

A N N U A L R E P O R T



2019

MOELVEN
Moelven Industrier ASA

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Calendar for presentation of the Group's accounting data in 1998:

27 January

3rd four-month interim report
Interim annual accounts 1997

25 March

Annual General Meeting

27 May

1st four-month interim report

2 October

2nd four-month interim report

February 1999

3rd four-month interim report
Interim annual accounts 1998

We reserve the right to amend these dates.

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The Group's business areas

Moelven Industrier ASA is a Norwegian publicly quoted industrial company, listed on the Oslo Stock Exchange. The head office is situated at Moelv, Norway. Of the Group's 1,759 employees, 716 are employed at foreign subsidiaries. Moelven is involved in four business areas: Timber Industry, Interior Layout, Laminated Timber and Construction and Contracting. The businesses are organised into 29 independent subsidiaries in seven different countries.

With its five sawmills and three processing factories in Norway and Sweden, **Moelven Timber Industry Division** has gained a good position in the European market. The annual timber consumption is approximately 1.2 million cubic metres of timber.

Moelven Interior Layout Division is Scandinavia's leading manufacturer and supplier of structural system interiors for commercial premises, and is represented by Nordia AS in Norway, and by Eurowand AB in Sweden. Approximately 850,000 square metres are manufactured on an annual basis.

Moelven Laminated Timber Division is the leading manufacturer of laminated timber in Europe. Internationally, Moelven has attracted

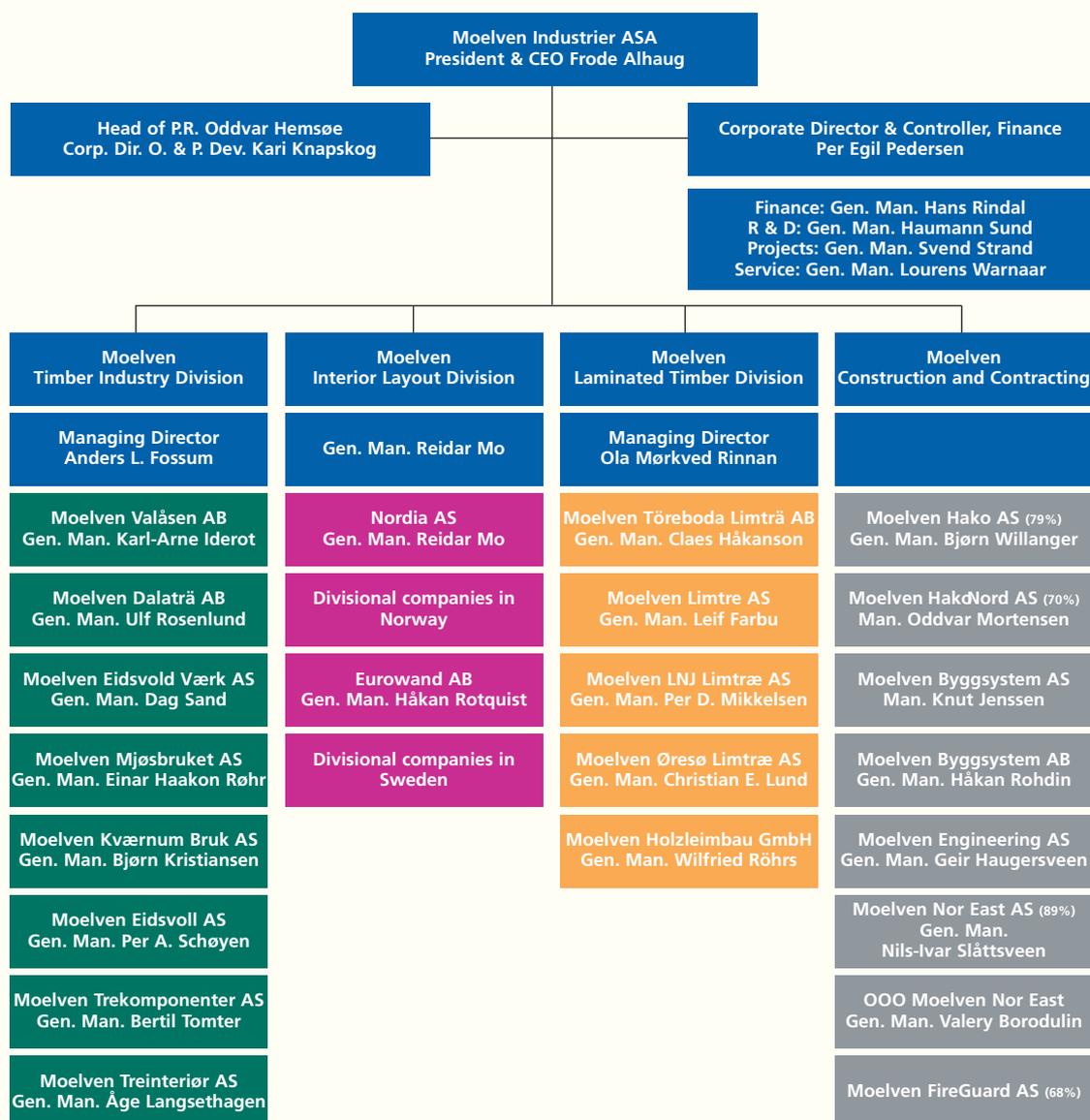
considerable attention in connection with the construction of the 1994 Winter Olympic arenas, as well as the terminal building, railway station and flight towers at Oslo Airport Gardermoen. The annual production capacity is approx. 120,000 cubic metres of laminated timber.

Moelven Construction and Contracting comprises construction-related companies in the building industry. The Group's most recent purchases of Moelven Byggsystem AB and Moelven Byggsystem AS, together with Moelven Hako AS, form Scandinavia's largest manufacturer and supplier of pre-fabricated building modules for the construction of hotels, schools, nursery schools, offices, hospitals, as well as all types of permanent and temporary housing. Within the business division Construction and Contracting, you will also find the production of fire resistant wood by the subsidiary Moelven FireGuard AS.

Through Moelven Nor East AS, the Group is established in Russia, exporting a considerable volume of timber to Norway and working within the growing construction market through the newly established company OOO Moelven Energo in Kolpino, outside St.Petersburg.

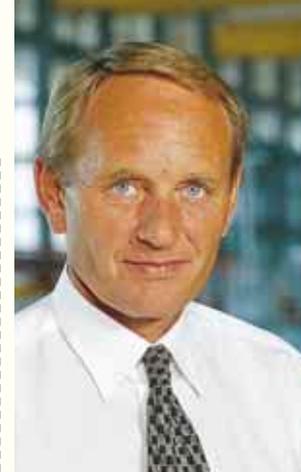


Organisation chart at 23.2. 1998



Key figures for the Group and the business areas												
(Amounts in NOKm)	Group		Timber Industry		Interior Layout		Laminated Timber		Construction and Contracting		Others incl. eliminations	
	1997	1996	1997	1996	1997	1996	1997	1996	1997	1996	1997	1996
Operating revenues	2 377.5	2 196.2	1 253.0	1 076.8	417.7	397.9	421.9	430.6	343.5	342.7	- 58.6	- 51.8
Operating profit	125.4	62.0	77.8	11.7	37.2	25.0	5.3	15.6	22.9	26.2	- 17.8	- 16.5
Financial items	12.4	- 32.8	- 9.1	- 11.0	9.1	9.7	- 4.7	- 3.6	- 2.4	- 0.1	19.5	- 27.8
Profit before tax	137.8	29.2	68.7	0.7	46.2	34.7	0.6	12.0	20.4	26.1	1.9	- 44.3
Total capital	1 201.2	1 131.7	728.1	668.1	215.0	202.2	250.5	233.9	209.0	165.3	- 201.4	- 137.8
Equity ratio	33.6	26.4	43.2	46.2	58.5	59.3	31.4	36.0	39.3	35.3	-	-
Gross operating margin	8.3	6.1	9.3	5.0	9.7	7.2	4.8	6.8	8.5	8.6	-	-
Depreciation	71.7	71.4	38.7	41.7	3.5	3.7	14.9	13.7	6.2	3.2	8.4	9.1
Cash flow	209.5	100.6	107.4	42.4	49.7	38.4	15.5	25.7	26.6	29.3	10.3	- 35.2
Investments	116.7	91.8	30.5	34.0	12.2	1.8	46.1	40.9	22.4	8.9	5.5	6.2
Number of employees	1 759	1 640	604	620	386	360	353	384	376	240	40	36

Comments from the President and CEO



Frode Alhaug

1997 was a good year for Moelven. Most of our business areas had steady and profitable workloads, and the turnover increased by 8 per cent to nearly NOK 2.4 billion.

The operating profit of NOK 125 million, as well as the profit before tax from ordinary operations of approx. NOK 90 million, also clearly represents the best ever results for the Group. In addition, we chose to sell our shares in Byggeland KS after jointly running the company with the Varner Group since 1989. With the revenue from this sale, the year ended with a profit before tax of NOK 138 million. The Group's depreciation was at a level of NOK 75 million, giving a cash flow for 1997 of NOK 210 million. The Group's financial situation was also improved in 1997. The share capital is back at a level which allows normal scope for manoeuvre, and the equity ratio is approx. 35 per cent. This is good – so far.

The task ahead is to choose the right growth, meaning that the growth must first and foremost be profitable, but also be a part of a strategy for the future. The Group faces decisions with regard to the structural problems within the Timber Industry Division and the Laminated Timber Division. Yet the position of our companies gives reason for optimism, and we believe that it will be possible to gain interesting positions this year and the coming year.

For our four business areas, the year 1997 has proved to be to a certain extent very good, normal and also to a certain degree complicated.

For the laminated timber companies, 1997 became an extension of 1996 with weak prices in Germany. In addition, both the volume of orders and the prices on the Japanese market were weaker than expected.

Moelven Limtre AS has completed its investment in one of the best production lines in Europe. This will produce results in due course.

Our interior layout companies have proved that the results from previous years were no

accident. We expect continued growth from last year's best performing division.

Our companies in Construction and Contracting also showed good form in 1997. For four consecutive years Moelven Hako AS has achieved a net profit of more than NOK 20 million, and Moelven Engineering AS meets the Group's profit requirements with strong growth.

Moelven's position in Russia was further strengthened in 1997 with an import to Norway of about 250,000 cubic metres of timber, and a successful construction project in Luga. We continue our progress in Russia in 1998, but with a continuous review of growth against risks.

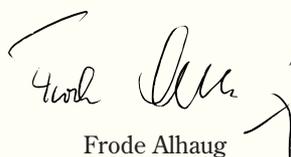
The timber industry saw the shortest boom ever with six months of good margins and then a return to the levels of early 1996.

Production in the Group's sawmills was at an all time high with a consumption of approx. 1.3 million cubic metres of timber. With profits close to a seven per cent operating margin, a good average level has been attained compared to previous years.

We made investments within all four business areas last year. The total investment level including the purchase of Byggsystem AB and Byggsystem AS was NOK 117 million. All companies maintain satisfactory technical standards, and in the coming three year period the investment required will be lower than depreciation. Investments in new capacity will mainly take place through purchases.

1998 should be a good year for large parts of the Group. The timber industry has had a weaker start than a year ago, but there is a prospect of improvement in the market during the first six months. If this does not happen, the Group's profit will be affected. The end result of a prolonged recession, however, may be a better structure for the timber industry in the years to come.

Moelv, 17 February 1998



Frode Alhaug



Bjarne Gulvik
(chairman)

Report from the Board of Directors



Arthur J. Aasland



Carl Graff-Wang



Agnar Aas

GROUP

Operating revenues and profit

The Group's operating revenues for 1997 were NOK 2,378 million, compared to NOK 2,196 million in 1996, a growth of eight per cent. Operating profit after depreciation was NOK 125 million, doubling the 1996 profits of NOK 62 million. Ordinary depreciation was approx. NOK 72 million. The Group's income figures include NOK 45 million from the sale of Moelven's shareholding in Byggeland KS. Approximately ten per cent of the sales income has been set aside until the final guarantee period expires in April.

Net financial items amounted to minus NOK 32 million, and the profit before tax was NOK 138 million for the year. The net profit excluding gains on sales of assets was NOK 93 million. In 1996, the profit before tax was NOK 29 million. The Group's performance over the year was the best ever, and the Board proposes paying a dividend of NOK 0.25 per share.

The Group reported operating profits in all business areas in 1997, and the net financial expenses dropped from NOK 36 million in 1996 to NOK 32 million. The profit performance over the year was stable, the consolidated figures for each four-month period being fairly similar.

As expected, the Timber Industry Division experienced declining profit margins towards the end of the year as a result of a substantial drop in global market prices for most of the division's products. Profit margins for the division's sawmills were healthy during the first four months of the year and parts of the second four-month period, but the situation altered over the summer. The main explanation for this rapid change in prices over the second half of the year was not lower consumption, but rather a higher output than the market was able to absorb. Limited stocks of logs during the autumn made it impossible to reduce raw timber prices, and the profit margins came under strong pressure.

The processing companies within the Timber Industry Division experienced normal profit margins throughout 1997, partly because the Norwegian market remained more buoyant than the European market. Given this market situation, the Group's operating profit of NOK 20 million for the third four-month period and NOK 78 million for the year was good.

The Interior Layout Division continued to produce a stable and healthy profit, thanks to a high level of activity throughout the year. The

operating profit of NOK 19 million for the third four-month period was the Group's best ever performance. The operating profit for the year as a whole was NOK 37 million.

In Sweden too the division performed well, though the lack of activity in the Swedish market for commercial and industrial buildings continues to have an impact on turnover. This applies both to new and refurbished buildings. The performance of the Laminated Timber Division in 1997 reflected the over-capacity that has developed in Europe over the past two years. The entire industry has been under pressure, and a weak market in Japan has only added to the problems. Several manufacturers of laminated timber increased their capacity to serve the rapidly expanding Japanese market, and reduced demand has now led to lower prices both in Japan and the large German market.

Performance was also affected by a major restructuring of the division's Norwegian subsidiary, Moelven Limtre AS, and a complete restructuring of its new Danish subsidiary, Moelven Øresø Limtræ AS. The division managed to maintain its market positions, and ended the year with an operating profit of NOK 5 million.

The Construction and Contracting Division secured a strong market position with an operating profit of NOK 23 million. This figure takes account of development costs for Moelven TimberTech, and investments in Russia, as well as the establishment of the subsidiary Moelven Hako Nord AS in Kirkenes. This investment totals about NOK 5 million. Two further acquisitions were made in late 1997. The companies Byggsystem AB in Sweden and Byggsystem AS in Norway were acquired from the Swedish company Westwood AB, with effect from the middle of November. These companies which produce modules and building components now form part of the division under the direction of Moelven Hako AS. Together, these companies form Scandinavia's largest module manufacturer.

The Group's fixed and indirect costs outside of the operations of the core businesses stood at NOK 18 million, the same level as last year. The cost of the Group's R & D activities in 1997 totalled about NOK 12 million, and was shared between the Group and its divisions.

Financial situation

At 31.12.1997 the Group's balance-sheet totalled at NOK 1,201 million, an increase of

approx. NOK 70 million on the previous year. The increase in total assets is explained by the addition of two companies to the Group and the general increase in activity towards the end of the year. The Group's liquidity is sound, and the balance sheet total remains at 50% of total turnover, as required by the Group. Net interest-bearing debt stood at NOK 380 million at the end of 1997, down some NOK 30 million from last year.

Net interest-bearing debt was therefore equivalent to about 16% of operating income for the year, a reduction of two percentage points from 1996. Capital expenditure on fixed assets and equipment, including the acquisition of Byggsystem AS and AB, totalled NOK 117 million in 1997. The Group's share capital and reserves after tax and dividends will be approx. NOK 404 million, an increase of NOK 104 million over the past year. The equity ratio will therefore be 34 per cent, an improvement of seven percentage points on 1996.

In the light of its sound financial position, the Group is in the process of signing new loan agreements on more favourable terms.

THE BUSINESS AREAS

Timber Industry

The operating revenue for the Timber Industry Division was NOK 1,253 million in 1997, an increase of 16 per cent from last year. The turnover for the last four-month period was at the same level as in 1996, while the amount of volume sold by the end of the year exceeded last year's by approx. 10 per cent.

The increased turnover was thus due to a combination of better prices in the first half of the year and a higher activity level throughout the year. The operating profit for the year of NOK 78 million is satisfactory considering the average margins for the industry.

After a very tight year in 1996, the improved level at the beginning of the year was expected to last a little longer. Healthy timber prices and a certain insecurity with regard to the future, resulted in large volumes of available timber in the first half of the year and the industry tried to regain some of the losses of 1996 by keeping a high activity level throughout the winter. Several large Nordic manufacturers aimed parts of their production towards the Japanese market. The export to Japan did not meet expectations, and considerable volumes were instead supplied to the European market during the year. This led to pressure on

Europe which, in spite of a normal consumer pattern and relatively small stocks, reacted by reducing prices in the second half of the year. As opposed to previous fluctuations, this reaction was partly due to – and compounded by – the manufacturers themselves and not controlled by the market. This is regarded as the main cause of the rapid change and the severe effects. The Norwegian market has generally managed to stay in better shape than the European market. Processing companies and planing mills, whose main market is in Norway, did not suffer the same negative results at the end of the year. Moelven's sawmills in Sweden and Norway have successfully managed to adjust production and customer contracts during this rapid market change, and an operating margin of seven per cent is seen as satisfactory. The prospects for the first half of the year seem weak, but the Board expects a respectable end to 1998.

Interior Layout

The Group's two companies saw an increase in total operating revenues of five per cent, reaching NOK 418 million. The total operating profit for the companies was NOK 37 million as against NOK 25 million in 1996, a growth of 48 per cent. The financial income of NOK 9 million, due to operations in the interior layout companies, comes in addition to the ordinary operating profit. This made the division the Group's most profitable business area in relation to each krone turned over in 1997. The market for the Group's Norwegian company Nordia AS was stable and healthy throughout 1997, with strong building activity, particularly in the east of Norway. The refurbishing market, which also performed well during the year, is of equal importance to the company. The situation in Sweden is different. The Swedish construction market failed to show any significant signs of improvement during 1997 and the refurbishment industry also saw limited activity. During this restricted market situation, Eurowand AB managed to control costs and achieve a healthy profitability in spite of low volumes.

The companies' market shares in the domestic markets are satisfactory. Furthermore, the companies follow some of their international customers into the export market, carrying out contracts in several European countries. In 1997, Eurowand AB carried out the company's largest ever marketing campaign in the domestic market, receiving a favourable



Andreas Gjems



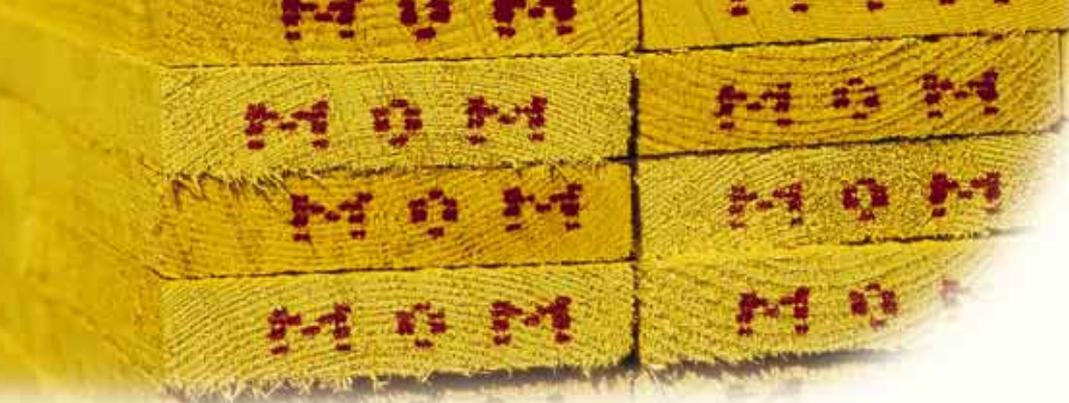
Hans E. Johnsen
(employees' representative)



Iver Melby
(employees' representative)



Bjorn Solberg Antonsen
(alternate, employees' representative)



response. The ordering situation in Norway for Nordia AS is good for 1998, and the activity is expected to stay at a high level throughout the year.

Laminated timber

The operating revenues for the four manufacturing companies within the Laminated Timber Division stayed at the same level as last year – NOK 422 million. The operating profit was a modest NOK 5 million in 1997, as against NOK 15 million in 1996. This performance was less than satisfactory, but at the same time it clearly outdid the international industry's results.

The purchase of Moelven Øresø Limtræ AS in Denmark produced the required effect of stabilising Moelven's position in the Danish domestic market and the profit towards the end of the year for Moelven LNJ Limtræ AS was better than it was at the same time last year. On the other hand, the Øresø factory required considerable restructuring, affecting the Group's profit in 1997. Operational restructuring was carried out and values were written down so that the company will be better prepared at the beginning of 1998.

The Swedish domestic market developed positively for Moelven Töreboda Limträ AB, though prices were under pressure as a result of a considerable increase in capacity in Sweden. During the period 1994-96, the company established good customer relations in Japan, and the severe decline in this market influenced the result for the year. Töreboda maintained a fair shareholding in the Japanese market during 1997, but experienced a dramatic fall in prices towards the end of the year.

The progress of Moelven Limtre AS was satisfactory in the last four-month period after re-equipping the factory during the summer. The Norwegian domestic market is healthy, and the company holds a strong position both with regard to contracting and the supply of standard products. In order to stay competitive it was necessary to make a large investment in a new production plant for standard dimensions, and this outlay influenced the profit in 1997. The prospects for 1998 for Moelven Limtre AS are clearly better than what was possible to achieve in 1997. With regard to the Group's other companies, the prospects are somewhat varied even though volume demands seemed healthy at the beginning of this year. Several large competitors in Europe seem to be more concerned with producing volume rather than

achieving profits, and the prices are not expected to improve in the near future. At the same time, the laminated timber companies enjoy low costs for raw materials from the Nordic sawmills.

Construction and Contracting

The total operating revenues for the Construction and Contracting Division were NOK 344 million in 1997, as against NOK 343 million in 1996. The operating profit was NOK 23 million. The profit was reduced by approx. NOK 5 million in connection with developments in TimberTech, investments in Russia, the opening of offices in Kirkenes and the purchase of the Byggsystem companies. Moelven Hako AS and Moelven Engineering AS performed well, as they did in 1996, and begin 1998 with a good order book.

In 1997, the business area Construction and Contracting consisted of the module company Moelven Hako AS (with its newly established subsidiary in Kirkenes, Moelven Hako Nord AS), Moelven Engineering AS (electrical, mechanical and technical service departments), Moelven Nor East and Moelven TimberTech. Moelven Nor East AS operates the Group's total activities in Russia with its own subsidiaries in the St. Petersburg area. The main activity of Moelven Nor East has been import of timber to Norway and Sweden, and in 1997 it sold approx. 250,000 cubic metres. The turnover value of sold volume was not included as operating revenue in the Group accounts. Only the profit on the sale was included as net income.

Towards the end of 1997, Moelven TimberTech AS was transferred to the company FireGuard AS based in Trondheim and will be developed further under the name Moelven FireGuard AS. The company has started production and delivery of fire-resistant timber products, but the revenues from such sales have in no way covered the development costs invested in 1997. In November, Moelven acquired two subsidiaries from the Swedish company Westwood AB. The companies Byggsystem AS in Hurdal, Norway, and Byggsystem AB in Säffle, Sweden, manufacture modules and construction elements. The products are both similar and complementary to products produced at Moelven Hako AS, and the development of these two companies will be co-ordinated by the Norwegian company. Steady growth is expected for all businesses within the Construction and Contracting Division in 1998.



Employees and environment

At the end of 1997, there were 1,759 employees in the Group, of whom 716 are employed in companies outside Norway. The working environment at the Group's businesses is considered good, and the Board is very pleased with the teamwork and the efforts of the Group. It is the opinion of the Board that the Group's businesses fulfil the requirements that have been set by the authorities with regard to the external environment. The Group continually works to improve processes surrounding the use of by-products such as bark, wood chips, etc. to produce energy.

Investments

The Group's investments in operations and fixed assets in 1997 totalled NOK 117 million. This included fixed assets in connection with the purchase of Byggsystem AS and AB at NOK 12 million. The larger individual investments include a new product line at Moelven Limtre AS for NOK 35 million and Eurowand AB's purchase of previously leased production premises for NOK 11 million. Investments in restructuring, and in product and market developments are, in line with earlier practice, charged to the profit and loss account.

Remuneration

Salaries and other remuneration in 1997:

Auditor:	
Fee	NOK 235 000
Consultancy	« 96 000
Corporate Assembly:	« 137 000
Board of Directors:	« 494 643
Chief Executive Officer:	
Salary	« 1 040 000
Other remuneration	« 96 421
(Guaranteed salary in the event of termination*):	24 months

*Discontinued after 12 months if there is other income.

Appropriation of annual profit/loss

The report of the Board of Directors covers the annual accounts of the Group and of the parent company Moelven Industrier ASA together. The Group accounts show an annual profit after tax of NOK 131,169,000. In 1997, Moelven Industrier ASA showed an annual profit after tax of 36,701,667. After receiving Group contributions of NOK 56,697,300, the company has profit of NOK 93,398,967 which the Board proposes should be allocated as follows:

Loss carried forward	NOK 30 759 359
Legal reserves	« 595 000
Provision for dividend	« 17 836 142
Distributable reserves	« 44 208 466

Prospects

The Timber Industry Division starts the year with fragile profit margins as a result of a significant imbalance between raw material costs and market prices for finished goods. There is reason to believe that such a rapid decline in market prices during the second half of 1997 may lead to a faster recovery than what is normally the case.

The outlook varies for the different companies in the Laminated Timber Division, depending on the size of each company's export ratio. The individual companies enjoy strong positions in their respective domestic markets, which normally are more profitable than the export market. At the start of 1998, all the companies have a satisfactory volume of orders. There is some uncertainty, however, regarding prices in the German market and the demand in Japan.

The Interior Layout Division and the Construction and Contracting Division will maintain the same pace in 1998 as at the end of 1997. The Group's financial position is healthy. The capital expenditure required by the subsidiaries in 1998 is less than the planned depreciation of approx. NOK 75 million.

Moelv, 27 February 1998

Bjarne Gulvik
Chairman

Andreas Gjems

Arthur J. Aasland

Agnar Aas

Carl Graff-Wang

Iver Melby

Hans E. Johnsen

The Corporate Assembly, the Board of Directors and the Group management

BOARD OF DIRECTORS



From the left: Arthur J. Aasland, Iver Melby), Carl Graff-Wang, Andreas Gjems, Bjørn Solberg Antonsen*), Bjarne Gulvik (chairman), Agnar Aas and Hans E. Johnsen*).*

GROUP EXECUTIVE BOARD



From the left: Anders L. Fossum, Reidar Mo, Haumann Sund, Frode Alhaug, Per Egil Pedersen and Ola Mørkved Rinnan.

In accordance with sections 11-12 of the Norwegian Companies Act, shares, which are owned by spouses, children under the age of 18 or companies in which the person concerned has a controlling interest, have been included.

CORPORATE ASSEMBLY

Members	Total shares
Axel Krogvig (Chairman)	974
Per Stamnes	0
Odd Torland	0
Harry Konterud	20 000
Bjørn H. Rasmussen	438
Ola Vik	0
Arne Hyttnes	0
Odd Tangnæs	0
Jan Slattum *)	0
Arne Onsum *)	0
Per Cocozza *)	0
Harald Løkkesveen *)	56

Alternates

Jan Teksum	337
Fredrik Wahl	0
Dyre Østby	0
Jørgen Kjærnes	0

BOARD OF DIRECTORS

Bjarne Gulvik (Chairman)	10 000
Andreas Gjems	1 000
Arthur J. Aasland	15 000
Carl Graff-Wang	0
Agnar Aas	1 000
Hans E. Johnsen*)	1 250
Iver Melby*)	11 000
Bjørn Solberg Antonsen (alternate*)	1 724

GROUP EXECUTIVE BOARD

Frode Alhaug (President and CEO)	41 873
Per Egil Pedersen	15 000
Ola Mørkved Rinnan	6 828
Haumann Sund	16 332
Anders L. Fossum	16 000
Reidar Mo	20 000

AUDITOR

Svein-A. Martinsen	0
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*) Employee representatives

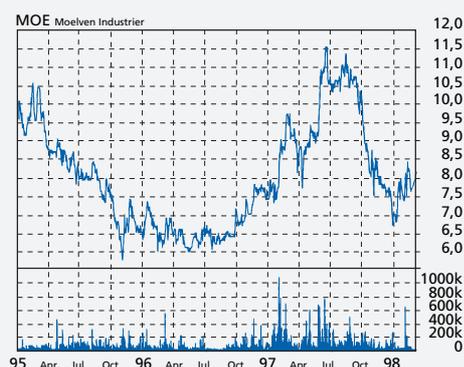
Shareholder matters

SALE OF SHARES

During the year, a share issue totalling 800,251 shares at NOK 8.00 each was made for the employees, and thus the number of shares at year's end increased to 71,344,569.

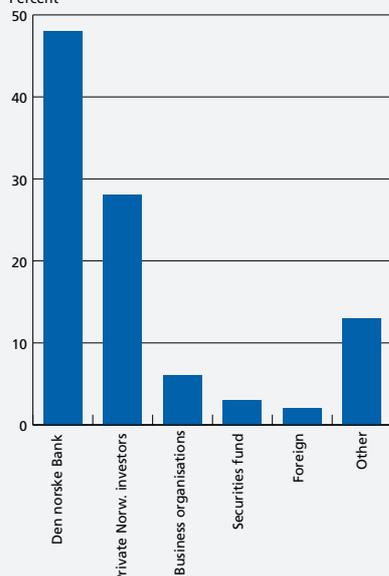
The shares are listed on the Oslo Stock Exchange and 55 million shares have been traded in the course of the year, which is equivalent to 77 per cent of the number of shares at year's end. Sales totalled NOK 517 million.

SHARE PRICE PERFORMANCE FOR THE PERIOD
01.01.95 - 17.02. 98



Shareholders

Percent



EQUITY RATIO AND DIVIDEND POLICY

After a comprehensive Group restructuring process, Moelven Industrier ASA had by the end of 1997 accumulated sufficient equity capital to allow the payment of dividends. The Group's equity ratio before dividend was 35 per cent and the Group's target for equity ratio is 40 per cent. This will provide the necessary financial scope for manoeuvre an international industrial Group exposed to international competition needs.

The Group's aim is to give the shareholders a satisfactory return when considering the dividend and the share price performance as a whole. The target equity ratio and consideration of necessary growth form the basis for the Board's recommendation of a dividend of NOK 0.25 per share in 1997. This equals approximately 3 per cent of the market value at 31.12. 1997.

SHARE ISSUES AND ISSUE AUTHORISATIONS

When making any capital increases the Group's aim is to prevent a dilution of the shareholders' equity. Issues will normally give pre-emptive rights to the existing shareholders. Placements may be made in connection with the purchasing of, or merging with, other companies if this is expected to increase the shareholders' equity.

At present the Group holds two authorisations to increase the share capital. On 24.04.96, an authorisation was given to increase the share capital by NOK 10,000,000, equalling 2,000,000 shares, in connection with the purchasing of, or merging with, other companies. The authorisation is valid until the Annual General Meeting in the spring of 1998. The Group will ask for a new authorisation at the Annual General Meeting. On 10.04.97, an authorisation was granted to increase the share capital, also by NOK 10,000,000, equalling 2,000,000 shares. The authorisation applies to placements to employees and is valid for five years. A total of NOK 5,998,745, equalling 1,199,749 shares, remain under the authorisation as at 15.02.98.

Shareholder matters

Articles of association

RISK-ADJUSTMENT

Upon sale of shares, Norwegian shareholders must adjust the tax-related costs by the RISK-amount (adjustment of the cost price of the shares with retained earnings). The same does not apply to foreign shareholders as they are taxed according to the tax legislation of their home countries.

RISK-AMOUNT PER SHARE:

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 (estimated)

THE COMPANY'S LARGEST SHAREHOLDERS AT 17.02.1998

Share capital: 356 722 845 Number of shares: 71 344 569	Number of shares	Participating interest
Den norske Bank ASA	34 413 837	48.2
Statens nærings- og distriktsutviklingsfond SND	4 843 697	6.8
Drammensdistriktets Skogeierforening	3 528 884	4.9
Vesta Grønt Norge and Vesta AMS v/Vesta Forvaltning ...	1 335 547	1.9
Meieribrukets Pensjonskasse	1 250 080	1.8
Gjensidige Invest and Aksjespar v/Gjensidige Forvaltning ...	1 170 000	1.6
Part Invest AS	700 000	1.0
Smedvig Capital AS	675 080	1.0
Of a total of 4 065 shareholders: 8/4 065 = 0.20 % ...	47 917 125	67.2

§ 1

The Company, which was established on 24 July 1899, has the name Moelven Industrier ASA. The Company is a public limited company.

§ 2

The Company's registered office is in Ringsaker, Norway.

§ 3

The purpose of the Company is manufacture and activities connected with this, trade and other economic activities, and participation in other companies through the purchase of shares or in other ways.

§ 4

The Company's share capital is NOK 356,722,845.- distributed among 71,344,569 shares. The Company's shares must be registered in the Norwegian Registry of Securities. A transfer of shares must, in order to be valid, be approved by the company's Board of Directors.

§ 5

The Board of Directors is chosen by the Corporate Assembly, and consists of seven directors with alternate members. A person may be an alternate member for one or more directors. A member of the Board of Directors may have several alternate members, provided this number does not exceed 7. After the Board of Directors has been elected, the Corporate Assembly elects the chairman of the Board.

§ 6

The power of mandate is held by the chairman of the Board of Directors or three other members of the Board in concert.

§ 7

The Company has a Corporate Assembly of 12 members. The Annual General Meeting elects 8 members and four alternate members for these members.

§ 8

A person is not eligible for election as member (alternate) of the Board or the Corporate Assembly if he/she will reach the age of 70 while in office.

§ 9

The accounting year is from 1 January to 31 December. The minimum notice of an Annual General Meeting is 14 days, and for Extraordinary General Meetings 8 days. In connection with the notice given for a meeting, it may be made a requirement that shareholders who wish to participate in the general meeting give written notice of this to the Company's head office, at the latest 3 days before the general meeting. If such written notice is not received within the stipulated period, this will result in the person or persons concerned being denied entry to the meeting. Any proxies must be received by the Company's head office within the same stipulated period.

§ 10

The following matters are on the agenda of the Annual General Meeting:

1. Adoption of the profit and loss accounts and the balance sheet.
2. Appropriation of annual profit or coverage of loss and the payment of dividends.
3. Adoption of the consolidated statement of accounts.
4. Election of officers.
5. Other matters which, in accordance with legislation or the Articles of Association, fall within the jurisdiction of the Annual General Meeting.
6. Other matters on the agenda.

§ 11

The Norwegian Companies Act applies unless other provisions have been made in the Articles of Association.

Key figures

(Amounts in NOKm)	1997	1996	1995	1994	1993	
TURNOVER						
Operating revenues	2 378	2 196	2 221	1 907	1 924	
Total turnover outside Norway	57%	59%	60%	66%	57%	Export from Norwegian companies + turnover from foreign subsidiaries as percent of the total operating revenues
RESULT						
Operating profit	125	62	92	113	62	
Net financial items	- 32	- 36	- 49	- 55	- 88	
Result before extraordinary items	138	29	46	55	- 26	
BALANCE						
Investments in fixed assets	104	69	108	45	36	Capitalised investments less investments due the purchase of other companies
Net interest-bearing debt	380	394	387	425	625	
Total capital	1 201	1 132	1 148	970	1 113	
EARNINGS/PROFITABILITY						
Net operating margin	5.3%	2.8%	4.2%	5.8%	3.2%	$\frac{\text{Operating profit}}{\text{Operating revenues}}$
Gross operating margin	8.3 %	6.1%	6.8%	9.3%	6.6%	$\frac{\text{Operating profit} + \text{ordinary depreciations}}{\text{Operating revenues}}$
Return on equity	36.4%	9.9%	14.6%	30.3%	- 18.2%	$\frac{\text{Profit before extraordinary items} - \text{tax}}{\text{Average share capital and reserves}}$
Return on total capital	16.3%	7.3%	10.1%	11.9%	7.0%	$\frac{\text{Profit before extraord. items} + \text{financial costs}}{\text{Average total capital}}$
Interest cover	3.7	1.5	1.7	1.8	0.8	$\frac{\text{Profit before extraord. items} + \text{financial costs}}{\text{Financial costs}}$
CAPITAL						
Equity ratio	33.6%	26.4%	24.4%	17.6%	10.5%	$\frac{\text{Share capital and reserves}}{\text{Total capital}}$
Capital turnover rate	2.0	1.9	2.0	1.8	1.5	$\frac{\text{Operating revenues}}{\text{Average total capital}}$
LIQUIDITY						
Current Ratio	1.54	1.53	1.36	1.32	1.02	$\frac{\text{Current assets}}{\text{Current liabilities}}$
Quick ratio	0.66	0.83	0.66	0.63	0.63	$\frac{\text{Liquid funds} + \text{financial investments} + \text{receivables}}{\text{Current liabilities}}$
Cash flow from ordinary operations (NOKm)	202.9	100.1	97.9	112.0	39.1	Profit before extraord. items - taxes + depreciations
SHARES						
Earnings per share in NOK	1.85	0.41	0.54	0.73	- 0.71	$\frac{\text{Profit before extraordinary items} - \text{taxes}}{\text{Number of shares (average of 70 744 380)}}$
Cash flow per share in NOK	2.87	1.42	1.39	1.87	1.04	$\frac{\text{Cash flow}}{\text{Number of shares}}$
Market price as at 31.12.	6.90	7.60	6.60	9.40	9.10	Adjusted
Adjusted RISK-amount per share in NOK	- 0.10	- 0.12	- 0.16	0.00	0.00	Overall RISK for the Group as at 01.01. The estimated RISK for 1998 is NOK - 0.35 per share
Pay out ratio in NOK per share	0.14	0.00	0.00	0.00	0.00	$\frac{\text{Dividend per share}}{\text{Result per share}}$
Price/earnings ratio (P/E)	3.73	18.54	12.22	12.88	-	$\frac{\text{Market price}}{\text{Profit before extraord. items} - \text{taxation per share}}$
Total return per share	- 5.9	15.2%	- 29.8%	3.3%	160.0%	$\frac{\text{Dividend per share} + \text{change in value}}{\text{Market price}}$

Profit and loss account

Note	(Amounts in NOKm)	Moelven Industrier ASA		Group	
		1997	1996	1997	1996
1	External turnover	0.0	0.0	2 336.7	2 152.1
2	Other operating revenues	21.1	18.6	40.8	44.1
3	Operating revenues	21.1	18.6	2 377.5	2 196.2
4/9	Cost of goods sold	0.0	0.0	1 468.5	1 303.0
9	Change in stock of work in progress, finished products and projects	0.0	0.0	- 46.5	39.8
	Wages, salaries and social security costs	3.0	3.2	501.2	480.2
2	Other purchase/sales/admin. costs	21.9	21.2	255.3	239.3
17	Ordinary depreciation	3.6	3.7	71.7	71.4
5	Bad debts incl. provisions	0.1	- 1.7	1.9	0.6
	Operating costs	28.6	26.3	2 252.1	2 134.2
	OPERATING PROFIT/LOSS *)	- 7.5	- 7.7	125.4	62.0
23	Profit from associated companies	47.8	3.2	44.8	2.8
	Dividends from subsidiaries	3.0	3.0	-	-
	Interest received from Group companies	0.0	16.2	-	-
	Other financial income	0.6	1.0	19.6	18.4
	Interest paid to Group companies	- 2.0	- 7.8	-	-
	Other financial expenses	- 5.2	- 15.9	- 52.0	- 54.0
	Financial income/financial expenses	- 3.6	- 3.5	- 32.4	- 35.6
	PROFIT BEFORE TAX	36.7	- 8.0	137.8	29.2
6/14	Taxation	0.0	0.0	6.6	0.5
	NET PROFIT/LOSS	36.7	- 8.0	131.2	28.6
	Profit per share	-	-	1.85	0.41
24	Average number of shares	70 744 380	70 544 318	70 744 380	70 544 318
	The Board's proposal for appropriation of net profit/loss and capital transfers				
	Provisions for dividends NOK 0.25 per share	- 17.8	0.0	-	-
	Group contributions received *)	56.7	29.4	-	-
	Legal reserves	- 0.6	0.0	-	-
	Distributable reserves	- 44.2	0.0	-	-
	Loss carried forward	- 30.8	- 21.4	-	-
24	Total	- 36.7	8.0	- 131.2	- 28.6

*) The operating loss of the parent company is covered by Group contributions received.
Notes to the annual accounts, see pages 20 – 29.

Cash Flow Statement

(Amounts in NOKm)	Moelven Industrier ASA		Group		Note
	1997	1996	1997	1996	
CASH FLOW FROM OPERATIONS					
Pre-tax profits	36.7	- 8.0	137.8	29.2	
Tax paid	0.0	0.0	- 0.5	- 7.7	6
Ordinary depreciations	3.6	3.7	71.7	71.4	17
Gain/loss from the sale of fixed assets	- 0.1	0.0	- 1.1	- 2.8	2
Write-down on long-term shareholdings and loans	0.0	0.4	0.0	1.0	2
Pension costs, provided for but not paid	- 2.0	- 1.4	0.3	- 0.6	19
Profit from associated companies	- 47.8	- 1.3	- 44.8	- 1.3	23
Dividends	3.0	3.0	-	-	
Changes in current assets excl. liquid funds and deposits	- 18.9	26.6	- 95.5	13.0	
Changes in current liabilities excl. loans	16.2	- 4.8	31.0	- 30.7	
Net cash flow from operations	- 9.3	18.2	98.9	71.5	
CASH FLOW FROM INVESTMENTS					
Payments to purchase fixed assets excl. acquisitions	- 3.0	- 6.1	- 104.3	- 68.8	16
Payments to acquire subsidiaries	- 12.4	0.0	- 10.5	- 13.7	*)
Sale of fixed assets	0.2	0.1	3.9	13.3	16
Long-term investments, financial	65.2	- 53.8	0.2	- 9.7	
Short-term lendings	8.8	- 3.6	0.0	0.0	
Net cash flow from investments	58.8	- 63.4	- 110.7	- 78.9	
CASH FLOW FROM FINANCING					
Changes in short-term borrowings and overdrafts	- 150.8	- 19.0	- 0.6	- 56.8	
Liquid shares in profits from ass. companies	48.9	0.0	48.9	0.0	
Issue of long-term loans	106.0	0.0	30.0	95.0	
Repayment of long-term loans	- 115.9	- 17.3	- 138.7	- 53.0	
Issue of equity	6.1	0.0	6.1	0.0	24
Group contributions	56.7	81.3	-	-	
Net cash flow from financing	- 49.0	45.0	- 54.3	- 14.8	
LIQUID FUNDS					
Net change in liquid funds during the year	0.6	- 0.2	- 66.1	- 22.2	
Liquid funds 01.01.	0.3	0.5	78.7	100.9	
Liquid funds 31.12.	0.9	0.3	12.6	78.7	7
AVAILABLE LIQUID FUNDS					
Liquid funds 31.12.	0.9	0.3	12.6	78.7	
Unutilised drawing rights at 31.12.	20.0	75.0	150.0	180.0	
Available liquid funds 31.12.	20.9	75.3	162.6	258.7	
*) Additional information in connection with acquisition of subsidiaries:					
Additions: Liquid funds			1.9	0.3	
Current assets			31.5	18.7	
Fixed assets			12.2	23.6	
Non interest-bearing debt			25.2	6.8	
Interest-bearing debt			10.9	21.8	
Share capital			9.5	14.8	
Total balance			45.6	42.6	
1997: Acquisition of Byggsystem AS and AB					
1996: Acquisition of Øresø Limtræ AS					

Notes to the annual accounts, see pages 20 – 29.

Balance Sheet

Note	(Amounts in NOKm)	Moelven Industrier ASA		Group	
		1997	1996	1997	1996
	ASSETS				
7	Cash, bank deposits, postal giro	0.9	0.3	12.6	78.7
21	Investments	0.2	0.2	0.2	0.3
4	Trade receivables	0.1	0.3	224.1	210.8
8	Receivables	0.3	2.2	42.4	51.4
	Receivables from Group companies	32.4	20.3	–	–
9	Stocks	0.0	0.0	361.7	271.7
	Prepayments	0.0	0.0	13.5	14.4
	Current assets	33.9	23.3	654.5	627.3
20	Investments in subsidiaries	376.8	363.9	–	–
22	Investments in other companies	10.0	1.7	6.1	6.1
23	Investments in associated companies	1.7	8.3	12.2	13.5
19	Net pension funds	46.9	44.9	55.8	52.2
	Bonds and other securities	0.4	0.4	3.7	4.6
	Other receivables	5.2	4.9	14.3	14.6
	Long-term receivables from Group companies	42.3	131.9	–	–
	Long-term financial investments	483.3	556.0	92.1	91.0
16/17	Machinery, vehicles and fixtures	1.1	0.4	245.0	215.9
16/17	Buildings	24.5	25.9	176.6	166.3
16/17	Land	5.5	5.5	16.6	15.6
	Fixed assets	31.1	31.8	438.2	397.8
13	Goodwill	–	–	16.4	15.6
	TOTAL ASSETS	548.3	611.1	1 201.2	1 131.7

Notes to the annual accounts, see pages 20 – 29.

Balance Sheet

(Amounts in NOKm)	Moelven Industrier ASA		Group		Note
	1997	1996	1997	1996	
LIABILITIES, CAPITAL AND RESERVES					
Provision for dividends	17.8	0.0	17.8	0.0	
Bank overdraft	12.6	144.5	2.7	3.3	
Taxation and social security	1.3	1.2	92.7	77.4	
Income corporation tax	0.0	0.0	6.4	- 0.1	
Trade creditors	0.7	2.7	181.4	193.4	
Other long-term liabilities	4.6	3.1	86.7	79.8	10
Debt to Group companies	3.8	14.9	-	-	
Long-term debts falling due within 1 year	0.0	8.9	34.5	50.5	
Warranty and service commitments	0.0	0.0	2.8	5.0	11
Current liabilities	40.8	175.3	425.0	409.3	12
Mortgage debt	0.0	0.0	196.4	203.4	
Promissory note loans	0.0	42.0	159.4	215.8	
Warranty and service commitments	0.0	0.0	2.5	2.4	11
Net pension commitments	0.0	0.0	6.1	0.0	19
Other long-term debt	6.0	0.0	7.9	1.6	
Long-term debt to Group companies	100.0	74.0	-	-	
Long-term liabilities	106.0	116.0	372.3	423.2	12
Share capital: 71,344,569 shares at NOK 5.-	356.7	352.7	356.7	352.7	
Legal reserves	0.6	0.0	0.0	0.0	
Distributable reserves	44.2	0.0	47.2	0.0	
Losses carried forward	0.0	- 32.9	0.0	- 53.5	
Share capital	401.5	319.8	403.9	299.2	24
Total liabilities and share capital	548.3	611.1	1 201.2	1 131.7	
Mortgages - secured debt	112.6	195.3	393.0	473.0	15
Guarantees	356.8	290.6	81.7	71.5	18

Moelv, 23 February 1998



Frode Alhaug
President and CEO



Per Egil Pedersen
Corporate Director & Controller, Finance

Notes to the annual accounts, see pages 20 – 29.

Accounting principles

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 included in the balance sheet as at 31.12, and the results from the date of purchase until 31.12 are recorded in the profit and loss account. For subsidiaries sold in the course of the year, transactions from 01.01 until the date of sale are included in the profit and loss account.

Elimination of shares in subsidiaries/goodwill

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

Conversion of foreign subsidiaries

The annual profit and loss account 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 distributable capital and reserves.

Elimination of intra-group transactions

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

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

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

Sub-groups

The Norwegian Banking, Insurance and Securities Commission (Kreditilsynet) has given Moelven dispensation from the requirement of producing con-

solidated 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.

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.

Accounts receivable

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

Assets and liabilities in foreign currencies

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

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

Off-balance sheet financial instruments

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

With hedging transactions, the profit elements are accrued and classified according to the same criteria as the relevant balance sheet items.

For closed transactions, the profit elements are to be regarded as realised even if settlements remain outstanding, and are presented as financial items.

Inventories

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

The net realisable 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 and a proportion of the fixed costs associated with the production process, are included in the full cost of manufacture.

Accounting principles

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 losses on contracts are fully charged to the profit and loss account.

Interests in associated companies

Investments in limited partnerships and unlimited firms where the Group has a considerable influence are accounted for using the equity method. The net result of these partnerships is shown on a separate line in the profit and loss account. The share of the companies' assets and liabilities is entered as a net amount on the balance sheet.

Shares in other companies

Short-term shares are estimated in accordance with the net portfolio principle at the lower of the acquisition cost and actual value at the year end. Shares in other companies are assessed individually.

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

Associated limited companies where the Group does not have a controlling interest, but nevertheless has a considerable part ownership (20-50 per cent) and influence, are accounted for using the equity method in the Group's accounts. The Group's share of post-tax profits (and depreciation on excess values purchased) is posted as «share of profit (loss) in associated companies». In the Group's balance sheet, shares in associated companies are listed at cost price plus accumulated reserves. Any dividend received is deducted from the share of profits.

In the owner company's balance sheet, the shares item is entered using the cost method. In the event of a write-down under the requirements of the Companies Act, the share value will be set at the shareholders' share of the associated limited company's value.

Pension funds, pension commitments and pension costs

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

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

The pension schemes are accounted for according to NRS (Norwegian Accounting Standards) for pension costs. Commitments based on funded schemes are calculated actuarially. The commitments are reduced by the value of the total pension funds and aggregated with the net present value of uninsured commitments. For 1997, estimations have been carried out in accordance with NRS for pension costs,

in connection with commitments for contractual pensions (AFP). The commitments are shown as debt on the balance sheet. The Group has treated the NRS-assessment as a basic accounting reform with correction made to equity at 01.01.1997.

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

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

Research and development expenses

All expenses in connection with market surveys, market developments and development of new products are charged to the profit and loss account.

Government operating/investment subsidies

Inclusion of operating subsidies in revenue follows the basic revenue/cost matching principle. Operating subsidies received are posted against the cost and revenue items to which the subsidy relates and are treated as a cost reduction in cases where the subsidy is ear-marked for certain operating costs. Investment subsidies are treated according to the gross principle and entered as operating revenues. Posting occurs in line with depreciation on the object of investment.

Fixed assets/depreciation

Fixed assets are entered on the balance sheet at the original purchase price with deductions for accumulated ordinary depreciation. Ordinary depreciation is charged 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 charged to the profit and loss account as they arise.

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

Deferred tax

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

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

The losses which are chiefly related to the parent company Moelven Industrier ASA are expected to be realisable in the near future, judging by the good profits in the subsidiaries, and consequently the possibility of transferring profits between the companies with the aid of Group contributions.

Notes to the annual accounts

NOTE 1: External turnover

External turnover is invoiced sales from the companies' main operations less VAT and discounts.
Internal transactions between the Group's companies totalling NOK 256.4 million (267.9 million in 1996) have been eliminated.

NOTE 2: Other operating revenues and costs

2.1 Other operating revenues

(Amounts in NOKm)	Moelven Industrier ASA		Group	
	1997	1996	1997	1996
Net gain from sales of fixed assets	0.1	0.1	1.1	3.6
Own work capitalised	0.0	0.0	2.9	5.2
Subsidiaries' share of common overheads	11.3	10.2	–	–
Rental income	9.2	7.2	11.0	6.8
Sales of trade goods	0.0	0.0	11.3	8.3
Government investment subsidies	0.0	0.0	2.5	3.7
Insurance settlements	0.0	0.0	1.2	3.7
Other	0.5	1.1	10.8	13.8
Total	21.1	18.6	40.8	44.1

2.2 Other purchase/sale/admin. costs

(Amounts in NOKm)	Moelven Industrier ASA		Group	
	1997	1996	1997	1996
Net losses from sale of securities	0.0	0.9	0.0	1.7
Other ordinary operating costs	21.9	20.3	255.3	237.5
Total	21.9	21.2	255.3	239.3

NOTE 3: Business areas

3.1 Key figures for the Group and the business areas

(Amounts in NOKm)	Group		Timber Industry		Interior Layout		Laminated Timber		Construction and Contr.		Others incl. eliminations	
	1997	1996	1997	1996	1997	1996	1997	1996	1997	1996	1997	1996
Operating revenues	2 377.5	2 196.2	1 253.0	1 076.8	417.7	397.9	421.9	430.6	343.5	342.7	- 58.6	- 51.8
Operating profit	125.4	62.0	77.8	11.7	37.2	25.0	5.3	15.6	22.9	26.2	- 17.8	- 16.5
Financial items	12.4	- 32.8	- 9.1	- 11.0	9.1	9.7	- 4.7	- 3.6	- 2.4	0.1	19.5	- 27.8
Profit before tax	137.8	29.2	68.7	0.7	46.2	34.7	0.6	12.0	20.4	26.1	1.9	- 44.3
Total capital	1 201.2	1 131.7	728.1	668.1	215.0	202.2	250.5	233.9	209.0	165.3	- 201.4	- 137.8
Equity ratio	33.6	26.4	43.2	46.2	58.5	59.3	31.4	36.0	39.3	35.3	–	–
Gross operating margin	8.3	6.1	9.3	5.0	9.7	7.2	4.8	6.8	8.5	8.6	–	–
Depreciation	71.7	71.4	38.7	41.7	3.5	3.7	14.9	13.7	6.2	3.2	8.4	9.1
Cash flow	209.5	100.6	107.4	42.4	49.7	38.4	15.5	25.7	26.6	29.3	10.3	- 35.2
Investments	116.7	91.8	30.5	34.0	12.2	1.8	46.1	40.9	22.4	8.9	5.5	6.2
Number of employees	1 759	1 640	604	620	386	360	353	384	376	240	40	36

Criteria for division into business areas

The divisions are based on Moelven's four main business areas: Timber Industry, Interior Layout, Laminated Timber and Construction and Contracting. The business areas are built around independent subsidiaries with clearly defined activities within their chosen fields. 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, Moelven Industrier AB (the parent company for the Group's Swedish subsidiaries), Moelven Finans AS and Moelven Service AS.

Notes to the annual accounts

3.2 Operating revenues by geographical markets

Total operating revenues outside Norway amount to NOK 1 360 million or approximately 57% (59% in 1996) of the Group's total operating revenues. Exports from Norwegian companies in 1997 amounted to approximately NOK 240 million (NOK 260 million in 1996).

(Amounts in NOKm)	Group		Timber Industry		Interior Layout		Laminated Timber		Construction and Contr.		Other incl. Elimination	
	1997	1996	1997	1996	1997	1996	1997	1996	1997	1996	1997	1996
Scandinavia	1 628.7	1 464.4	756.6	624.3	412.0	386.9	223.7	195.8	295.0	309.2	- 58.6	- 51.8
Germany	240.3	276.3	118.1	139.8	1.1	2.9	121.1	133.6	0.0	0.0	0.0	0.0
Rest of Europe	346.8	310.7	264.5	237.1	4.6	8.1	29.2	32.0	48.5	33.5	0.0	0.0
Japan	110.2	108.7	62.3	39.5	0.0	0.0	47.9	69.2	0.0	0.0	0.0	0.0
Rest of world	51.5	36.1	51.5	36.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total	2 377.5	2 196.2	1 253.0	1 076.8	417.7	397.9	421.9	430.6	343.5	342.7	- 58.6	- 51.8

NOTE 4: Cost of goods sold

(Amounts in NOKm)	Moelven Industrier ASA		Group	
	1997	1996	1997	1996
Purchase of raw materials, semi-finished goods, goods for resale and services incl. increased provision for warranty and service commitments	0.0	0.0	1 509.2	1 325.2
Changes in stocks of raw materials and purchases	0.0	0.0	- 40.7	- 22.2
Cost of goods sold	0.0	0.0	1 468.5	1 303.0

NOTE 5: Accounts receivables

5.1 Losses on receivables

(Amounts in NOKm)	Moelven Industrier ASA		Group	
	1997	1996	1997	1996
Provision against losses 01.01.	0.4	0.4	7.7	10.9
The year's recorded losses on customer receivables	0.1	0.0	3.1	4.9
The year's recorded losses on other receivables	0.0	0.0	0.3	0.0
Change in provision for loss	0.0	0.0	- 0.9	- 3.2
Receipts on balances previously written off	0.0	- 1.7	- 0.6	- 1.1
Losses on accounts receivable	0.1	- 1.7	1.9	0.6
Provision against losses 31.12	0.4	0.4	6.8	7.7

5.2 Customer accounts receivables

Gross accounts receivable	0.5	0.7	230.9	218.5
Provision for bad debts	- 0.4	- 0.4	- 6.8	- 7.7
Net accounts receivable	0.1	0.3	224.1	210.8

NOTE 6: Taxation cost - taxable income

(Amounts in NOKm)	Moelven Industrier ASA		Group	
	1997	1996	1997	1996
Pre-tax profits	36.7	- 8.0	137.8	29.2
Group contribution	56.1	29.4	56.1	29.4
Permanent differences	- 0.2	0.5	2.1	4.3
Changes in negative/positive temporary differences	- 41.9	- 0.5	- 52.8	- 6.6
Utilisation of losses brought forward	- 50.7	- 21.4	- 119.9	4.1
Taxable income for the year	0.0	0.0	23.3	1.6
Taxes payable:				
Norway	0.0	0.0	0.3	0.4
Abroad	-	-	6.3	0.1
Total taxes payable	0.0	0.0	6.6	0.5
Change in deferred tax	0.0	0.0	0.0	0.0
Total taxes	0.0	0.0	6.6	0.5

Notes to the annual accounts

NOTE 7: Bank deposits - restricted deposits

(Amounts in NOKm)	Moelven Industrier ASA		Group	
	1997	1996	1997	1996
Employee tax deductions	0.0	0.0	5.0	4.2
Other restricted bank accounts	0.0	0.0	0.0	0.9
Total	0.0	0.0	5.0	5.1

NOTE 8: Other receivables

(Amounts in NOKm)	Moelven Industrier ASA		Group	
	1997	1996	1997	1996
Receivables from employees	0.0	0.0	3.3	4.2
Bills	0.0	0.0	1.2	2.4
Other receivables	0.3	2.2	37.9	44.8
Total	0.3	2.2	42.4	51.4

NOTE 9: Stocks and orders

(Amounts in NOKm)	Moelven Industrier ASA		Group	
	1997	1996	1997	1996
Raw materials and purchased goods	0.0	0.0	142.0	101.2
Work in progress	0.0	0.0	32.3	25.6
Finished goods	0.0	0.0	142.4	109.9
Orders	0.0	0.0	45.0	35.0
Total stocks and orders	0.0	0.0	361.7	271.7
Specification of projects:				
Own projects 31.12.	0.0	0.0	11.0	14.9
Contracts 31.12.	0.0	0.0	103.7	78.9
Payments on account	0.0	0.0	- 69.7	- 58.8
Total projects – net	0.0	0.0	45.0	35.0

NOTE 10: Other current liabilities

(Amounts in NOKm)	Moelven Industrier ASA		Group	
	1997	1996	1997	1996
Payments on account from customers	0.0	0.0	1.3	8.0
Commitments to minority owners in subsidiaries	0.0	0.0	18.2	16.5
Other accrued expenses not yet due	4.6	3.1	67.2	55.3
Total	4.6	3.1	86.7	79.8

NOTE 11: Warranty and service commitments

(Amounts in NOKm)	Moelven Industrier ASA		Group	
	1997	1996	1997	1996
Short-term liability, provision for warranty and service commitments expected to fall due within 1 year	0.0	0.0	2.8	5.0
Long-term liabilities, provided for warranty and service commitments expected to fall due after 1 year	0.0	0.0	2.5	2.4
Total	0.0	0.0	5.3	7.4

Notes to the annual accounts

NOTE 12: Interest-bearing debt

12.1 Short-term interest-bearing debt

(Amounts in NOKm)	Moelven Industrier ASA		Group	
	1997	1996	1997	1996
Bank overdraft:				
Norway	12.6	144.4	0.0	0.0
Abroad	-	-	2.7	3.3
Long-term debt falling due within 1 year	0.0	8.9	34.5	50.5
Other short-term interest-bearing debt	0.0	0.0	0.0	0.0
Interest-bearing short-term debt to Group companies	0.0	10.0	-	-
Total	12.6	163.3	37.2	53.8

12.2 Long-term interest-bearing debt

(Amounts in NOKm)	Moelven Industrier ASA		Group	
	1997	1996	1997	1996
Long-term interest-bearing debt in:				
NOK	0.0	42.0	132.3	153.0
SEK	0.0	0.0	158.4	189.1
DKK	0.0	0.0	25.2	20.8
DEM	0.0	0.0	39.9	40.3
Other	0.0	0.0	0.0	16.0
Interest-bearing long-term debt to Group companies	100.0	74.0	-	-
Total	100.0	116.0	355.8	419.2

12.3 Repayment plans on long-term loans

(Amounts in NOKm)	Moelven Industrier ASA		Group	
	1997	1996	1997	1996
Long-term debt falling due within:				
1 year	0.0	8.9	34.5	50.5
2 years	0.0	8.9	36.2	51.9
3 years	0.0	8.9	36.0	48.8
4 years	0.0	8.9	76.2	48.5
5 years	0.0	8.9	83.3	42.7
Total	0.0	44.5	266.2	242.4

12.4 Financial instruments off balance sheet

Foreign currency risks: Cash flows in foreign currencies are partially hedged by futures and option contracts. The main foreign currencies as far as the Group is concerned are SEK, DKK, DEM, GBP and USD.

Interest rate risks: The Group has a fixed interest rate on just under one third of the total gross debt. The average fixed interest period is three years. Furthermore, the Group has entered into a Cap (5.5%)/Floor (5.0%) of NOK 50 million until 1999.

NOTE 13: Goodwill related to shares in subsidiaries

(Amounts in NOKm)	Group	
	1997	1996
Companies within the Moelven Timber Industry Division	5.8	5.8
Companies within the Moelven Construction and Contracting	16.5	13.6
Total	22.3	19.4
Accumulated amortisation	- 5.9	- 3.8
Total	16.4	15.6

Goodwill is associated with the acquisition of Moelven Eidsvold Værk AS and the merger with Hako Modul AS in 1995. In 1997 a goodwill of NOK 2.9 million has been capitalised in connection with the acquisition of the companies Byggsystem AS and AB. With similar products and complementary production to Moelven Hako AS, the companies are included in the business division Construction and Contracting. The amortisation period is 10 years.

Notes to the annual accounts

NOTE 14: Deferred tax

14.1 Temporary differences between accounting balances and tax-related balances

(Amounts in NOKm)	Moelven Industrier ASA		Group	
	1997	1996	1997	1996
Temporary differences:				
Provision for receivables	- 49.9	- 54.9	- 3.2	- 8.7
Provision for stocks	0.0	0.0	12.6	10.3
Cost provisions according to generally accepted accounting principles	- 0.3	- 0.3	- 8.4	0.3
Other short-term temporary differences	0.0	0.0	- 3.1	10.4
Subtotal short-term differences	- 50.2	- 55.2	- 2.1	12.3
Temporary differences:				
Accumulated excess tax depreciation	- 25.9	- 27.4	- 21.1	- 24.1
Gain and loss in associated company	37.5	0.0	37.5	0.0
Gain and loss	0.1	0.2	6.3	2.1
Pension funds	46.9	44.9	55.8	52.2
Pension commitments	0.0	0.0	- 6.1	0.0
Other long-term items	- 138.0	- 145.5	- 177.5	- 202.5
Subtotal long-term items	- 79.4	- 127.8	- 105.1	- 172.3
Accommodated tax carry-forwards	0.0	0.0	0.0	0.0
Temporary differences	- 129.6	- 183.0	- 107.2	- 160.0
Deferred tax liability	0.0	0.0	0.0	0.0

14.2 Deferred tax benefit

(Amounts in NOKm)	Moelven Industrier ASA		Group	
	1997	1996	1997	1996
Non-accommodated negative differences	129.6	183.0	107.2	160.0
Non-accommodated carry-forwards	102.5	174.1	167.6	266.1
Deferred tax benefit base	232.1	357.1	274.8	426.1
Deferred tax benefit	0.0	0.0	0.0	0.0

14.3 Tax carry-forwards

(Amounts in NOKm)	Moelven Industrier ASA		Group	
	1997	1996	1997	1996
Tax carry-forwards:				
Norway	102.5	174.1	153.6	262.5
Abroad	-	-	14.0	3.6
Total	102.5	174.1	167.6	266.1

Tax carry-forwards are mainly associated with Moelven Industrier ASA. The losses are from the period 1992-1993.

NOTE 15: Mortgages - secured loans

15.1 Loans secured against assets

(Amounts in NOKm)	Moelven Industrier ASA		Group	
	1997	1996	1997	1996
Bank overdraft	12.6	144.5	2.7	3.3
Long-term debt falling due within 1 year	0.0	8.9	34.5	50.5
Long-term loans	100.0	42.0	355.8	419.2
Total	112.6	195.3	393.0	473.0

15.2 Book value of pledged assets

(Amounts in NOKm)	Moelven Industrier ASA		Group	
	1997	1996	1997	1996
Share in subsidiaries	83.5	324.3	-	-
Other receivables and prepayment	75.2	51.2	281.7	251.6
Stocks	0.0	0.0	318.2	243.0
Bonds and other securities	0.4	0.4	4.1	4.9
Machinery, vehicles and equipment	1.1	0.4	184.0	160.4
Buildings	24.5	25.9	170.1	151.2
Land	5.5	5.5	16.1	13.3
Total	190.2	407.8	974.2	824.5

Notes to the annual accounts

NOTE 16: Investments in and sale of plant and property

Group (Amounts in NOKm)	1997		1996		1995		1994		1993	
	Invest.	Sale	Invest.	Sale	Invest.	Sale	Invest.	Sale	Invest.	Sale
Machinery, vehicles and equipment	86.7	3.7	60.7	3.4	127.0	6.3	36.3	3.0	30.4	22.8
Buildings	29.0	0.2	31.1	9.6	32.1	5.7	8.9	168.0	169.4	80.6
Land	1.0	0.0	0.0	0.4	1.1	0.6	0.0	3.9	2.3	13.7
Total	116.7	3.9	91.8	13.3	160.2	12.6	45.1	174.9	202.1	117.1

Moelven Industrier ASA (Amounts in NOKm)	1997		1996		1995		1994		1993	
	Invest.	Sale	Invest.	Sale	Invest.	Sale	Invest.	Sale	Invest.	Sale
Machinery, vehicles and equipment	1.0	0.2	0.0	0.0	0.1	0.2	0.1	0.2	2.2	2.0
Buildings	2.0	0.0	6.1	0.1	4.8	0.0	0.0	0.6	34.8	10.2
Land	0.0	0.0	0.0	0.0	0.0	0.0	0.2	0.0	5.9	0.8
Total	3.0	0.2	6.1	0.1	4.9	0.2	0.4	0.8	42.9	13.0

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

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

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

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

1993: Included as investments are fixed assets acquired through the consolidation of Bryggeriet AS totalling NOK 166 million.

Included as sales are fixed assets disposed of in the sale of Norema AS at NOK 95 million.

NOTE 17: Plant and properties

17.1 Plant and properties, book value

(Amounts in NOKm.)	Moelven Industrier ASA				Group			
	Vehicles, machinery, equipment	Buildings	Land	Total	Vehicles, machinery, equipment	Buildings	Land	Total
Acquisition value at 01.01.1997 ¹⁾	2.6	50.3	6.3	59.2	520.1	319.0	16.4	855.5
Additions 1997	1.0	2.0	0.0	3.0	86.7	29.0	1.0	116.7
Value at disposal	0.3	0.0	0.0	0.3	13.8	0.2	0.0	14.0
Acquisition value at 31.12.1997	3.3	52.3	6.3	61.9	593.0	347.8	17.4	958.2
Acc. ordinary depreciation 01.01.1997	2.2	24.3	0.8	27.3	306.9	153.9	0.8	461.6
Disposals acc. depreciation 1997	0.1	0.0	0.0	0.1	11.1	0.2	0.0	11.3
Depreciation current year ²⁾	0.1	3.5	0.0	3.6	52.2	17.5	0.0	69.7
Acc. ord. depreciation 31.12.1997	2.2	27.8	0.8	30.8	348.0	171.2	0.8	520.0
Net book value 01.01.1997	0.4	26.0	5.5	31.9	213.2	165.1	15.6	393.9
Net book value 31.12.1997	1.1	24.5	5.5	31.1	245.0	176.6	16.6	438.2
Ordinary depreciation rates in %	ca. 15%	ca. 6%	–	–	ca. 15%	ca. 6%	–	–
Temporary differences:								
Accumulated excess tax depreciations	- 6.2	- 19.7	0.0	- 25.9	39.9	- 61.0	0.0	- 21.1
Gain and loss	0.0	0.1	0.0	0.1	0.2	6.1	0.0	6.3

¹⁾ Acquisition value 01.01.1997 is adjusted for exchange gain/loss on conversion of subsidiaries to NOK, and comprises NOK -3.9 million of exchange losses in 1997.

²⁾ Depreciation for the year in accordance with the profit and loss account includes depreciation on fixed assets at NOK 69.7 million, and amortisation on goodwill of NOK 2.0 million.

17.2 Annual leasing costs

(Amounts in NOKm)	Moelven Industrier ASA		Group	
	1997	1996	1997	1996
Vehicles	0.4	0.3	3.8	3.2
Machinery and plant	0.1	0.1	2.0	1.8
Buildings	1.3	1.3	2.6	2.5
Total	1.8	1.7	8.4	7.5

Notes to the annual accounts

NOTE 18: Guarantees

(Amounts in NOKm)	Moelven Industrier ASA		Group	
	1997	1996	1997	1996
Loans guarantees/financial guarantees	289.4	176.5	4.9	4.9
Advance guarantees	11.5	21.2	31.3	28.9
Completion guarantees	47.0	79.4	43.7	32.4
Suety/counter guarantees	0.8	4.5	0.8	4.5
Joint guarantees, other companies	0.0	0.0	0.6	0.7
Guarantees/employee tax deductions	8.1	9.0	0.0	0.0
Employee guarantees	0.0	0.0	0.4	0.2
Total	356.8	290.6	81.7	71.5

In connection with the sale of Moelven Eiendom AS (Hekla AS) in 1994, a rent guarantee for premises was given by Moelven Industrier ASA to the company.

Moelven Industrier ASA guaranteed that income from renting out Bryggeriet at Lillehammer would, on an annual basis, amount to NOK 12.5 million for the years 1995 to and including 1999. Moelven Industrier ASA has charged NOK 3.1 million as guarantee costs to the accounts for 1997. No provisions have been made in this respect.

NOTE 19: Pension costs/pension commitments

19.1 Pension costs

(Amounts in NOKm)	Moelven Industrier ASA		Group	
	1997	1996	1997	1996
Earnings for the year	1.1	1.0	2.7	2.5
Interest cost on pension commitments	1.9	1.9	3.1	2.9
Pension costs (gross)	3.0	2.9	5.8	5.4
Expected return on pension assets	- 5.5	-5.2	- 7.5	- 6.9
Changes in estimates	0.5	0.9	1.1	0.9
Pension costs (net) insured	- 2.0	-1.4	- 0.6	- 0.6
Pension costs, contractual pension	0.0	0.0	0.9	0.0
Total pension costs	- 2.0	- 1.4	0.3	- 0.6

NOTE 19.2: Pension commitments

(Amounts in NOKm)	Moelven Industrier ASA		Group	
	1997	1996	1997	1996
Balance at 01.01.				
Accumulated earnings	27.6	25.7	40.6	35.6
Pensions based on future salary increases	2.0	2.0	7.2	5.5
Pension commitments (gross)	29.6	27.7	47.8	42.8
Pension funds	- 74.5	- 71.0	- 100.0	- 89.4
Pension commitments (net), surplus	- 44.9	- 43.3	- 52.2	- 46.6
Balance at 31.12.				
Pension commitments (gross)	30.7	29.6	51.5	47.8
Pension funds (anticipated)	- 72.6	- 69.5	- 101.7	- 94.9
Estimated change and variance, not charged	- 5.0	- 5.0	- 5.6	- 5.1
Pension commitments (net), surplus	- 46.9	- 44.9	- 55.8	- 52.2
Balance at 01.01.				
Pension commitments, contractual pension	0.0	0.0	5.0	0.0
Balance at 31.12.				
Pension commitments, contractual pension	0.0	0.0	6.1	0.0

Insured schemes: For the Group's insured schemes, pension funds are larger than pension commitments. Over-financing is mainly associated with the scheme for 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. The annual costs with regard to estimated variance are based on a temporal distribution according to the expected service period of members of 15 years. The estimated variance does not exceed 10 per cent of the higher of the pension commitments and pension funds for the start of the year.

Uninsured schemes: The Group has in 1997 accounted for pension costs for contractual pensions in accordance with NRS (Norwegian Accounting Standards), and treated these as an underlying accounting reform with a correction directly against reserves at 01.01.1997. The commitments include accrued employer's contributions.

Notes to the annual accounts

19.3 Financial assumptions

	Moelven Industrier ASA		Group	
	1997	1996	1997	1996
Return on pension assets	8.0%	8.0%	8.0%	8.0%
Discount rate	7.0%	7.0%	7.0%	7.0%
Growth in annual salaries and state pensions	3.3%	3.3%	3.3%	3.3%
Annual adjustment of pensions being drawn	2.5%	2.5%	2.5%	2.5%

The pension commitments that apply to the Group's Norwegian companies encompass a total of 505 people for the insured schemes, of whom 400 are active and 105 are pensioners. The pension commitments in connection with contractual pensions encompass a total of 913 people. The Group has accounted for an expected tendency of 25 per cent of contractual pensions to be drawn from the age of 62. All uninsured pension commitments are accounted for in the calculations above. The pension schemes in the Group's foreign companies are organised according to separate contribution schemes.

NOTE 20: Shares in subsidiaries

(Amount in 1000 NOK)	Share of ownership	Company's share capital	Number of shares	Face value	Book value at 31.12.1997
Moelven Treindustrigruppen AS	100	100 000	10 000	100 000	110 897
Moelven Innredningsgruppen AS	100	40 000	4 000	40 000	55 000
Moelven Limtregruppen AS	100	20 000	2 000	20 000	50 000
Moelven Hako AS	79	31 688	158 440	25 034	41 000
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 TimberTech AS	100	1 500	1 500	1 500	1 194
Moelven Finans AS	100	5 516	157 598	5 516	6 404
Moelven Portefølje AS	100	100	100	100	2 550
Moelven France SARL	100	FRF 4 000	4 000	FRF 4 000	3 561
Moelven Iberica SA	100	ESB 17 000	17 000	ESB 17 000	960
Ringsaker Hus AS	100	500	500	500	500
Moelven Nor East AS	89	1 420	1 270	1 270	1 169
Moelven Byggsystem AS	100	1 500	15 000	1 500	2 632
Moelven Byggsystem AB	100	SEK 5 000	50 000	SEK 5 000	9 778
Total Moelven Industrier ASA					376 795
Moelven Mjøsbruket AS	100	12 000	12 000	12 000	15 990
Moelven Kværnum Bruk AS	100	2 000	4 000	2 000	2 360
Moelven Trekomponenter AS	100	5 500	5 500	5 500	10 000
Moelven Treinteriør AS	100	3 000	3 000	3 000	6 982
Moelven Eidsvoll AS	100	7 000	700	7 000	13 000
Moelven Eidsvold Værk AS	100	32 500	32 500	32 500	35 578
Total Moelven Treindustrigruppen AS					83 910
Nordia AS	100	22 000	2 200	22 000	52 610
Total Moelven Innredningsgruppen AS					52 610
Moelven Limtre AS	100	11 000	11 000	11 000	24 862
Moelven Limtræ Gruppen Danmark AS	100	DKK 10 000	10 000	DKK 10 000	10 922
Total Moelven Limtregruppen AS					35,784
Moelven Industrier AB owns:					
Moelven Valåsen AB	100	SEK 50 000	500 000	SEK 50 000	119 970
Moelven Dalaträ AB	100	SEK 20 000	200 000	SEK 20 000	54 870
Moelven Töreboda Limträ AB	100	SEK 12 000	120 000	SEK 12 000	69 750
Eurowand AB	100	SEK 4 000	40 000	SEK 4 000	42 780
Moelven Limtræ Gruppen Danmark AS owns:					287 370
LNJ Limtræ AS	100	DKK 6 000	6 000	DKK 6 000	21 931
Moelven LNJ Limtræ AS	100	DKK 1 500	100	DKK 1 500	0
Moelven Øresø Limtræ AS	100	DKK 5 500	5 500	DKK 5 500	0
Moelven Systembygg AS	100	DKK 7 000	7 000	DKK 7 000	1 180
Moelven Holzleimbau GmbH	100	DEM 200	20	DEM 200	2 080
Moelven Industrie GmbH	100	DEM 100	10	DEM 100	0
Moelven Hako AS owns:					25 191
Moelven Hako Nord AS	70	5 700	57 000	5 700	4 000
Moelven Systembygg AB	100	SEK 50	500	SEK 50	0
Share ownership of Moelven Treindustri-gruppen AS and Moelven Nor East AS:					4 000
OOO Moelven Nor East	100	RUR 675	675	RUR 675	853

Notes to the annual accounts

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

(Amounts in 1000 NOK)	Total share capital	Number of shares	Face value	Book value historical	Book value at 31.12. 1997
Storebrand ASA	1 882 100	4 600	23	546	183
Others				91	4
Total	-	-	-	637	187

NOTE 22: Shares and participating interest in other companies, long-term

(Amounts in 1000 NOK)	Company's share capital	Number of shares	Face value	Book value at 31.12. 1997
Vamo AS (prev. Byggeland AS)	1 000	4 500	450	450
Moelven Elementbygg AS ¹⁾	600	4 000	400	46
Mjøssenteret AS	2 000	1 000	1 000	1 000
Moelven FireGuard AS ¹⁾	11 000	7 500	7 500	8 500
Others				29
Total Moelven Industrier ASA				10 025
Nye Land Sag AS	5 000	1 500	1 500	1 500
Firma Kiehn Holz GmbH	DEM 3 000	-	DEM 3 000	1 310
FireGuard Scandinavia AS	11 149	196 500	196	196
Karlskoga Invest AB	SEK 12 150	2 500	SEK 100	233
Others				9
Total Moelven Timber Industry Division				3 248
Impregnor AS	7 100	400	50	90
Svenskt Limträ AB	SEK 100	333	SEK 33	31
Jures Medis AB	LTL 6 033	180 426	LTL 902	958
Moelven Laminated Timber Structures Ltd.	GBP 50	12 500	GBP 12	0
Total Moelven Laminated Timber Division				1 079
Nor East Timber AS	600	150	150	150
Others				55
Total other companies				205
Shares treated as in associated companies (note 23)				
Moelven FireGuard AS				- 8 500
Total for Group				6 057

¹⁾ These companies are not consolidated in the Group accounts as the participating interest is of temporary character. The accounting figures for Moelven FireGuard AS appear in the Group accounts by treating the company as a participating interest in an associated company.

NOTE 23: Shares (20-50%) and interest in associated companies

(Amounts in 1000 NOK)	Participating interest	Value at 01.01.1997	Balance Additions/Disp.	Value at 31.12.1997	Share profit
Vamo KS (prev. Byggeland KS) ¹⁾	40.5 %	8 645	- 7 872	773	48 943
Moelven Elementbygg KS ¹⁾	60.0 %	- 372	1 300	928	- 1 100
Moelven FireGuard AS ¹⁾	68.2 %	0	5 239	5 239	- 3 261
ANS Land Sag Eiendom	30.0 %	1 397	187	1 584	187
Others	-	3 834	- 201	3 633	33
Total for Group		13 504	- 1 347	12 157	44 802

¹⁾ Owned by Moelven Industrier ASA.

Notes to the annual accounts

NOTE 24: Share capital and reserves

24.1 Changes in share capital and reserves in 1997 - Group

(Amounts in NOK mill.)	Share capital	Legal reserve	Temp. res. capital	Retained earnings	Accum. deficit	Net profit	Subtotal capital	Share cap. and res.
Balance 31.12.1996	352.7	32.3	385.0	160.8	- 246.6		- 85.8	299.2
Accounting reform				- 5.0			- 5.0	- 5.0
Transfer on opening balance				- 155.8	155.8		0.0	0.0
Balance 01.01.1997	352.7	32.3	385.0	0.0	- 90.8		- 90.8	294.2
Net profit						131.2	131.2	131.2
Appropriation of net profit		10.9	10.9	4.2	90.8	- 105.9	- 10.9	0.0
Share capital issue	4.0		4.0	2.1			2.1	6.1
Currency exchange difference				- 0.6			- 0.6	- 0.6
Provisions for dividend						- 17.8	- 17.8	- 17.8
Minority interest				- 1.7		- 7.5	- 7.5	- 9.2
Balance 31.12.1997	356.7	43.2	399.9	4.0	0.0	0.0	4.0	403.9

24.2 Changes in share capital and reserves in 1997 - Moelven Industrier ASA

(Amounts in NOK mill.)	Share capital	Legal reserve	Temp. res. capital	Retained earnings	Accum. deficit	Net profit	Subtotal capital	Share cap. and res.
Balance 01.01.1997	352.7		352.7		- 32.9		- 32.9	319.8
Net profit						36.7	36.7	36.7
Appropriation of net profit		0.6	0.6	44.2	30.8	- 75.6	- 0.6	0.0
Share capital issue	4.0		4.0		2.1		2.1	6.1
Provisions for dividend						- 17.8	- 17.8	- 17.8
Group contribution received						56.7	56.7	56.7
Balance 31.12.1997	356.7	0.6	357.3	44.2	0.0	0.0	44.2	401.5

24.3 Developments in the company's share capital since 1987

Year/Type of change	Change in share capital NOKm	Total share capital NOKm	Face value NOK	Number of shares
1987				
Dividend shares	1.4	55.0	25.0	2 198 100
Bonus issue 10:1	5.4	60.3	25.0	2 412 419
1988				
Merger with Svein Ruud Eiendom AS	4.0	64.3	25.0	2 571 200
Merger with Siggus Eiendom AS	3.1	67.4	25.0	2 695 000
Dividend shares	1.5	68.9	25.0	2 754 710
1989				
Share capital increase 3:1	23.0	91.8	25.0	3 672 900
Placing to employees	1.2	93.0	25.0	3 720 000
Dividend shares	2.3	95.3	25.0	3 813 499
1992				
Write-down of face value	- 76.3	19.1	5.0	3 813 499
Share capital increase 11:4	52.4	71.5	5.0	14 300 621
Placing to Industrifondet	0.7	75.1	5.0	15 014 906
1993				
Share capital increase	125.0	200.1	5.0	40 014 906
Conversion of convertible loan	52.2	252.3	5.0	50 455 877
1994				
Conversion of convertible loan	47.8	300.1	5.0	60 014 906
1995				
Placing to institutional investors	45.0	345.1	5.0	69 014 906
Placing to SND	7.6	352.7	5.0	70 544 318
1997				
Placing to employees	4.0	356.7	5.0	71 344 569

Auditor's report and Corporate Assembly's statement

AUDITORS' REPORT FOR 1997

We have audited the Annual Report and accounts of Moelven Industrier ASA for 1997, showing a profit for the year of NOK 36,701,667 for the parent company, and a consolidated profit for the year of NOK 131,169,000. The annual report and accounts, which comprise the annual report, profit and loss account, balance sheet, funds flow statements, notes to the accounts and consolidated accounts, are presented by the company's Board of Directors and its managing director.

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

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

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

In our opinion, the annual report and accounts have been prepared in accordance with the requirements of the Companies Act and present fairly the financial position of the company and of the group as of December 31, 1997 and the result of its operations for the financial year, in accordance with generally accepted accounting principles.

Oslo, 23 February 1998

Price Waterhouse a.s.



Svein-A. Martinsen

State Authorised Public Accountant (Norway)

STATEMENT BY THE CORPORATE ASSEMBLY

At a meeting on 23 February 1998, the Corporate Assembly considered the report of the Board of Directors and proposals for the annual accounts of Moelven Industrier ASA and the Group, and the proposal for the appropriation of the profit for the year made by Moelven Industrier ASA.

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

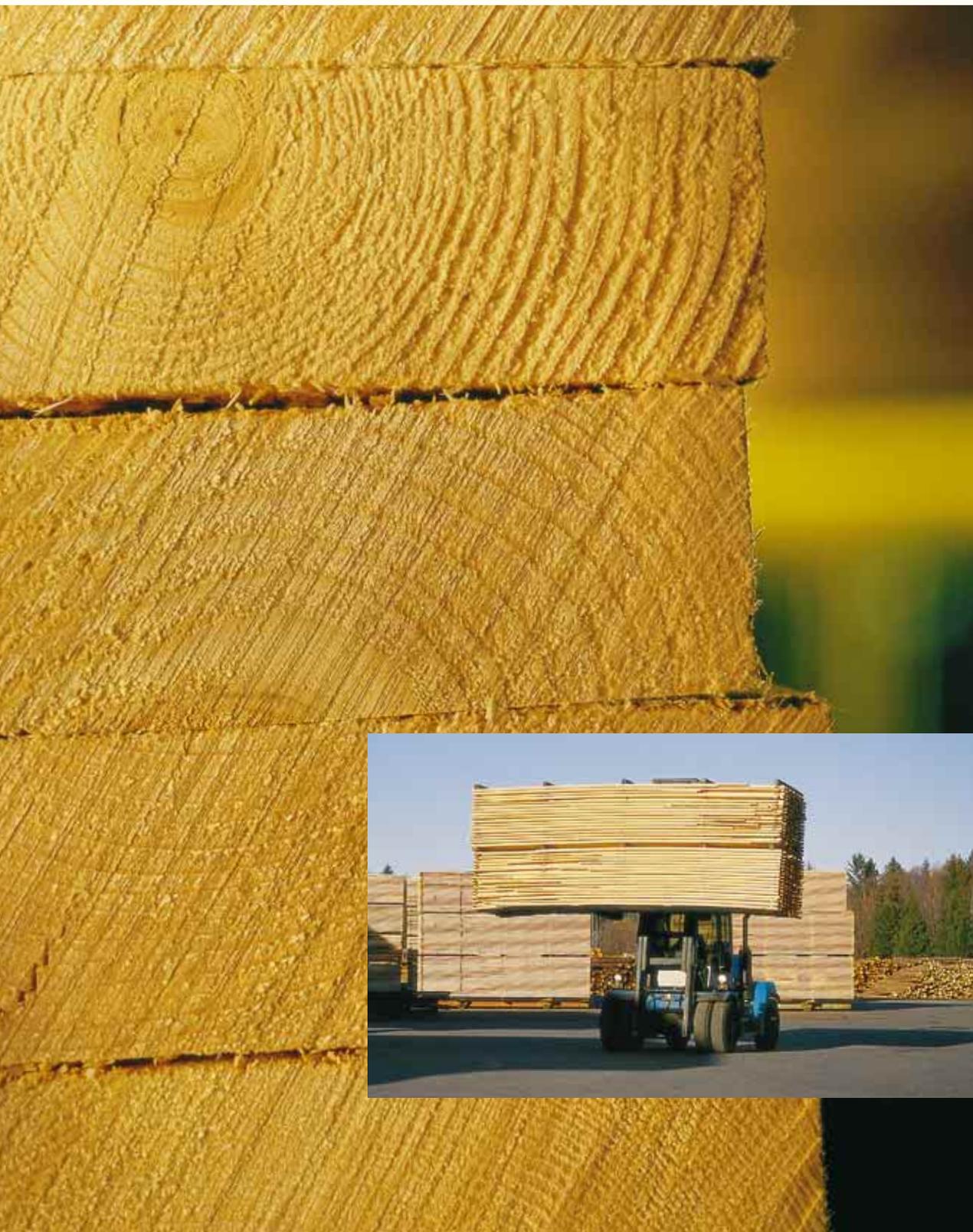
Moelv, 23 February 1998



Axel Krogvig

Chairman of the Corporate Assembly

Business areas





Managing Director
Anders L. Fossum

Timber Industry Division

Timber Industry Division – environment in practice

The Timber Industry Division is the largest of the Moelven Group's four business areas. All companies of the division are enterprises within woodworking industries. The products are divided into two main areas: sawn timber and processing.

The division consists of eight subsidiaries in Norway and Sweden, five sawmills and three processing companies. The sawmills produce approx. 600,000 cubic metres of sawn timber and some 175,000 cubic metres of processed solid timber – pine floorboards, moulding, panelling and components for the building and furniture industries. For the Timber Industry Division, the processing factories help even out the profits and increase the value for part of the sawmills' production during the current period of fluctuations in the international timber industry.

The division is committed to the international market with exports at 65 per cent of total production. In addition to the domestic markets, Norway and Sweden, the division sells to more than 30 countries. The largest export markets are Denmark, Germany, Holland, Switzerland, Japan and Britain.

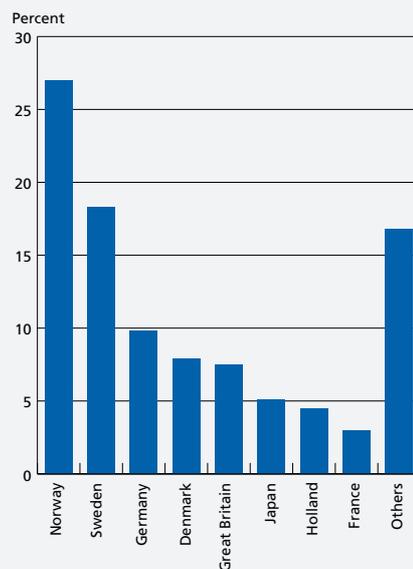
*Back row from left: Bjørn Kristiansen, Per A. Schøyen, Ulf Rosenlund, Bertil Tomter, Åge Langsethagen and Einar Haakon Røhr.
Front row from left: Dag Sand, Anders Lindstad Fossum and Karl-Arne Iderot.*



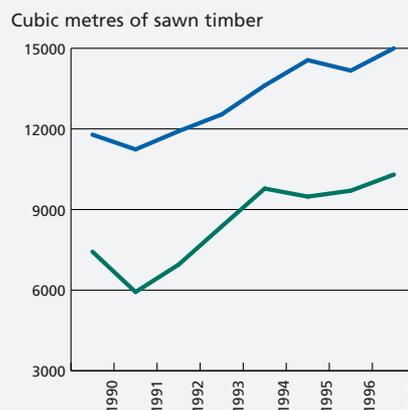
MARKETS

The domestic markets are developing favourably and the Norwegian market in particular is attracting more attention than before. A slight weakness in the export markets – especially in Japan – coupled with an increasingly strong krone (NOK) has also contributed to giving a higher priority to the domestic market.

The division's main markets



Production in Sweden and Finland





During the first half of 1997, sales and prices were healthy in the international timber industry market. In the second half supply was greater than the demand due to the largest ever production volume in Scandinavia. This led to a marked fall in prices. Because the demand was generally too low to clear the growing supply of timber products, the international market became increasingly more competitive. This trend will probably continue for some time into 1998.

The economic cycles that we are now experiencing are more irregular than previously, causing us to plan short-term. In this respect spruce is more exposed to pressure than pine. This has resulted in a certain build-up of spruce stocks for the manufacturers in Sweden and Finland while pine stocks are still at a low level. At the same time, customers generally reduce their stocks of timber products in anticipation of lower prices.

On the international market, production and export of timber products from Russia – a previous major player in this market - will remain slow for a considerable time. The Baltic States have to some degree increased their exports, particularly to Germany and Great Britain, but will not have great potential above the 1997 level. A combination of strong currencies and great domestic demand in the USA and Canada mean that the European market does not expect increased competition from the American continent. This view is emphasised by the current price level for timber products in Europe.

On the other hand, it is less certain how the financial crisis in Asia will influence the European timber market. Until now, exports of timber products to Asia have mainly gone to Japan. It is anticipated that construction in Japan will stabilise at a somewhat higher level after a considerable downturn during the second half of 1997.

Timber Industry Division
– environment in practice

Timber Industry Division	Number of employees	Established/acquired	Products	Production
Sawmills				
Moelven Valåsen AB Gen. Man. Karl-Arne Iderot	210 *	1988	Sawn spruce and pine	275,000 m ³
Moelven Dalaträ AB Gen. Man. Ulf Rosenlund	94	1985	Sawn spruce and pine	145,000 m ³
Moelven Eidsvold Værk AS Gen. Man. Dag Sand	107 *	1994/95	Sawn spruce	95,000 m ³
Moelven Mjøsbruket AS Gen. Man. Einar Haakon Røhr	49	1978/79	Sawn spruce	65,000 m ³
Moelven Kværnum Bruk AS Gen. Man. Bjørn Kristiansen	15	1984	Sawn spruce	20,000 m ³
Processing				
Moelven Trekomponenter AS Gen. Man. Bertil Tomter	38	1950	Components for the building, furniture and other woodworking industries	20,000 m ³
Moelven Treinteriør AS Gen. Man. Åge Langsethagen	30	1986	Floorboards and panelling with with og without surface treatment	20,000 m ³
Moelven Eidsvoll AS Gen. Man. Per Schøyen	55	1989	Mouldings with or without surface treatment	10,000 m ³
Moelven Valåsen AB Gen. Man. Karl-Arne Iderot	– *	1988	Components for the building and other woodworking industries	50,000 m ³
Moelven Eidsvold Værk AS Gen. Man. Dag Sand	– *	1994/95	Planed timber	55,000 m ³

* Applies to both sawmills and processing.



Timber Industry Division
– environment in practice

The German market is still suffering a limited decline in new constructions. However, it is expected that more wooden houses will be built in the course of 1998 and that the refurbishment market will improve. Overall, this implies a steady consumption of timber products in the German market continuing into 1998.

Prognoses indicate a small increase in house building in Scandinavia. The same applies to the maintenance and refurbishment market.

STRUCTURE

A combination of tough competition for raw materials and increasing demands from customers mean that the trend is towards larger and more effective units. Compared with major timber industry nations, Norway still has a very fragmented timber industry. This has a restricting effect on the industry's development potential, competitiveness and position as far as access to resources is concerned.

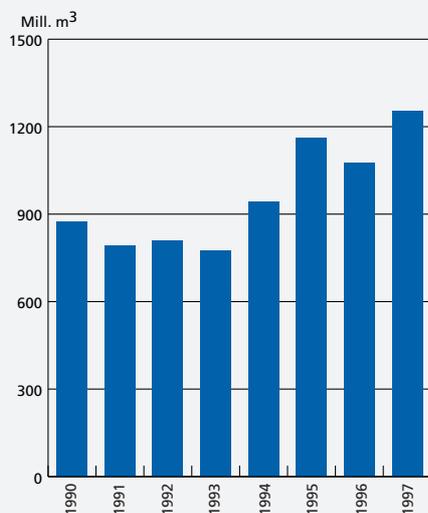
During the spring and summer of 1997, Norske Skogindustrier ASA (NSI) and Moelven Industrier ASA (MI) negotiated a merger between NSI's timber and panelling enterprises and MI. Hedalm Trelast AS also took part in negotiations with NSI in order to find a compatible solution. The result of the merger plans was that NSI bought Hedalm Trelast AS.

Today, the Norwegian market for building components is dominated by large commercial chains. The same tendency can be seen in Sweden. A further concentration of fewer, larger chains gives increased market power. Therefore, structural changes within the timber industry both in Norway and Sweden will still be required.

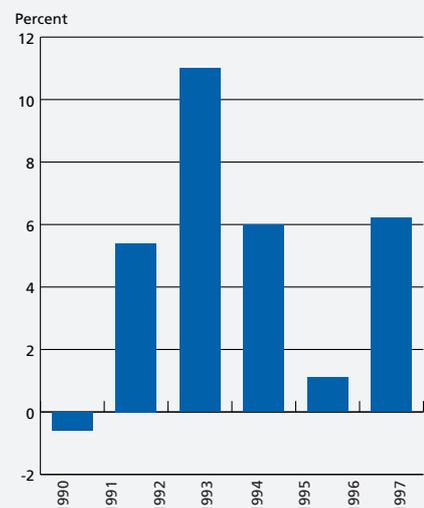
RAW MATERIAL

The annual gross growth rate in Norwegian forests is estimated at approx. 20 million cubic metres of timber, of which it will be possible to

Turnover performance



Net operating margin





fell between 11 and 12 million cubic metres. The average harvest over the last 40 years has been around 8 eight million cubic metres. Of this, 50 per cent is suitable for saw-milling. In Norway, there is a great imbalance between timber supply and production capacity. Low utilisation of capacity cuts profitability. The demand for raw material is partly covered by import of timber from Russia through Moelven Nor East AS. This channel for raw material is necessary in order to supplement the timber supply to our sawmills and hence even out the fluctuations in the local supply.

Most of the major product groups in pulp and paper fell dramatically in price early in 1996.

Developments in 1997 have only shown a slight improvement. This has resulted in lower prices for pulp material, causing a reduction in the amount of felled pulp material in Norway in 1997. This in turn contributed to a general decline in the felling of timber. We expect that the import of pulp and the reduced price level in Sweden and Norway will still continue to influence prices and the future felling of timber. This, coupled with the great production capacity and the structure of the sawmills, will to a large extent form a market base for sawn timber, independent of the sawmills' timber market.

Timber Industry Division
– environment in practice

KEY FIGURES

Group (Amounts in NOKm)	1997	1996	1995	1994	1993
Operating revenues	1 253.0	1 076.8	1 160.0	944.0	773.7
Operating profit	77.8	11.7	69.5	103.5	41.5
Financial items	- 9.1	- 11.0	- 10.7	- 20.6	- 12.6
Profit before tax	68.7	0.7	58.8	82.6	29.1
Total capital	728.1	668.1	656.4	523.5	418.9
Equity ratio	43.2	46.2	47.7	33.0	27.9
Gross operating margin	9.3	5.0	9.2	13.9	8.7
Depreciation	38.7	41.7	36.7	28.0	25.5
Cash flow	107.4	42.4	95.5	110.6	54.6
Investments	30.5	34.0	73.5	25.3	22.7
Number of employees	604	620	653	552	503

The companies (Amounts in NOKm)	Operating revenues						Operating profit	
	Sawmills		Processing		Of which internal		Total	
	1997	1996	1997	1996	1997	1996	1997	1996
Moelven Mjøsbruket AS	112.1	97.4	–	–	–	–	6.0	1.6
Moelven Kværnum Bruk AS	31.9	30.6	–	–	–	–	2.2	0.8
Moelven Eidsvold Værk AS	145.7	132.5	100.6	83.5	- 59.6	- 50.0	11.1	5.9
Moelven Valåsen AB	476.0	371.2	76.0	52.8	- 48.6	- 25.4	35.8	- 11.5
Moelven Dalaträ AB	267.1	234.3	–	–	–	–	18.2	4.5
Moelven Trekomponenter AS	–	–	45.2	57.3	–	–	- 3.2	-2.1
Moelven Treinteriør AS	–	–	50.1	47.7	–	–	1.9	4.2
Moelven Eidsvoll AS	–	–	75.2	69.4	–	–	7.1	5.2
Moelven Treindustrigruppen AS	10.5	13.1	–	–	–	–	- 1.3	1.9
Int. operating revenues in the div.	–	–	–	–	- 29.2	- 37.6	–	–
Moelven Timber Industry Div.	1 043.3	879.1	347.1	310.7	- 137.4	- 113.0	77.8	11.7



General Manager Reidar Mo

Interior Layout Division

Interior Layout Division
– rational offices

THE ENTERPRISE

With its operational companies Nordia AS in Norway and Eurowand AB in Sweden, the Interior Layout Division is Scandinavia's leading manufacturer and supplier of structural system interiors for commercial premises.

Nordia AS has its main administration and production at Jessheim, Norway, and has a total of 13 district and sales offices across the country. Eurowand AB has its head office in Örebro, Sweden, and the production is carried out in the neighbouring district of Kumla. The company has four regional offices in Sweden. This setup ensures that customers receive close, professional assistance.

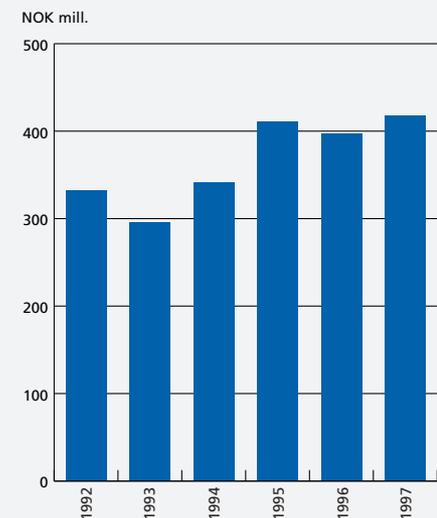
Nordia AS and Eurowand AB are both service companies and authorised contractors. The business concept involves production and preparation of components and fitting of system interiors in buildings.

PRODUCTS

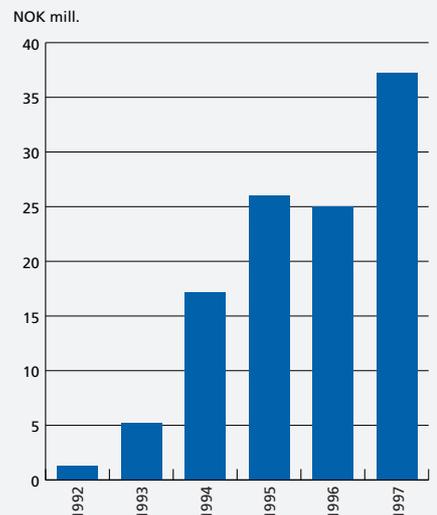
Nordia and Eurowand plan, produce and fit complete system interiors in accordance with the given standards in collaboration with architects and users. This provides our cus-

tomers with tailor-made solutions from a supplier with extensive expertise. By the term system interiors we mean all types of walls, with or without glass surfaces, wall furniture and

Sales progress

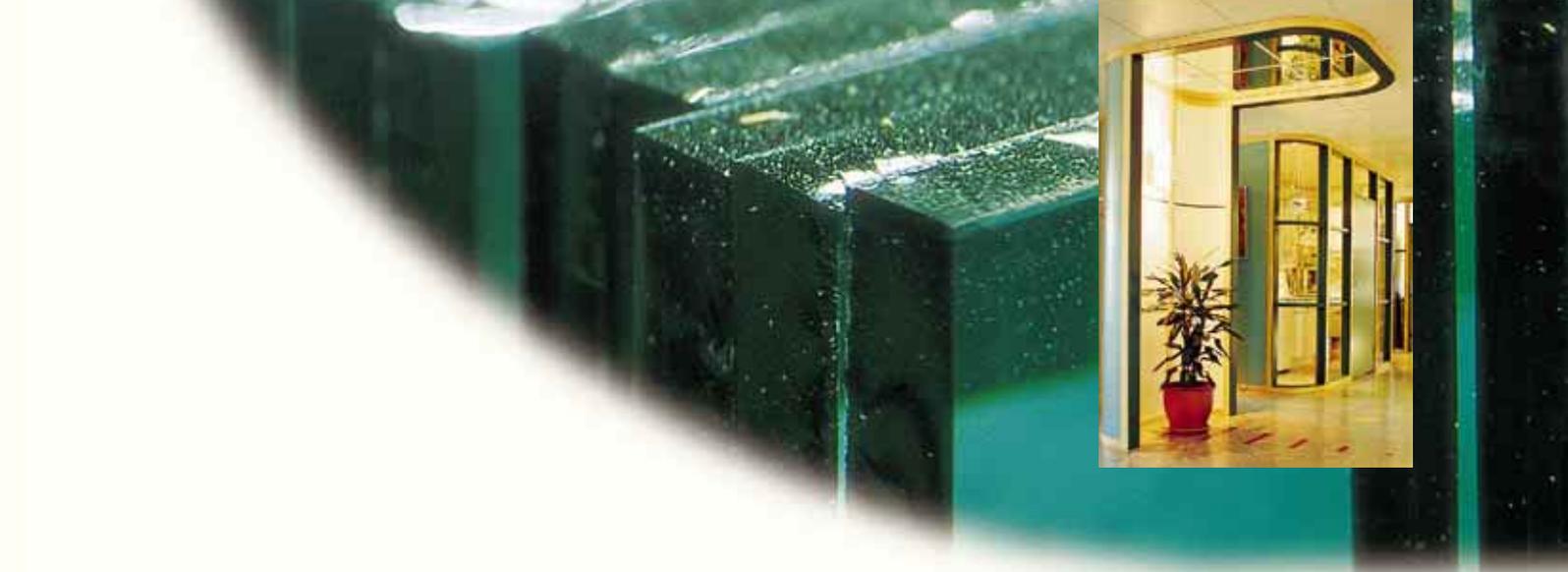


Result developments



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



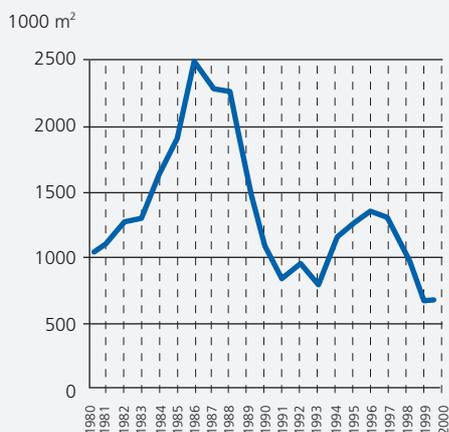


acoustic screens, and a wide variety of ceilings and computer floors, for offices, hospitals and commercial premises. The division can deliver anything from plaster walls to special architectural options in various woods. All materials are delivered ready to fit and surface treated from our factories to the building site where our workmen erect, fast and professionally, on the premises. For our customers, the small labour force represents simple administration and short building time.

The division's products are financially competitive with conventional solutions. Appealing, functional and space-saving designs give the customers increased returns on their investments.

Flexible solutions also offer a high level of reuse when there is a need to move or alter the layout due to changed requirements. This means lower annual costs than for conventional building methods. Refurbishment takes place while the offices are in use. The products meet all requirements in terms of the environment, acoustics, fire safety and strength.

Start of office and commercial construction



MARKETS

Nordia and Eurowand operate in the national commercial building market, mainly in Norway and Sweden, but also with individual assignments abroad. The market is divided into two segments: the tendering market and the direct market.

The tendering market is characterised by a number of companies competing on the basis of a fixed and fully developed tender document. The market makes tough demands on efficient production, delivery and site supervision. This market is highly competitive on price, to some extent at the expense of quality.

The direct market is characterised by direct contact between the supplier and the end customer right from the contract-planning phase through to completion. Design development, consulting, assessing total costs and benefits and customer service, are important components of the product in this market segment. In order to meet the customers' requirements better, the companies also carry out complete refurbishment contracts with full responsibility for planning, execution and supervision.

Interior Layout Division
– rational offices

NORDIA AS

Acquired: 1989
 Number of employees: 291
 Business: Structural interior layouts in commercial buildings.
 General Manager: Reidar Mo.

EUROWAND AB:

Acquired: 1989
 Number of employees: 95
 Business: Structural interior layouts in commercial buildings.
 General Manager: Håkan Rotquist.



**Interior Layout
Division**
– rational offices

CUSTOMERS

The Interior Layout Division bases its customer portfolio mainly on long-term relations with the most important operators in the commercial building market and larger property owners. Our customers include both public and private sector organisations involved in the design, construction, maintenance and operation of commercial buildings. The trend is towards larger and more professional customers.

THE ENVIRONMENT

Our interior system solutions are based on environmentally sound materials: plaster, glass and wood. Factory-treated finishes and pre-fabricated components mean less air-pollution, cutting, sanding and painting on the building site. For refurbishment, waste is reduced by reusing much of the material. This

gives our customers a better indoor environment as well as reduced costs.

THE FUTURE AND DEVELOPMENTS

The companies are focusing on internal efficiency through improvements and simplification of administrative routines. We consider greater use of IT and training programmes for all categories of staff very important in this work. We have increased resources for further development and improvement of system products. Work is in progress in order to find designs that will better meet customers' requirements for future commercial buildings.

After several weak years in the Swedish commercial building market, it is anticipated that 1998 will see the first indications of growth. The Norwegian commercial building market is expected to remain stable at the 1997 level.

KEY FIGURES

The division (Amounts in NOKm)	1997	1996	1995	1994	1993
Operating revenues	417.7	397.9	410.8	340.1	296.1
Operating profit	37.2	25.0	26.0	17.2	5.2
Financial items	9.1	9.7	10.3	4.0	4.6
Profit before tax	46.2	34.7	36.3	21.2	9.8
Total capital	215.0	202.2	204.1	118.1	158.1
Equity ratio	58.5	59.3	57.1	58.3	23.2
Gross operating margin	9.7	7.2	7.1	5.8	2.8
Depreciation	3.5	3.7	3.2	2.6	3.1
Cash flow	49.7	38.4	39.5	23.8	12.9
Investment	12.2	1.8	6.1	1.7	0.5
Number of employees	386	360	394	389	332

The companies (Amounts in NOKm)	Operating revenues		Operating profit	
	1997	1996	1997	1996
Nordia AS	315.3	281.9	30.6	20.2
Eurowand AB	109.7	116.2	7.0	8.1
Nordia Ltd. (UK)	0.0	1.8	0.0	- 2.1
Moelven Innredningsgruppen AS	0.0	-	- 0.4	- 1.2
Internal operating revenues in the division	- 7.3	- 2.0	-	-
Moelven Interior Layout Division	417.7	397.9	37.2	25.0

Interior Layout Division



Interior Layout Division
– rational offices



Managing Director
Ola Mørkved Rinnan

Laminated Timber Division

Laminated Timber Division
– architecture and span

THE ENTERPRISE

Moelven Laminated Timber Division has four manufacturing companies in Norway, Sweden and Denmark, and a total of six sales and service organisations. The division is a leading international manufacturer and supplier of laminated timber for building and construction. The operating revenues in 1997 were NOK 422 million, number of employees 353 and annual production approx. 85,000 cubic metres. The Laminated Timber Division's main markets are Scandinavia, Germany, Japan and Italy. 40 per cent of sales take place in the Scandinavian market, where the division has a market share of 45 per cent.

The use of laminated timber ranges from a large selection of basic, straight beams in housing etc, to large complicated structures with spans of more than 150 metres. Laminated timber is also used outdoors to an increasing degree, both as electricity poles and pedestrian and road bridges. As a construction material, laminated timber has great fire resistance and considerable strength compared to its weight. The structures at Oslo Airport Gardermoen are examples showing that laminated timber as a building material is

very suitable in terms of new architectural and design requirements. Because timber is a renewable resource, and because laminated timber needs less energy in its production than other building materials, laminated timber will have a future potential as a building material meeting even stricter environmental requirements.

EXPERIENCE AND EXPERTISE

Moelven Laminated Timber Division has roots dating from 1918 when the division's Swedish factory started its first production. Today the division boasts extensive international expertise, meeting the various customer demands within the market's main segments. The product range and quality is modified to suit the market's demands for alternatives and service.

In 1997, our Norwegian factory, Moelven Limtre AS, made an investment of NOK 35 million. In this program, the area for larger projects moved to separate premises, and the factory installed Europe's most modern straight beam production line. The division is not planning any large investments in 1998.

Front row from left: Per D. Mikkelsen, Claes Håkanson and Christian E. Lund.
Back row from left: Wilfried Röhrs, Ola Mørkved Rinnan, Odd Erik Røste and Leif Farbu.



MARKETS AND COMPETITION

The markets of the Laminated Timber Division can be divided into a trade and industry segment and the contract market. Wholesalers sell standard products from their own stores or with direct distribution from our factories. Industrial customers require tailored solutions for their own operations, mainly pre-fabricated houses, while builders and contractors use laminated timber for larger, individual projects.

Until 1995, there was a good balance between production capacity and market demand. The creation of increasing capacity for standard, straight beams started in 1996 and continued through 1997, particularly in Austria and Germany. On the basis of the anticipated strong growth in Japan's consumption of laminated timber, the industry has increased pro-



duction capacity further. A drastic fall in Japanese house building in 1997 has increased the industry's excess capacity and hence created a structural problem. This led to fierce competition within the large international markets. However, the division's strong position in Scandinavia, Germany, Japan, Italy, England and Poland made it possible to maintain sales volume in 1997.

On the basis of the market situation, Moelven Laminated Timber Division wishes to consolidate the production of up to 85,000 cubic metres annually, equalling approx. six per cent of the total consumption in Europe and Japan. The focus is now on developing customer services, product quality and the distribution system.

Through the construction of the Olympic halls for the 1994 Winter Olympics at Hamar and Lillehammer and various building projects at Oslo Airport Gardermoen, Moelven has contributed to generating interest in the use laminated timber as a building material. The new football and sports hall in Valby outside Copenhagen is recent proof that laminated timber has considerable potential in competition with steel and concrete.

The Copenhagen City Council and the Danish Football Association chose laminated timber instead of steel because of the strict requirements for fire safety. Outside Scandinavia our engineers are in contact with builders and architects in connection with large contracts that are being planned. The industry now has a common interest in promoting the product's advantages in its marketing activities.

RESULTS

The operating profit for 1997 did not meet the division's target. However, in comparison with its competitors, the division's companies still made progress and managed to maintain their market positions. At the end of the year, the division had an operating profit of NOK 5 million.

In 1997, the international price level dropped as the cost of Nordic sawn timber rose by 10 per cent. The division has been able to compensate for some of this through a general improvement in efficiency and by focussing on specific market segments.

The results for 1997 also suffered from the comprehensive rebuilding at Moelven Limtre AS and a complete restructuring of operations at the Danish company Moelven Øresø Limtræ AS. The division's volume consolidation and the companies' general focus on cost efficiency should form the basis for the coming period in which the industry will tend to have excess capacity. The division's pay-back target of a 7 per cent operating margin is fixed over time.

PROSPECTS

By the turn of the year 1997-98, prices for Nordic spruce were still falling, which will have a positive effect on our supply contracts during the first half of 1998. This effect may be short-term and can also lead to stronger competition.

The Laminated Timber Division will work actively so that the industry as a whole increases its efforts in the area of product and market development, and keeps its focus on quality rather than volume. The progress in Japan will have a decisive effect on prices in Europe. However, we do not expect any improvements in the Japanese market in 1998.

The division's new sales office and its acquisition of a small shareholding in Lithuania's only laminated timber factory represents a careful investment in a growing market.

Moelven Laminated Timber Division has realistic expectations for 1998. The price competition will be tough, but our outlook for the industry's top companies remains optimistic. The division's companies have the necessary ambition and expertise to stay in the industry's front line, and the division will thus be able to show results that meet the particular demands of the industry.

Laminated Timber Division
– architecture and span



**Laminated Timber
Division**
– architecture and span

Laminated Timber Division	No. of employ.	Established/ Acquired	Products	Production capacity
Manufacturing companies				
Moelven Limtre AS Gen. Man. Leif Farbu	109	1958	Standard products, special products and contracts	Ca. 30,000 m ³
Moelven LNJ Limtræ AS Gen. Man. Per D. Mikkelsen	70	1950/85	Standard products, special products and contracts	Ca. 25,000 m ³
Moelven Øresø Limtræ AS Gen. Man. Christian E. Lund	39	1939/96	Standard products, special products and contracts	Ca. 12,000 m ³
Moelven Töreboda Limträ AB Gen. Man. Claes Håkanson	117	1918/82	Standard products, special products and contracts	Ca. 40,000 m ³
Sales companies				
Moelven Holzleimbau GmbH Gen. Man. Wilfried Röhrs	14	1989	Sales company for the German market	–
Moelven Laminated Timber Str. LTD Gen. Man. Ian Beedle	5	1989/98	Sales Company for the British market	–

KEY FIGURES

Group (Amounts in NOKm)	1997	1996	1995	1994	1993
Operating revenues	421.9	430.6	419.9	348.2	306.6
Operating profit	5.3	15.6	10.4	18.9	20.1
Financial items	- 4.7	- 3.6	0.2	- 0.8	1.9
Profit before tax	0.6	12.0	10.6	18.1	22.0
Total capital	250.5	233.9	211.8	168.8	152.4
Equity ratio	31.4	36.0	49.2	47.5	51.4
Gross operating margin	4.8	6.8	5.0	8.3	9.7
Depreciation	14.9	13.7	10.7	9.9	9.7
Cash flow	15.5	25.7	21.3	28.0	31.7
Investments	46.1	40.9	22.3	14.8	16.8
Number of employee	353	384	346	320	282

Companies (Amounts in NOKm)	Operating revenues		Operating profit	
	1997	1996	1997	1996
Moelven Töreboda Limträ AB	169.6	176.0	3.3	13.4
Moelven Limtre AS	107.5	123.3	3.1	2.7
Moelven LNJ Limtræ AS	88.8	91.2	2.0	1.8
Moelven Øresø Limtræ AS	39.9	35.0	- 3.6	0.1
Moelven Holzleimbau GmbH	109.6	103.8	- 0.1	0.1
Moelven Limtregruppen AS	3.6	16.9	0.8	- 2.5
Internal operating revenues in the division	- 97.1	- 115.6	- 0.2	–
Moelven Laminated Timber Division	421.9	430.6	5.3	15.6



Construction and Contracting

Construction and Contracting
– complete solutions

THE ENTERPRISE

Various Moelven companies operating in the building contract industry have been organised together in the Group's Construction and Contracting Division. The division can be divided into two main areas: Prefabricated buildings and selected industrial products and services.

Prefabricated buildings

- Moelven Hako AS in Moelv has the operational responsibility for Moelven Hako Nord AS in Kirkenes, Moelven Byggsystem AS in Hurdal and Moelven Byggsystem AB in Säffle, Sweden. Through these four companies, the Moelven Group is the largest manufacturer of prefabricated modular buildings in Scandinavia.

Industrial products and services

- Moelven Engineering AS has technical, operational and project administration expertise within electrical engineering, construction and the mechanical industry. It is service-based and specialises in meeting the wishes and demands of individual customers. The company's head office is at Moelv. The electrical engineering department also has a branch office in Oslo.
- Moelven Nor East AS manages and co-ordinates the Group's operations related to timber importing from Russia and building contracts and industrial establishment in Russia. The subsidiary OOO Moelven Nor East in St.Petersburg has administrative and operational functions in Russia.

- Moelven FireGuard AS supplies fire resistant timber products to professional customers in the building market. Administration, production and marketing of the company's products will during 1998 become an integrated operation in Moelven Trekomponenter AS.

The Construction and Contracting Division has mainly been centred around the Norwegian market, but through the purchase of the Swedish company Moelven Byggsystem AB in Säffle, it has gained a good foothold in Sweden. There are also export contracts for selected customers in the international market. Market developments in the east are promising, particularly in Russia where projections indicate a considerable upturn in the construction market, primarily in the areas around Moscow and St. Petersburg. An increasing demand for new buildings and refurbishment is also expected for the rest of Russia. For Moelven, timber imports from Russia will continue to help meet the demand for raw materials at our sawmills.

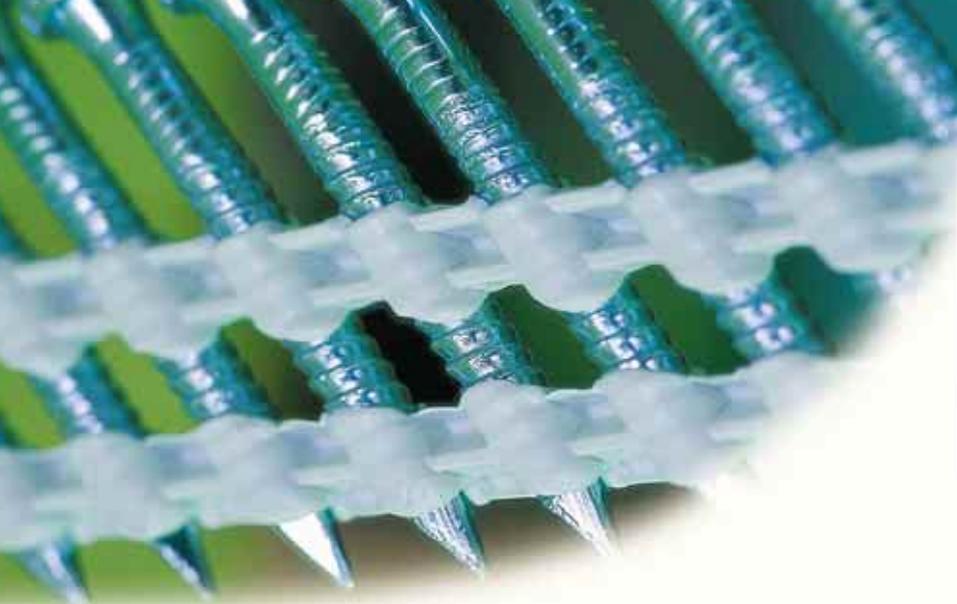
PREFABRICATED BUILDINGS

Moelven Hako AS in Moelv, Moelven Hako Nord AS in Kirkenes, Moelven Byggsystem

From the left: Bjørn Willanger, Knut Jenssen, Oddvar Mortensen and Håkan Rohdin.



*From the left
Geir Haugersveen
and Nils-Ivar
Slåttsveen.*



Construction and Contracting
– complete solutions

AS in Hurdal and Moelven Byggsystem AB in Säffle engage in industrial prefabrication of module-based buildings. In 1997, the companies strengthened their position in the market through strong individual growth and by opening offices in Kirkenes and making purchases in Hurdal and Säffle. 80 per cent of sales take place in the Norwegian and Swedish markets. Furthermore, the companies engage in export contracts to Europe, and made large deliveries to the British prison service (H.M. Prison Service) in 1997. With a foothold in Kirkenes now, the market in North-West Russia is also covered.

Over several years the companies have developed very rational and modern systems for the prefabrication of building modules and elements. This means very short and efficient construction times for the customers. The result is flexible, profitable and rational building designs.

Since the mid-1950s, Moelven has produced approximately 100,000 building modules, starting with simple site huts. Today, the companies supply about 4,000 modules for site huts, schools, offices and hotels, equalling 80,000 square metres of prefabricated buildings. The modules are delivered as permanent or as mobile/temporary buildings. The companies have a turnover of approx. NOK 360 million, equalling about 75 per cent of total operations

within the Construction and Contracting Division.

MARKETS AND PROSPECTS

The module companies mainly operate in the tendering market where the clients consist of professional builders and contractors in the private and public sector. The aim is to strengthen the companies' position as leading players in their markets by developing their products and choosing their markets carefully.

Thanks to new standards for buildings and site huts, prospects are considered good. The execution of the junior school reform has led to several large assignments for Moelven Hako AS on behalf of local authorities across the country. The Oslo City Council has in particular been an important client. It is expected that the Government's investments in nursing homes and housing for the elderly will create considerable building activity. The Swedish construction market is also expected to pick up and we are keeping a very close eye on developments in North-West Russia.

INDUSTRIAL PRODUCTS AND SERVICES

Moelven Engineering AS supplies electro-technical services and installations for indus-

Companies	Number of employees	Established/acquired	Products
Moelven Hako AS Gen. Man. Bjørn Willanger	140	1950	Transportable and semi-permanent modules.
Moelven Byggsystem AB Gen. Man. Håkan Rohdin	80	1997	Transportable and semi-permanent modules.
Moelven Byggsystem AS Man. Knut Jenssen	40	1997	Building units
Moelven Hako Nord AS Man. Oddvar Mortensen	20	1996	Transportable and semi-permanent modules.
Moelven Engineering AS Gen. Man. Geir Haugersveen	91	1905/1990	Specialises in construction, development manufacture and maintenance of manufacturing equipment, electrical installations and building maintenance
Moelven Nor East AS Gen. Man. Nils-Ivar Slåttsveen	2	1994/1996	Handles Moelven's operations in Russia
OOO Moelven Nor East Gen. Man. Valery Borodulin	8	1996	Handles Moelven's timber import from Russia
Moelven FireGuard AS	2	1994/1997	Fire-resistant timber



trial and commercial buildings and production plants, in addition to offering mechanical, operational and maintenance services. The company also has expertise in contract management, construction techniques and administration.

Moelven Engineering AS deals mainly with the private business sector, professional developers and the public sector in the eastern part of Norway. The company also operates on a contract basis in other parts of the country, as well as in Russia, England, Sweden and Germany.

The company is developing well. In 1997, the electrical department set up offices in Oslo, where it has gained a good foothold in the electrical installation market.

Moelven Engineering's speciality lies in offering integrated solutions both for construction projects and for mechanical and electrical installations. This gives customers turn-key solutions from the same supplier.

Moelven Nor East AS is responsible for the Group's operations in Russia which includes importation of timber, industrial development and construction projects. The company is based in Moelv, but is also represented in St.Petersburg by OOO Moelven Nor East, which has the administrative and operative responsibility of supervising work in Russia. Moelven Nor East AS is the Group's importer of raw materials from Russia to the sawmills in Norway and Sweden.

In 1997, the company was responsible for sup-

Construction and Contracting
– complete solutions

Key figures

The division (Amounts in NOKm)	1997	1996	1995	1994	1993
Operating revenues	343.5	342.7	292.0	214.7	248.3
Operating profit	22.9	26.2	20.7	9.7	12.3
Financial items	- 2.4	- 0.1	- 0.3	- 0.5	- 3.6
Profit before tax	20.4	26.1	20.4	9.2	8.7
Total capital	209.0	165.3	112.5	75.6	67.2
Equity ratio	39.3	35.3	40.9	41.4	33.8
Gross operating margin	8.5	8.6	8.0	5.6	6.3
Depreciation	6.2	3.2	2.5	2.3	3.3
Cash flow	26.6	29.3	22.9	11.5	12.0
Investments	22.4	8.9	4.0	2.1	3.7
Number of employee	376	240	280	224	239

The companies (Amounts in NOKm)	Operating revenues		Operating profit	
	1997	1996	1997	1996
Moelven Hako AS	205.8	237.0	18.7	22.7
Moelven Byggsystem AS *)	13.3	–	- 0.7	–
Moelven Byggsystem AB *)	20.4	–	- 1.0	–
Moelven Hako Nord AS	25.0	–	- 0.3	–
Moelven Engineering AS	81.5	86.7	5.9	5.4
Moelven Nor East AS	39.8	46.9	- 0.9	- 0.2
OOO Moelven Nor East	5.1	–	- 0.4	–
Moelven TimberTech AS	1.1	0.9	0.4	- 2.5
Internal operating revenues in the division	- 48.5	- 28.8	1.2	0.8
Moelven Construction and Contracting	343.5	342.7	22.9	26.2

*) For the period 1.10.–31.12.1997



Construction and Contracting
– complete solutions

plying and erecting 60 flats in Luga for the families of returning Russian officers. This was a joint venture between the Russian and Norwegian authorities, with the Directorate of Public Construction and Property being the company's customer. In co-operation with our Russian partner, Energomashstroj and the European Bank of Rebuilding and Development (EBRD), OOO Moelven Energo will be established in Kolpino, outside St.Petersburg. In the course of 1997, Moelven Nor East AS laid the groundwork for new construction projects in Russia, and the future export of building materials.

Since it was established in 1995, Moelven FireGuard AS has under the name of Moelven TimberTech AS merged its operations with FireGuard Skandinavia in Trondheim. The company has started production of fire resistant timber products, and supplied 20,000 square metres of fire resistant ceilings and walls to the terminal building and railway station at Oslo Airport Gardermoen.

Administration, production and marketing of the company's products will in the course of 1998 become an integrated operation in Moelven Trekomponenter AS. The company deals with professional customers in the construction market, both new buildings and refurbishment - interior and exterior. The fire resistant fluid is classified as In1,K1 in accor-

dance with the Building Regulations. This is the highest classification for timber materials.

MARKETS AND PROSPECTS

The market prospects for the companies are considered good for markets where design supplies are developed in close co-operation with the customers and there is a demand for integrated solutions. Customers concentrate their resources to an increasing degree around their primary operations, and need more subcontractors and services. Maintenance of close and long-term customer relations will be a natural part of the product and service development.

The electrical department at Moelven Engineering has shown very solid progress, and has established itself as a significant contractor in the eastern part of Norway. It is expected that this trend will accelerate. We expect that 1998 will mark Moelven FireGuard's solid positioning in the market for timber products impregnated with fire resistant fluid.

Moelven Nor East has established very good relations in the Russian construction market and with the Russian authorities both at a regional level and in the federation. The company has ambitions with regard to further growth in Russia.

Other businesses

Moelven's other businesses include all units that do not belong under the Group's four main divisions.

These include the parent company, two service companies that mainly supply their services internally in the Group and the management of all assets outside the non-core businesses.

The amount of these assets has been much reduced over the last few years. At the end of 1997 this type of asset was booked at just under NOK 35 million – primarily consisting of building modules that were to be sold on the secondary market, and property. In time the assets may be sold without loss.



1



2

1) Prefabricated Buildings:

Hotel Soria Moria, Oslo.
Moelven Hako AS.

2) Laminated Timber:

Church buildings in Ireland,
Moelven Laminated Timber Division.

3) Timber Industry:

Sawn and planed timber,
Moelven Timber Industry Division.

4) Interior Layout:

Nordia AS.



3



4



R & D - future products

Moelven annually invests considerable sums and resources in R & D, on average approx. 1 per cent of the total turnover in addition to the continuous product development taking place in the individual companies. The primary aim of Moelven's R & D activities is to strengthen the Group's business progress based on future market demands.

In 1997, the Group's R & D operations were organised as a separate area. In doing so, we wish to co-ordinate the development of future products. On the one hand it is about extending the technical limits for the use of wood as a material. On the other hand, we realise that considerations of environment, function and design require increasingly more attention. Co-operation with known architects and industrial designers will therefore be intensified.

Among about 20 R & D projects involving all four of our business areas, two projects are worth mentioning in particular:

- «The pine floor»
- Timber bridges

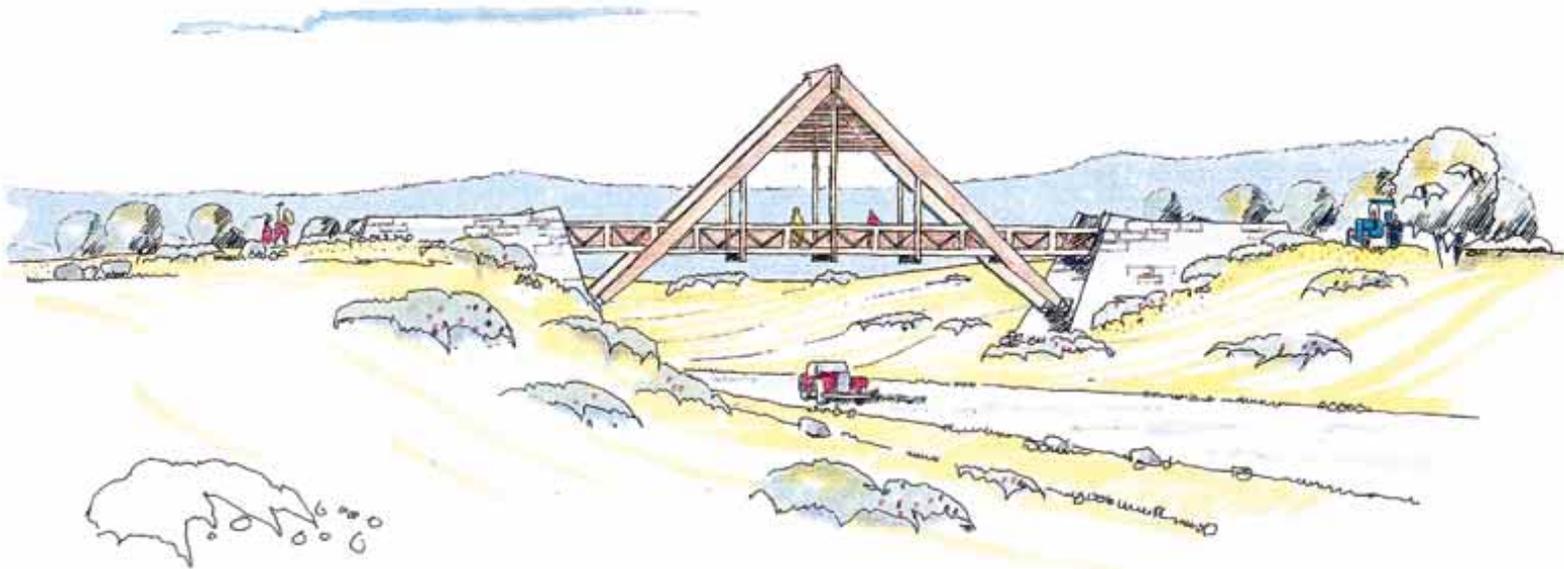
Moelven's new flooring product is one of the most interesting projects within the wood-working industries that we have seen for a long time. The product is registered under the trademark «the pine floor». The Moelven Timber Industry Division has developed a

pine floor of solid timber in «parquet length» (2050 mm). The floor is supplied in easy-to-handle packaging, tailored for use in dense city areas. The packaging, which is developed in co-operation with Norpapp, consists of cardboard with printed fitting instructions and trademark in five languages. The packaging also covers the need for a cardboard base when the floor is being fitted, and hence solves a waste problem. A brilliant, environmentally sound solution which has led to ScanStar and WorldStar awards. WorldStar is the highest distinction within the international packaging industry.

In co-operation with the artist Vebjørn Sand and the Norwegian Public Roads Administration, Akerhus County, Moelven has developed a bridge concept in laminated timber, based on the construction principles that Leonardo da Vinci used as the basis for the design of a bridge over the Golden Horn in 1502. In doing so, we want to show the features and strengths of wood by replacing a massive stone bridge by three structural arches of laminated timber. Wood is thus shown to be able to unite strength and elegance in a thoroughly modern structure. The project has attracted great attention both nationally and internationally, with a comprehensive presentation and exhibition at museums in Norway, Italy and the USA.

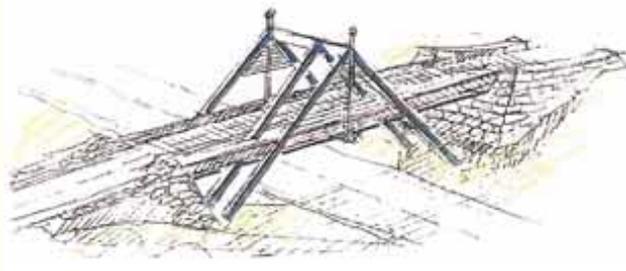
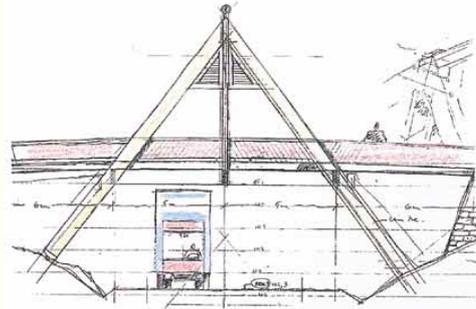
The Leonardo bridge: *Customer: Norwegian Public Roads Administration, Akershus County. Architect: Selberg Arkitektkontor AS.*





Through two other projects — one on a Scandinavian basis and another in co-operation with Norwegian Public Roads Administration, Hedmark County — we have achieved a considerable breakthrough for the use of wood in vehicle bridges. So far, the R & D work has led to the planning of about 20 timber bridges in six Norwegian districts where of five are in connection with the new Oslo Fjord Crossing. Again, design, shape and esthetic qualities are strongly emphasised. Four of the five bridges that are to be built will be designed as Kings and Queens post trusses/strut frame systems. The bridges will be built in laminated timber with a span of 24 metres. The deck will consist of a solid post-tensioned timber layer over steel cross beams.

The Oslo Fjord Crossing: Customer: The Norwegian Public Roads Administration.
Architect: Sivlarkitekt Arne Finn Solli AS.
(Early drafts).

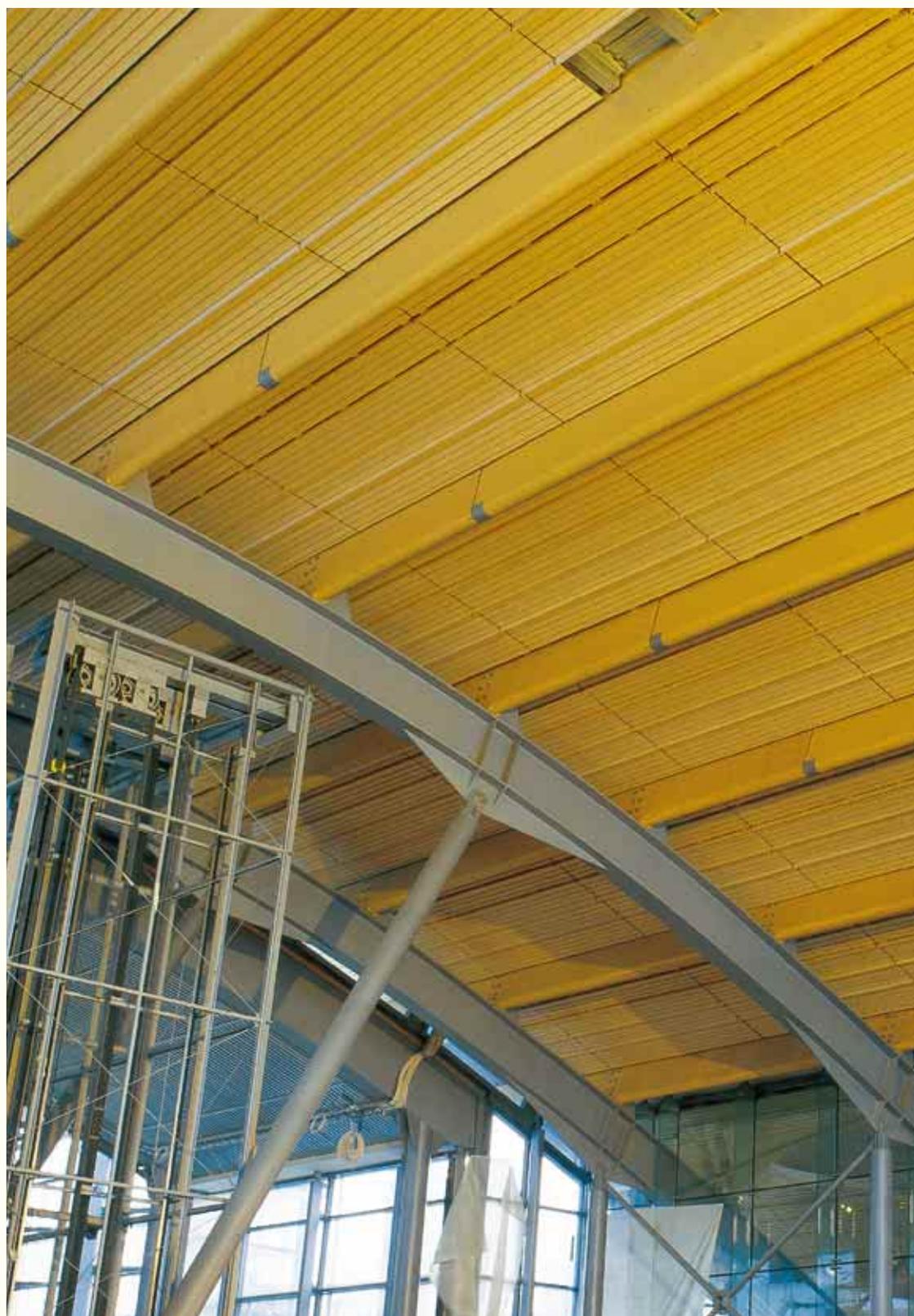


Fønhus bridge: Customer: Norwegian Public Road Administration, Oppland County. Designer: Formel Industridesign AS.



**Oslo Airport
Gardermoen**

Fire-resistant timber from
Moelven FireGuard AS



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Moelven

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