SEK 100	104
Lerans Säg AB	100 %	SEK 1 000	10 000	SEK 1 000	1 320
Moelven Systembygg AB	100 %	SEK 100	1 000	SEK 100	108
Skåre Kontorshotell AB	100 %	SEK 100	1 000	SEK 100	684
<b>Total Moelven Westwood AB</b>					<b>152 718</b>
<b>Moelven Innredningsgruppen AS owns:</b>					
Nordia AS	100 %	22 000	2 200	22 000	52 610
Miljøveggen Distribusjon AS	100 %	100	10	100	100
<b>Total Moelven Innredningsgruppen AS</b>					<b>52 710</b>
<b>Moelven Limtregruppen AS owns:</b>					
Mocon Holding AS	36.7 %	68 000	24 995	24 995	23 795
Moelven Limtræ Gruppen Danmark AS	100 %	DKK 10 500	10 500	DKK 10 500	29 067
Moelven Laminated Timber Str. Ltd.	85 %	GBP 42	10 500	GBP 42	1
<b>Total Moelven Limtregruppen AS</b>					<b>52 863</b>

# notes

MOELVEN INDUSTRIER ASA

## NOTE 9. Shares in subsidiaries cont.

Amounts in 1000 NOK	Share of ownership	Company's share capital	No. of shares	Face value	Book value at 31.12.1999
<b>Moelven Industrier AB owns:</b>					
Moelven Valåsen AB	100 %	SEK 50 000	500 000	SEK 50 000	167 854
Moelven Dalaträ AB	100 %	SEK 20 000	200 000	SEK 20 000	75 440
Mocon Holding AS	44.1 %	68 000	30 000	30 000	30 000
Eurowand AB	100 %	SEK 4 000	40 000	SEK 4 000	43 378
<b>Total Moelven Industrier AB</b>					<b>316 672</b>
<b>Moelven Limtræ Gruppen Danmark AS owns:</b>					
LNJ Limtræ AS	100 %	DKK 6.000	6 000	DKK 6.000	17 542
Moelven LNJ Limtræ AS	100 %	DKK 1.500	100	DKK 1.500	0
Moelven Øresø Limtræ AS	100 %	DKK 7.500	5 500	DKK 7.500	0
Moelven Systembygg AS	100 %	DKK 7.500	750	DKK 7.500	9 662
Moelven Industrie GmbH	100 %	DEM 100	10	DEM 100	1
<b>Total Moelven Limtræ Gruppen Danmark AS :</b>					<b>27 205</b>
<b>Mocon Holding AS owns:</b>					
Mocon AS	100 %	11 000	11 000	11 000	47 028
Moelven Töreboda Limträ AB	100 %	SEK 12 000	120 000	SEK 12 000	46 000
Moelven Holzleimbau GmbH	100 %	DEM 200	20	DEM 200	0
<b>Total Mocon Holding AS:</b>					<b>93 028</b>
<b>Moelven Töreboda Limträ AB owns:</b>					
Moelven Töreboda Poland Sp.zo.o	100 %	PLN 4	40	PLN 4	9
<b>Rosèn &amp; Co. Trä AB owns:</b>					
Moelven List AB	100 %	SEK 750	7 500	SEK 750	1 437
<b>Moelven Hako AS owns:</b>					
Moelven Hako Nord AS	70 %	5 700	57 000	5 700	4 000
<b>Moelven Elektro AS owns:</b>					
Østby Elektriske AS	100 %	50	50	50	2 310
<b>Owned 50% by Moelven EuroTimber AS and 50% by Moelven Nor East AS:</b>					
Moelven Nor East OOO	100 %	RUR 675	67	RUR 675	853
<b>Moelven Nor East AS owns:</b>					
Nor East Timber AS	100 %	600	600	600	632
Moruscon AS	100 %	50	50	50	50
<b>Total Moelven Nor East AS</b>					<b>682</b>

## NOTE 10. Shares and interest in associated companies, long-term.

Amounts in 1000 NOK	Ownership in %	Company's share capital	No. of shares owned by Moelven	Face value	Book value at 31.12.1999
Vamo AS	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
Bygg Tech Hurdal AS	40.0 %	1 500	6 000	600	1 053
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
Miscellaneous					19
<b>Total</b>					<b>10 828</b>

## NOTE 11. Shares (20% -) and interest in associated companies, by equity method.

Amounts in 1000 NOK	Ownership in %	Value at 01.01 99	Balance: Additions/disp.	Value at 31.12.1999	Share profit
Vamo KS	40.5 %	4 113	- 11	4 102	- 11
Moelven Elementbygg KS	60.0 %	360	- 130	230	- 130
<b>Total</b>		<b>4 473</b>	<b>- 141</b>	<b>4 332</b>	<b>- 141</b>

Vamo KS has extended a loan to Moelven Industrier ASA amounting to NOK 5.7 mill. at 31. December 99 (8.6 in 1998).

## NOTE 12. Equity

Amounts in NOK million	Share-capital	Share premium reserve	Legal reserves	Other equity	Retained earnings	Profit/loss	TOTAL
Balance at 31.12.1998	463.2		0.6		153.2		617.0
Transfer of legal reserves		0.6	- 0.6				0.0
Transfer of retained earnings		70.5		82.7	- 153.2		0.0
Balance at 31.12.98 after new scheme	463.2	71.1	0.0	82.7	0.0	0.0	617.0
Balance of deferred tax gain				58.9			58.9
Balance of pension liabilities				- 8.2			- 8.2
New rules for items in foreign currency				2.8			2.8
Balance 01.01.1999	463.2	71.1	0.0	136.2	0.0	0.0	670.5
Net profit						42.9	42.9
Allocation of net profit				13.2		- 13.2	0.0
Provisions for dividend						- 29.7	- 29.7
<b>Balance 31.12.1999</b>	<b>463.2</b>	<b>71.1</b>	<b>0.0</b>	<b>149.4</b>	<b>0</b>	<b>0.0</b>	<b>683.7</b>

Regarding the appropriation of a proposed dividend of NOK 0.25 per share, there are two parts to the appropriated amount totalling NOK 29.7 million:

1. Dividends to registered share capital at end of 1999; 92,642,384 shares at NOK 0.25 per share: NOK 23.2 million.
2. Dividends on the shares placed with Norske Skogindustrier ASA – as voted on at the Extraordinary General Meeting on 17 January 2000; 26,400,000 shares at NOK 0.25 per share: NOK 6.6 million.

At the Extraordinary General Meeting on 17 January 2000, a decision was also made to write down the share premium reserve by transferring NOK 70 million to other equity, assuming that Norske Skogindustrier ASA signed up for all 26.4 million shares. Excerpts from the minutes of the general meeting – specifying the requirements – are included in the section containing share capital notes for the Group.

## NOTE 13. Number of employees

Average number of employees in 1999 was 8.

## NOTE 14. Benefits, loans, mortgages to management, shareholders, etc.

Amounts in 1000 NOK	1999	1998	1997
Auditor's fee	245.0	290.0	235.0
Consultancy fees to accountant	68.0	300.0	96.0
Remuneration of board members	696.5	693.5	494.6
Remuneration of corporate assembly members	197.0	185.5	137.0
Salary to President and CEO	1 486.0	1 450.0	1 040.0
Other benefits enjoyed by President and CEO	73.9	51.2	96.4

The President/CEO has a salary guarantee extending 24 months beyond termination of employment. The duration may be shortened by 12 months in case of other income. The President/CEO has also been granted a loan from Moelven Industrier ASA for NOK 1.5 million. The loan contract has a duration of 5-years, with an interest of 5% per annum. The loan is secured with a mortgage in real property.

In 1999, the Auditor's fee for the Group as a whole amounted to NOK 2.6 million.

# auditor's report

## AUDITOR'S REPORT FOR 1999

We have audited the annual financial statements of Moelven Industrier ASA as of 31 December 1999, showing a profit of NOK 42,936,407 for the parent company and a profit NOK 33,913,000 for the Group. We have also audited the information in the Board of Directors' report concerning the financial statements, the going concern assumption, and the proposal for the allocation of the profit. The financial statements comprise the balance sheet, the statements of income and cash flows, the accompanying notes and the Group accounts. These financial statements are the responsibility of the Company's Board of Directors and Managing Director. Our responsibility is to express an opinion on these financial statements and on the other information according to the requirements of the Norwegian Act on Auditing and Auditors.

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

### In our opinion,

- the financial statements are prepared in accordance with the law and regulations and present the financial position of the Company and of the Group as of December 31, 1999, and the results of its operations and its cash flows for the year then ended, in accordance with Norwegian good accounting practice
- the company's management has fulfilled its duty to produce a proper and clearly set out registration and documentation of accounting information in accordance with Norwegian law and good accounting practice
- the information in the Board of Directors' report concerning the financial statements, the going concern assumption, and the proposal for the allocation of the profit are consistent with the financial statements and comply with the law and regulations.

Oslo, March 6, 2000  
PricewaterhouseCoopers DA



Svein-A. Martinsen  
State Authorised Public Accountant (Norway)

Note: This translation from Norwegian has been prepared for information purposes only.

## STATEMENT BY THE CORPORATE ASSEMBLY

At a meeting on 8 March 2000, the Corporate Assembly considered the report of the Board of Directors and Managing Director 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 and the Managing Directors report and 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, 8 March 2000



Axel Krogvig  
Chairman of the Corporate Assembly



## shareholder matters

### SALE OF SHARES

The shares are listed on the Oslo Stock Exchange, and 15.8 million shares have been traded in the course of the year, which is equivalent to 17 % of the number of shares at year's end. Sales totalled NOK 116 million. One goal of the company is to improve the shares' liquidity.

### DIVIDEND POLICY

One of the Group's objectives is to benefit the company's shareholders through an increase in the value of their shares and a reasonable dividend. A number of the Group's subsidiaries operate, however, in a cyclical sector. The Group believes that an equity-to-assets ratio of 35–40 % will provide adequate financial flexibility, while dividends must be seen in the context of long-term earnings. One goal is that the dividend shall amount to 40 per cent of the after-tax profit seen in the context of a business cycle. The dividend proposed by the Board for 1999 is NOK 0.25 per share, which is the same amount as in 1998.

### SHARE ISSUES AND BOARD AUTHORISATION

At the Extraordinary General Meeting held on 17 January 2000, the assembly voted to issue 26,400,000 new shares. The new shares were placed with Norske Skogindustrier ASA in connection with Moelven's acquisition of Forestia AS.

On 10 April 97 the Board was granted an authorisation to increase the share capital by up to NOK 10 million, equalling 2,000,000 shares. The authorisation applies to placements to employees and is valid until 31.12.2001. A total of NOK 5,998,745, equalling 1,199,749 shares, remain under the authorisation as of 8 March 2000.

### COMPANY'S OWN SHARES

As of 8 March 2000 the company owned 1271 of its own shares. The shares were acquired in connection with the purchase of a company. On 29 April 1999, the Board was granted authorisation to acquire and sell its own shares. The authorisation appli-

ed for 9,264,238 shares with a face value of NOK 5.00, equaling 10 per cent 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 purchase 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. As of today the Board has not made use of this authorisation. At the General Meeting to be held in the spring 2000, the Board will ask for authorisation to apply for 11 904 238 shares with a face value of NOK 5.00, equivalent to a total nominal value of NOK 59 521 190, or 10 % of the share capital after the last share issue.

### INFORMATION TO FINANCIAL MARKETS

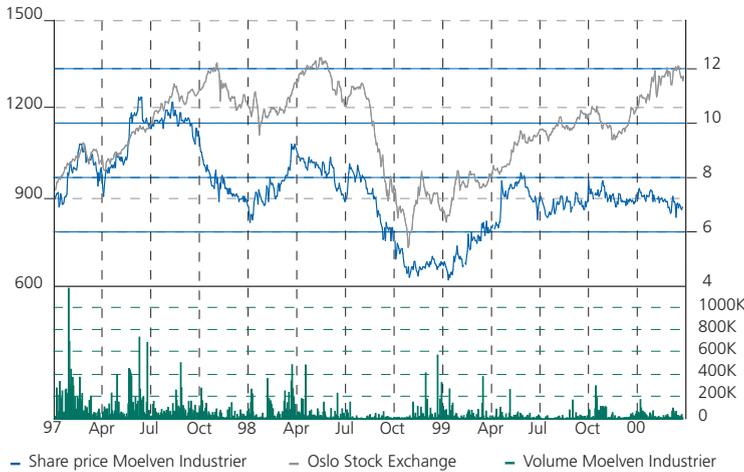
The company is committed to providing interested parties in the financial markets with detailed information enabling them to judge its financial position accurately. In addition to frequent reporting and the pre-

### SHARE CAPITAL DEVELOPMENT SINCE 1 JANUARY 1997

Changes in Year/Type of change	Change in share capital NOK mill.	Total share capital NOK mill.	Change in no. of shares	Total shares
<b>1997:</b> Placement to the Group's employees Remainder under authorisation: 1 199 749 shares. Valid until 31.12.2001.	4.0	356.7	800 251	71 344 569
<b>1998:</b> Placement for acquisition of Moelven Hako AS	5.3	362.0	1 050 783	72 395 352
Placement for acquisition of Notnäs AB	42.5	404.5	8 500 000	80 895 352
Placement for acquisition of Westwood AB	58.7	463.2	11 747 032	92 642 384
<b>2000:</b> Placement to Norske Skogindustrier ASA for acquisition of Forestia AS	132.0	595.2	26 400 000	119 042 384

Face value per share: NOK 5.-

**SHARE PRICE DEVELOPMENT AND VOLUME IN PERIOD  
01.01.97-08.03.00**



sentation of quarterly 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 [www.moelven.com](http://www.moelven.com).

**SHARES TO EMPLOYEES**

The nature of the Group's businesses requires a high degree of

decentralised authority and responsibility, and the overall organisation involves a great number of business units. Encouraging employees to own shares in the company is one of several ways of increasing their loyalty and helping put focus on achieving financial results. Of the Group's 2,404 employees, 244 of them owned a total of 505,000 shares as of 25 February

2000. One goal of the company is to increase the amount of shares owned by employees.

**"RISK" ADJUSTMENT**

This adjustment is only of importance in relation to the taxation of Norwegian shareholders, and do not apply to foreign shareholders who are taxed according to the legislation of their own country. When selling shares, Norwegian shareholders must adjust the cost price for tax purposes in accordance with the RISK amount. The cost price of the shares is adjusted for tax purposes to reflect the change in taxed capital. In short, this means that if the company has already paid taxes, then the shareholders pay less tax when they sell their shares. On the other hand, if the company has not paid taxes prior to paying out dividends, then the shareholders must pay more taxes when they sell their shares in the company.

**COMPANY'S LARGEST SHAREHOLDERS  
(PRO FORMA) AT 8 MARCH 2000 \***

Share capital: NOK 595,211,920 Number of shares: 119,042,304	Number of shares	Participating interest
Den norske Bank ASA	34,413,971	28.9
Norske Skogindustrier ASA	26,400,000	22.2
Løvenskiold Gran AS	8,663,000	7.3
Viken Skogeierforening	5,959,384	5.0
Svenska Handelsbanken (nom)	5,753,951	4.8
SND Invest AS	4,843,697	4.1
AB Westergyllen	2,451,823	2.1
Glommen Fond AS	2,040,000	1.7
Storebrand Livsforsikring P980, fund	1,585,000	1.3
TINE Pensjonskasse	1,565,828	1.3
Västra Skogsägarna	1,200,000	1.0
<b>Largest owners</b>	<b>94,876,654</b>	<b>79.7</b>
<b>Total</b>	<b>119,042,384</b>	<b>100.0</b>

\* Including ownership share belonging to Norske Skogindustrier ASA.

**RISK-AMOUNT PER SHARE**

Date	Amount
As at 01.01.93	0.00
As at 01.01.94	0.00
As at 01.01.95	- 0.16
As at 01.01.96	- 0.12
As at 01.01.97	- 0.10
As at 01.01.98	- 0.35
As at 01.01.99	- 0.25
As at 01.01.00 (estimated)	- 0.25

shareholder matters

## acquisition of forestia



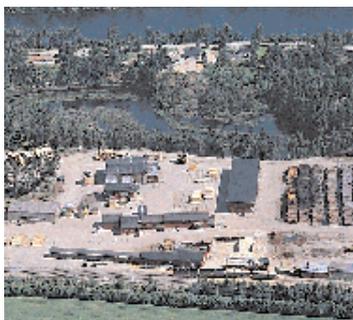
*Moelven Numedal*



*Moelven Langmoen*



*Moelven Hen*



*Moelven Elverum*

On 17 January 2000 at Moelven Industrier ASA's Extraordinary General Meeting, the shareholders voted to support the merger of the timber activities in Moelven Industrier ASA and Forestia AS (owned by Norske Skogindustrier ASA). In practice, this means that as of 1 January 2000 Moelven will take over all shares in Forestia AS (after the particle board division in Forestia has been split off to become a separate company).

The particle board division in Forestia will be transferred to Forestia Plater AS, a fully owned subsidiary of Norske Skog, and Moelven will acquire 9.9 per cent of the shares in Forestia Plater AS for NOK 9.9 million. As payment for the overall transaction, Moelven will issue 26.4 million new shares that will be placed with Norske Skog, in addition to a cash payment of NOK 66 million. In total, the payment amounts to NOK 259 million. After the transaction, Moelven will have a share capital equal to NOK 595,211,920, distributed among 119,042,384 shares.

Forestia AS produced 681,000 cubic metres of sawn timber in 1998 at its 10 sawmills. The company also had three separate wood processing facilities. In all, 820 persons are employed in

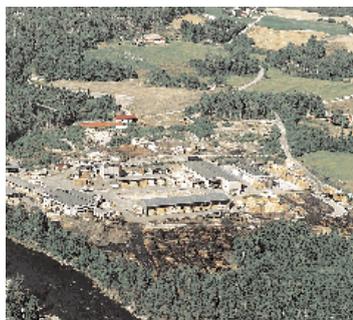
Forestia's timber activities, which in 1999 had operating revenues of NOK 1,290 million, and a loss of NOK - 29 million. Comparative figures for 1998 are NOK 1,321 million and NOK 3.0 million. Based on experience from earlier acquisitions, Moelven expects to realise significant synergies as a result of the purchase.

### STRATEGIC AND INDUSTRIAL RATIONALE

International competition has intensified in a number of areas, and prices are low for a number of products. Indirectly, the reduction in prices for raw materials going to the paper and pulp industry has led to lower forestry activity. This in turn has reduced the supply of raw materials to the timber industry. This situation – combined with a continued high level of investment in the sector – has led to a very low level of utilisation of overall capacity.

The new market situation has resulted in unsatisfactory profitability in large sectors of the industry in recent years, and there is a need for restructuring.

The geographic proximity between Moelven Industrier ASA and Forestia AS will make it possible to co-ordinate the operations at the various facilities,



*Moelven Telemark*



*Moelven Gol*

and to produce high-quality products based on the same high quality raw materials.

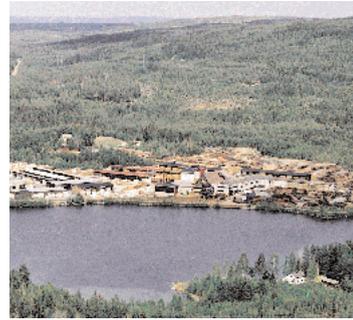
Moelven has an annual consumption of timber around 3.7 million cubic metres. The company will now be able to negotiate with even more authority and clout in order to optimise the potential for value-generating gains in this sector. In order to achieve this, however, Moelven will have to work closely with forestry owners, forestry associations and the industry. The company will act quickly to take advantage of the potential for synergy in the areas of transport and storage management.

There are definite economies of scale in the production of sawn timber up to production volumes per site of about 150,000 cubic metres finished goods; above this level, however, costs associated with raw materials, organisational matters and production technology limit the potential for further savings. Yet additional benefits may be achieved through better co-ordination of activities at neighbouring production sites with the same owners.

The acquisition of Forestia AS will give Moelven Industrier ASA

an excellent starting point for capitalising on the potential benefits from synergy. In the area of wood processing, for example, there are economies of scale associated with specialising production and co-ordinating sales. The ever-increasing tendency of builder's merchants to concentrate into chains will exert even more pressure on both costs and services beyond the core products. This will be easier to deal with as a larger production unit.

The merger will significantly help Moelven exert more influence on the market conditions for the timber industry, and at the same time serve as the basis for further cost reductions and an increased focus on marketing.



*Moelven Romedal*



*Moelven Våler*



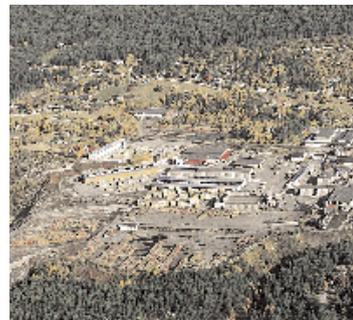
*Moelven Løten*



*Moelven Van Severen*



*Moelven Soknabruket*



*Moelven Østerdalsbruket*

\*) Photo of Moelven Trenova is missing.

## *the group's timber industry division after the acquisition*

After the acquisition of Forestia, the Moelven Group will consist of four business areas:

The Timber Industry Division is divided into business units for sawmills and wood processing. Forestia AS will become part of the Timber Industry Division. In addition, the Moelven Timber

Industry Division will be responsible for managing the Moelven Group's ownership interests in Forestia Plater AS.

In all, the Timber Industry Division will consist of 28 sawmills and processing companies, primarily in Norway and Sweden. Of the Group's total

operating revenues of about NOK 4,800 million, the Timber Industry will alone account for some NOK 3,500 million. This makes Moelven one of Scandinavia's four leading timber industry groups, and one of Europe's largest overall suppliers of processed wood products.



### **COLLABORATION AGREEMENTS**

Together with the two Swedish timber industry groups Bergkvist-Insjön AB and AB Karl Hedin, Moelven Industrier has established the raw materials company Weda Skog AB in Sweden. The idea behind the

move is to secure a long-term and efficient supply of raw materials for the owners' sawmills. The company will annually purchase about three million cubic metres of timber for a total value of SEK 1,500 million. Weda Skog AB's main office is in Skåre, just outside of Karlstad.

Managing Director Lars-Erik Eld of Sågverkens Riksförbund has been hired as managing director for the new company.

The three owners agree that it is critical for the future of the timber industry that something be done with raw material costs. The demand for timber will

remain high, however, and the establishment of Weda Skog AB will not in itself lead to lower timber prices.

Weda Skog's focus will not exclusively be on timber prices, but on the overall cost of the raw material. Included in the overall cost are timber prices, production costs, transport fees, commissions and administrative expenses. The forestry owners' net pre-tax profit amounts to

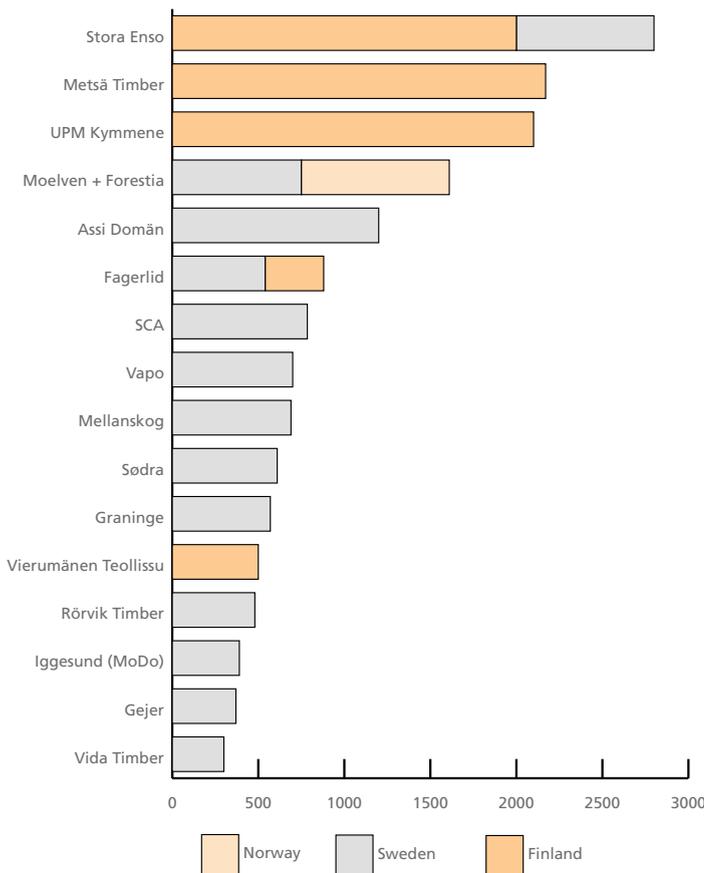
about 60% of the total price for the raw material. The remaining 40% will be the prime focus of Weda Skog AB. Up until now, Bergkvist-Insjön AB, AB Karl Hedin and Moelven have often been competing to buy the same timber, and inefficient delivery routes and other unnecessary expenses have been the result. From now on all purchases of raw materials will be co-ordinated, and this should

generate substantial savings through economies of scale.

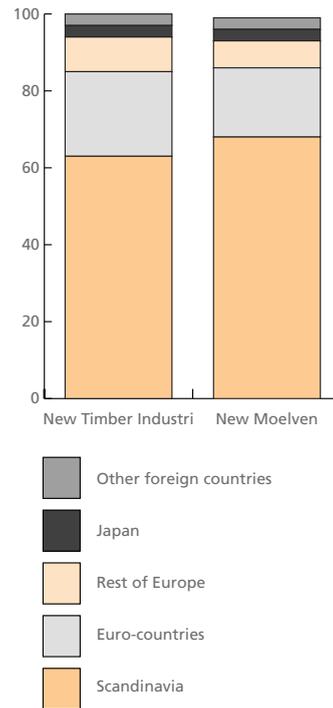
By establishing the company Weda Skog AB, one will achieve volumes that make the owners better able to adapt their offers to the various categories of forestry owners. The establishment of Weda Skog will also allow the sawmills to put more focus on the value added as a result of their own operations.

# the group's timber industry division

## LARGEST NORDIC ACTORS IN 1999, PRODUCTION MEASURED IN 1000 M<sup>3</sup> SAWN TIMBER



## MOELVEN'S MARKETS



*In 1999, Moelven's Timber Industry Division exported 54 % of its products produced in Norway and Sweden (proforma figures) to countries outside of Scandinavia.*



*Laminated timber and HMF impregnated (heavy metal free) external pine panelling - Oslo Airport Gardermoen.*



### MAJOR EUROPEAN PLAYER

After the merger with Forestia, Moelven's sawmill business, with its 18 sawmills in Sweden and Norway, will become Europe's fourth largest producer of sawn timber products. The company will convert 3.7 million cubic metres of timber into over 1.8 million cubic metres of sawn timber and over 1.8 million cubic metres of chippings.

### PRODUCTION

Each year 70 million cubic metres of sawn timber is produced and used in Europe. The largest producers are Sweden, Germany, Finland, Russia and Austria, of which Sweden and Finland are the largest net exporters. The Nordic countries, led by Sweden and Finland, also play a dominating role in the European timber industry.

### PRODUCTS

Moelven's sawmills supply unprocessed timber products (semi-manufactures) to industrial customers and commercial firms in the international market. The Group's strategy is therefore based on quality, not quantity. This involves timber production being specific to the various market segments, based on long-term customer relations. The aim for the Group's sawmills is to achieve the highest possible value for the finished product.

The companies within

Moelven Timber have systematically improved their production lines with the technology and flexibility that make production to the customer's specification possible. The majority of employees either have craft certificates or another specialist education within their area of work.

The sawmills produce unprocessed timber products in all standard dimensions, using both spruce and pine. Products can be specially dried down to eight percent, and are graded both by quality and strength in strict accordance with customer specifications.

The sawmills sell semi-manufactures that are themselves the raw materials for the further processing and conversion of timber products.

Customers include planing mills, laminated timber manufacturers, furniture manufacturers, and door and window manufacturers.

### MARKETS

The main market is central Europe, but Japan, North Africa, the Arabian countries and the Middle East are also important markets.

In 1999 Moelven's timber industry exported just over half of its production in Norway and Sweden to countries outside Scandinavia. The majority of the exports from Sweden, which make up 70% of production, go to Western European markets, with Great Britain, Germany and the Netherlands being the biggest importers. The majority of the Norwegian production goes to Western European markets.

### THE COMPETITION

The competition for the Nordic players in the industry is thought to be significantly affected by three factors:

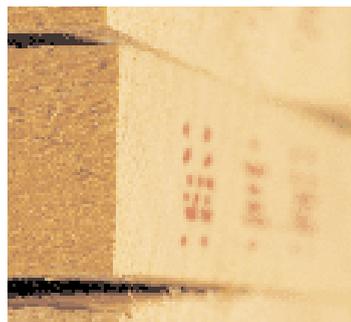
- The importer country's own sawmill industry, Germany and France being the most important examples.
- The large exporters to the European market, of which the Baltic countries and Austria are the most important.
- The markets in the US and Asia, as Canadian suppliers sometimes supplement their business by exporting to Europe.

### PROSPECTS

The prices of sawn timber products have been too low for 1999 as a whole. This has particularly been the case for pine, and is related to the unusually difficult extraction conditions in the forests in 1998. Some very damp forest conditions that year meant that far more pine was cut than is usual, as it grows on drier and more accessible ground. This resulted in unusually large volumes of pine on the market, which affected the price far into 1999.

The prices of spruce and pine rose towards the end of the year. The price level is slightly higher at the beginning of 2000 than it was a year ago. Prices are expected to rise marginally this year.

The motive for the acquisition of Forestia's timber business is the need to improve profitability in the sector. The acquisitions of Notnäs and Westwood,



timber

# sawmills

completed in the spring of 1998, gave synergies estimated at NOK 65 million for 1999. This corresponds to the estimates publicised in connection with the completion of these transactions.

It is difficult to quantify precisely the effect of the gains and cost-savings that will be achieved through the merger with Forestia. NOK 35 million has been put aside for restructuring, share issue and integration costs. However, total synergies of NOK 100 million are expected to be achieved through reduced haulage and storage costs, as well as through coordinating

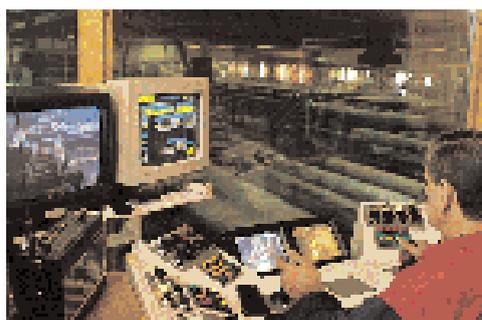
timber purchasing, product range, specialisation, marketing and delivery.

## ENVIRONMENTAL CONDITIONS

Moelven's sawmills in Norway and Sweden are all in a raw materials area which forms part of the world's finest coniferous forest belt. Caring for the environment and thinking of the forest as a biotope are absolutely central to the sawmills' strategy. Each sawmill cooperates closely with forest owners, ensuring that regeneration and cutting support ecologically sustainable development. In addi-

tion, Moelven's sawmills in Sweden and Norway have entered into agreements for the delivery of chippings and bark to regional bio-energy plants. Moelven is a net producer of bio-energy. This underlines the fact that wood is a versatile, environmentally friendly and renewable resource.

The Swedish company UJ-Trading is mainly concerned with selling and planning the use of second-hand sawmill equipment.



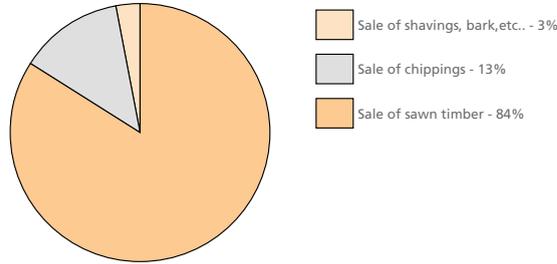
## MOELVEN TIMBER UNITS IN 1999

Sawmills	Production 1999 (m <sup>3</sup> )	Species	
Moelven Mjøsbuket	60 000	Spruce	
Moelven Kværnum Bruk	20 000	Spruce	
Moelven Dalaträ	145 000	Spruce and pine	
Moelven Eidsvold Værk	95 000	Spruce	
Moelven Valåsen	275 000	Spruce and pine	
Moelven Norsälven Sägverk	76 000	Spruce	
Moelven Knappåsågen	101 000	Pine	
Moelven Ransbysågen	39 000	Spruce and pine	from small logs
Moelven Notnäs	172 000	Spruce	
Moelven Våler	160 000	Spruce and pine	
Moelven Løten	35 000	Pine	
Moelven Østerdalsbruket	55 000	Spruce and pine	
Moelven Elverum	35 000	Spruce and pine	from small logs
Moelven Romedal	60 000	Spruce	
Moelven Soknabruket	145 000	Spruce and pine	
Moelven Numedal	50 000	Spruce	
Moelven Telemark	30 000	Pine	
Moelven Van Severen	130 000	Spruce	
UJ-Trading AB	–	Sale of machinery to the timber industry	
<b>Total</b>	<b>1 683 000</b>		

**INCOME AND COST STRUCTURE**

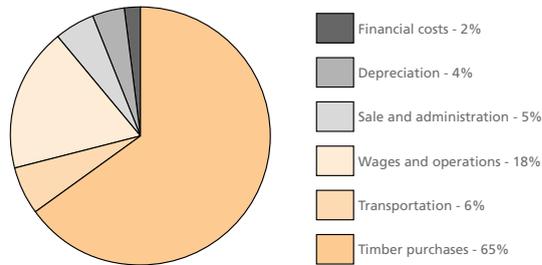
The turnover of an average sawmill can be illustrated in the following way:

**TYPICAL INCOME STRUCTURE OF A SAWMILL**



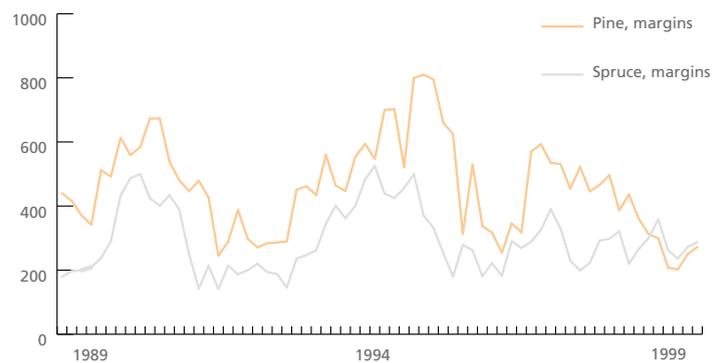
The costs can be illustrated in the following way:

**TYPICAL COST STRUCTURE OF A SAWMILL**



The somewhat simplified explanation of this graph is that it shows the difference between the cost of raw materials and the sale price of timber products. The graph shows that variations have been great with 1994 being a special year. Looking at the period as a whole, margins have been decreasing slightly.

**MARGINS PER M<sup>3</sup> OF SAWN TIMBER FOR THE PERIOD 1989-1999 EXPRESSED IN SEK**





*Solid pine flooring made by Moelven.  
- The Ski Museum, Holmenkollen, Oslo.*

**ONE OF EUROPE'S BIGGEST**

The acquisition of Forestia's timber business will mean that the Moelven Wood Division will comprise 17 production facilities with a total annual production of over 600,000 cubic metres of processed wood. The total turnover will be NOK 1,200 million. This makes Moelven one of Europe's largest suppliers of the full range of processed wood products.

**PRODUCTION AND PRODUCTS**

The companies' products can be separated into four main sectors:

- Structural sections and external panelling
- Internal products such as floors, panelling and mouldings
- Parts for the manufacture of windows, furniture and doors.
- Protection against damp, fire, and colouring.

Considerable emphasis is put on the quality and finish of products. When converting wood products, the ability to fully utilise the raw material is the key to creating value. As a whole and individually Moelven's companies in this business sector also represent a good combination of experience, a high level of technical expertise, the ability to innovate, specialisation, product



division and product identification.

Several years of R&D work has allowed Moelven to develop the technology for ensuring that the Group is able to deliver guaranteed fire resistant wood in fire category A1, both for internal and external use.

**MARKETS**

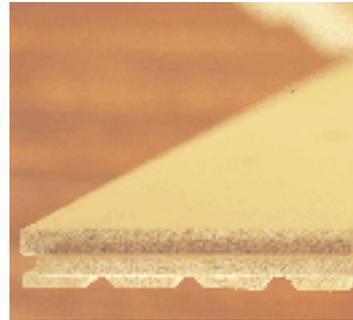
The companies in the business sector Wood aim primarily at builders' merchants, but also at industrial customers in the domestic and international markets. Having processing as a separate business sector allows Moelven to be one of the few players in a position to offer chains of builders' merchants in Scandinavia and Germany the whole spectrum of products. In order to meet future demands for quality, range and delivery, the companies in this sector of the industry are specialised and organised within particular groups of products.

Moelven is, incidentally, one of the first companies in its field to develop systems of bar coding to make production, logistics, sales and delivery more efficient. Electronic trade in a number of products is also being prepared.

**CREATING CHAINS**

In the builders' merchant and construction trades throughout Scandinavia there has been a great deal of consolidation into larger and fewer chains. This concentration has given customers greater bargaining power. The corresponding mergers on the supplier side are therefore a natural consequence of this.

The ongoing restructuring in the Nordic builders' merchant markets is good for the trade's profitability. Larger chains will have more bargaining power with the suppliers of building materials.

**COMPETITION**

Because of the easy access to sawn timber in the Nordic countries, timber products are the most common material used for construction in Norway, Sweden and Finland. In the international market for building materials there is increasing competition from other materials. Converted timber products are expected to maintain a significant competitive advantage in the market when considered from an environmental point of view.

However, increasing competition and standardisation apparently leads to greater integration of the Nordic builders' merchant markets, which increases competition between chains. This situation will lead to greater pressure on the producers. To resist this pressure further consolidation will be forced on the timber product market. Increasingly chains will form across the national borders of the Nordic countries, and large European players will be a part of this.

Further restructuring of the timber industry will result from consolidation in both the builders' merchants and contracting industries. Moelven will continue to be a driving force behind the ongoing restructuring of the Nordic timber industry.

**PROSPECTS**

A gradual increase in house building through the year

## processing



contributed to satisfactory demand for converted timber products during 1999. There are reasons for this trend continuing in the current year. The need that has built up for new private housing makes it realistic to expect that approximately 21,000 new houses will be built in Norway in the course of 2000.

In the commercial RCE market (rehabilitation, conversion and extensions) and in the new commercial buildings market,

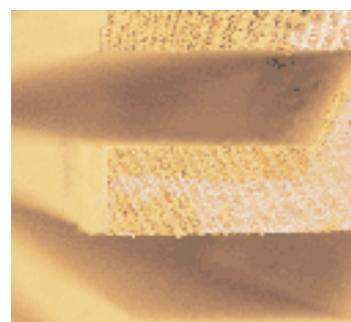
on the other hand, a slight decline is expected for 2000. The nadir for commercial buildings is expected to be reached in 2000, followed by a slight increase in 2001.

The picture in the private rehabilitation market is somewhat uncertain. The trend is now that the private market weighs up investments in repairs to its own houses against things like holidays and leisure activities. Overall there may be a five percent decrease in the Norwegian RCE market in 2000.

In Sweden, 1999 represented a marked shift in construction activity, and the improvement in Swedish demand is expected to continue. Moelven Wood has reorganised and strengthened its marketing organisation in Sweden and Norway. The aim is to increase the Group's market

share in both the Swedish and Norwegian construction markets.

In the rest of Europe the market prospects are good. Demand will probably rise by around two or three percent. The weak Euro disturbs this picture slightly. All projections show growth continuing in Japan.



Plant	1999 Production (m <sup>3</sup> )	Sector
Moelven Eidsvoll	12 000	Mouldings
Moelven Treinteriør	15 000	Solid wood floors
Moelven Eidsvold Værk	60 000	Structural sections, external panelling
Moelven List	6 000	Mouldings
Moelven Valåsen	55 000	Structural sections and components
Moelven Värmlands Trä	60 000	Panelling and impregnated materials
Moelven Component	20 000	Components for other industries
Moelven Notnäs	55 000	Panelling
Moelven FireGuard AS	5 000	Fire resistant wood
Moelven Våler	30 000	Structural sections
Moelven Østerdalsbruket	32 000	Structural sections and impregnated materials
Moelven Langmoen	90 000	Solid wood flooring, panelling, mouldings and impregnated materials
Moelven Trenäva	7 000	Components
Moelven Soknabruket	13 000	Components
Moelven Hen	30 000	Impregnated and wood-stained products
Moelven Gol	7 000	Panelling
Moelven Van Severen	63 000	Structural sections and external panelling
<b>Total</b>	<b>554 000</b>	

### THE CHAINS STRENGTHEN THEIR POSITION

The Timber and Builders' Merchants Union analysis of the 1998 market shows that the chains further strengthened their position\*.

The analysis shows that the chains achieved organic growth of six percent. The overall market was virtually unchanged, and there is reason to believe

that the chains took market share from "unaffiliated" dealers and specialist dealers, and that a further shift in trade occurred. In addition the chains have grown by gaining new members and by acquiring competitors.

Sales to end users (private and commercial) of products available in builders' merchants offering a good range were

NOK 34 billion, whereof NOK 22.5 billion were sold through builders' merchants with the equivalent of three or more employees.

The remaining NOK 11.5 billion is split between specialist dealers in paints, furnishing, ironmongery and industrial products, in addition to a range of small businesses, and companies also selling other goods.

Chain/firm	No. of outlets	Net sales to end users in NOK million
Norgros (Byggmakker) including Rådhuset/Byggjak	186	5,648
MAXBO including L-V Proff, Smart Interiør/ Smart Jernv.	130	3,200
Bygger'n Norge including L.A. Lund and E.A. Smith Bygg	123	3,010
Forbrukersamvirket [The Cooperative Society], Bygg & Bo, OBS, Bygg, ByggMix, Jacobs and the building materials depts. in co-ops.	159	2,135
BK Byggkjøp Norge	42	1,291
Bryggeriet including Mesterkjøp	52	1,146
BLINK-Gruppen	30	976
Neumann Bygg including the IDE chain (1997 estimate)	30	815

Source: Trelast og Byggevarerhandelens Fellesorganisasjon (TBF)

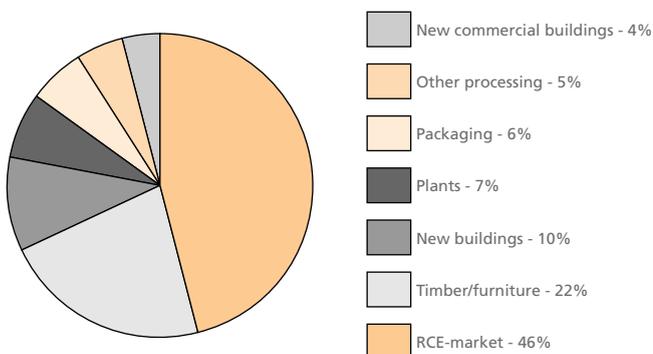
\* Figures for 1999 had not been released by the chains as of 8 March 2000.

The trend for 1999 was that the market shrank slightly in comparison with the previous year.

### DEMAND FOR TIMBER PRODUCTS IN NORWAY BY SECTOR

1) RCE - Rehabilitation and extensions

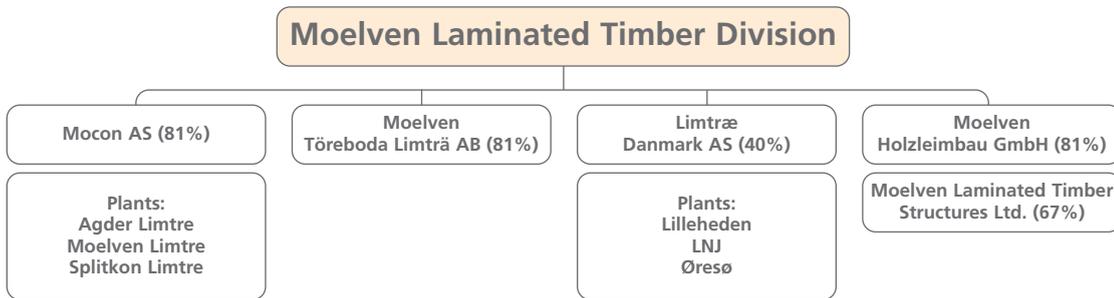
Source: Prognosesenteret



WOOD



*Laminated timber from Mocon AS, Splithkon Limtre - Midtgaard historical centre, Borre in Vestfold.*



### ORGANISATIONAL STRUCTURE AND OWNERSHIP

Moelven Laminated Timber is, through its manufacturers in Norway, Sweden and Denmark and agents in Germany, England and Poland, one of Europe's leading suppliers of glulam. As well as being the market leader in Scandinavia, the Group is the second largest exporter of glulam to Japan. In addition a significant proportion of the Group's exports go to the European market.

As the summary shows, Moelven's glulam production in Norway is run through Mocon AS, a company that has three production facilities; Moelven Limtre, Splitkon Limtre and Agder Limtre. The company has a total production capacity of 45,000 cubic metres of glulam.

Moelven Limtregruppen AS owns, through Mocon Holding AS, an 81 percent stake in the company. The other shareholders are Limtre Holding AS, owning 15 percent, and Agder Skogeierlag, owning four percent.

Moelven's Swedish subsidiary, Moelven Töreboda Limträ AB,

has a production capacity of 40,000 cubic metres of glulam. Moelven owns 81 percent of this company through Mocon Holding AS, with Limtre Holding



and Agder Skogeierlag as the minority shareholders.

Moelven's glulam business in Denmark is run through a 40 percent stake in Limträ Danmark AS. The ITH Group, listed on the Copenhagen stock exchange, owns 60 percent of the company. Limträ Danmark AS has a total production capacity of 60,000 cubic metres of glulam spread across three plants.

In addition, Moelven owns the agents Moelven Holzleimbau GmbH, Moelven Laminated Timber Structures Ltd., and an agent in Poland. Moelven Töre-

boda Limträ AB also holds a small stake in a manufacturer in Lithuania.

### STRUCTURAL CHANGES

As a result of a period of overcapacity in the international glulam market, Moelven has contributed towards the implementation of significant structural changes to the glulam production in Norway, Sweden and Denmark. The aim is to improve the profitability of the Group's glulam production business. Part ownership involves a lower degree of risk, and uses joint expertise more effectively.

### MARKETS

There has been increasing activity in the Japanese market through 1999, and a long-term relationship is being built up through the company Moelven Töreboda Limträ AB.

Mocon AS, Moelven Limtre has developed good relationships in Italy. Exports to Italy have increased steadily over the past three years, and the positive trend is continuing.

The Laminated Timber Division's most important markets

## architecture and span

are Scandinavia, Germany, Japan, Italy, Poland and England. 40 percent of sales are in the Scandinavian market, where the companies have a market share of around 65 percent.

The markets can roughly be divided into the commercial and industrial sectors and the contracts market.

Commercial customers sell standard products from their own warehouses or by direct deliveries from the factories.

Industrial customers require products adapted for their business, generally for pre-fabricated housing, whilst clients and contractors use glulam for large, individual projects.

### PRODUCTS

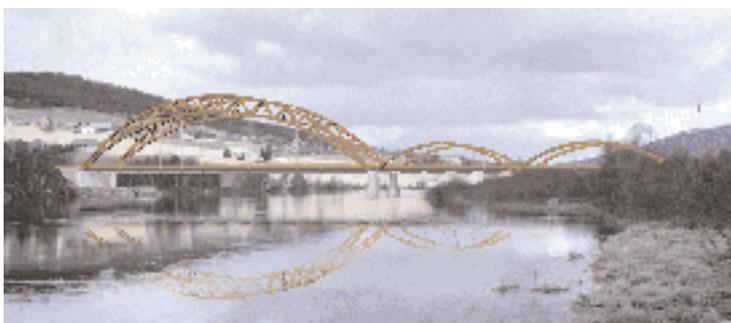
The applications for glulam range from a large choice of dimensions of straight beams for housing, schools and commercial buildings to more complicated constructions with spans of up to 150 metres. Glulam is also increasingly used for pedestrian and road bridges, and electricity pylons.

Glulam is a versatile product with a high strength/ weight ratio and high fire resistance. It is also easy to work. The increasing emphasis on architecture, design, environmental issues and the use of resources also gives glulam an advantage.

### PROJECTS

Moelven has helped give laminated timber a higher profile internationally, particularly through building Oslo Airport Gardermoen and the Olympic halls in Hamar and Lillehammer. Being awarded first prize in the European architectural competition "Glulam Award" for 1999 is further proof of this.

The many football and sports halls that have been built are



other examples of the great potential glulam has compared to steel and concrete. Moelven has also, in collaboration with the Norwegian Highways Department, developed a concept for building timber bridges.

This is also being realised through the Norwegian government's decision to accept the plans, set out by the Norwegian railway authorities and Norwegian State Railways, to introduce tilting trains on the Southern Norway line, the Bergen line and the Dovre line. This will result in a significant number of laminated timber bridges being built in the coming years.

In the course of 2000 Mocon AS, Moelven Limtre will in addition, again in collaboration with the Highways Department, realise the artist Vebjørn Sand's idea of building Leonardo da Vinci's bridge over the E6 in Ås district.

### PROSPECTS

The Swedish construction market is experiencing strong growth and the predictions for the coming years are good. Swedish producers of laminated timber experienced growth of approximately twenty percent compared to the previous year. This shows that glulam took market share from steel and concrete. For Moelven Töreboda Limträ AB 1999 represented growth of 27 percent for stand-

ard glulam and 21 percent for contracts. Much of this is a result of the company's good cooperation with the Swedish builders' merchant wholesaler Star. The Swedish buying Group Intepares has also made a deal with Star. This is expected to contribute to further growth in the market share of Moelven's Swedish glulam company.

Japan is now the most interesting export market, and it is Moelven Töreboda Limträ AB's second largest.

The company exported 15,107 cubic metres of glulam to Japan in 1999, making it Japan's second largest external supplier. This volume represents a 45 percent increase on 1998. The increase was due both to larger volumes going to Fuji House, the company's Japanese partner, and contracts with new customers. Japan's economy remains somewhat unstable, and there is great competition between the Japanese retailers. However, prospects for glulam are good, and increasing demand is expected to bring prices up.

Only marginal changes in the Norwegian market are expected. Mocon AS is, however, well prepared for an increase in business, and has the clear ambition of gaining a higher market share in Norway. Resources are being targeted at the contract market in order to reap the dividends of past investments.

Demand in the continental

markets is strong. Volumes in Germany and Italy are increasing. Prices are getting slightly higher, and this is expected to continue.

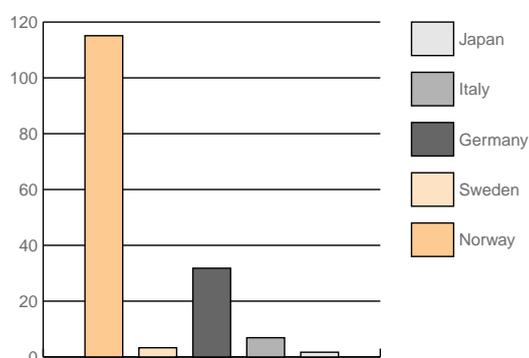
After a few years of stagnation in the market, which resulted in significant internal and

external restructuring, Moelven Limtre is now increasing its profitability.

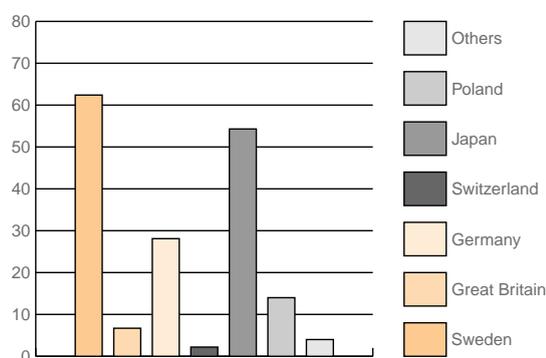
The work towards a decision on the Group's future structure is also continuing. Considerable emphasis will be placed on specialising production and prod-

ucts. Possible effects of greater central coordination of the factories in Mocon are being considered. The rate at which synergies are achieved is also to be intensified.

### TURNOVER BY MARKET SECTOR MOCON AS



### TURNOVER BY MARKET SECTOR MOELVEN TÖREBODA LIMTRÄ AB

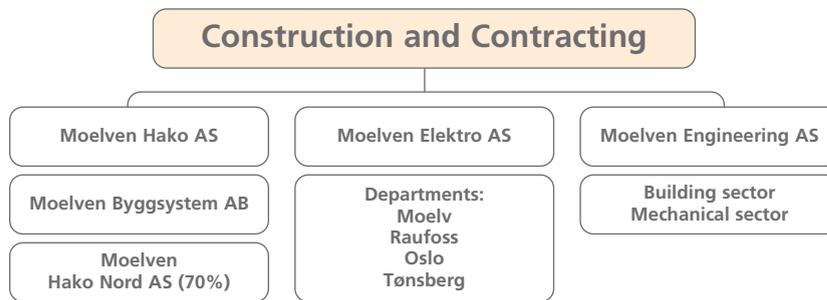


Company	No. of employees	Founded/ acquired	Products	Volume
<b>Production</b>				
Mocon AS:		1999/	Standard products, products made to order and contracts	33,500
- admin.	14			
- Moelven Limtre	102			24,000
- Splitkon Limtre	40			10,000
- Agder Limtre	17			4,000
Moelven Töreboda Limträ AB	131	1981/82	Standard products, products made to order and contracts	36,000
Limträ Danmark AS:	98	1998/	Standard products, products made to order and contracts	50,000
- Lilleheden Division				26,000
- LNJ Division				18,000
- Øresø Division				6,000
AB Jures Medis (15%)			Standard products, products made to order and contracts	3,000
<b>Sales:</b>				
Moelven Holzleimbau GmbH	6	1989/	Standard products, products made to order and contracts in Germany	28,000
Moelven Laminated Timber Structures Ltd.	6	1989/98	Standard products, products made to order and contracts in the U.K.	2,000
Moelven Töreboda Poland Sp.zo.o	1	1998	Standard products, products made to order and contracts in Poland	2,000

laminated timber division



*Electric installations made by Moelven Elektro AS - Felix, Aker Brygge, Oslo.*



The Group has placed the companies working in the contract market in the Construction and Contracting Division.

This division can be divided into two main areas of business:

- pre-fabricated buildings and
- engineering and electrical services

The companies Moelven Hako AS and Moelven Hako Nord AS in Norway, and Moelven Byggsystem AB in Säffle, Sweden, belong to the prefabricated buildings sector.

Moelven Elektro AS and Moelven Engineering AS with its construction and mechanical engineering department are defined as belonging to the engineering and electrical services division.

The similarities between the companies in the Construction and Contracting Division can be summarised as follows:

- Specialists operating in niche markets in the contracting industry.
- Companies looking for niche markets less volatile than the

new-build market.

- Based on long-term, close customer relations.
- Focusing on customers like clients, the public sector, property businesses (management, industry and contractors).
- Companies offering a combination of project work, equipment and service.
- That have particularly effective logistics.

#### **MODULAR, PRE-FABRICATED BUILDINGS**

The Moelven Group is one of Scandinavia's biggest operators in the field of pre-fabrication of modular buildings. The companies in this field have developed efficient and modern systems for pre-fabricating ready-to-erect building modules and elements. This results in a very short and efficient building period for the customers. It provides flexible, profitable and efficient building solutions with a high re-use value.

#### **PRODUCTION AND PRODUCTS**

The companies have for several years been developing efficient



and modern production techniques. This results in a very short and efficient building period for the customers. This results in lower construction costs than for made-on-site methods. This results in flexible, profitable and efficient building solutions.

Since the middle of the 1950s Moelven has produced roughly 110,000 building modules, originally for simple site huts. The companies now supply roughly

## *comprehensive solutions*

4,000 modules annually with an ever higher proportion going to schools, offices and hotels. This corresponds to 80,000 sq. m of completed buildings. The modules are provided as permanent solutions or as moveable/ temporary buildings. The companies' turnover is approximately NOK 400 million. This represents roughly 75 percent of the total business in the Construction and Contracting Division.

### **MARKETS**

Moelven's building module companies operate mainly in the competitive tendering market, which chiefly consists of clients and contractors in the private and public sectors. During the past two years the building and infrastructure market and the hotel market have provided several interesting commissions.

80 percent of sales are in the Norwegian and Swedish markets. The companies have had some contract exports to Europe.

### **INDUSTRIAL PRODUCTS AND SERVICES**

Moelven Elektro AS is an electrical contractor with branches in Moelv, Raufoss, Oslo and Tønsberg. Moelven Elektro AS completed two acquisitions in 1999, and is the Moelven company that had the highest growth

rate in 1999. Moelven Elektro now has an annual turnover of approximately NOK 100 million.

Moelven Engineering AS has technical, operational and project management expertise in building and mechanical services. These services are adapted to each customer's wishes and requirements, either as a supplier of total contracts or partial solutions.

### **PROSPECTS**

The Swedish construction market is going through a period of strong growth, which is expected to continue for the next three years.

The Group's Swedish modular buildings company, Moelven Byggsystem AB in Säffle, has a strong order book and is expected to continue to increase market share.

The Norwegian market for pre-fabricated building modules has contracted slightly in 1998 and 1999. Predictions show a general levelling off and decline in the Norwegian construction market. For the market segment building modules we expect a further contraction of six percent in 2000. The predictions for 2000 are that levels will be similar to 1994-1995, which was an average year for this segment. A slight increase is expected in 2001, however.

As a step in the companies' product development, and to compensate for the decline in the market, we are working on engineering solutions to meet the fire and safety requirements of the building regulations.

If approval for the use of wood in load-bearing structures in fire category 2 is given, it will be possible to build wooden houses of more than two stories. This would open new possibilities in the market for pre-fabricated building modules.

In addition to this, the possibility of producing larger modules than the current standard sizes is being considered. The logistics can most easily be solved by shipping from the factory in Kirkenes and from Säffle via Göteborg. In collaboration with architects we are considering offering a wider range of materials and colours to appeal to a bigger market. Moelven will, in collaboration with Husbanken [the state mortgage bank], consider future engineering solutions and concepts for new flats designed for young people and first time buyers.

Moelven Engineering AS will in the spring of 2000 complete the erection of the Norwegian pavilion for Expo 2000 in Hanover (see picture). Apart from this a normal level of activity is expected in the construction sector. Newly developed expertise in passive fire protection and technical project management for fire safety will be concentrated on.

The mechanical engineering sector has been involved in wide-ranging activity in inland Eastern Norway in 1999, to strengthen the external market. This strategy is expected to reap dividends in 2000 and beyond.

The sector has started using new, modern facilities and has increased both the administra-



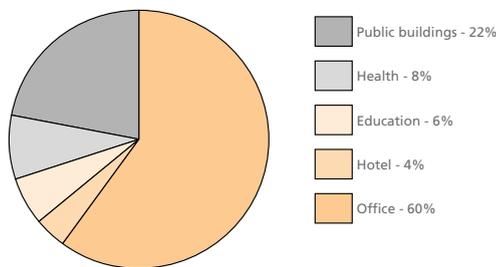
tion and production workforce. Moelven Elektro AS has had more business in its market segments in 1999 than it has been able to cover through its own capacity. This has resulted in several projects being completed in collaboration with other companies, which has contributed to the increased volumes.

The level of business will stabilise in 2000 at a level that is expected to be covered by the company's own capacity and expertise. By buying Grøndalen Elektro AS and Østby Elektriske AS in 1999 the company is in a better position to operate in the local markets of Oppland and Vestfold, in addition to which

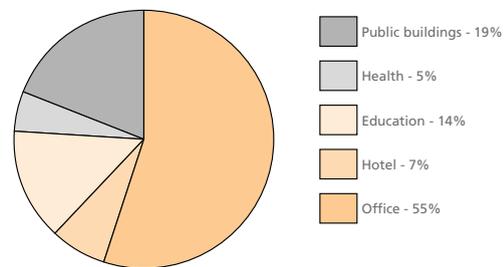
the Oslo office has been strengthened with its own service division. The company will still have a large amount of business as the main contractors for new buildings and in the RCE market, but with increasing emphasis on services and projects in telecommunications/IT/security.

Company	No. of employees	Founded	Products
Moelven Hako AS	145	1950	Moveable and semi-permanent modules.
Moelven Byggsystem AB	93	1997	Moveable and semi-permanent modules.
Moelven Hako Nord AS	22	1996	Moveable and semi-permanent modules.
Moelven Elektro AS	80	1.1.1999	Electrical fittings, low and power currents
Moelven Engineering AS	55	1905/1990	Developing, manufacturing and maintaining manufacturing plants, construction management and contracting services

**NEW NORWEGIAN COMMERCIAL AND INDUSTRIAL BUILDINGS BY TYPE - 1999**

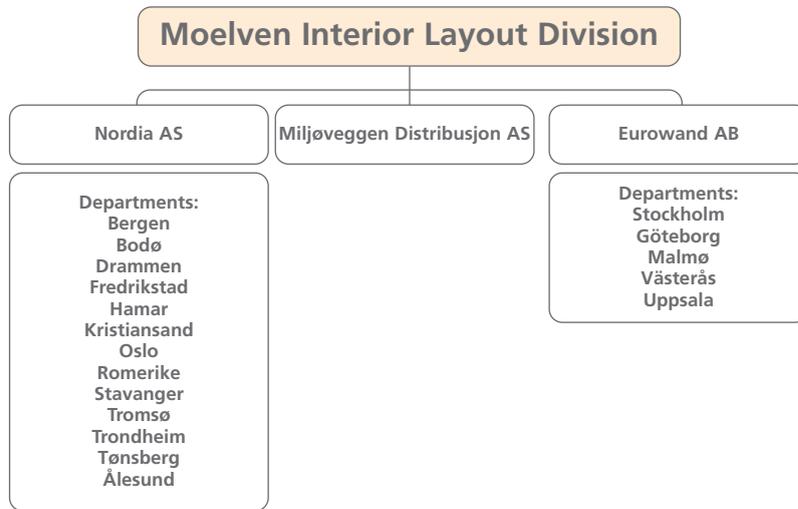


**NEW SWEDISH COMMERCIAL AND INDUSTRIAL BUILDINGS BY TYPE - 1999**





*Interior layout solutions from Nordia - Kongsberg industrial estate.*



Moelven's companies involved in interior layouts for commercial building, Nordia AS in Norway and Eurowand AB in Sweden, operate in the competitive tendering and direct market sectors. New buildings and some rehabilitation work are included in the competitive tendering market. The direct market includes rehabilitation, conversion and extensions (RCE). The Group had revenues of over NOK 500 million in 1999, and has for the past three years contributed significantly to the Group's total operating profits.

Moelven Innredningsgruppen AS is the leading manufacturer and supplier of ready-to-fit interior layout solutions for commercial properties.

Nordia AS has its headquarter and logistics arm in Jessheim, in



addition to a total of 14 regional offices and sales offices across the whole country.

The sister company Eurowand AB has its headquarters in Örebro, whilst production is based in the neighbouring district of Kumla. The company has regional offices in Malmö, Göteborg, Stockholm, Vesterås and Uppsala.

#### PRODUCTS

Nordia AS and Eurowand plan, manufacture and install complete interior system layouts for commercial properties. The term system layouts is used to include all kinds of partitioning, with or without glazing, partition fittings and acoustic screen walls, a range of suspended ceilings and raised computer floors suitable for offices, hospitals and other commercial properties.

The products can either be supplied to given standards, or be specially designed according to the wishes of the architect and users. This ensures that customers receive appropriate solutions combined with standard systems, easy installation and simple maintenance.

#### MARKETS AND PROSPECTS

The Norwegian and Swedish markets are divided into two segments; the competitive tendering market and the direct market. The companies mainly base their customer portfolio on long-term relationships with the most important players in the commercial and industrial property market. The Group's customers include public and private organisations involved in planning, building, maintaining and



## rational offices



managing commercial properties.

The steady growth experienced by the Norwegian commercial property market for a number of years levelled off towards the end of 1998. In 1999 the new-build market contracted by 12 percent, whilst the maintenance market grew by three percent. Everything points to this trend continuing into 2000. The statistical forecasting service estimates a five percent decrease in the new-build market, but this is expected to be compensated for by a six percent increase in the RCE market (rehabilitation, conversion and extensions). The new-build market is, however, expected to bounce back quickly in 2001, with growth of around 11 percent.

In 1999 the Swedish new-build market experienced growth of around 9 percent compared to the year before. The statistical forecasting service expects further growth of 11 percent in 2000, and a further ten percent increase in the new-build market in 2001. There is

also reason to believe that the RCE market will grow slightly.

Many years of experience in the Norwegian and Swedish property markets again shows that Norway and Sweden are out of step. This again confirms how important it is for the Group to be involved on the industrial side both in the Norwegian and Swedish markets.

As a result of the good prognoses for the Swedish commercial property market, and the ambition to reinforce Eurowand AB's position as the market leader in Sweden, Eurowand bought the Swedish Uppsala based company Fredlunds Akustik AB in January 2000. Uppsala is a university town, and is considered one of the fastest growing areas in Sweden.

### ENVIRONMENTAL ISSUES

The high re-use value of Nordia and Eurowand's interior system layouts, illustrates the products' environmentally friendly profile. The system partitions are easy to move when needs change,

which results in lower annual costs than for traditional construction methods. Conversion can take place while the premises are being used. The products satisfy all the requirements for the environment, acoustics, fire safety and strength.

Because the materials are

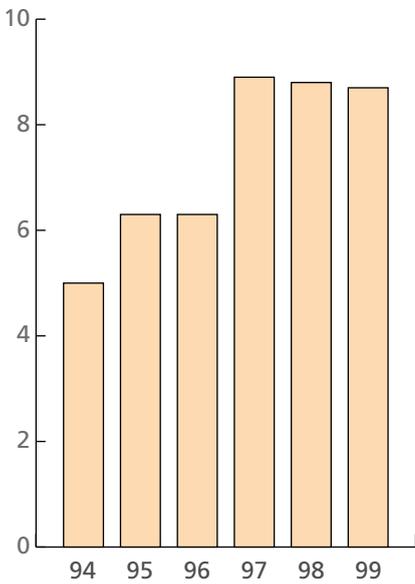


prepared and surface treated in a factory, gas emissions, the use of fillers, cross-cutting, polishing and painting on site are reduced.

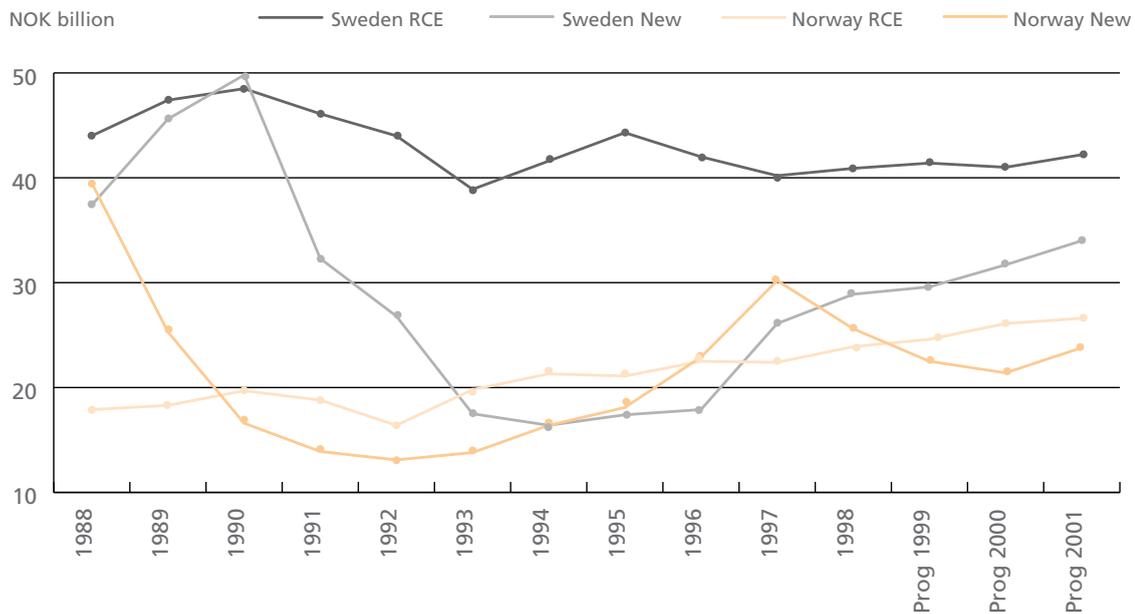
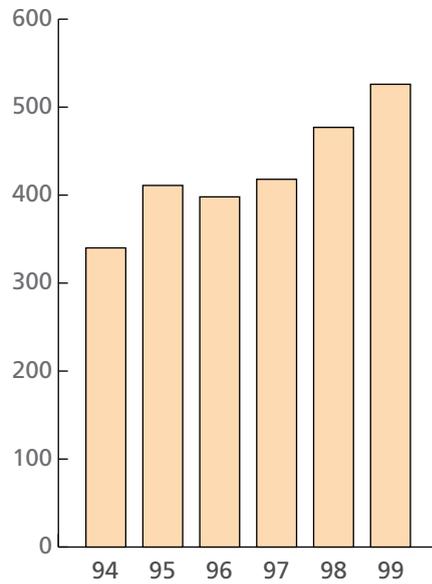


Company	No. employees	Turnover NOK million	Products
Nordia AS	371	371	Interior layouts for commercial properties
Eurowand AB	115	155	Interior layouts for commercial properties
Miljøveggen Distribusjon AS	2		
<b>The Interior Layout Division</b>	<b>488</b>	<b>526</b>	

**NET OPERATING MARGIN OVER TIME (PERCENT)**



**TURNOVER (NOK MILLION)**



interior layout division

## *wood as a basic raw material*

Moelven's industries are mainly based on wood as their raw material. The sawmills buy timber from the Eurasian coniferous forest belt in Norway, Sweden and Russia. Our processing companies buy their raw materials from the sawmills, and so do the laminated timber factories. Sawn timber is also an important raw material for the Construction and Contracting Division, mainly being used for pre-fabricating building modules and other construction-related activities. Sawn timber is a renewable resource, and an important contributor to nature's own cycle.

### **DEALING WITH WASTE AND NEW SOURCES OF ENERGY**

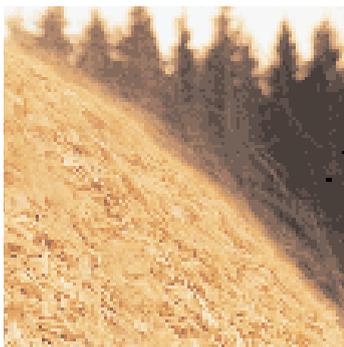
Moelven's 18 sawmills in Norway and Sweden will, in the course of 2000, need 3.7 million cubic metres of timber as their raw material. Like other players in the same market, Moelven each year supplies large quantities of raw materials to the paper and chemical pulp industry. No less than 35 percent of Moelven's total timber consumption goes as pulp to the paper industry, whilst ten percent becomes sawdust and chippings. This is worth NOK 400 millions and is used as a raw material in the chipboard industry and as bio-fuel.

Another distinctive feature of the timber industry is the significant recycling of its own wood-chip products. Significant amounts of chippings and bark are burnt in bio-energy furnaces which cover the energy requirements of drying timber products and heating the premises.

In the past the majority of sawmills "solved" the problem of surplus bark by dumping it. Demands for reduced emissions of chemicals like phosphorous, manganese and phenols, comb-

ined with the industry's need for a better economic exploitation of its waste products, are contributing towards technical advances and environmentally friendly solutions. In Sweden Moelven has extensive agreements with Vattenfall, who buy significant amounts of bark, shavings and dried chippings. In Norway Moelven has a corresponding agreement with the district heating plant at Gardermoen. At Moelven Notnäs AB in Sweden, a special production line for fuel briquettes has been established. This is produced from pure spruce and pine shavings.

The significant fall in the price of chippings throughout the 90s has been a factor in the timber industry's decision to



look for new buyers of chipping products. Moelven is therefore involved in the technological development of bio-energy.

The Group does not currently have detailed and standardised reports on all the environmental issues at all the 50 production sites in the Group's four divisions. In collaboration with Nordic Wood the company has performed a complete environmental audit in the Laminated Timber Division, and it is working on a number of projects within the Timber Industry Division.

### **ENVIRONMENTAL AUDIT FOR LAMINATED TIMBER**

In collaboration with Nordic Wood Moelven has, in its posi-

tion as a leading glulam producer, conducted an environmental audit that provides important data about the production of glulam.

The following companies in the Moelven Laminated Timber Division are part of the investigation:

Mocon AS: Moelven Limtre  
Agder Limtre  
Splitkon Limtre  
Moelven Töreboda Limträ AB

### **THE PRODUCT**

Laminated timber for construction purposes consists of solid wooden sections built up of spruce or pine strips glued together using structural glue. Moelven uses the phenol-resorcinol and urea-melamine types of glue.

The wood laminae are supplied by Norwegian and Swedish sawmills. The raw material is mainly spruce, but includes some pine. The amount of glue used is 6-10 kg per cubic metre of glulam.

### **PRODUCTION**

The manufacturers buy dried and specially selected sawn timber that is finger-jointed into suitable lengths. The laminae are planed and coated with glue before the section is pressed and hardened. The completed sections are generally planed all round.

Some sawdust, chippings, waste and off-cuts are sold as the raw materials for chipboard and bio-fuel. A small proportion of the chippings is used by the manufacturers to produce their own energy supply.

### **APPLICATIONS**

Laminated timber can be used for anything from private housing to large halls, multi-storey car parks and bridges.

## RECYCLING

On site glulam waste hardly exists, as glulam is usually supplied ready-to-erect.

Glulam in buildings has a long life-span, and glulam as waste from buildings that have been pulled down has so far virtually not existed in measurable volumes. In many structures glulam is suitable for reuse in its

original section, or divided into smaller dimensions.

Scrapped glulam constructions are well suited as bio-fuel with virtually the same properties as pure dry wood. The glue content of 1.5-2.0 percent by weight has little effect on the emissions on burning. Pure wood fuel from the Nordic forests, amongst other places,

forms part of the CO<sub>2</sub> cycle, illustrated in figure 1. Glulam is biodegradable and contains no toxins that require special measures.

Reuse or recycling of surface treated or impregnated glulam should be considered in each individual case.

## Circulation

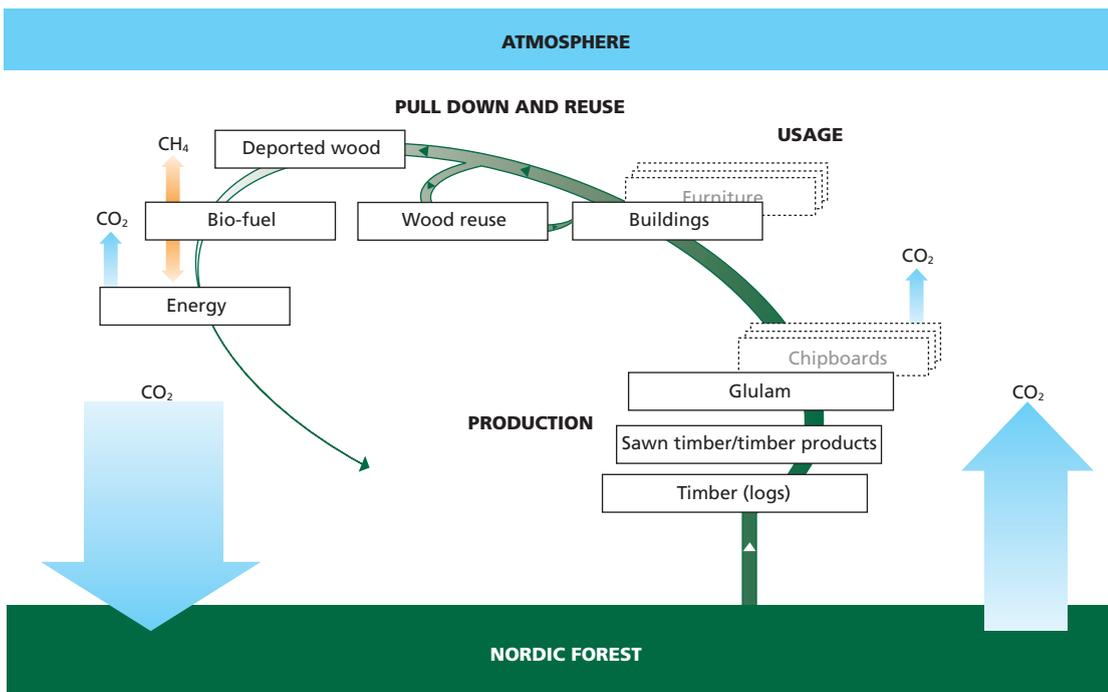


Figure 1: The timber industry utilises one of nature's eternal CO<sub>2</sub> cycles. CO<sub>2</sub> from the atmosphere (blue) is absorbed by the forest when wood (green) grows and is passed back into the atmosphere by tree rotting or burning. At present Nordic forestry is responsible for increasing forest volume which is a net CO<sub>2</sub> fixer.

# wood as a basic raw material

## GLULAM'S ENVIRONMENTAL ATTRIBUTES

The environmental attributes of a product can be ascertained from the emissions which occur in production and the resources which are used in its production. For glulam the following is true:

### Emissions to air

See table 1.

### Discharges to water

Washing water containing glue can be discharged into the public sewerage system.

### Discharges to the ground

Glue waste during the production of glulam is on average 90g/m<sup>3</sup> of glulam, and is dealt with in an approved manner. Hardened glue waste is delivered to the public landfill site.

### Use of resources

Tables 2,3 and 4 show the use of resources by volume produced, use of chemicals and energy consumption respectively.

### Use of raw materials

See figure 2.

### Energy consumption

See figure 3.

## Emissions to air

Emissions	Total 1 and 2	Laminated Timber Production (1)			
		Total	Bio.	Oil	Diesel
CO <sub>2</sub>	11,347	2,702	0	1.496	1,206
SO <sub>2</sub>	101	42	32	9.5	1
NO <sub>x</sub>	376	98	76	2.9	19
VOC(?)	210	78	76	0.2	3
Dust	335	128	126	0.9	2

Table 1: Emissions to air from laminated timber and sawn timber production (2). Units: g/m<sup>3</sup> laminated timber.

## Product volume

	Average	Minimum	Maximum
Laminated timber, sold	75 %	70 %	80 %
Chipping products, sold	19 %	7 %	23 %
Chippings for internal energy production	6 %	4 %	16 %

Table 2: Product volumes against purchased volume of dried sawn timber: Average, and maximum and minimum values for the seven producers.

## Chemical consumption

	Consumption	Waste
Glue	13 kg	0.3-2 % 1)
Hydraulic oil	0.1 litre	1)
Packaging, mainly plastic	1 - 3 kg	2)

Table 3: Use of chemicals that form part of the product, chemicals that are used in production and packaging. Quantities per m<sup>3</sup> of laminated timber.

## Energy consumption

	Average		max	min.
	kWh	MJ	kWh	
Bio-fuel, fired	210	756	410	63
Electric power, purchased	119	428	243	29
Heating oil and diesel	10	36	20	2

Table 4: Energy consumption including fuel, calculated per m<sup>3</sup> of laminated timber.

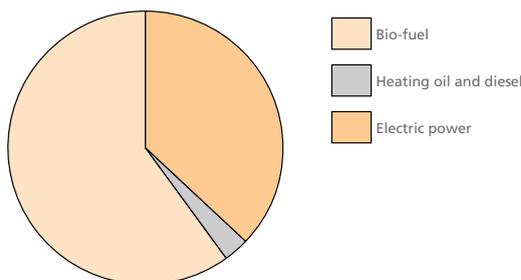


Figure 2: Producers utilise the timber 100 %, cf. table 2.



Figure 3: Energy consumption by laminated timber producers, cf. table 4.

## SUMMARY OF AREAS FOCUSED ON

This account looks at the Timber Industry, Construction and Contracting and the Interior Layout divisions with a general discussion of and progress report on discharges into the ground and air previously shown to occur.

### DUMPING/WASTE

The bark that the sawmills do not use as bio-fuel to produce energy for their own activities, the ash from factory furnaces and waste oil, are dumped on disposal sites recommended by the local authorities. Dumping of this kind is generally on the way out as a method of dealing with waste, but will nevertheless continue for a transitional phase.

During the expansion of Nordia's production facility at Jessheim in 1998, paint and varnish waste was found from the period 1962-1970. The necessary cleaning-up work has been completed in collaboration with the Norwegian Pollution Inspectorate.

CCA impregnation (copper, chromium and arsenic) has been discontinued at Moelven Eidsvold Værk AS, and in 1999 the company completed, in collaboration with the Norwegian Timber Research Institute, the cleaning-up of the impregnation facility that had been closed down in 1994 and sold the following year. The impregnation facility at Moelven Valåsen AB in Sweden is being renovated and converted. Heavy-metal-free (HMF) impregnation has been initiated at Moelven Hen (previously Forestia). The facility also has three production lines using CCA impregnation.

Those of our companies that have their own heating installations, have permission to heat

with oil or bark. Several of these facilities have very recently been converted as part of an agreement with external power stations supplying energy in the same regions.

### DUST AND WASTE GAS

We have invested in electric filters at several of the heating installations to achieve controlled emissions of gases and particles from the plant. The Group's production of interior system layouts and pre-fabricated building modules is done in factories. As the materials are prepared and surface treated in the factory, the on-site problems associated with dust, gas emissions and general waste are reduced.

### LOGISTICS

The sawmills and processing companies are the Group's operational areas with the highest transport volumes of raw materials in and finished articles out. Mainland transport is conducted either by road or rail, split

roughly 80/20. Half of all goods are shipped abroad.

Laminated timber, building modules and interior system layouts for the private market are also transported by road.

### NOISE POLLUTION

Some operations have received complaints about noise from certain production facilities from neighbours. Where it has been demanded, investments have been made in noise reduction measures.

### HES

Out of a total of 2,432 employee-years, calculated as 559,360 days, the Group had total sick-leave of 30,063 whole days in 1999, corresponding to 5.37 percent. There were 78 workplace accidents resulting in personal injuries, of which 53 resulted in sick-leave. This gives an H value of 12.45 (the number of injuries resulting in sick-leave per million man hours).



## main figures - divisions

Amount in NOK million	1999	1998	1997	1996	1995
<b>Timber Industry Division</b>					
Operating revenues	1,949.4	1,589.1	1,253.0	1,076.8	1,160.0
Operating profits	17.2	19.5	77.8	11.7	69.5
Financial items	- 27.5	- 23.5	- 9.1	- 11.0	- 10.7
Operating result before tax	- 10.3	- 4.0	68.7	0.7	58.8
Total capital	1,182.6	1,192.6	728.1	668.1	656.4
Equity ratio	39.7	40.0	43.2	46.2	47.7
Gross operating margin in percent	4.5	4.8	9.3	5.0	9.2
Depreciation	71.1	56.1	38.7	41.7	36.7
Cash flow from operations	60.8	52.1	107.4	42.4	95.5
Investments	35.3	64.6	30.5	34.0	73.5
Number of employees	1 022	990	604	620	653
<b>Equivalent including Westwood AB (Group) and Notnäs AB in Timber Industry for the period 1998 – 1994</b>					
Operating revenues	1 949	1 873	2 037	1 773	1 948
Operating profits	17	3	72	- 27	115
Number of employees	1 022	990	1061	1083	1104
<b>Timber - sawmills</b>					
Operating revenues	1 568.0	1 309.0	1 043.3	879.1	978.3
Operating profits	3.8	4.5	66.4	1.4	49.5
<b>Wood - processing</b>					
Operating revenues	620.5	547.4	347.1	360.7	300.2
Operating profits	13.4	15.0	11.4	10.3	20.0
<b>Laminated Timber Division</b>					
Operating revenues	530.8	434.6	421.9	430.6	419.9
Operating profits	7.2	- 0.4	5.3	15.6	10.4
Financial items	- 8.4	- 7.1	- 4.7	- 3.6	0.2
Operating result before tax	- 1.2	- 7.5	0.6	12.0	10.6
Total capital	280.3	261.1	250.5	233.9	211.8
Equity ratio	13.1	21.5	31.4	36.0	49.2
Gross operating margin in percent	4.9	3.5	4.8	6.8	5.0
Depreciation	18.9	15.7	14.9	13.7	10.7
Cash flow from operations	17.7	8.2	15.5	25.7	21.3
Investments	11.2	8.8	46.1	40.9	22.3
Number of employees	414	326	353	384	346
<b>Construction and Contracting Division</b>					
Operating revenues	561.6	557.2	343.5	342.7	292.0
Operating profits	42.7	19.2	22.9	26.2	20.7
Financial items	1.2	0.0	- 2.4	- 0.1	- 0.3
Operating result before tax	43.9	19.2	20.4	26.1	20.4
Total capital	270.4	107.8	209.0	165.3	112.5
Equity ratio	42.9	33.9	39.3	35.3	40.9
Gross operating margin in percent	8.8	4.5	8.5	8.6	8.0
Depreciation	6.8	5.7	6.2	3.2	2.5
Cash flow from operations	50.7	24.9	26.6	29.3	22.9
Investments	6.5	6.6	22.4	8.9	4.0
Number of employees	562	459	376	240	280
<b>Interior Layout Division</b>					
Operating revenues	526.0	476.9	417.7	397.9	410.8
Operating profits	45.5	42.1	37.2	25.0	26.0
Financial items	7.6	8.5	9.1	9.7	10.3
Operating result before tax	53.1	50.6	46.2	34.7	36.6
Total capital	250.5	238.2	215.0	202.2	204.1
Equity ratio	53.7	54.7	58.5	59.3	57.1
Gross operating margin in percent	9.7	9.6	9.7	7.2	7.1
Depreciation	5.3	3.5	3.5	3.7	3.2
Cash flow from operations	58.4	54.1	49.7	38.4	39.5
Investments	11.8	17.9	12.2	18	6.1
Number of employees	488	464	386	360	394
<b>Other businesses <sup>1)</sup></b>					
Operating revenues	78	79	40	42	43
Operating profits	- 23	- 28	- 18	- 17	- 34
Depreciation	8	12	8	9	7
Cash flow from operations	- 18	- 16	- 10	- 8	- 27
Number of employees	68	59	40	36	13

<sup>1)</sup> Other businesses includes, apart from the Group's parent company, two further companies only acting as holding companies, Moelven Industrier AB and Moelven Westwood AB. Moelven Service AS and Moelven Finans AS provide IT, logistics, accounting and finance services to the Group's other companies. This section also includes non-operational assets, industrial properties near Moelv which are currently used by companies outside the Group, and some sites and modules connected to old development projects. The non-operational assets have a total book value of just under NOK 30 million.

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