

# Annual report



2002

Member of Finnforest Corporation

**MOELVEN**<sup>®</sup>



**Moelven Industrier ASA**

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## Financial Calendar

**11 March 2003**

Annual general meeting – annual accounts 2002

**28 April 2003**

Accounts for first quarter 2003

**28 July 2003**

Accounts for second quarter 2003

**27 October 2003**

Accounts for third quarter 2003

**February 2004**

Accounts for fourth quarter 2003

Preliminary annual profit and loss statement 2003

**March 2004**

Annual general meeting – 2003

## Vision

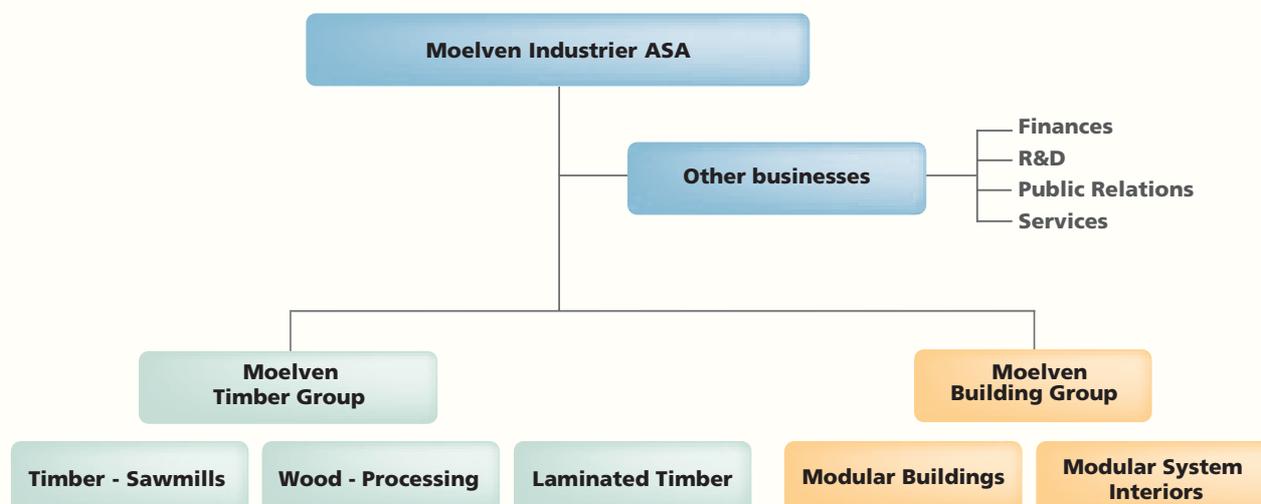
Moelven aims to be Scandinavia's leading supplier of building products and accompanying services. In Moelven's opinion being a leader does not only mean being one of the largest but also the preferred partner for our business connections.

Moelven's position shall be developed by focusing on:

- Scandinavia
- Competence
- Product development and product families
- Steady long-term value creation

Moelven shall be synonymous with quality, high expectations and positive experiences.

## Organisational chart

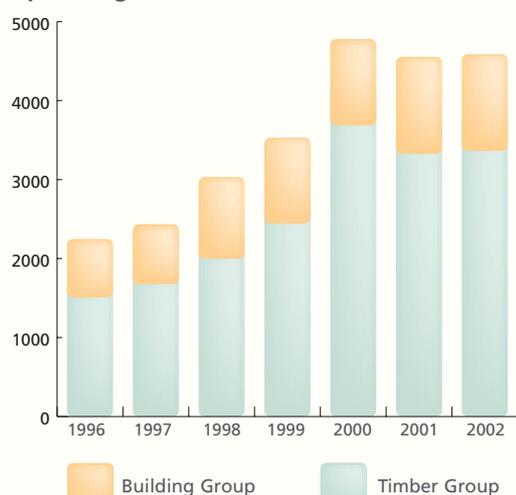


## The MoelvenGroup supplies products and associated services

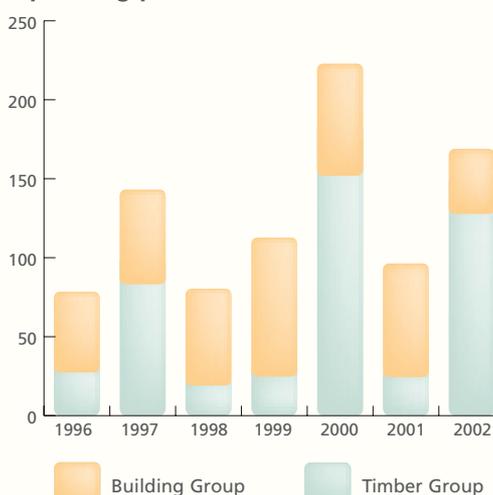
The Moelven Group is organised into two business areas: the Moelven Timber Group and the Moelven Building Group. Each business area is divided into three and two divisions respectively whereas the operating units belong. The Moelven Timber Group consists of Timber-Sawmills, Wood-Processing and Laminated Timber, whereas the Moelven Building Group is divided into the divisions Modular Buildings and Modular System Interiors. The Moelven Timber Group has 1936 employees and operating revenues of approx. NOK 3.4 billion. The Moelven Building Group has 1123 employees and operating revenues of approx. NOK 1.2 billion.

Business areas/Divisions	Products	Operating revenues NOK (millions)	Employees at 31.12.02
Moelven Timber Group			
Timber – Sawmills	Treated goods for the wood and paper industry	2 360	1 006
Wood – Processing	Wood-based building goods	1 274	627
Laminated Timber	Supporting building elements	365	303
Moelven Building Group			
Modular Buildings	Business buildings and electrical installations	656	534
Modular System Interiors	Equipping of business buildings	587	589

Operating revenues NOK (millions)



Operating profit NOK (millions)



## Group business activity

Moelven Industrier is owned by Finnish and Norwegian forestry owners organisations, the majority shareholders being the Finnish Metsäliitto Förvaltningsråd and Finnforest Oyj, and the minority shareholders being the Norwegian Glommen Fond and Mjøsen Skogeierforening. Moelven Industrier ASA is an independent subsidiary of the Finnforest Group.

The Moelven Group supplies products and associated services to the building industry, focusing on the Scandinavian market. About 75 per cent of the Group's products and services are sold to the three Scandinavian countries. It is our objective to increase the Group's market share in the Scandinavian market. Production takes place both in Norway and Sweden. The Group directs its sales activities to the professional building products market and not to

**Moelven Timber Group.** Production in the three divisions in this business area consists of the manufacturing of timber-based building goods, and the Group also delivers processed wood products for other manufacturers of wooden building materials and for the furniture, packaging and paper industries. The main products are timber and laminated timber for load-bearing constructions, wood-based building materials, interior products such as floors, skirting boards and moulding, as well as fire and rot-proof timber and components. These products are sold in the megasegments industry and distribution (building trade).

**Moelven Building Group.** As an alternative to traditional building processes, the divisions Modular Buildings and Modular System Interiors supply indu-

## to the building industry, focusing on the Scandinavian market

retail consumers. Moelven defines the Scandinavian building products market as consisting of three so-called megasegments: industry, distribution and construction (builders/contractors) – each with multiple sub-segments. Products from Finnforest such as Kerto-beams and board products are gradually becoming a part of Moelven's product range in the Scandinavian markets. Moelven aims to become a full range supplier to the Scandinavian building products market.

The Group has 3120 employees and an annual turnover of NOK 4.6 billion. The Group's 40 operational units are organised into five divisions: Timber, Wood, Laminated Timber, Modular Buildings and Modular System Interiors. Timber, Wood and Laminated Timber are part of the Moelven Timber Group, while Modular Buildings and Modular System Interiors are part of the Moelven Building Group.

ustrialised building concepts based on modules. The main products are buildings for use as schools, offices, nursery schools, hotels, accommodation for building contractors and equipment and electrical installations for commercial buildings. The products are sold in the megasegment construction (builders/contractors).

Moelven has grown significantly during the last few years, both through the development of the existing company and through acquisitions. The expansion of the Group has increased the need to give all the business units a great deal of independence, with corresponding responsibility and authority within a central framework. This results in a flexible company with a minimum of internal and administrative procedures, able to adapt quickly to changing market conditions.

Modernistic housing outside of Stockholm based on modules from Moelven.



**1899**

The limited company of Moelven Brug was founded on July 24th. "The wheel boiled in oil" was the main base for the industrial production.

**1948**

Johs. Mageli appointed as Director of AS Moelven Brug. He becomes the founder of the modern Moelven.

**1950**

A type of transportable forest cabin and rest barracks, "Moelven House on Wheels", was developed.

**1959/60**

The laminated timber factory at Moelv started production in co-operation with Ringsaker Almenning.

**1985**

Dalaträ AB and LNJ Laminated Timber AS is acquired.

**1988**

Moelven sells the majority of its mechanical industry.

**1989**

Moelven takes over Aker's Norema residential and business buildings division.

**1990 – 1992**

The recession in the Norwegian housing market results in the lay down of house production, which is the Group's largest area of business. The Group undergoes a major reorganisation and is refinanced.

## **Important events.** Agreement is reached between two Norwegian forest owners' asso

**1960/61**

Development of agricultural products, loaders, dumpers and mobile cranes. Deck cranes were developed later.

**1964**

Moelven House Units undergo further development. Sales offices are created in both Sweden and Norway.

**1965**

A/S Ringsakerhus was founded in co-operation with OBOS. This is the beginning of the housing field development.

**1972/1976**

New factories for production of components for the housing industry are built. "The oil adventure" gives Moelven large deliveries for, amongst others, Kårstø & Rafsnes.

**1980**

Mjøsbruket is established. This is Moelven's first saw mill.

**1981**

Moelven is recorded on the Oslo Stock Exchange, Norway. Total share capital is NOK 17.5 mill.

**1982**

Moelven takes over the majority of shares in Töreboda Limträ AB, and becomes one of the largest manufacturers of Glue laminated Timber in Europe.

**1994**

Deliveries to the Olympic halls Viking Ship, Håkons Hall and Northern Lights Hall for the 1994 Winter Olympic Games.

**1995**

Load-bearing constructions for the terminal building at Gardermoen delivered in laminated timber.

**1998**

The take-over of Notnäs AB and Westwood Group almost doubles the industrial timber division.

**1999**

Moelven celebrates its centennial year.

**2000**

Moelven acquires Forestia's timber-manufacturing business and takes over 820 new employees, 12 new production plants and increases sales by NOK 1.3 billion.

**2001**

Moelven gets new owners. The Finnish company, Finforest, acquires 59.1 per cent and the Norwegian and Swedish forestry owners retain 37.6 per cent of the shares. Moelven strengthens its position in the Swedish modular building market by acquiring Sandsjöfors Modulbyggen AB in Sandsjöfors in Småland.

## 2002

Moelven Industrier ASA is delisted from the Oslo Stock Exchange. Runar Lillandt, chairman of Forvaltningsrådet in the Finnish Metsäliitto Group, takes over as new chairman of the Board for Moelven Industrier ASA. Bo B. Borgström takes over as new Chief Executive Officer after Frode Alhaug.

The Norwegian forestry owners associations Mjøsen and Glommen agree with the Finnish majority shareholders in the Moelven Group regarding a new shareholders agreement for Moelven Industrier ASA. The agreement means that the Metsäliitto Group has 16.3 per cent, Finnforest Oyj 60.9 per cent, Glommen Fond AS 14.8 per cent and Mjøsen Skogeierforening 7.5 percent of the shares.

The Board decides to move the headquarters and customer centre for Moelven Wood AB in Karlskoga to Skåre outside of Karlstad. Finnforest Sverige AB will at the same time be integrated into Moelven. Moelven Modular Buildings enter into a contract for NOK 110 million with Statoil for the production and delivery of barracks to be located at Melkøya outside of Hammerfest in connection with the development of the Snøhvit gas field.

ciations and the Finnish majority shareholders regarding a new shareholders' agreement



From the signing of the new shareholders' agreement for Moelven Industrier ASA. Front, from left: Helge Urstrømmen and Torstein Opdahl of Glommen Skogeierforening. Back from left: Even Mengshoel, Mjøsen Skogeierforening, Heikki Asunmaa, Metsäliitto, Arimo Uusitalo, Metsäliitto, Ari Martonen Finnforest Oyj and Olli Hirvonen, Finnforest Oyj.



Bo B. Borgström

## Moelven's Managing Director. The focus is on core business activities

In many ways, 2002 has been an extraordinary year for Moelven. The year started with the owners common goal to develop a strategy for the Moelven Group that would serve as a platform for them related to their continued ownership interest in the company.

The strategy became clear in early summer, while at the same time changes were being made to the ownership structure. The ownership structure is now in place. The strategic direction chosen was not the reason for the change in ownership. On the contrary, the strategies for the various business areas made clear which measures were necessary to achieve the strategic objectives set by the owners.

Moelven now has a solid ownership structure consisting of Nordic forest owners, giving the company the stability it needs.

Even though the year has been extraordinary in terms of the company's ownership structure, 2002 has also been a year for consolidation in terms of operations. In the industrial sector, the key has been many small improvements that in sum have separated the profitable operations from the unprofitable ones. The process has taken place by taking small, well-planned steps, where the guiding principle has been to do things in the smartest possible manner – getting the most out of the available resources. I claim that we have been successful in doing this. In terms of operations, Moelven posted its best year ever, which never

would have been possible without the concerted effort of our 3120 employees. Moelven has a very competent staff, and financially, Moelven is even stronger in 2002 than ever before. The bottom line showed a profit, the company's debt has been reduced and equity has grown.

In short, we have an improved starting point for entering the next few years. We have committed and motivated owners, experienced staff, a solid company organisation and high quality production equipment and routines – and we have the financial strength to back it up. How should this be applied?

I believe it is absolutely necessary that we have a solid starting point in Moelven. The financial parameters for industrial activity in Norway are difficult, as high interest rates and a strong Norwegian krone undermine our competitive edge. Fortunately we also have a solid business platform in Sweden where the financial parameters at the moment are more business friendly. In Norway there is not much else we can do than to adapt to the difficult economic environment. It will be a challenge – this goes for the entire value-adding chain from the forest, via the sawmills and the processing industry to the consumer markets – it will be tough going, but I am optimistic because I know the tremendous human resources that exist within Moelven. It will mean that we still will have to be the smartest and the most cost-efficient company around. In terms of production, it means that

## in Scandinavia, which is consistent with the goals of the owners

Moelven has to continue with one leg in each of two different geographic locations – one on each side of the Norwegian-Swedish border. However, as a result of the different macro economies in the two countries there will naturally have to be added focus on the Swedish businesses.

I am leading an organisation that enjoys competing. We shall be the preferred collaboration partner for even the most demanding of customers. The joy of competing is a good quality to have when the going gets tough. We will have to compete in many different industrial sectors – and as a wood-products company we will be competing with companies that have chosen to work also with other materials. The competition will be both challenging and motivating. At the same time, the competitive nature of the wood industry will push the entire industry forward, and we will do our part to fulfil the owners' objective to strengthen wood's position in relation to competing materials.

Since many years, Moelven has been an active participant in consolidating the industry in our region, and the consolidation is not yet finished. The owners are working on this from their perspective, and we at Moelven will do what we need to do at our level. For this we naturally need financial strength.

Our demanding competitive environment and the continuous demand for progress means that it is necessary to have the right focus – and not try to

cover all areas. We will concentrate on our core business activities, and geographically we will focus on Scandinavia. All this corresponds well with the owners' objectives for Moelven of being an independent subsidiary within the Finnforest Group, with a geographic focus on Scandinavia. It is my job as the Chief Executive Officer to make clear the guidelines necessary to achieve the Group's overall objectives – both for Moelven as a company and for Moelven's role in the development of the wood-products industry.

Moelven's management faced new challenges in 2002. Not only was a new strategy developed, but there was a new C.E.O. and there was a need to adapt to new demands in several areas. All of this was a great test of the managements' skills and abilities. My judgement is that they proved outstanding skills and abilities. In fact, all our employees did an excellent job in working in accordance with our basic value: "Responsible focus on the results". I am proud and grateful for being a part of this company with its' many talented men and women.



Bo B. Borgström  
CEO and Group Managing Director



**Board of directors' report.** A good starting point is con

ncen trating resources on fewer, but stronger, positions





Even Mengshoel

Antti Oksanen

Arimo Uusitalo

Arne Rødo

## Moelven's **Strategy** is well suited to meet both the owners' goals and the chal

### Highlights

The year 2002 has been the first full operating year with Nordic forestry owners having a dominant ownership position in Moelven. In the course of the year, the owners have laid down clear goals for the company, and the company has developed a strategy to best achieve these goals. The first measures have already been taken to focus the company's resources on future goals. At the same time, the shareholder structure has changed, thereby having been stabilised. Metsalitto Osuskuunta now owns directly or indirectly – through its fully owned subsidiary Finnforest Oyj – 77.2 per cent of the shares in the company, and the two Norwegian forest owners, Glommen and Mjøsen, own 22.3 per cent.

The forest owners' organisations' long-term goal is to secure a living and competitive wood-processing industry, and through this an outlet for timber from the Nordic forests with fair prices. This shall take place at the same time as giving a return on invested capital that is equal or better than that offered by any other industry in a comparable sector in Europe.

In the process of developing a Group strategy, consideration has also been given to the fact that Finnforest runs a similar business and that Moelven shall operate as an independent subsidiary within Finnforest's overall strategy. For Moelven, this means continued efforts in all five business areas – Timber, Wood, Laminated Timber, Modular Buildings and System Interiors – however with a somewhat different focus:

- Increased focus on Scandinavia
- Increased focus on further processed building products
- Increased focus on distribution

Moelven's production is divided between Norway and Sweden, with 2/3 in Norway and 1/3 in Sweden. The economic parameters for operating an industrial company in a field that is exposed to international competition has become more difficult in Norway over the past year. A strong Norwegian krone is the most obvious symbol of the oil economy forcing the country to purchase more goods from abroad, so that Norway have to focus their resources on producing goods that can not so easily be purchased from abroad with oil money. Several parts of Moelven's business is facing this challenging reality, but it is obvious that it is the export oriented Norwegian sawmills that feel the situation most directly.

The Norwegian sawmills share this challenge with the Norwegian pulp and paper industry. Unfortunately, it is difficult to see how, with the current financial situation, one can avoid downward pressure on profitability; resulting in the activity level continuing to slow down. For Moelven as a Group, the situation is compensated both by having a significant part of the business localised in Sweden and by many of our businesses enjoying a higher level of activity in their domestic markets. In the future development of the business, careful



Runar Lillandt

Ari Martonen

Jan Slattum

Iver Melby

Torstein Opdahl

## challenge the company will have to face due to economic factors beyond its control

consideration will have to be given to the economical inequalities between different geographical areas.

On a global level, several events have caused the financial markets to be less willing to take risks. This is having an impact on all businesses, not just those who have a cost base in Norway or who are working in the wood-working or construction industries. Nonetheless, it still means that the owners must take a larger share of the risk than earlier if the business is to develop further.

Moelven's strategy is well suited to meet both the owners' goals and the challenges the company will have to face due to economic factors beyond its control.

A concentration of resources on fewer positions – thereby making the core positions stronger – is a good starting point for further development.

### **Operating revenues and profit**

Operating revenues for the year totalled NOK 4618.4 million, compared with NOK 4516.5 million in 2001. Only minor changes have been made to the organisation of the Group's operations, so that the main part of the increase in operating revenues is due to an increase in sales, particularly for Moelven Wood and Moelven Modular Buildings. Operating profit totalled NOK 139.4 million (92.7). If the profit figure for the previous year is adjusted for one-off posts linked to the closing down of

businesses, the comparable operating profit would have been NOK 131.7 million. The largest increase in profit came from Moelven Timber, while Moelven Modular Buildings posted a weaker result. In connection with the restructuring of the company, reserves to cover future costs have been reserved. In the course of the year, NOK 2.0 million (16) were allocated to reserve funds. Cash flow from operations – before changes in operating capital – was NOK 237.9 million (194.8). Net financial costs totalled NOK 39.9 million (53.7).

The reduction in financial costs is due to professional management of the working capital and a positive cash flow from operations. The ordinary result before taxes was NOK 99.1 million (39.1). Taxes on ordinary profit amounted to NOK 27.7 million (12.7), of which NOK 5.0 (6.0) is payable. The annual result was NOK 74.2 million (26.9), corresponding to NOK 0.64 per share (0.23). Cash flow from operations totalled NOK 2.05 (1.69) per share.

### **Business areas**

**Moelven Timber.** The sawmills in Moelven Timber have experienced a gradual improvement in market conditions over the past year and have all had a high level of activity. The single largest increase in operating revenues is however linked to the processing business in Moelven Wood, which has grown in all three Scandinavian markets. The competition in the Norwegian market has increased, both as a result of Swedish suppliers having a much better currency situation, and because many



mid-sized and smaller Norwegian businesses have tried to move deliveries from export markets to the domestic market in an attempt to boost profitability.

The laminated timber business has increased sales of standard products through Swedish builder's merchants, and the project activity in Norway has been high with an unusually large number of deliveries for bridges and power masts. The export business of standard products, however, has continued to show weak profitability.

Total operating revenues were NOK 3380.8 million (3324.8), and operating profit was NOK 129.1 million (24.3). Adjusted for one-off costs in connection with the plant closing the year before, the comparable figure is NOK 63.3 million.

**Moelven Building Group.** The activity level in the professional construction market has been characterised by a change in the type of projects, and the need to secure contracts from new customers to compensate for reduced volume of contracts from established customers.

For the Modular Building division, the change has involved a slight switch from more complex products to residential projects. Modular System Interiors has experienced weaker demand for new buildings in the major cities, and at the same time a significant decrease in demand from some major, regular customers. The business mix has also some-

what changed as a result of the liquidation of Moelven Engineering. The Moelven Building Group now consists of Modular Buildings, Modular System Interiors and Electrical Services.

Operating revenues increased compared to the year before, primarily as a result of the purchase of a modular building production company Sandsjöfors, and totalled NOK 1241.5 million (1230.0). Operating profit was NOK 41.7 million (71.9). The decline is primarily due to changing capacity utilisation and unsatisfactory efficiency in one of the Swedish modular building factories, as well as the liquidation of Moelven Engineering.

### **Other businesses**

This business area includes the Group's parent company and two smaller companies offering services to the Group's companies in the area of IT, advertising, transport, etc. Some other smaller businesses that are not linked to the Group's main business areas are also included in the area. Operating revenues totalled NOK 89.3 million (56.5), resulting in an operating loss of NOK -31.4 million (-3.5).

The poorer result compared to the year before is due to the closing of businesses that lie outside of the Group's core areas and additional costs in connection with changes in the Group's overall strategy.

### **Employees and work environment**

At the end of the year, the Group had 3120 employ-

ees (3149), with 1838 in Norway, 1181 in Sweden, 91 in Germany, 3 in England and 7 in Russia. The total number of man-years was 2922 (3048). Absenteeism due to illness totalled 7.21 per cent (7.48), corresponding to 51401 full workdays (53326).

During the year a number of specially targeted measures were implemented in an attempt to reduce the rate of absenteeism at several companies in Sweden and Norway, for example, by entering into contracts for a more inclusive work environment.

A reduction in the rate of absenteeism is a prioritised goal for the Group since this leads to significant costs, as well as direct and indirect disturbances to operations. The work environment is good, and the Board has a constructive relationship with the

process is also sound, and thermal heat based on biological fuel – a by-product of the company's processing activities – covers a significant amount of the energy used for production. Many of the Group's system solutions are based on a modular concept that allows for easy recycling, reducing the amount of waste and the need for new materials. Products made of wood are also simple to dispose of in an environmentally sound manner. The Board aims to develop further the Group's businesses in a way which ensures that the company continues to have the competitive advantage inherent in selling environmentally sound and competitive products and concepts.

### Investments

Investments totalled NOK 119 million (105) and are linked to a number of replacement investments,



employee representatives. The Group's business operations are mainly based on renewable resources, primarily Nordic spruce and pine. The raw materials are harvested from regions where forests are managed in an environmentally sustainable manner, with documented certification in accordance with the European PEFC program. The energy balance in the production

but which also to a certain degree contributed to increased capacity and reduced costs. The investments correspond to 2.6 per cent of operating revenues (2.3).

### Balance and financing

At the end of the year, total capital was NOK 2140 million (2393). The decrease is primarily due to



improved project management, with better control of implementation, stock, receivables and suppliers' credit. Employed capital totalled NOK 1417 (1652), and net interest-bearing debt was NOK 498 million (773).

The liquidity reserve was NOK 769 million (601). One characteristic of the business is still that a significant amount of capital is tied up in the period leading up to the summer months, particularly in the wood-processing field.

The Board's authority to purchase shares has not been exercised in 2002 and has now expired. The holdings of own shares are 3,089,071 shares.

Equity totalled NOK 918.5 million (878.9, which corresponds to an equity ratio of 42.9 per cent (36.7). Equity is calculated on the assumption of continuing operations.

### Allocation of profit for year

The Board still proposes that a significant part of the year's profit shall be paid out to the shareholders in the form of a dividend. For the accounting year 2002, the Board proposes a dividend of

NOK 0.25 per share, which is at the same level as that for the previous year. The total amount of dividends to be paid out is NOK 29.8 million. In 2002 Moelven Industrier ASA has a loss of – NOK 14,8 mill. The loss and proposed dividend are covered with transfers from other equity of NOK 44,6 mill.

### Outlook

The Board expects that the demand in the professional construction market will be somewhat weaker in the year ahead. At the start of the year, however, Moelven Building Group had a backlog of orders that was somewhat higher than what is normally the case for this time of year; this is particularly true with respect to deliveries of accommodation in connection with the building of the land-based facility for the Snøhvit gas field.

The Moelven Timber Group expects continued high demand in the markets for industrial wood in Europe for the first part of the year, while somewhat lower demand for wood-based building materials is expected for the business area in the Norwegian market. Overall, the Board anticipates that the result for 2003 will at about the same level as for the year before.

February 4, 2003  
Moelven Industrier ASA

Runar Lillandt  
Chairman

Ari Martonen

Antti Oksanen

Arimo Uusitalo

Iver Melby

Even Mengshoel

Torstein Opdahl

Jan Slattum

Arne Rødo (permanent alternate)

Bo B. Borgström  
CEO

Members of Group Executive Board



Hans Rindal

Morgan Östenson

Bo B. Borgström

Morten Sveiverud

## The Corporate Assembly, Board of Directors and Group Executive Board

### The Corporate Assembly

Jaakko Punkari, Chairman  
Heikki Asunmaa  
Timo Haapanen  
Eero Kytölä  
Olav Hørsdal  
Halvard Sæther  
Ole Bakke  
Sten Johnson  
Harald Løkkesveen \*)  
Hans E. Johnsen \*)  
Odd Henning Kalager \*)  
John Vangen \*)

### The Board of Directors

Runar Lillandt, Chairman  
Ari Martonen  
Arimo Uuisitalo  
Antti Oksanen  
Torstein Opdahl  
Even Mengshoel.  
Iver Melby \*)  
Jan Slattum \*)

### Permanent Alternate

Arne Rødø \*)

### Alternates

Markku Melkko  
Mikael Aminoff  
Svein Haare  
Helge Urstrømmen

### Group Executive Board

Bo B. Borgström, CEO, Moelven Industrier ASA  
Anders L. Fossum, Managing Director, Timber  
Dag E. Sand, Managing Director, Wood  
Reidar Mo, Managing Director, Building Industry  
Hans Rindal, Director of Finance  
Haumann Sund, Director of R&D  
Morten Sveiverud, Head of Group Accounts  
Morgan Östenson, Director

### Alternates

Olli Hirvonen  
Ilkka Silvanto  
Lars Ivar Eide (alternate for  
Torstein Opdahl)  
Nils Arne Vasaasen (alternate for  
Even Mengshoel)

\*) Employee representatives

Members of Group Executive Board



Anders L. Fossum

Reidar Mo

Haumann Sund

Dag E. Sand

**KEY FINANCIAL FIGURES – MOELVEN INDUSTRIER – THE GROUP**

(Amounts in NOK million)	2002	2001	2000	1999	1998	
<b>PROFIT AND LOSS</b>						
Operating revenues	4 618	4 517	4 746	3 526	3 027	
Depreciation and write-downs	147	161	160	110	93	
Operating profit	139	93	223	90	53	
Net interest and financial items	-40	-54	-63	-43	-34	
Operating result before tax	99	39	160	47	23	
<b>BALANCE</b>						
Investments in fixed assets	119	105	77	72	104	Capitalised investments less investments due to acquisition of other companies
Total capital	2 140	2 393	2 345	1 928	1 893	
Total equity	919	879	879	629	626	
Net interest-bearing debt	498	773	719	680	678	
Capital employed	1 417	1 652	1 598	1 309	1 304	Equity + net interest-bearing debt
<b>EARNINGS/PROFITABILITY</b>						
Net operating margin	3.0%	2.1%	4.7%	2.5%	1.7%	Operating profit Operating revenues
Gross operating margin	6.2%	5.6%	8.1%	5.7%	4.8%	Operating profit + depreciation and write-downs Operating revenues
Return on equity	7.9%	3.0%	15.9%	5.4%	3.0%	Operating result Average equity
Return on capital employed	9.1%	5.7%	15.3%	6.8%	5.0%	Operating profit Average capital employed
Interest cover	2.96	1.6	3.0	1.7	1.4	Operating result + financial costs Financial cost
<b>CAPITAL</b>						
Equity ratio	42.9%	36.7%	37.5%	32.6%	33.1%	Total equity Total capital
Capital turnover rate	2.0	1.9	2.2	1.8	1.9	Operating revenues Average total capital
<b>LIQUIDITY</b>						
Current ratio	1.79	1.98	1.90	1.74	1.83	Current assets Current liabilities
Quick ratio	0.76	0.91	0.84	0.79	0.84	Liquid funds + financial investments + receivables Current liabilities
Cash flow from operating result (NOK million)	237.9	194.8	250.7	109.5	110.7	Operating result before tax – taxes payable + depreciations and corrections regarding other non liquid items
<b>SHARES</b>						
Earnings per share in NOK	0.64	0.23	1.16	0.37	0.19	Operating result Average number of shares
Average number of shares (mill)	116.0	115.4	116.8	92.6	85.6	
Cash flow per share in NOK	2.05	1.69	2.15	1.68	1.32	Cashflow from operating result Average number of shares
Tax value in NOK at 31.12.	2.31	11.0	7.70	7.65	4.80	Market price for the period 1998 – 2001
RISK-amount in NOK at 01.01.	-0.12	-0.21	-0.11	-0.25	-0.35	Overall RISK for Group Estimated RISK at 01.01.2003 is NOK -0.12
Dividend in NOK per share	0.25	0.25	0.35	0.25	0.25	
<b>PERSONNEL</b>						
Number of employees at 31.12.	3 120	3 149	3 046	2 404	2 298	
Average number of employees	3 135	3 057	3 136	2 351	2 181	

PROFIT AND LOSS ACCOUNT – MOELVEN INDUSTRIER – THE GROUP

(Amounts in NOK million)	Note	2002	2001	2000
Revenue		4 576.6	4 455.2	4 700.5
Other operating income		41.8	61.3	45.4
<b>Operating revenues</b>	2, 3, 20	<b>4 618.4</b>	<b>4 516.5</b>	<b>4 745.9</b>
Raw materials and consumables used	4	2 731.2	2 750.9	2 936.2
Change in stock of work in progress, finished goods and projects		41.5	11.8	1.7
Payroll expenses	17	1 040.6	999.6	977.1
Depreciation on fixed assets and intangible assets	14, 16	147.4	161.4	159.8
Other operating expenses		518.3	500.1	448.1
<b>Operating expenses</b>		<b>4 479.0</b>	<b>4 423.8</b>	<b>4 522.9</b>
<b>OPERATING PROFIT</b>		<b>139.4</b>	<b>92.7</b>	<b>223.0</b>
Income from associates	19	-0.4	0.1	0.9
Other interest income		4.7	4.7	2.4
Other financial income		4.5	7.1	13.2
Other interest expenses		-45.5	-52.2	-66.0
Other financial expenses		-3.8	-13.3	-13.9
<b>Financial income/financial expenses</b>		<b>-40.3</b>	<b>-53.6</b>	<b>-63.4</b>
<b>OPERATING RESULT BEFORE TAX</b>		<b>99.1</b>	<b>39.1</b>	<b>159.6</b>
Tax on ordinary result	5, 6	27.7	12.7	24.3
<b>OPERATING RESULT</b>		<b>71.4</b>	<b>26.4</b>	<b>135.3</b>
Minority interests	20	2.8	0.5	0.0
<b>NET PROFIT FOR THE YEAR</b>		<b>74.2</b>	<b>26.9</b>	<b>135.3</b>
<b>Profit per share</b>		<b>0.64</b>	<b>0.2</b>	<b>1.2</b>
Average number of shares		115 953 313	115 449 913	116 843 965

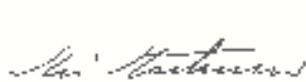
**BALANCE SHEET AT 31.12. – MOELVEN INDUSTRIER – THE GROUP**

(Amounts in NOK million)	Note	2002	2001	2000
<b>ASSETS</b>				
Deferred tax asset	6	15.4	38.7	49.7
Goodwill	14	17.3	20.3	23.0
<b>Total intangible fixed assets</b>		<b>32.7</b>	<b>59.0</b>	<b>72.7</b>
Land		43.6	40.3	45.5
Buildings and other real property		295.6	312.4	288.6
Machinery and plant		411.1	401.2	458.8
Fixtures and fittings, tools, office machinery etc.		53.2	51.5	31.9
<b>Total tangible assets</b>	15, 16	<b>803.5</b>	<b>805.4</b>	<b>824.8</b>
Investments in associated companies	19	20.7	12.6	14.0
Investments in shares	18	24.8	25.0	32.3
Bonds and other receivables	7	15.7	24.9	28.2
Net pension funds	17	91.1	85.1	102.8
Total financial fixed assets		152.3	147.6	177.3
<b>Total fixed assets</b>		<b>988.5</b>	<b>1 012.0</b>	<b>1 074.8</b>
Stocks	8	655.0	743.9	702.9
Accounts receivable	7	353.8	433.2	413.9
Other debtors	7	95.5	157.4	88.9
<b>Total debtors</b>		<b>449.3</b>	<b>590.6</b>	<b>502.8</b>
Bank, deposits, cash in hand, etc.	10, 11	37.4	46.3	64.7
<b>Total current assets</b>		<b>1 151.7</b>	<b>1 380.8</b>	<b>1 270.4</b>
<b>Total assets</b>	20	<b>2 140.2</b>	<b>2 392.8</b>	<b>2 345.2</b>
<b>EQUITY AND LIABILITIES</b>				
Share capital		595.2	595.2	595.2
Own shares		-15.4	-15.4	-22.1
Share premium reserve		67.1	67.1	67.1
<b>Total paid-in capital</b>		<b>646.9</b>	<b>646.9</b>	<b>640.2</b>
Other equity		268.2	226.3	233.8
Minority interests	20	3.4	5.7	4.8
<b>Total equity</b>	21	<b>918.5</b>	<b>878.9</b>	<b>878.8</b>
Pension liabilities	17	56.2	50.8	50.4
Other provisions	9	17.4	18.2	6.7
<b>Total provisions</b>		<b>73.6</b>	<b>69.0</b>	<b>57.1</b>
Liabilities to financial institutions	10	493.5	743.9	734.3
Other long-term liabilities	9	11.3	3.8	3.9
<b>Total long-term liabilities</b>		<b>504.8</b>	<b>747.7</b>	<b>738.2</b>
Liabilities to financial institutions	10	42.0	75.2	49.8
Trade creditors		277.0	278.8	301.3
Tax payable	5	5.0	6.0	3.1
Public duties payable		101.9	132.3	134.5
Dividends		29.8	29.7	41.7
Other short-term liabilities	9	187.6	175.2	140.7
<b>Total short-term liabilities</b>		<b>643.3</b>	<b>697.2</b>	<b>671.1</b>
<b>Total liabilities</b>		<b>1 221.7</b>	<b>1 513.9</b>	<b>1 466.4</b>
<b>Total equity and liabilities</b>	20	<b>2 140.2</b>	<b>2 392.8</b>	<b>2 345.2</b>
Mortgages	13	86.7	117.6	160.8
Guarantees	12	19.6	12.1	49.8

February 4, 2003  
Moelven Industrier ASA



Runar Lillandt  
Chairman



Ari Martonen



Antti Oksanen



Arimo Uusitalo



Iver Melby



Even Mengshoel



Torstein Opdahl



Jan Slattum



Arne Rødo (permanent alternate)



Bo B. Borgström  
CEO

CASH FLOW STATEMENT – MOELVEN INDUSTRIER – THE GROUP

(Amounts in NOK million)	Note	2002	2001	2000
<b>CASH FLOW FROM OPERATIONS</b>				
Operating result before tax		99.1	39.1	159.6
Tax paid	5	-6.0	-3.0	-1.0
Ordinary depreciations	16	147.4	161.4	159.8
Gain/loss from the sale of fixed assets		-11.8	-4.0	-12.4
Restructuring costs		-4.0	-1.5	-25.5
Pension costs, provided for but not paid/ pension funds taken to income but not paid in	17	12.8	2.8	-28.9
Income from associates	19	0.4	-0.1	-0.9
Changes in current assets excl. liquid funds and deposits		176.9	-98.0	19.5
Changes in current liabilities excl. loans		-9.7	-28.5	-134.5
<b>Net cash flow from operations</b>		<b>405.1</b>	<b>68.2</b>	<b>135.7</b>
<b>CASH FLOW FROM INVESTMENTS</b>				
Payments to purchase fixed assets excl. acquisitions	15	-119.4	-104.8	-77.1
Net cashflow from acquisition/sale of subsidiaries		4.1	-44.1	-46.3
Sale of fixed assets	15	26.0	17.5	18.2
Long-term investments, financial		-21.5	29.5	26.5
<b>Net cash flow from investments</b>		<b>-110.8</b>	<b>-101.9</b>	<b>-78.7</b>
<b>CASH FLOW FROM FINANCING</b>				
Changes in short-term liabilities and overdrafts		-33.4	15.5	56.1
Liquid share of income from associates		0.0	0.0	2.0
Changes in long-term debt		-240.7	-11.6	-13.7
Issue of equity		0.0	0.0	-3.5
Payment of dividends and purchase/sale of own shares		-29.1	11.4	-65.3
<b>Net cash flow from financing</b>		<b>-303.2</b>	<b>15.3</b>	<b>-24.4</b>
<b>LIQUID FUNDS</b>				
Net change in liquid funds during the year		-8.9	-18.4	32.6
Liquid funds at 01.01.		46.3	64.7	32.1
<b>Liquid funds at 31.12.</b>	10	<b>37.4</b>	<b>46.3</b>	<b>64.7</b>
<b>AVAILABLE LIQUID FUNDS</b>				
Liquid funds at 31.12.		37.4	46.3	64.7
Unutilised credit facilities at 31.12.		733.8	555.0	603.5
Restricted deposits		1.8	1.6	2.0
<b>Available liquid funds at 31.12.</b>		<b>769.4</b>	<b>599.7</b>	<b>666.2</b>
<b>Additional information in connection with acquisition/sale of subsidiaries:</b>				
Additions:				
Fixed assets		-5.1	46.4	189.1
Current assets		-0.1	65.0	277.7
Liquid funds		0.3	19.0	0.7
Total equity		1.0	31.0	201.2
Interest-bearing debt		-5.5	37.0	77.0
Non interest-bearing debt		-0.4	62.4	189.3
<b>Total balance from acquisitions</b>		<b>-4.9</b>	<b>130.4</b>	<b>467.5</b>

2002: Sale of Norra Ny Skogs AB and Moelven Iberica SL. Acquisition of Nordisol Akustik i Karlstad AB.

2001: Acquisition of Kristiania Entreprenør AS, Aicher GmbH and Modulpoolen in Sandsjöfors AB.

2000: Acquisition of Forestia AS (the timber industry activities), the assets and activities of Fredlunds Akustik AB and Hulåns Snickeri AB.  
Sale of the 40 per cent share in Limtræ Danmark AS.

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

#### *Elimination of shares in subsidiaries/goodwill*

Shares in the subsidiaries are eliminated against the subsidiaries' capital and reserves at the time of purchase. Included in share capital and reserves is the equity portion of temporary differences between accounting and taxable values in the subsidiary at the time of purchase. Any excess or less 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. Deferred tax asset is calculated based on gross less value and entered as an asset. Excess value which cannot be ascribed to assets is entered in the Group balance sheet as goodwill and depreciated over a 5 to 10-year period. In connection with acquisitions, revised estimates of company assets at the time of the acquisition and dispositions to cover restructuring costs may influence consolidated financial goodwill. Based on the new information about the assets in the acquired companies, the acquisition costs and goodwill may be revised in the first full accounting year after the acquisition takes place.

#### *Conversion of foreign subsidiaries*

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

#### *Shares and participating interest in associated companies*

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

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

#### *Jointly controlled companies*

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

#### *Minority interests*

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

#### *Elimination of internal transactions*

Unrealised profits in the companies' inventories relating to intra-group deliveries are eliminated from the Group's inventories and operating profit. Profits in connection with sales of fixed assets within the Group are eliminated from the ordinary depreciable base and operating profits. Deferred tax is eliminated from the Group's statement of accounts so that the tax charge in connection with internal profits is not payable until the stock is sold from the Group. In the Group statement of accounts, eliminations have also been made for internal dividends, group contributions, income and expenditure transfers, and accounts due and debts between the Group's companies.

#### *Sub-groups*

Moelven does not produce consolidated financial statements for the sub-groups. The Moelven Group is divided into business areas which do not follow the legal 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. The first year's payment on long-term financing is treated as a long-term loan.

#### *Accounts receivable*

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

#### *Assets and liabilities in foreign currencies*

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

#### *Off-balance sheet financial instruments*

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

#### *Hedging – foreign currency*

As a rule, the Group usually finances the acquisition of assets with debt in the same currency. Payments in and out in connection with the purchase and sale in foreign currencies is usually hedged through futures contracts. Foreign currency gains or losses in connection with this type of hedging is reported together with the objects the agreement intends to protect, such as sales income or purchase costs. Costs relating to hedging against foreign currency fluctuations in relation to loan transactions are reported as financial items.

*Hedging – interest*

At the turn of the year, the Group had NOK 282 million (646) million in long-term, fixed-rate loans. Any gains or losses as a result of premature termination of the loans are reported as financial items. The main part of the Group's debt is valued with a margin against a basic, defined interest rate. Parts of this are hedged with swap agreements. Currency exchange swaps are also used in order to reduce the interest rate spread among the group account systems. Payments in and out in connection with this type of hedging are reported together with the items the agreement intends to protect, i.e. financial costs.

*Inventories*

Inventories of raw materials and goods for resale (commodities) are valued at the lower value of the acquisition cost and net actual value. The actual value is the presumed sales price at the future date of sale, after deductions for sales costs.

Inventories of manufactured goods (work in progress and finished manufactured goods) and contracts are estimated at the full manufacturing cost at the place of manufacture or at the expected sales value if this is lower than the full cost of manufacture. In addition to the cost of the acquisition of the raw materials and purchased goods, other direct or indirect production costs, plus a proportion of the fixed costs associated with the production process, are included in the full cost of manufacture.

*Projects*

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

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

*Shares in other companies*

Shares in other companies at 31.12 are assessed individually. Gains/losses in connection with sales or write-downs of shareholdings are dealt with as operating revenues/operating costs.

*Pension funds, pension liabilities and pension costs*

Most of the Group's Norwegian companies have collective pension plans through insurance companies. These are plans, which entitle employees to an agreed future pension. The benefits are based on the number of years of service and the salary level reached at retirement. For the Group's foreign companies, the pension plans are based on the employer's contributions in accordance with agreed schemes. The pension schemes are dealt with in the accounts according to NRS (Norwegian Accounting Standards) for pension costs. Liabilities which are based on schemes are calculated actuarially. The liabilities are reduced by the value of the total pension funds and aggregated with the net present value of uninsured liabilities. The liabilities for contract pensions are included in the calculations. For the Group's main scheme, the pension funds are larger than the pension liabilities. The overfunding is shown as "net pension funds" under financial investments on the balance sheet. The over funding is now utilisable as a result of a new law regarding company pensions. Pension costs, which encompass the current value of the year's pension savings with accrued interest costs of pension liabilities reduced by the expected returns on pension funds, are dealt with as operating costs under "salaries and employer's contributions".

*Research and development expenses*

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

*Investments in environment*

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

*State operating/investment subsidies*

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

*Fixed assets/depreciation*

Fixed assets are entered in the balance sheet at the original purchase price with deductions for accumulated ordinary depreciation. Ordinary depreciation is undertaken in accordance with a fixed depreciation schedule, and is reckoned linearly over the lifetime of the assets. Gains/losses in connection with sales of fixed assets are treated as ordinary operating revenues/costs.

*Maintenance costs*

Costs in connection with normal maintenance and repairs of production equipment and other fixed assets are entered as costs as they arise. Upgrading and replacements of fixed assets are considered to be investments and capitalised.

*Leasing*

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

*Deferred tax*

Provisions for deferred tax is carried out according to the liability method without discounting. Calculated deferred tax based on temporary differences between tax return accounts and the general statement of accounts is offset against future tax benefits generated by deferrable losses on the tax return. This means that any posted deferred tax gain/liability is a net amount. There are, however, certain limitations on offsetting these amounts. For example, one may not do so for temporary differences that cannot be offset within the same time period.

**NOTE 1. PURCHASE AND SALE OF BUSINESSES**

**Events in 2002:**

- Moelven has sold the activity in Norra Ny Skogs AB to Weda Skog AB. Weda Skog AB is a purchase company for timber in Värmland and Dalarna in Sweden. Moelven owns 50 per cent of the company while AB Karl Hedin and Berqvist-Insjön AB owns 25 per cent each.
- Moelven has sold its ownership in Moelven Iberica SL and Residencial Los Bermejales SL. These companies have had the responsibility for the businesses of Moelven in Spain during the last ten years.
- Moelven has acquired Nordisol Akustik i Karlstad AB. The business with revenues of SEK 13 mill and eight employees, is incorporated in Eurowand AB.

**Events in 2001:**

- Moelven Westwood AB has purchased all of the shares in Modulpoolen in Sandsjöfors AB. The company manufactures and sells modular buildings and is part of the Modular Buildings division. The company, which is located in Småland in Sweden, has a turnover of some SEK 110 million and 70 employees. The company's accounts are consolidated as of 1 November and the new company's name is Moelven ByggModul Sandsjöfors AB.
- Moelven Industrier ASA has purchased a majority of shares in Aicher GmbH, so that Moelven's holding has risen from 49 percent to 85 percent. Moelven has been a shareholder in Aicher since January 2000. The investment – which financially has been treated as a holding in an associated company – will be consolidated as a subsidiary with minority interests as of 1 October. Annual turnover is e 17 million and the company has 95 employees.
- Moelven Innredningsgruppen AS has purchased all of the shares in Kristiania Entreprenør AS, which is a company involved in interior layout and carpentry contracting for commercial premises in the Oslo area. The company has an annual turnover of NOK 40 million. The company was acquired in order to strengthen the Group's capacity and position in the new-build segment for interior layout contractors. The company has 10 employees.
- Moelven Westwood AB has purchased all of the shares in Norra Ny Skogs AB, which is a timber purchasing company located in Värmland in Sweden. The company has eight employees and an annual turnover of SEK 60 million. Norra Ny Skogs AB has down through the years been an important raw material supplier for Moelven's Swedish and Norwegian sawmills, and the purchase must be seen as a strategic move to secure raw material supplies for the Group.
- Moelven Industrier ASA has sold its 40 per cent share in Byggtech Hurdal AS (previously Moelven Byggsystem AS).

**Events in 2000:**

- Moelven Limtregruppen AS took over a minority share in accordance with earlier agreements, and acquired 10.3 per cent of Mocon Holding AS at the agreed-upon option price of NOK 15 million. After this transaction, Moelven owns in all 91.2 per cent of Mocon Holding AS. The company's two minority shareholders now own 4.4 per cent each of the shares in the company. Mocon Holding AS with the subsidiaries Moelven Töreboda Limtre AB and Moelven Limtre AS are consolidated based on 100 percent ownership – taking account of the minority interest.
- Through its subsidiary Moelven Svebølle AS, Moelven Industrier ASA sold – as of 01. October 2000 – its 40 per cent share in Limtræ Danmark AS to the listed Danish company ITH AS. Limtræ Danmark AS was included in Moelven's Group accounts as a jointly controlled business. The sale gave a profit of NOK 6 million. The Group's net interest bearing debt and total capital was reduced by NOK 62 million and NOK 78 million, respectively. Moelven's share of Limtræ Danmark's annual turnover corresponds to NOK 120 million. As of the end of the third quarter 2000, Limtræ Danmark AS accounted for NOK 100 million in turnover and NOK 3.4 million in operating profit.
- In September, Moelven Westwood AB's subsidiary, Fragaria Invest AB acquired all the assets and activities in the company Hulåns Snickeri AB in Dala Järna. Hulåns Snickeri AB, which down through the years has been the main supplier of glazed partition walls to Moelven's subsidiary Eurowand AB, has 45 employees and an annual turnover of SEK 30 million.
- In February, Eurowand AB acquired all the assets and activities in the interior layout company Fredlunds Akustik AB, in Uppsala. In 1999, the company had 20 employees and the turnover was SEK 20 million.
- In a meeting on October 6 1999, the Board of Moelven Industrier ASA presented a proposal to acquire all of the shares in Forestia AS, a timber industry company owned fully by Norske Skogindustrier ASA. The proposal to issue a direct placement of shares with Norske Skogindustrier ASA was adopted in the extraordinary general meeting held for Moelven on 17 January 2000. As payment for the transaction, Moelven issued 26.4 million shares to Norske Skogindustrier ASA at a rate of NOK 7.50, and also made a cash payment of NOK 61 million. In all the compensation amounted to NOK 259 million. After the transaction, Moelven has a share capital of NOK 595,211,920, distributed among 119,042,384 shares. Norske Skog became the second largest shareholder with an ownership share of 22.2 per cent. The payment gave less value on concrete fixed assets in the range of NOK 180 million, which will give a reduction in future depreciation of NOK 18 million over a 10 year period. NOK 30 million was allocated for the anticipated restructuring of the business. After an assessment of actions to be put into effect regarding the raw material supply, a further NOK 10 million has been allocated for restructuring purposes. Of the total provision for restructuring purposes, NOK 22 million has been used in 2000. Deferred tax on less value and provisions equal NOK 59 million. Forestia has been consolidated into the group accounts from 17 January 2000. The timber industry activities in Forestia had sales amounting to NOK 1 300 million in 1999, and had 820 employees.

If Forestia had been a part of the Moelven Group for all of 2000 and 1999, the key financial figures (pro forma) would have been as follows in NOK million. (Pro forma figures not audited):

Result for:	2002	2001	Proforma 2000
<b>Operating revenues</b>	<b>4 618</b>	4 517	4 828
Depreciation and write downs	147	161	160
Operating profit	139	93	223
Net operating margin in per cent	3.0	2.1	4.6
Number of employees	3 120	3 149	3 028

- Moelven Industrier ASA acquired 49 per cent of the shares in the German timber industry company Aicher GmbH. The transaction took effect as of 01.01.2000. The past year the company – 115 employees – had sales of e 20 mill. The company is presented in the accounts as "Investments in associated companies".
- Moelven Timber AS entered into a collaboration agreement with two Swedish sawmill groups, AB Karl Hedin and Bergqvist-Insjön AB, to establish a purchasing company for timber in Värmland and Dalarna – Weda Skog AB. Moelven owns 50 per cent of the shares, while the other two parties own 25 per cent each. The company is operational as of 01.01.2000.
- Together with other timber industry companies and raw material suppliers, Moelven Timber AS founded a company to improve the efficiency of timber transport – «Transportfelleskapet Østlandet AS». At the time of the formation, Moelven owned 20 per cent of the shares in this company. After the acquisition of Forestia AS, Moelven took over another 20 per cent share in the company, thereby coming up to a total of 40 per cent. The company was operational as of 01.01.2000. The 20 per cent share acquired through the Forestia transaction will be sold during 2001, and the company is therefore dealt with according to the cost method.

**NOTE 2. Operating revenues**

In the post for Group operating revenues, deliveries between group companies totalling NOK 1025 million (NOK 874 million in 2001) have been eliminated.

**NOTE 3. Business areas****3.1 Main figures for Group and business areas (amounts in NOK million)****Criteria for division into business areas/divisions**

The divisions are based on Moelven's two core business areas: the Timber Group and the Building Group. The business areas are built around independent subsidiaries with clearly defined activities within their chosen fields. All transactions between the business areas take place on normal business terms. The division into business areas does not follow the formal legal ownership structure.

**Items that are not attributable to the business areas**

Others incl. eliminations includes elimination of internal transactions and services between divisions. It also includes the accounting figures for the parent company Moelven Industrier ASA, the Group's IT and R&D service functions.

Key figures	Group			Timber Group			Building Group			Other incl. eliminations		
	2002	2001	2000	2002	2001	2000	2002	2001	2000	2002	2001	2000
Operating revenues	4 618.4	4 516.5	4 745.9	3 380.8	3 324.8	3 685.7	1 241.5	1 230.0	1 094.3	-3.9	-38.3	-34.1
Depreciations and write-downs	147.4	161.4	159.8	116.4	138.5	138.8	22.9	8.5	15.1	8.1	14.4	5.9
Operating profit	139.4	92.7	223.0	129.1	24.3	151.9	41.7	71.9	71.0	-31.4	-3.5	0.1
Financial items	-40.2	-53.6	-63.4	-32.9	-39.3	-47.4	8.2	9.5	7.5	-15.5	-23.8	-23.5
Operating result before tax	99.1	39.2	159.6	96.2	-15.0	104.6	49.9	81.4	78.5	-47.0	-27.2	-23.5
Gross operating margin	3.0	2.1	4.7	3.8	0.7	4.1	3.4	5.8	6.5	805.1	9.1	-
Cash flow from operations	286.8	254.1	382.8	245.5	162.8	290.7	64.6	80.4	86.1	-23.3	10.9	5.9
Total capital	2 140.2	2 392.7	2 345.2	2 281.0	2 208.3	2 182.6	612.8	660.5	524.9	-753.6	-476.1	-362.3
interest bearing debt	535.5	819.2	784.1	508.7	841.8	739.2	36.2	49.3	67.2	-9.4	-71.9	-22.3
interest free debt	686.2	694.6	682.3	677.7	568.7	544.2	203.7	299.2	203.7	-195.2	-173.3	-65.6
Equity ratio	42.9	36.7	37.5	48.0	36.1	41.1	52.0	47.2	48.4	-	-	-
Investments	19.4	104.8	77.1	104.3	76.9	62.6	10.0	26.3	11.7	5.1	1.6	2.8
Number of employees	3 120	3 149	3 046	1 937	2 019	2 022	1 123	1 080	978	60.0	50.0	46
Pro forma:												
Operating revenues	4 618	4 517	4 828	3 381	3 325	3 768	1 242	1 230	1 094	-4	-38	-34

Pro forma operating revenues include Forestia AS in 2000.

Forestia AS (the timber industry activities) was included in the accounts as of 17.01.2000 (Pro forma figures have not been audited).

**3.2 Operating revenues by geographical markets**

Operating revenues	Group			Timber Group			Building Group			Other incl. eliminations		
	2002	2001	2000	2002	2001	2000	2002	2001	2000	2002	2001	2000
Scandinavia	3 435	3 365	3 385	2 201	2 187	2 332	1 239	1 220	1 087	-5	-42	-34
Euro-countries	867	874	705	865	867	703	2	3	2	-	4	-
Rest of Europa	66	27	303	65	21	303	1	6	-	-	-	-
Japan	147	160	201	147	160	201	-	-	-	-	-	-
Rest of the world	103	91	152	103	90	147	-	1	5	-	-	-
<b>Total</b>	<b>4 618</b>	<b>4 517</b>	<b>4 746</b>	<b>3 381</b>	<b>3 325</b>	<b>3 686</b>	<b>1 242</b>	<b>1 230</b>	<b>1 094</b>	<b>-5</b>	<b>-38</b>	<b>-34</b>

**3.3 Distribution of operating revenues by producing country**

Operating revenues	Group			Timber Group			Building Group			Other incl. eliminations		
	2002	2001	2000	2002	2001	2000	2002	2001	2000	2002	2001	2000
Norway	2 712	2 530	2 579	1 911	1 784	1 845	798	776	754	3	-30	-20
Sweden	1 795	1 918	2 067	1 359	1 472	1 741	444	454	340	-8	-8	-14
Denmark	-	0	100	-	0	100	-	-	-	-	-	-
Germany	111	69	-	111	69	-	-	-	-	-	-	-
<b>Total</b>	<b>4 618</b>	<b>4 517</b>	<b>4 746</b>	<b>3 381</b>	<b>3 325</b>	<b>3 686</b>	<b>1 242</b>	<b>1 230</b>	<b>1 094</b>	<b>-5</b>	<b>-38</b>	<b>-34</b>

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

No. of employees	Group			Timber Group			Building Group			Other incl. eliminations		
	2002	2001	2000	2002	2001	2000	2002	2001	2000	2002	2001	2000
Norway	1 838	1 868	1 909	1 096	1 143	1 191	698	685	681	44	40	37
Sweden	1 181	1 171	1 122	747	768	818	425	395	297	9	8	7
Germany	91	105	10	91	105	10	-	-	-	-	-	-
Others	10	5	5	3	3	3	-	-	-	7	2	2
<b>Total</b>	<b>3 120</b>	<b>3 149</b>	<b>3 046</b>	<b>1 937</b>	<b>2 019</b>	<b>2 022</b>	<b>1 123</b>	<b>1 080</b>	<b>978</b>	<b>60</b>	<b>50</b>	<b>46</b>

3.5 Distribution of accounts receivables and stock by business area

Operating capital	Group			Timber Group			Building Group			Other incl. eliminations		
	2002	2001	2000	2002	2001	2000	2002	2001	2000	2002	2001	2000
Accounts receivables	353.8	433.2	413.9	284.3	292.6	307.9	97.6	143.4	119.6	-28.1	-2.8	-13.6
Raw materials and purchased goods	665.0	743.9	702.9	579.7	658.5	624.1	83.3	79.5	73.0	2.0	5.9	5.8
<b>Gross operating capital</b>	<b>1 018.8</b>	<b>1 177.1</b>	<b>1 116.8</b>	<b>864.0</b>	<b>951.1</b>	<b>932.0</b>	<b>180.9</b>	<b>222.9</b>	<b>192.6</b>	<b>-26.1</b>	<b>3.1</b>	<b>-7.8</b>
<b>As per cent of operating revenues</b>	<b>22</b>	<b>26</b>	<b>23</b>	<b>26</b>	<b>29</b>	<b>24</b>	<b>15</b>	<b>18</b>	<b>18</b>			
Trade creditors	277.0	278.8	301.3	209.9	200.8	245.8	70.7	78.7	72.4	-3.6	-0.7	-16.9
<b>Net operating capital</b>	<b>741.8</b>	<b>898.3</b>	<b>815.5</b>	<b>654.1</b>	<b>750.3</b>	<b>686.2</b>	<b>110.2</b>	<b>144.2</b>	<b>120.2</b>	<b>-22.5</b>	<b>3.8</b>	<b>9.1</b>
<b>As per cent of operating revenues</b>	<b>16</b>	<b>20</b>	<b>17</b>	<b>19</b>	<b>23</b>	<b>18</b>	<b>9</b>	<b>12</b>	<b>11</b>			

NOTE 4. Cost of goods sold

Amounts in NOK million	2002	2001	2000
Purchase of raw materials, semi-finished goods for resale and services, incl. increased provision for warranty and service commitments	2 462.6	2 548.7	2 791.1
Transport costs of goods sold	244.1	239.8	247.7
Changes in stocks of raw materials and purchases	24.5	-37.6	-102.6
<b>Cost of goods sold</b>	<b>2 731.2</b>	<b>2 750.9</b>	<b>2 936.2</b>

NOTE 5. Taxation

Amounts in NOK million	2002	2001	2000
Operating result before tax	99.1	39.1	159.6
Nominal tax in Norway 28 per cent	27.7	10.9	44.7
Re-consideration of deferred tax asset	0.0	0.0	-20.0
Net tax effect of tax exempt items and effect of other tax rates abroad	0.0	1.8	-0.4
<b>Tax</b>	<b>27.7</b>	<b>12.7</b>	<b>24.3</b>
Taxes consist of payable taxes in:			
Norway	4.9	6.0	0.1
Sweden	0.0	0.0	1.2
Denmark	0.1	0.0	1.7
<b>Total taxes payable</b>	<b>5.0</b>	<b>6.0</b>	<b>3.0</b>
<b>Changes in deferred tax</b>	<b>22.7</b>	<b>6.7</b>	<b>21.3</b>
<b>Total taxes</b>	<b>27.7</b>	<b>12.7</b>	<b>24.3</b>

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

6.1 Deferred tax

Amounts in NOK million	2002	2001	2000
<b>Temporary differences:</b>			
Provision for receivables	-2.3	-3.0	-3.2
Provision for stocks	13.7	12.8	11.3
Cost provisions according to generally accepted accounting principles	-3.5	-3.3	-2.3
Other short-term temporary differences	1.5	1.4	1.0
Subtotal short-term differences	9.3	7.9	6.8
<b>Temporary differences:</b>			
Accumulated excess tax depreciation	-4.1	6.5	5.8
Gain/loss account in associated company	0.0	0.0	0.0
Gain/loss account	8.0	9.5	9.5
Pension funds	25.5	23.8	28.8
Pension liabilities	-15.5	-14.2	-14.1
Other long-term items	-20.3	-53.2	-47.6
<b>Subtotal long-term items</b>	<b>-6.3</b>	<b>-27.6</b>	<b>-17.6</b>
<b>Accommodated tax carry-forwards</b>	<b>-3.0</b>	<b>0.0</b>	<b>0.0</b>
<b>Tax reducing differences (-), tax increasing differences (+)</b>	<b>3.0</b>	<b>-19.7</b>	<b>-10.8</b>
<b>Deferred tax liability</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

6.2 Deferred tax asset

Amounts in NOK million	2002	2001	2000
Non-accommodated negative differences	0.0	19.7	10.8
Non-accommodated carry-forwards	28.8	26.8	52.1
<b>Deferred tax asset</b>	<b>28.8</b>	<b>46.5</b>	<b>62.9</b>
<b>Deferred tax asset capitalised in the accounts</b>	<b>15.4</b>	<b>38.7</b>	<b>49.7</b>

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

**6.3 Deferred tax benefit from deficits carried forward**

Amounts in NOK million	2002	2001	2000
Norway	9.3	1.2	22.4
Sweden	22.5	25.6	29.0
Denmark and others	0.0	0.0	0.7
<b>Deferred tax benefit from deficits carried forward</b>	<b>31.8</b>	<b>26.8</b>	<b>52.1</b>

For the Group's Norwegian companies, the deficits have been carried forward in their entirety for the time period 1993-2002, and the timeframe in which the carry-forward opportunity expires is from 2003 to 2012. Of the tax-related deficit carried forward in the Group's Swedish companies, NOK 55 million has come about through the purchase of the Westwood Group. These deficits may over a five-year period – beginning the year after the acquisition – only be offset against profit from companies that were part of the Westwood Group at the time of the acquisition from 1999, a deficit incurred in 1998 for the purchased companies may be used for all the Group's Swedish companies. A tax deficit in Sweden may be carried forward for an unlimited period of time.

**NOTE 7. Other receivables****7.1 Short-term items**

Amounts in NOK million	2002	2001	2000
<b>Accounts receivables:</b>			
Accounts receivables, gross	357.2	438.1	419.7
Provision against losses	-3.4	-4.9	-5.8
<b>Accounts receivables, net</b>	<b>353.8</b>	<b>433.2</b>	<b>413.9</b>
This year's recorded losses	4.4	3.1	3.5
Changes in provision for loss	-1.5	-0.9	2.3
<b>Losses on accounts receivables</b>	<b>2.9</b>	<b>2.2</b>	<b>5.8</b>
<b>Other debtors:</b>			
Receivables from employees	5.1	5.0	4.4
VAT credit	27.7	30.1	36.4
Receivables regarding write-back of SPP pension funds	4.4	20.5	0.0
Other receivables	58.3	101.8	48.1
<b>Total other debtors</b>	<b>95.5</b>	<b>157.4</b>	<b>88.9</b>

Other receivables consists of accruals, prepayments and other items related to operations. Approx 50 per cent of the Group's operating revenues are covered by debtor insurance.

**7.2 long term items**

Of the total amount of bonds and other receivables totalling NOK 15.7 million in 2002 (24.9 in 2001) NOK 2.8 mill (3.4 in 2001) is bonds and security, NOK 4.0 mill (4.0 in 2001) is receivables from SIVA Moelv Næringspark AS. Loans to employees is NOK 2.6 mill (2.7 in 2001). A self-insurance fund is included amounted to NOK 2.0 mill (2.6 in 2001).

**NOTE 8. Stock and orders**

Amounts in NOK million	2002	2001	2000
Raw materials and purchased semi-finished goods	231.3	261.3	207.2
Work in progress	121.4	121.0	111.7
Finished goods	275.5	333.3	350.1
Orders	35.1	25.7	27.2
Prepayments to suppliers	1.7	2.6	6.7
<b>Total stocks and orders</b>	<b>665.0</b>	<b>743.9</b>	<b>702.9</b>
<b>Specification of projects:</b>			
Own projects 31.12	0.0	0.0	0.0
Contracts at 31.12	100.0	86.7	86.4
Payments on account	-64.9	-61.0	-59.2
<b>Total projects – net</b>	<b>35.1</b>	<b>25.7</b>	<b>27.2</b>

**NOTE 9. Other liabilities****9.1 Short-term liabilities**

Other short-term liabilities of NOK 187.6 mill (175.2 in 2000) essentially consists of accruals and provisions related to the operation of the Groups more than 40 operating units. The restructuring reserve from the acquisition of Forestia amounts to NOK 0.0 mill per 31.12.2002 (2.0 in 2001).

**9.2 Long-term items**

Other long-term liabilities of NOK 11.3 mill (3.8 in 2001) consist of a not interest bearing debt related to the funding of 9.9 per cent ownership in Forestia Plater AS. Warranty and service commitments expected to fall due in more than one year includes with NOK 4.3 mill (4.9 mill in 2001). A reserve of costs regarding the closing down of two sawmills in 2001, amounting to NOK 3.4 mill (7.7 in 2001) is included.

**NOTE 10. Liquid holdings and debt**  
**10.1 Interest-bearing receivables and debt**

Amounts in NOK million	Average interest rate 2002	2002	2001	2000
Restricted bank deposits		1.8	1.6	2.0
Other bank deposits		35.6	44.7	62.7
<b>Total bank deposits/receivables</b>		<b>37.4</b>	<b>46.3</b>	<b>64.7</b>
Bank overdraft and other short term interest bearing debt		42.0	75.2	49.8
Long-term interest-bearing debt:				
NOK	8.35%	87.2	202.7	177.8
SEK	5.09%	391.2	518.4	548.9
EUR	4.90%	15.1	22.8	7.6
Others			0.0	0.0
<b>Total long-term interest-bearing debt</b>		<b>493.5</b>	<b>743.9</b>	<b>734.3</b>
<b>Net interest-bearing debt</b>		<b>498.1</b>	<b>772.8</b>	<b>719.4</b>

\* Average interest.

**10.2 Repayment plans on long-term loans**

Amounts in NOK million	2002	2001	2000
Long-term debt falling due within:			
1 year	128.6	38.6	85.8
2 years	156.4	63.2	34.7
3 years	143.6	133.6	274.5
4 years	2.4	103.5	38.2
5 years	0.0	46.2	252.9
6 years and more	62.5	358.8	48.2
<b>Total</b>	<b>493.5</b>	<b>743.9</b>	<b>734.3</b>

**10.3 Interest adjustment**

Amounts in NOK million – according to currency	NOK	SEK
Interest adjustment for the following years:		
2003	0.5	90.0
2004	14.5	2.1
2005	51.9	81.6
2006	0.0	2.1
2007	0.0	0.0
2008	0.0	39.7
2009	0.0	0.0
<b>Total</b>	<b>66.9</b>	<b>215.5</b>

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

**NOTE 11. Financial market risk**

Financial assets exposed to credit or currency risks consist primarily of trade debtors and claims to financial institutions. The main part of the accounts receivables is covered by debtor insurance. An assessment has also been made of the solidity of the receivables, and provisions have been set up to account for potential losses. Historically, provisions set off for this purpose have been sufficient to cover such losses. Receivables from financial institutions primarily involve five Northern European banks. There are also currency risks involved with the trade receivables. The primary share of the Group's receivables in other currencies involves the currencies SEK, EUR, GBP, DKK, CHF, USD and JPY. The exposure to currency fluctuations is partially offset through futures contracts with duration up to eighteen months. With respect to SEK, the trade credit is larger than the receivables.

**NOTE 12. Guarantees**

Amounts in NOK million	2002	2001	2000
Loan guarantees/financial guarantees	19.3	10.0	27.7
Surety and prepayment guarantees	0.0	1.0	18.7
Joint guarantees other companies	0.3	1.1	3.4
<b>Total</b>	<b>19.6</b>	<b>12.1</b>	<b>49.8</b>

**NOTE 13. Mortgages – secured loans**

**13.1 Loans with security in assets**

Amounts in NOK million	2002	2001	2000
Bank overdraft	0.0	3.0	0.0
Long-term loans	86.7	114.6	160.8
<b>Total</b>	<b>86.7</b>	<b>117.6</b>	<b>160.8</b>

**13.2 Book value of pledged assets**

Amounts in NOK million	2002	2001	2000
Other receivables and prepayments	60.3	75.3	207.2
Stocks	53.9	101.2	247.5
Machinery, installations	49.3	88.1	104.4
Buildings	80.1	75.1	53.1
Land	3.5	9.9	9.9
Shares	10.1	10.1	0.0
<b>Total</b>	<b>257.2</b>	<b>359.7</b>	<b>622.1</b>

**NOTE 14. Financial goodwill in connections with acquisition of subsidiaries**

Amounts in NOK million	2002	2001	2000
<b>Companies in the Timber Group</b>	<b>26.9</b>	25.3	25.3
Additions from acquisition of Rosèn & Co. AB.	0.0	1.5	0.0
Depreciation for the year	-2.3	-2.3	-2.3
Accumulated depreciation	-14.3	-12.0	-9.7
<b>Subtotal Timber Group</b>	<b>12.6</b>	<b>14.8</b>	<b>15.6</b>
<b>Companies in the Building Group</b>	<b>15.0</b>	15.0	11.1
Additions from acquisition in the System Interior Division	1.8	0.0	3.9
Depreciation for the year	-2.6	-1.9	-1.9
Accumulated depreciation	-12.1	-9.5	-7.6
<b>Subtotal Building Group</b>	<b>4.7</b>	<b>5.5</b>	<b>7.4</b>
<b>Total capitalised goodwill</b>	<b>17.3</b>	<b>20.3</b>	<b>40.3</b>
<b>Depreciation for the year</b>	<b>-4.9</b>	<b>-4.2</b>	<b>-4.2</b>
<b>Accumulated depreciation</b>	<b>-26.4</b>	<b>-21.5</b>	<b>-17.3</b>
<b>Total for the Group</b>	<b>17.3</b>	<b>20.3</b>	<b>23.0</b>

All acquisitions relating to capitalised goodwill are within the Group's primary business areas. The period of depreciation is set to 10 years. For additions in the Building Group, the goodwill is primarily connected to operating concept and human resources, and the period of depreciation is therefore set to 5 years.

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

Amounts in NOK million	2002		2001		2000		1999		1998	
	Invest.	Sale	Invest.	Sale	Invest.	Sale	Invest.	Sale	Invest.	Sale
Fixtures and fittings *)	21.5	1.4	28.2	0.4	26.1	2.3	7.3	0.3	-	-
Machines and plant	118.9	20.3	70.2	8.3	181.4	27.1	56.7	4.4	279.3	7.8
Buildings and other property	29.5	18.7	50.6	8.8	58.0	30.9	22.6	5.5	141.4	34.3
Land	0.2	0.7	2.2	0.0	15.8	0.5	1.0	2.4	25.0	10.4
<b>Total</b>	<b>170.1</b>	<b>41.1</b>	<b>151.2</b>	<b>17.5</b>	<b>281.3</b>	<b>60.8</b>	<b>87.6</b>	<b>12.6</b>	<b>445.7</b>	<b>52.5</b>

\* For the year 1998 this item was included in Machines and Plant.

2002: The investment include NOK 50.6 million as a reclassification of assets related to the acquisition of Forestia AS in 2000.

2001: The investments include additions from the acquisition of Modulpoolen i Sandsjøfjords AB amounting to NOK 44.0 million, and NOK 0.9 and 1.5 from the acquisition of Kristiania Entreprenør AS and Aicher GmbH respectively.

2000: Included in the Group's investments are additions amounting to NOK 194.6 million from the acquisition of the timber industry activities of Forestia AS. Additions from the acquisition of Hulåns Snickeri AB amounts to NOK 9.6 million. Included in the disposal of fixed assets is the sale of the Group's 40 per cent share of Limtræ Danmark AS, which amount to NOK 42.5 million.

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

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

**NOTE 16. Plants and properties****16.1 Plant and properties, book value**

Amounts in NOK million	Buildings and other property	Land	Machines and plant	Fixtures and fittings, tools etc.	Total
Acquisition value at 01.01.	512.1	51.1	1 006.4	82.6	1 652.2
Additions 2001	29.5	0.2	118.9	21.5	170.1
Value at disposal	27.8	3.1	88.0	19.6	138.5
<b>Acquisition value at 31.12.</b>	<b>513.8</b>	<b>48.2</b>	<b>1 037.3</b>	<b>84.5</b>	<b>1 683.8</b>
Acc. ord. depreciation at 01.01.	199.7	10.8	605.2	31.1	846.8
Disposals acc. depreciation	16.5	6.8	78.5	7.3	109.1
<b>Depreciation current year <sup>1)</sup></b>	<b>35.0</b>	<b>0.6</b>	<b>99.5</b>	<b>7.5</b>	<b>142.6</b>
Acc. ordinary depreciation at 31.12.	218.2	4.6	626.2	31.3	880.3
Net book value at 01.01.	312.4	40.3	401.2	51.5	805.4
<b>Net book value at 31.12.</b>	<b>295.6</b>	<b>43.6</b>	<b>411.1</b>	<b>53.2</b>	<b>803.5</b>
Ordinary depreciation rates in per cent	5-7	0	7-15	15-20	

<sup>1)</sup> Depreciation and write-downs for the year in accordance with the profit and loss account includes depreciation on fixed assets of NOK 142.6 million, and amortisation on goodwill of NOK 4.9 million (4.2 in 2001).

**16.2 Annual operating leasing costs**

Amounts in NOK million	2002	2001	2000
Vehicles	6.1	5.1	6.4
Machines and equipment	5.0	2.0	2.1
Buildings and property	0.8	2.4	0.4
<b>Total</b>	<b>11.9</b>	<b>9.5</b>	<b>8.9</b>

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

**17.1 Payroll expenses**

Amounts in NOK million	2002	2001	2000
Wages and salaries	801.3	778.1	782.8
Employer's national insurance contribution and social expenses	217.0	202.7	214.6
Income regarding pay back of pension fees from the Swedish pension co-operative SPP	22.3	18.8	14.0
Other social costs and benefits	0.0	0.0	-34.3
<b>Total</b>	<b>1 040.6</b>	<b>999.6</b>	<b>977.1</b>

**17.2 Pension costs**

Amounts in NOK million	2002	2001	2000
Earnings for the year	15.9	15.0	14.8
Interest cost on pension liabilities	14.1	13.1	9.5
<b>Pension costs (gross)</b>	<b>30.0</b>	<b>28.1</b>	<b>24.3</b>
Expected return on pension assets	-17.8	-17.0	-14.9
Changes in estimates	0.7	0.4	-0.7
<b>Pension costs (net), insured and uninsured plans</b>	<b>12.9</b>	<b>11.5</b>	<b>8.7</b>
<b>Pension costs for contractual pensions</b>	<b>6.8</b>	<b>7.5</b>	<b>5.7</b>

**17.3 Pension liabilities**

Amounts in NOK million	2002	2001	2000
<b>Balance at 01.01.</b>			
Accumulated earnings	179.5	151.0	58.9
Pension based on future salary increases	27.4	23.6	6.5
<b>Pension liabilities (gross)</b>	<b>206.9</b>	<b>174.6</b>	<b>65.4</b>
Pension funds	-241.2	-227.0	-127.1
<b>Pension liabilities (net), surplus</b>	<b>-34.3</b>	<b>-52.4</b>	<b>-61.7</b>
<b>Balance at 31.12.</b>			
Pension liabilities (gross)	224.5	206.9	174.6
Pension funds (anticipated)	-244.5	-233.5	-228.5
Estimated change and variance, not charged	-15.0	-7.7	1.5
<b>Pension liabilities (net), surplus</b>	<b>-35.0</b>	<b>-34.3</b>	<b>-52.4</b>
<b>Total net pension funds, permissible insured schemes</b>	<b>91.1</b>	<b>-85.1</b>	<b>-102.8</b>
<b>Insured schemes not allowed to be offset by over-financed schemes</b>	<b>14.8</b>	<b>13.1</b>	<b>18.9</b>
<b>Pension liabilities, contractual pensions (AFP)</b>	<b>41.4</b>	<b>37.7</b>	<b>31.5</b>
<b>Total pension liabilities</b>	<b>56.2</b>	<b>50.8</b>	<b>50.4</b>

Pension funds and liabilities in 2001 and 2002 are related to Norwegian companies. In 2000, the net surplus financing included a write-back of pension funds from the Group's Swedish pension scheme in the insurance company SPP, amounting to NOK 24.8 million. The amount corresponded to the unpaid share of the initial write-back and will be paid out in annual instalments over a period of five years.

The Group's total pension commitments (TBO) for ensured schemes is estimated to be NOK 246 million at the end of year 2002 (NOK 266 million for 2001). TBO refers to the current value of likely future pension commitments, assuming the members remain in the scheme until retirement.

**Insured schemes:** Pension funds are larger than pension liabilities for the Group's insured schemes. The surplus is in its entirety related to stipulations in the Norwegian Tax Law. Surplus is assessed to be viable as a result of a new law regarding company pensions. The Group's open pension plans cover approx. 60 per cent of the last salary of the person retiring at 67 years of age.

**Uninsured schemes:** Uninsured schemes are primarily related to contractual pensions and calculated in accordance with Norwegian Accounting Standards regarding pension costs. The commitment is included in employers' national insurance contributions. The estimate for the expected withdrawal of contractual pensions starting at the age of 62 is 50 per cent. All uninsured pension liabilities have been included in the above-mentioned calculation.

The Group's foreign subsidiaries have separate pension schemes.

**17.4 Financial assumptions**

Amounts in NOK million	2002	2001	2000
Return on pension funds	8.0%	8.0%	8.0%
Discount rate	7.0%	7.0%	7.0%
Growth in annual salaries and state pension	3.3%	3.3%	3.3%
Annual adjustments of pensions being drawn	2.5%	2.5%	2.5%

The pension liabilities that apply to the Group's Norwegian companies cover a total of 1940 people (1963 in 2001) for the insured schemes, of whom 1641 are active and 299 are pensioners. The pension liabilities in connection with contractual pensions encompass a total of 1849 persons. The annual cost regarding the deviation from estimate is distributed over the next 15 years based on the total anticipated remaining years of employment of the members. The estimated variance does not exceed 10 per cent of the higher of the pension liabilities and pension funds for the start of the year.

**NOTE 18. Shares and participating interest in other companies, long-term**

Amounts in 1000 NOK	Share of ownership	Company's share capital	Number of shares	Face value	Book value at 31.12.2002
Forestia Plater AS	9.9	100	99	10	10 045
Vamo AS <sup>1)</sup>	45.0	100	4 500	45	45
Moelven Elementbygg AS <sup>1)</sup>	66.7	600	4 000	400	46
Mjøskompetanse AS	7.7	130	1	10	10
SIVA Moelv Næringspark AS	40.0	20 000	8 000	8 000	8 000
Såkorinvest AS	3.0	33 333	2 500	1 000	1 000
<b>Total Moelven Industrier ASA</b>					<b>19 146</b>
Bäckebrons Sågverk AB	11.0	SEK 4 100	4 500	SEK 450	437
Arbo Wood AB	4.1	SEK 1 220	50 000	SEK 50	795
SB Sågverksbrensele AB	21.4	SEK 112	240	SEK 100	19
WEDA Skog AB <sup>1)</sup>	50.0	SEK 12 000	60 000	SEK 6 000	7 300
Nye Land Sag AS <sup>1)</sup>	30.0	5 000	1 500	1 500	1 500
Firma Kiehn Holz GmbH	10.0	€ 251	-	25	1 433
Fire Guard Scandinavia AS	1.8	11 149	196 500	197	197
Skogcertifiering Mellansverige AB	21.6	SEK 400	864	SEK 86	60
Transportselskapet Østlandet AS	20.0	500	200	100	101
Støren Trelast AS	18.8	6 600	12 400	1 240	1 100
Impregnor AS	3.8	7 110	5 440	272	382
Thermia AB	0.6	SEK 43 200	2 500	SEK 250	199
Naturbränsle Mellansverige AB (MNAB)	9.0	SEK 1 405	1 265	SEK 127	112
Jures Medis AB	15.0	LT 6 033	180 982	LT 905	821
Svenskt Limträ AB	33.0	SEK 100	333	SEK 33	26
Mjøskompetanse AS	7.7	130	1	10	10
Gunnebo AB	0.0	SEK 212 000	500	SEK 19	15
Granås Eiendom AS <sup>1)</sup>	30.0	3 000	900	900	900
<b>Total others</b>					<b>15 407</b>
<b>Total</b>					<b>34 553</b>

<sup>1)</sup> For shares treated as shares in associated companies by equity method in the Group account: see note 19

Vamo AS	45
Moelven Elementbygg AS	46
Weda Skog AB	7 300
Nye Land Sag AS	1 500
Granås Eiendom AS	900
<b>Total for the Group</b>	<b>24 762</b>

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

Amounts in 1000 NOK	Share of ownership	Value at 01.01.2002	Balance: Additions/Disp.	Value at 31.12.2002	Share profit
Vamo KS	40.5	72	-11	61	-11
Vamo AS	45.0	45	-	45	-
Moelven Elementbygg KS	60.0	230	-	230	-
Moelven Elementbygg AS	66.7	-	46	46	-
Residencial Los Bermejales SA	75.0	750	-750	-	-614
ANS Land Sag Eiendom	30.0	1 399	131	1 530	131
Nye Land Sag AS	30.0	2 377	105	2 482	105
Weda Skog AB	50.0	7 300	-	7 300	-
OOO Moelven Energo	65.4	470	-470	-	-
OOO Moelven Memo	50.0	8	-8	-	-
Granås Utbyggingsselskap KS	30.0	-	8 100	8 100	-
Granås Eiendom AS	30.0	-	900	900	-
<b>Total for the Group</b>		<b>12 651</b>	<b>8 043</b>	<b>20 694</b>	<b>-389</b>

**NOTE 20. Companies treated as subsidiaries, with minority ownership shares**

The Group accounts for 2002 include the following companies with minority interests:

Moelven ByggModul Kirkenes AS	29.8%	(29.8% in 2000)
Moelven Laminated Timber Str. Ltd	7.5%	( 7.5% in 2000)
Mocon Holding AS (Group)	4.4%	( 4.4% in 2000)
Aicher GmbH	15.0%	(15.0% in 2001)

The companies' relative share in NOK million of key parts of the Group's result and balance sheet for 2002.

Profit or loss item	2002	2001	2000	Balance sheet items	2002	2001	2000
Operating revenues	41.4	28,9	11,3	Equity	3.4	5,7	4,8
<b>Net profit for the year</b>	<b>-2.8</b>	<b>-0,5</b>	<b>0,0</b>	<b>Total capital</b>	<b>19.2</b>	<b>11,8</b>	<b>9,0</b>

**NOTE 21. Equity**

**21.1 Changes in equity**

Amounts in NOK million	Share-capital	Share premium reserve	Own shares	Other equity	Minority interest	Profit/loss	Total equity
<b>Balance at 31.12.2001</b>	<b>595.2</b>	<b>67.1</b>	<b>-15.4</b>	<b>226.3</b>	<b>5.7</b>		<b>878.8</b>
Net profit						74.2	74.2
Foreign currency translation				-2.8			-2.8
Provision for dividend						-29.8	-29.8
Own share/sale of shares to employees				0.8			0.8
Minority interests				2.3	-2.3	-2.8	-2.8
Capital transfers				41.6		-41.6	0.0
<b>Balance at 31.12.2002</b>	<b>595.2</b>	<b>67.1</b>	<b>-15.4</b>	<b>228.3</b>	<b>3.4</b>	<b>0.0</b>	<b>918.5</b>

**21.2 Own shares**

The Board has no authority to purchase or sell own shares. There is currently no authority to issue shares. Moelven Industrier ASA incl. subsidiaries owned at 31 December 2002 a total of 3 089 071 own shares at an average rate of NOK 7.86 per share, corresponding to a total of NOK 24.2 million.

**21.3 The largest shareholders at 4 February 2003**

No. of shares:	119 042 384
Face value:	NOK 5.-
Share capital:	595 211 920
No. of own shares:	3 089 071
No. of voting shares:	115 953 313
Average no. of shares:	115 953 313

Shareholder	No. of shares	Percentage of voting shares
Finnforest Oyj,	Finland 70 591 637	60.88
Metsäliitto Osuuskunta,	Finland 18 892 601	16.29
Glommen Fond AS,	Norway 17 198 847	14.83
Mjøsen Skogeierforening,	Norway 8 676 682	7.48
Norges Skogeierforbund,	Norway 100 000	0.09
Otterdal AS,	Norway 100 000	0.09
Betsi Håkon,	Norway 30 000	0.03
Forberg Engly Marialf,	Norway 20 027	0.02
Fintling Bjørn,	Sweden 11 000	0.01
Sundkvist Yvonne,	Sweden 11 000	0.01
Eptech Eiendom AS,	Norway 10 000	0.01
<b>Largest shareholders</b>	<b>115 641 794</b>	<b>99.7</b>
Other 988 shareholders	311 519	0.3
<b>Total</b>	<b>115 953 313</b>	<b>100.0</b>

**RISK adjustment**

When selling shares, Norwegian shareholders must adjust the taxable cost price by the RISK amount (Adjustment of Shareholders' taxable purchase price with changes in taxable assets). The laws on adjustment of the cost price do not cover foreign shareholders, as they are taxed in accordance with their local tax law.

**RISK-amount per share**

Date	Amount
Per 01.01.93	0.00
Per 01.01.94	0.00
Per 01.01.95	-0.16
Per 01.01.96	-0.12
Per 01.01.97	-0.10
Per 01.01.98	-0.35
Per 01.01.99	-0.25
Per 01.01.00	-0.11
Per 01.01.01	-0.21
Per 01.01.02	-0.12
Per 01.01.03 (estimated)	-0.12

**21.4 Shareholders' agreement and close association****Shareholders' agreement**

The ownership composition in Moelven Industrier ASA has changed in the course of the last year. In connection with the changes, a new shareholders' agreement was entered into between Finnforest Oyj, Metsäliitto Osuuskunta, which owns 100% of Finnforest Oyj, Glommen Fond AS, which is 95% owned by Glommen Skogeierforening AS, and Mjøsen Skogeierforening. The shareholders' agreement contains clauses dealing with representation in decision-making organs, decision-making procedures in special cases and the sale or transfer of shares.

**Close association**

Metsäliitto Osuuskunta owns directly or indirectly – by way of Finnforest Oyj – shares representing 77.2% of the votes in Moelven Industrier ASA. Metsäliitto Osuuskunta and Finnforest Oyj have entered into a shareholders' agreement with Glommen Fond AS (95% owned by Glommen Skogeierforening) and Mjøsen Skogeierforening. Glommen Fond AS and Mjøsen Skogeierforening own shares representing 14.83 percent and 7.48 percent of the votes, respectively.

Moelven business units did business with the current owners or companies controlled by them even before the current ownership situation. One example of this is the sale of timber by Glommen Skogeierforening and Mjøsen Skogeierforening to business units belonging to Finnforest Oyj -- as well as the purchase and sale of industrial timber and processed products. The purchase and sale of such goods and services has taken place in competition with other suppliers and at prevailing market prices.

In the course of the last year, there have been no purchases or sales of significant fixed assets, nor have there been any agreements regarding the hiring of significant assets or personnel between the companies. Nor are there any outstanding debts or receivables existing between Moelven or any close business parties, beyond that which naturally follows from normal deliveries and/or services.

**21.5 Shares in Moelven Industrier ASA – owned by members of the Corporate Assembly, Board of Directors and the Executive Management**

Corporate assembly	No. of shares	Board of Directors	No. of shares
Jaakko Punkari (chairman)		Runar Lillandt (chairman)	
Heikki Asunmaa		Ari Martonen (vice chairman)	
Timo Haapanen		Arimo Uusitalo	
Eero Kytölä		Antti Oksanen	
Olav Hørsdal		Torstein Opdahl	
Sten Johnson		Even Mengshoel	
Halvard Sæther		Iver Melby *)	
Ole K. Bakke		Jan Slattum *)	200
Harald Løkkeveen *)	100		
Hans E. Johnsen *)		<b>Alternate, attending all meetings:</b>	
Odd Henning Kalager *)		Arne Rødø *)	
John Vangen *)			
<b>Alternates:</b>		<b>Alternates:</b>	
Mikael Aminoff		Ilkka Silvano	
Markku Melkko		Olli Hirvonen	
Svein Haare		Lars Ivar Eide	
Helge Urstrømmen		Nils Arne Vasaasen	
		<b>Executive management:</b>	
		Bo B. Borgström (President and CEO)	
		Anders L. Fossum	100
		Dag Sand	200
		Reidar Mo	200
		Hans Rindal	200
		Haumann Sund	100
		Morten Sveiverud	200
		Morgan Östenson	200

\*) Employee representatives

**21.6 Share capital development since 1 January 1998**

Change in Year/Type of change	Change in share capital NOK mill.	Total share capital NOK mill.	Change in no. of shares	Total shares
<b>1998:</b> Placement for acquisition of Moelven Hako AS	5.3	362.0	1 050 783	72 395 352
Placement for acquisition of Notnäs AB	42.5	404.5	8 500 000	80 895 352
Placement for acquisition of Westwood AB	58.7	463.2	11 747 032	92 642 384
<b>2000:</b> Placement to Norske Skogindustrier ASA for acquisition av Forestia AS	132.0	595.2	26 400 000	119 042 384

Face value per share NOK 5.-

**PROFIT AND LOSS ACCOUNT/CASH FLOW STATEMENT – MOELVEN INDUSTRIER ASA**

(Amounts in NOK million)	Note	2002	2001	2000
<b>Operating revenues</b>	1	<b>33.7</b>	37.0	47.7
Payroll expenses	8	<b>19.6</b>	9.2	4.9
Depreciations and write-downs	7	<b>3.3</b>	3.5	3.5
Other operating expenses		<b>67.7</b>	20.7	30.1
<b>Operating expenses</b>		<b>90.6</b>	<b>33.4</b>	<b>38.5</b>
<b>OPERATING PROFIT</b>		<b>-56.9</b>	<b>3.6</b>	<b>9.2</b>
Income from subsidiaries <sup>1)</sup>		<b>77.4</b>	26.0	36.1
Income from associates	11	<b>0.0</b>	0.0	0.0
Other interest received and financial income		<b>1.1</b>	0.6	1.9
Interest paid to group companies		<b>-17.1</b>	-19.2	-15.9
Other interest and financial expenses		<b>-4.3</b>	-5.6	-2.9
<b>Financial income/financial expenses</b>		<b>57.1</b>	<b>1.8</b>	<b>19.2</b>
<b>OPERATING RESULT BEFORE TAX</b>		<b>0.2</b>	<b>5.4</b>	<b>28.4</b>
Tax on ordinary result	2, 3	<b>15.0</b>	0.5	-4.1
<b>OPERATING RESULT</b>		<b>-14.8</b>	<b>4.9</b>	<b>32.5</b>
<b>NET PROFIT FOR THE YEAR</b>		<b>-14.8</b>	<b>4.9</b>	<b>32.5</b>
<b>The Board's proposal for allocation of net profit and capital transfer:</b>				
Provision for dividends, NOK 0.25 per share		<b>-29.8</b>	-29.7	-41.7
Other equity		<b>44.6</b>	24.8	9.2
<b>Total</b>	12	<b>14.8</b>	<b>-4.9</b>	<b>-32.5</b>

<sup>1)</sup> Including group contributions.

(Amounts in NOK million)	Note	2002	2001	2000
<b>CASH FLOW FROM OPERATIONS</b>				
Operating result before tax		<b>0.2</b>	5.4	28.4
Write-down of long-term receivables		<b>0.0</b>	0.0	4.0
Ordinary depreciation	7	<b>3.3</b>	3.5	3.5
Gain/loss from sale of fixed assets	1	<b>34.4</b>	-3.0	-10.7
Pension costs, provided for but not paid	8	<b>0.3</b>	0.1	-3.1
Change in current assets, excl. liquid funds and deposits		<b>4.5</b>	11.7	-7.9
Change in current liabilities, excl. loans		<b>29.8</b>	1.1	3.5
<b>Net cash flow from operations</b>		<b>72.5</b>	<b>18.8</b>	<b>17.7</b>
<b>CASH FLOW FROM INVESTMENTS</b>				
Payments to purchase fixed assets excl. acquisitions		<b>-5.3</b>	-1.5	-2.0
Net cash expenditure for purchase of subsidiaries		<b>-22.8</b>	-18.0	-74.0
Sale of fixed assets		<b>3.5</b>	0.0	11.7
Long-term investments, financial		<b>-23.2</b>	-26.7	-37.1
Short-term lending		<b>0.0</b>	0.0	0.4
<b>Cash flow from investments</b>		<b>-47.8</b>	<b>-46.2</b>	<b>-101.0</b>
<b>CASH FLOW FROM FINANCING</b>				
Changes in short-term borrowings and overdraft		<b>4.9</b>	20.9	48.1
Changes in long-term debt		<b>-0.7</b>	39.4	84.7
Issue of equity		<b>0.0</b>	0.0	-3.5
Payment of dividends/purchase and sale of own shares		<b>-29.0</b>	-32.3	-67.2
<b>Net cash flow from financing</b>		<b>-24.8</b>	<b>28.0</b>	<b>62.1</b>
<b>LIQUID FUNDS</b>				
Net change in liquid funds during the year		<b>-0.1</b>	0.6	-21.2
Liquid funds at 01.01.		<b>1.0</b>	0.4	21.6
<b>Liquid funds at 31.12.</b>		<b>0.9</b>	<b>1.0</b>	<b>0.4</b>
<b>AVAILABLE LIQUID FUNDS</b>				
Liquid funds at 31.12.		<b>0.9</b>	1.0	0.4
Unutilised credit facilities at 31.12.		<b>30.0</b>	20.0	20.00
<b>Available liquid funds at 31.12.</b>		<b>30.9</b>	<b>21.0</b>	<b>20.4</b>

## BALANCE SHEET AT 31.12. – MOELVEN INDUSTRIER ASA

(Amounts in NOK million)	Note	2002	2001	2000
<b>ASSETS</b>				
Deferred tax asset	3	33.0	47.9	48.4
Land	7	3.7	3.7	3.7
Buildings and other real property	7	21.5	22.8	24.8
Fixtures and fittings, tools, office machinery etc.	7	1.1	1.1	1.1
<b>Total tangible fixed assets</b>		<b>26.3</b>	<b>27.6</b>	<b>29.6</b>
Investments in subsidiaries	9	1 153.7	1 158.6	956.1
Loan to group companies		110.7	90.5	56.1
Investments in associates	11	0.3	0.3	0.3
Investments in shares	10	19.2	19.2	20.3
Bonds and other receivables	4	7.6	8.2	15.5
Net pension funds	8	57.3	53.7	49.9
<b>Total financial fixed assets</b>		<b>1 348.8</b>	<b>1 330.5</b>	<b>1 098.2</b>
<b>Total fixed assets</b>		<b>1 408.1</b>	<b>1 406.0</b>	<b>1 176.2</b>
Accounts receivable		0.1	0.1	14.1
Receivables from group companies		0.1	1.5	2.1
Loans to group companies		2.1	7.5	7.5
Other receivables		0.5	3.6	0.7
<b>Total receivables</b>		<b>2.8</b>	<b>12.7</b>	<b>24.4</b>
Bank deposits, cash in hand		0.9	1.0	0.4
<b>Total current assets</b>		<b>3.7</b>	<b>13.7</b>	<b>24.8</b>
<b>TOTAL ASSETS</b>		<b>1 411.8</b>	<b>1 419.7</b>	<b>1 201.0</b>
<b>EQUITY AND LIABILITIES</b>				
Share capital		595.2	595.2	595.2
Own shares		-15.4	-15.4	-22.1
Share premium reserve		67.1	67.1	67.1
<b>Total paid-in capital</b>		<b>646.9</b>	<b>646.9</b>	<b>640.2</b>
Other equity		123.5	164.2	186.3
<b>Total equity</b>	12	<b>770.4</b>	<b>811.1</b>	<b>826.5</b>
Pension liabilities	8	7.7	3.6	1.43
Long-term, interest-bearing debt to group companies		189.5	65.9	236.8
Other long-term liabilities		304.5	428.8	36.0
<b>Total other long-term liabilities</b>		<b>494.0</b>	<b>494.7</b>	<b>272.8</b>
Bank overdraft within the group account system		68.5	69.0	48.1
Trade creditors		0.9	5.2	0.7
Accounts payable to group companies		29.0	0.2	5.6
Public duties payable		1.5	2.2	1.9
Dividends		29.8	29.7	41.7
Other short-term debt	5	10.0	4.0	2.3
Total current liabilities		139.7	110.3	100.3
<b>Total liabilities</b>		<b>641.4</b>	<b>608.6</b>	<b>374.5</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>1 411.8</b>	<b>1 419.7</b>	<b>1 201.0</b>
Mortgages		0.0	0.0	0.0
Guarantees	6	651.2	739.8	554.6
Face value per share NOK 5.-				
Number of shares	12	119 042 384	119 042 384	119 042 384

**NOTE 1. Other operating revenues**

Amounts in NOK million	2002	2001	2000
Net gain from sale of fixed assets	0.3	0.0	10.7
Net gain from sale of securities	0.3	3.0	0.5
Subsidiaries' share of joint expenses	25.9	26.2	26.9
Income from rentals – external	1.4	1.9	3.7
Income from rentals – internal	4.3	4.8	4.6
Other	1.5	1.1	1.3
<b>Total other operating revenues</b>	<b>33.7</b>	<b>37.0</b>	<b>47.7</b>

**NOTE 2. Taxes**

Amounts in NOK million	2002	2001	2000
Operating result before tax	0.2	5.4	28.4
28 per cent tax	0.0	1.5	8.0
Tax effect of tax exempt items	6.4	-1.0	-1.5
Correction of previous years	8.6	0.0	-10.6
<b>Total taxes</b>	<b>15.0</b>	<b>0.5</b>	<b>-4.1</b>
Taxes consist of:			
Tax payable	0.0	0.0	0.0
Change in deferred tax	15.0	0.5	-4.1
<b>Total taxes</b>	<b>15.0</b>	<b>0.5</b>	<b>-4.1</b>

Correction of 2002 regards reported wrong tax values in associated company as at 31.12.2001.

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

Amounts in NOK million	2002	2001	2000
<b>Short-term temporary differences:</b>			
Provision for receivables	-14.8	-15.3	-15.0
Cost provisions according to generally accepted accounting principles	-1.7	-0.1	-0.1
<b>Subtotal short-term temporary differences</b>	<b>-16.5</b>	<b>-15.4</b>	<b>-15.1</b>
<b>Long-term temporary differences:</b>			
Accumulated excess tax depreciation	-5.5	-5.1	-4.7
Gain/loss account in associated company	0.0	0.0	0.0
Gain/loss account	0.6	0.6	0.9
Pension funds	16.1	15.0	14.0
Pension liabilities	-2.2	-1.0	-0.4
Other long-term items	-21.1	-42.0	-42.6
<b>Subtotal long-term items</b>	<b>-12.1</b>	<b>-32.5</b>	<b>-32.8</b>
Tax reducing differences (-), tax increasing differences (+)	-28.6	-47.9	-47.9
<b>Deferred tax liabilities</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

**3.2 Deferred tax asset**

Amounts in NOK million	2002	2001	2000
Non-accommodated tax reducing differences	28.6	47.9	47.9
Non-accommodated carry forwards	4.4	0.0	0.5
<b>Deferred tax asset</b>	<b>33.0</b>	<b>47.9</b>	<b>48.4</b>

**NOTE 4. Receivables**

**4.1. Bonds and other receivables – Long term**

Other receivables, totally NOK 7.6 million includes NOK 4 mill, loan to SIVA Moelv Næringspark AS (4.0 in 2001), loans to employees NOK 1.4 million (1.5 in 2001) and a self-insurance fund of NOK 2.0 million (2.6 in 2001).

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

This post consists in large part of accrued expenses.

**NOTE 6. Guarantees**

Amounts in NOK million	2002	2001	2000
Loans guarantees/financial guarantees	519.8	597.5	505.0
Surety and repayment guarantees	100.7	111.7	18.7
Guarantees for employee tax deductions	30.7	30.6	30.9
<b>Total</b>	<b>651.2</b>	<b>739.8</b>	<b>554.6</b>

The company has no restricted bank deposits.

**NOTE 7. Plant and properties**

Amounts in NOK million	Land	Buildings and other property	Machines and installations	Fixtures and fittings, tools etc.	Total
Acquisition value at 01.01.	3.7	51.0	2.7	1.0	58.4
Additions	0.0	4.9	0.0	0.4	5.3
Value at disposal	0.0	4.1	0.0	0.2	4.3
<b>Acquisition value at 31.12.</b>	<b>3.7</b>	<b>51.8</b>	<b>2.7</b>	<b>1.2</b>	<b>59.4</b>
Acquisition ordinary depreciation at 01.01.	0.0	28.2	2.1	0.5	30.8
Disposals accumulated depreciation	0.0	0.9	0.0	0.1	1.0
<b>Depreciations current year</b>	<b>0.0</b>	<b>3.0</b>	<b>0.1</b>	<b>0.2</b>	<b>3.3</b>
Accumulated ordinary depreciations 31.12.	0.0	30.3	2.2	0.6	33.1
Net book value 01.01.	3.7	22.8	0.6	0.5	27.6
<b>Net book value 31.12.</b>	<b>3.7</b>	<b>21.5</b>	<b>0.5</b>	<b>0.6</b>	<b>26.3</b>
Ordinary depreciation rates in per cent	-	2.5-10	10	20	

**NOTE 8. Wages, salaries and pension costs/pension liabilities****8.1 Payroll expenses**

Amounts in NOK million	2002	2001	2000
Wages	13.2	7.2	6.4
Employer's national insurance contribution	2.4	1.5	1.2
Pension costs	2.9	0.1	-3.1
Other contributions/other personnell costs, incl. amount charged to subsidiaries	1.1	0.4	0.4
<b>Total</b>	<b>19.6</b>	<b>9.2</b>	<b>4.9</b>

**8.2 Pension costs**

Amounts in NOK million	2002	2001	2000
Earnings for the year	1.9	1.8	0.6
Interest cost on pension liabilities	2.4	2.4	1.5
<b>Pension costs (gross)</b>	<b>4.3</b>	<b>4.2</b>	<b>2.1</b>
Expected return on pension funds	-5.1	-5.3	-5.1
Changes in estimates and deviation	3.7	1.2	-0.1
<b>Pension costs (net), insured and uninsured plans</b>	<b>2.9</b>	<b>0.1</b>	<b>-3.1</b>

**8.3 Pension liabilities**

Amounts in NOK million	2002	2001	2000
<b>Balance at 01.01.</b>			
Accumulated earnings	31.5	19.2	20.3
Pensions based on future salary increases	2.7	1.7	1.2
<b>Pension liabilities (gross)</b>	<b>34.2</b>	<b>20.9</b>	<b>21.5</b>
Pension funds	-84.3	-69.4	-66.0
<b>Pension liabilities (net), surplus</b>	<b>-50.1</b>	<b>-48.5</b>	<b>-44.5</b>
<b>Balance at 31.12.</b>			
Pension liabilities (gross)	37.5	34.2	23.3
Pension funds (anticipated)	-69.4	-70.6	-69.5
Esstimated change and variance, not charged	-17.7	-13.7	-2.4
<b>Pension liabilities (net), surplus</b>	<b>-49.6</b>	<b>-50.1</b>	<b>-48.6</b>
<b>Total net pensin funds, permissible insured schemes</b>	<b>-57.3</b>	<b>-53.7</b>	<b>-49.9</b>
<b>Insured schemes not allowed to be offset by over-financed schemes</b>	<b>7.7</b>	<b>3.6</b>	<b>1.4</b>

The company's total pension liabilities (TBO) for insured schemes are estimated at NOK 38.0 million at the end of 2002. TBO is the net present value of likely future pension liabilities, assuming that the members remain in the scheme through to retirement age.

**Insured schemes**

Pension funds are larger than pension liabilities for the company's insured schemes. The surplus is in its entirety related to stipulations in the Norwegian Tax act. Surplus is assessed to be viable as a result of a new law regarding company pensions.

#### 8.4 Financial assumptions

Amounts in NOK million	2002	2001	2000
Return on pension funds	8.0%	8.0%	8.0%
Discount rate	7.0%	7.0%	7.0%
Growth in annual salaries and state pensions	3.3%	3.3%	3.3%
Annual adjustment of pensions being drawn	2.5%	2.5%	2.5%

The pension liabilities, secured schemes, cover a total of 115 people, of whom 44 are active and 71 are pensioners. The annual cost regarding the deviation from estimate is distributed over the next 15 years based on the total anticipated remaining years of employment of the members.

#### NOTE 9. Shares in subsidiaries

Amounts in 1000 NOK	Share of ownership	Company's share capital	No. of shares	Face value	Book value at 31.12.2002
<b>Moelven Industrier ASA owns:</b>					
Moelven Treindustri AS	100,0	300 000	20 000 000	300 000	260 186
Moelven Timber AS	100,0	100 000	10 000	100 000	110 897
Moelven Van Severen AS	100,0	35 000	3 500	35 000	35 005
Moelven Østerdalsbruket AS	100,0	15 000	1 500	15 000	15 005
Moelven Våler AS	100,0	48 000	4 800	48 000	48 005
Moelven Soknabruket AS	100,0	30 000	3 000	30 000	30 005
Moelven Numedal AS	100,0	10 000	1 000	10 000	10 005
Moelven Løten AS	100,0	10 000	1 000	10 000	10 005
Moelven Telemarksbruket AS	100,0	5 000	500	5 000	5 000
Moelven Notnäs AB	100,0	SEK 3 250	650 000	SEK 3 250	71 532
Moelven Wood AS	100,0	5 500	5 500	5 500	10 000
Moelven Langmoen AS	100,0	18 000	1 800	18 000	18 005
Moelven Hen AS	100,0	10 000	1 000	10 000	10 005
Moelven Gol AS	100,0	2 500	250	2 500	2 505
Moelven List AB	100,0	SEK 5 500	55 000	SEK 5 500	15 682
Moelven Fireguard AS	100,0	19 000	19 000	19 000	17 500
Aicher GmbH	85,0	€ 435	85 000	€ 435	9 218
Moelven Limtregruppen AS	100,0	20 000	2 000	20 000	30 000
Moelven Byggindustri AS	100,0	40 000	4 000	40 000	55 000
Moelven ByggModul AS	100,0	31 688	158 440	31 688	50 299
Moelven ByggModul AB	100,0	SEK 5 000	50 000	SEK 5 000	26 076
Moelven Byggfinansiering AS	100,0	100	100	100	3 050
Moelven Elektro AS	100,0	9 500	47 500	9 500	9 500
Moelven Engineering AS	100,0	3 000	3 000	3 000	7 200
Mocon Holding AS	91,2	62 000	62 000	62 000	68 795
Moelven Westwood AB	100,0	SEK 107 046	40 000 000	SEK 107 046	99 580
Moelven Finans AS	100,0	115 500	3 300 000	115 500	116 388
Moelven Service AS	100,0	500	500	500	500
Moelven Nor East AS	100,0	3 270	3 270	3 270	8 779
Moelven Laminated Timber Str. Ltd	92,5	GBP 36	3 600	GBP 6	1
<b>Total Moelven Industrier ASA</b>					<b>1 153 728</b>
<b>Moelven Treindustri AS owns:</b>					
Moelven Romedal AS	100,0	10 000	1 000	10 000	10 005
<b>Moelven Timber AS owns:</b>					
Moelven Mjøsbuket AS	100,0	12 000	12 000	12 000	15 990
Moelven Kværnum Bruk AS	100,0	2 000	4 000	2 000	2 360
Moelven Treinterior AS	100,0	3 000	3 000	3 000	6 982
Moelven Eidsvoll AS	100,0	8 500	850	8 500	18 500
Moelven Eidsvold Værk AS	100,0	32	32 500	32	35 578
<b>Total Moelven Timber AS</b>					<b>79 410</b>
<b>Moelven Westwood AB owns:</b>					
Moelven Knappåssågen AB	100,0	SEK 2 000	20 000	SEK 2 000	2 385
Moelven Norsälven AB	100,0	SEK 3 500	35 000	SEK 3 500	44 514
Moelven Ransbysågen AB	100,0	SEK 1 000	10 000	SEK 1 000	13 513
Moelven Värmlands Trä AB	100,0	SEK 3 000	3 000	SEK 3 000	16 613
Moelven Component AB	100,0	SEK 2 580	25 800	SEK 2 580	6 197
UJ-Trading AB	100,0	SEK 1 500	15 000	SEK 1 500	7 154
Trädan i Karlstad AB	100,0	SEK 100	1 000	SEK 100	87
Lerans Såg AB	100,0	SEK 1 000	10 000	SEK 1 000	1 113
Skåre Kontorshotell AB	100,0	SEK 100	1 000	SEK 100	576
Moelven Wood AB	100,0	SEK 9 000	90 000	SEK 9 000	7 978
Modulpoolen i Sandsjöfors AB	100,0	SEK 100	1 000	SEK 100	25 961
Moelven Notnäs Wood AB	100,0	SEK 3 800	38 000	SEK 3 800	12 241
Norra Ny Skogs AB	100,0	SEK 100	1 000	SEK 100	1 002
Moelven Industrier AB	100,0	SEK 10 000	10 000	SEK 10 000	57 233
Nordisol Akustik i Karlstad AB	100,0	SEK 100	1 000	SEK 100	1 103
<b>Total Moelven Westwood AB</b>					<b>197 672</b>

**NOTE 9. Shares in subsidiaries cont.**

Amounts in 1000 NOK	Share of ownership	Company's share capital	No. of shares	Face value	Book value at 31.12.2002
<b>Moelven Byggindustri AS owns:</b>					
Nordia AS	100,0	22 000	2 200	22 000	52 610
Miljøveggen Distribusjon AS	100,0	100	10	100	100
Nordia Entrepriise AS	100,0	232	232	232	4 150
<b>Total Moelven Byggindustri AS</b>					<b>56 860</b>
<b>Moelven Industrier AB owns:</b>					
Moelven Valåsen AB	100,0	SEK 50 000	500 000	SEK 50 000	141 492
Moelven Dalatrå AB	100,0	SEK 20 000	200 000	SEK 20 000	63 592
Eurowand AB	100,0	SEK 40 000	40 000	SEK 40 000	48 171
<b>Total Moelven Industrier AB</b>					<b>253 255</b>
<b>Eurowand AB eier:</b>					
Moelven Hulåns Snickeri AB	100,0	SEK 800	8 000	SEK 800	2 146
<b>Mocon Holding AS owns:</b>					
Moelven Limtre AS	100,0	11 000	11 000	11 000	43 028
Moelven Töreboda Limträ AB	100,0	SEK 12 000	120 000	SEK 12 000	42 000
Moelven Holzleimbau GmbH	100,0	€ 200	20	€ 200	0
<b>Total Mocon Holding AS:</b>					<b>85 028</b>
<b>Moelven Töreboda Limträ AB owns:</b>					
Moelven Töreboda Poland Sp.zo.o	100,0	PLN 4	40	PLN 4	7
<b>Modulpoolen i Sandsjöfors AB owns:</b>					
Moelven ByggModul Sandsjöfors AB	100,0	SEK 3 600	36 000	SEK 3 600	0
Sandsjöfors Byggleasing AB	100,0	SEK 1 000	1 000	SEK 1 000	397
Sandsjöfors Fastighets AB	100,0	SEK 275	2 750	SEK 275	219
<b>Total Modulpoolen i Sandsjöfors AB</b>					<b>616</b>
<b>Moelven ByggModul AS owns:</b>					
Moelven ByggModul Kirkenes AS	70,2	5 700	57 000	5 700	4 000
<b>Moelven Nor East AS owns:</b>					
OOO Moelven Nor East	100,0	RUR 675	67	RUR 675	200

**NOTE 10. Shares and interests in associated companies, long term**

Amounts in 1000 NOK	Share of ownership	Company's share capital	No. of shares	Face value	Book value at 31.12.2002
Forestia Plater AS	9,9	100 000	99	9 900	10 045
Vamo AS <sup>1)</sup>	45,0	100	4 500	45	45
Moelven Elementbygg AS <sup>1)</sup>	66,7	600	4 000	400	46
Mjøskompetanse AS	7,7	130	1	10	10
SIVA Moelv Næringspark AS	40,0	20 000	8 000	8 000	8 000
Såkorinvest AS	3,0	33 333	2 500	1 000	1 000
<b>Total Moelven Industrier ASA</b>					<b>19 146</b>

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

Amounts in 1000 NOK	Share of ownership	Value at 01.01.2002	No. of shares	Value at 31.12.2002	Share of profit
Vamo KS <sup>1)</sup>	40,5	72	-11	61	-11
Moelven Elementbygg KS <sup>1)</sup>	60,0	230	-	230	-
<b>Total</b>		<b>302</b>	<b>-11</b>	<b>291</b>	<b>-11</b>

<sup>1)</sup>Vamo KS has granted a loan to Moelven Industrier ASA amounting to NOK 1.0 mill. at 31.12.02 (1.2 in 2001).

**NOTE 12. Equity**

Amounts in NOK million	Share capital	Share premium reserve	Own shares	Other equity	Net profit	Total
<b>Balance at 01.01.2002</b>	<b>595.2</b>	<b>67.1</b>	<b>-15.4</b>	<b>164.2</b>		<b>811.1</b>
Net profit					-14.8	-14.8
Allocation of net profit				-44.6	44.6	0.0
Increase of capital				0.8		0.8
Hedging foreign subsidiaries				3.1		3.1
Provision for dividend					-29.8	-29.8
<b>Balance at 31.12.2002</b>	<b>595.2</b>	<b>67.1</b>	<b>-15.4</b>	<b>123.5</b>	<b>0.0</b>	<b>770.4</b>

**NOTE 13. Number of employees**

Average number of employees in 2002 was 11 (11 in 2001).

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

Amounts in 1000 NOK	2002	2001	2000
Auditor's fee	<b>320.0</b>	290.0	260.0
Consultancy fees to auditors for other services	<b>114.4</b>	0.0	680.0
Remuneration of board members	<b>1 070.0</b>	700.0	666.0
Remuneration of corporate assembly members	<b>332.0</b>	184.0	147.5
Salary to President and CEO	<b>778.1</b>	0.0	0.0
Other benefits to President and CEO	<b>64.0</b>	0.0	0.0
Salary to previous President and CEO	<b>1 560.5</b>	1 660.8	1 505.0
Other benefits to previous President and CEO	<b>726.9</b>	431.8	418.4

Salary and other benefits to previous President and CEO, includes amounts paid during the term of notice.

In 2002, the Auditor's fee for the Group as a whole amounted to 3.7 million (3.8 million in 2001).

## AUDITOR'S REPORT FOR 2002

We have audited the annual financial statements of Moelven Industrier ASA as of 31 December 2002, showing a loss of NOK 14.811.577 for the parent company and a profit of NOK 74.238.000 for the group. We have also audited the information in the directors' report concerning the financial statements, the going concern assumption, and the proposal for the coverage of the loss. The financial statements comprise the balance sheet, the statements of income and cash flows, the accompanying notes and the group accounts. These financial statements are the responsibility of the Company's Board of Directors and Managing Director. Our responsibility is to express an opinion on these financial statements and on other information according to the requirements of the Norwegian Act on Auditing and Auditors. We conducted our audit in accordance with the Norwegian Act on Auditing and Auditors and auditing standards and practices generally accepted in Norway. Those standards and practices require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. To the extent required by law and auditing standards an audit also comprises a review of the management of the Company's financial affairs and its accounting and internal control systems. We believe that our audit provides a reasonable basis for our opinion.

### In our opinion,

- the financial statements have been prepared in accordance with the law and regulations and present the financial position of the Company and of the Group as of December 31, 2002, and the results of its operations and its cash flows for the year then ended, in accordance with accounting standards, principles and practices generally accepted in Norway
- the company's management has fulfilled its duty to produce a proper and clearly set out registration and documentation of accounting information as required by law and accounting standards, principles and practices generally accepted in Norway
- the information given in the directors' report concerning the financial statements, the going concern assumption, and the proposal for the coverage of the loss are consistent with the financial statements and comply with the law and regulations.

Oslo, February 4, 2003  
PricewaterhouseCoopers DA

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

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

## STATEMENT BY THE CORPORATE ASSEMBLY

At a meeting on 4 February 2003, the Corporate Assembly considered the report of the Board of Directors and Managing Director and proposals for the annual accounts 2002 of Moelven Industrier ASA and the Group, and the proposal for dividend and the coverage of the loss for the year made by Moelven Industrier ASA. The Corporate Assembly recommends that the Annual General Meeting approves the Board's and the Managing Directors report and proposals for the annual accounts 2002 of Moelven Industrier ASA and the Group, and proposal for dividend and the coverage of the loss for the year made by Moelven Industrier ASA.

February 4, 2003



Jaakko Punkari  
Chairman of the Corporate Assembly



The MoelvenGroup's common denominator is advanced industrial



production aimed at building markets. The Group consists of 50 companies

“Welcome to Moelven Industrier!” The friendly voice belongs to Gunhild Ørsjødal Sjøli, one of the people operating Moelven’s switchboard. When you contact the Moelven Group she is – together with colleagues such as Gry Synøve Einrem (at the back) – the front office representative for 3120 Moelven employees. The 3120 are not all in one place, of course. Decentralisation is a key word for describing how the Group operates.

The Moelven Group consists of 50 operating companies, holding companies, sales companies and partially owned subsidiaries. Its geographic centre of gravity is in southeastern Norway and central parts of Sweden. Its operations are diverse and comprehensive. The common denominator is highly developed industrialised production aimed at the building and construction market. Last year, the Group’s total turnover was NOK 4.6 billion.

The Moelven Group is owned by Finnish and Norwegian forest owners’ associations, with Metsäliitto Förvaltningsråd and Finnforest Oyj holding a majority interest, and Glommen Fond AS and Mjøsen Skogeierforening holding a minority interest. Moelven Industrier ASA is an independent subsidiary within Finnforest’s overall strategy.

## Fundamental pillars of Moelven's operations

Moelven's operations are based on a number of fundamental pillars:

- Concentrating on the scandinavian building market
- Products are sold to professional customers in the building market – in other words business-to-business
- Focusing on customer benefits
- Focus on industrial production
- Wood based products are the main component in our product families
- Research and development
- Decentralised organisational structure
- Result-oriented business culture

ducts as raw materials in their manufacturing processes.

**The distribution segment** consists of wholesalers, chains of builders' merchants, timber merchants and DIY chains, all of whom sell the products on as supplied by Moelven, without further finishing. Distribution plays a very important role in the distribution segment. Moelven has recently put a lot of effort into building up its distribution network for builders' merchants in Scandinavia, through the establishment of customer service centres and well-planned distribution channels.

**For the building segment** (Builder/contractor segment), Moelven supplies load-bearing structures for halls, modules for offices and homes, and system interiors for offices and commercial

## The MoelvenGroups' activities are directed at the professional builders' markets.

### Concentrating on the scandinavian building markets

Moelven already has a strong position in many market segments in Scandinavia, and in 2002 received 75 per cent of its sales revenues from these markets. A central part of the Group strategy over the coming years involves increasing the geographic focus on the three Scandinavian countries – Norway, Sweden and Denmark. The Group's planned growth shall take place in the Scandinavian markets.

### Business-to-business

The Group sells to the professional building markets and thereby indirectly to end users, who in turn encounter many of Moelven's products at builder's merchants. Moelven defines the Scandinavian building market as consisting of three so-called super-segments: Industry, distribution and building (builders/contractors) – each having a number of sub-segments. Moelven's product range in the Scandinavian market is gradually including Finnforest products like Kerto-beams and boards. Moelven aims to supply a full range of products to the Scandinavian building market.

**The industry segment** consists of a wide range of customers including, amongst others, planing mills, manufacturers of windows, doors, furniture, floors and laminated timber products, house-builders, pulp, paper and particle board manufacturers, and biomass power plants. The one thing that they all have in common is that they use Moelven's pro-

buildings. In all of these cases we supply completed parts of whole buildings.

Moelven's five divisions have their strengths in different super-segments, depending on the nature of their business. The Timber division mainly operates in the Industry super-segment, the Wood division focuses on the Distribution super-segment, whilst the Modular Buildings and System Interiors divisions operate in the Builder/contractor super-segment. The Laminated Timber division has the most complex customer structure, with customers in all of the three super-segments.

By concentrating on the building markets, we ensure that we have a high level of expertise and an understanding of how the markets develop – and know how to adapt to changing market conditions.

### Focusing on customer benefits

Moelven's business philosophy is based on the idea that the Group should focus on customer benefits. This involves constantly working to make the Group's products more beneficial to end users.

### Focus on industrial production

Most of Moelven's products are characterised by highly industrialised production. The basic idea is that industrialised production will ensure efficiency and optimise the use of both employees and materials. The Group's operations are on a constant look-out for new industrialised processes and

concepts that can challenge or complement traditional ways of doing things.

### **Wood based products**

The majority of Moelven's products are based on the green "forest gold" – timber. There is a value-adding chain leading directly back from the end-user (the consumer) to the timber in the forest.

The Moelven products with the lowest proportion of wood in them are, not surprisingly, Moelven's office solutions (flexible system interiors), whilst goods aimed at consumers, like panelling, floorboards and mouldings, are based entirely on wood. The modular products are totally based on timber for load-bearing structures, walls and interiors. Laminated timber is also, apart from the glue used to stick the boards together, a pure wood product.

example of this is the use of laminated timber for road bridges, which we do in co-operation with the Norwegian Road Authority.

Timber is flexible and has a wide range of uses. It also allows for decoration, to an extent that is often lacking with other kinds of building materials.

### **Research and development**

Moelven annually invests significant amounts of money and resources in Research and Development (R&D). The main goal of Moelven's R&D efforts is to strengthen the Group's business prospects by preparing for future market demands. Developing new wood-based products is each individual company's responsibility, in collaboration with the central Group administration. On the one hand, the goal for Moelven is to stretch the boundaries for

## **The consumers encounter many of Moelven's products at builders' merchants**



The Timber division is closest to the forest in the value-adding chain and unsurprisingly uses raw materials entirely based on wood. Moelven Timber uses modern sawmills to saw and dry timber so that it can be used as a raw material in various industries.

Moelven is working consciously to increase the proportion of wood in its building products. This is done in a number of ways, for example by creating new attitudes in co-operation with industry organisations and in relation to important technical and research centres both in Sweden and Norway. It is also important to develop new products that are based on timber, instead of steel and concrete.

We see that we can succeed in areas that have traditionally been reserved for other products. One

what is possible to make using wood, while on the other hand paying careful attention to environment considerations, design demands and functionality.

Working closely with recognised architects, consultant engineering companies, universities and research institutes abroad and at home is an important part of Moelven's R&D efforts. The Group has put great effort into trying to increase know-how on all levels and product areas. In Norway, the Tresenter (Wood Center) in Trondheim, which is closely associated with the University of Trondheim, and Byggskolen (Norwegian College of Building) in Lillestrøm are good examples of collaborating partners in the company's R&D efforts.

The focus of most R&D efforts this past year has been on developing effective anti-rot and fire-resistant treatment for wood products. For environmental reasons, the Group has begun using only environmentally sound impregnation materials and has been successful in developing an impregnation method that avoids using any heavy-metals. The work developing fire-resistant wood products and the efforts to gain certification for these products has reaped results, and the products have already achieved a high degree of acceptance and use in the construction industry.

Solid wood is a product area that is very similar to that of laminated timber. Using solid wood for walls, flooring and roofing is a building tradition

that originated in Austria and Germany, but that has attracted serious interest in the Nordic countries. Moelven has participated in several pilot projects in Norway as supplier of building elements based on the company's own laminated timber technology, but also using imported elements as well.

### **Decentralised organisational structure**

The main philosophy behind Moelven's organisational structure is a belief in a high degree of decentralisation, with operating companies that are independent units with full responsibility for the profitability of their own business. This ensures that we have the flexibility needed to adapt to changing market conditions. Each unit has a great deal of independent authority within the framework and strategic guidance drawn up centrally by the Group

Group's administrative costs, results in shorter chains of command and highlights local units' responsibility for profitability.

### **Result-oriented business culture**

Moelven's operation is based on a result-oriented business culture, and the employees are the primary representatives of this culture and the values it is based on. The Group considers the values and the result-oriented business culture to be important guidelines for how we work, and believes that this contributes a useful and cost-effective supplement to more formal management systems. The following are Moelven's four central values, which form the core of the target-oriented business culture:

**A focus on results.** Moelven has a culture that believes in winning, and employees really want to

## **The MoelvenGroups' decentralised organisation has few administrative levels,**

or by the management of the various business areas and divisions.

The decentralised organisational structure creates short chains of command, making it easier to adapt to changing market developments. The individual operating units compete in markets characterised by small, flexible units and must maintain that same flexibility and efficiency themselves.

The overall and unified strategy – and co-ordination of units – strengthens the Moelven companies' position in their markets. By being part of a larger unit, they can take advantage of joint measures and approaches in selected areas. This is particularly important in relation to the major chains of builder's merchants. The operating units also function as a support network for one another in the course of day-to-day competition.

Moelven's decentralised organisational structure has few levels of management. This reduces the

achieve the goals that they have set themselves. Results are what matter. This focus on results is combined with a realism that permeates the Group. You should earn your pound before you spend it.

**Willingness to take responsibility.** There is a great deal of willingness to take responsibility in the Group. This is related to the decentralised organisational structure and the responsibility each business has for its own profitability. Responsibility goes hand in hand with value creation. Independent responsibility generates pride and loyalty.

**Respect for your colleagues.** Human worth, respect and tolerance are important values for Moelven. This is related to willingness to take responsibility. In a business culture where responsibility is important, respect for individuals or colleagues is absolutely essential – partly because we are so dependent on each other. This also means that people are allowed to make mistakes – and to learn from them.



**Honesty and openness.** Moelven has an open business culture that aims to keep employees informed about what is going on. This openness should also be combined with honesty and integrity.

### **The business areas**

Moelven has organised its activities into two business areas, the Moelven Timber Group and the Moelven Building Group, which in turn is divided into five divisions. The Moelven Timber Group includes the Timber (sawmills), Wood (processing businesses) and Laminated Timber (laminated timber manufacturers) divisions. The Moelven Building Group consists of the Modular Buildings (commercial buildings and electrical installations) and System Interiors (interiors for commercial buildings) divisions.

into building products such as structural timber, laminated timber, mouldings, floorboards and panelling, and in turn sell their products on to large chains of builders' merchants. Moelven's sales through the Scandinavian builders' merchants are experiencing rapid growth. Laminated timber supplied by Moelven is also often used as a load-bearing structure in large buildings. Moelven Wood and Moelven Laminated Timber sell the majority of their products on the Scandinavian building and construction market.

**The Moelven Building Group** includes the Modular Buildings and Modular System Interiors divisions. The business concept is to make the services traditionally provided by builders and craftsmen more efficient, through the use of industrialised concepts supported by associated services. The Moelven

## **which reduces costs and helps identify the responsibility for results in each unit**

**The Moelven Timber Group** runs sawmills, processing businesses and laminated timber production units based on spruce and pine raw material from Norway and Sweden. The group has around 2000 employees spread across its operations in south-eastern Norway and central Sweden. Last year the Moelven Timber Group's turnover was around NOK 3.4 billion.

The three divisions in the Moelven Timber Group – Timber, Wood and Laminated Timber – process the timber to varying degrees.

The Timber division saws timber straight from the forest and converts the logs into industrial timber and industrial chips. The main goal is to create as much value as possible out of each log. Industrial timber is the most important raw material for manufacturers of wood-based building products and some other industries, whilst industrial chips are used in the production of paper, biomass energy and particle boards. Scandinavia is the most important market for Timber's products, but some of the operating units also make use of niche market opportunities to export outside Scandinavia.

The Wood and Laminated Timber divisions process industrial timber as supplied by the Timber division

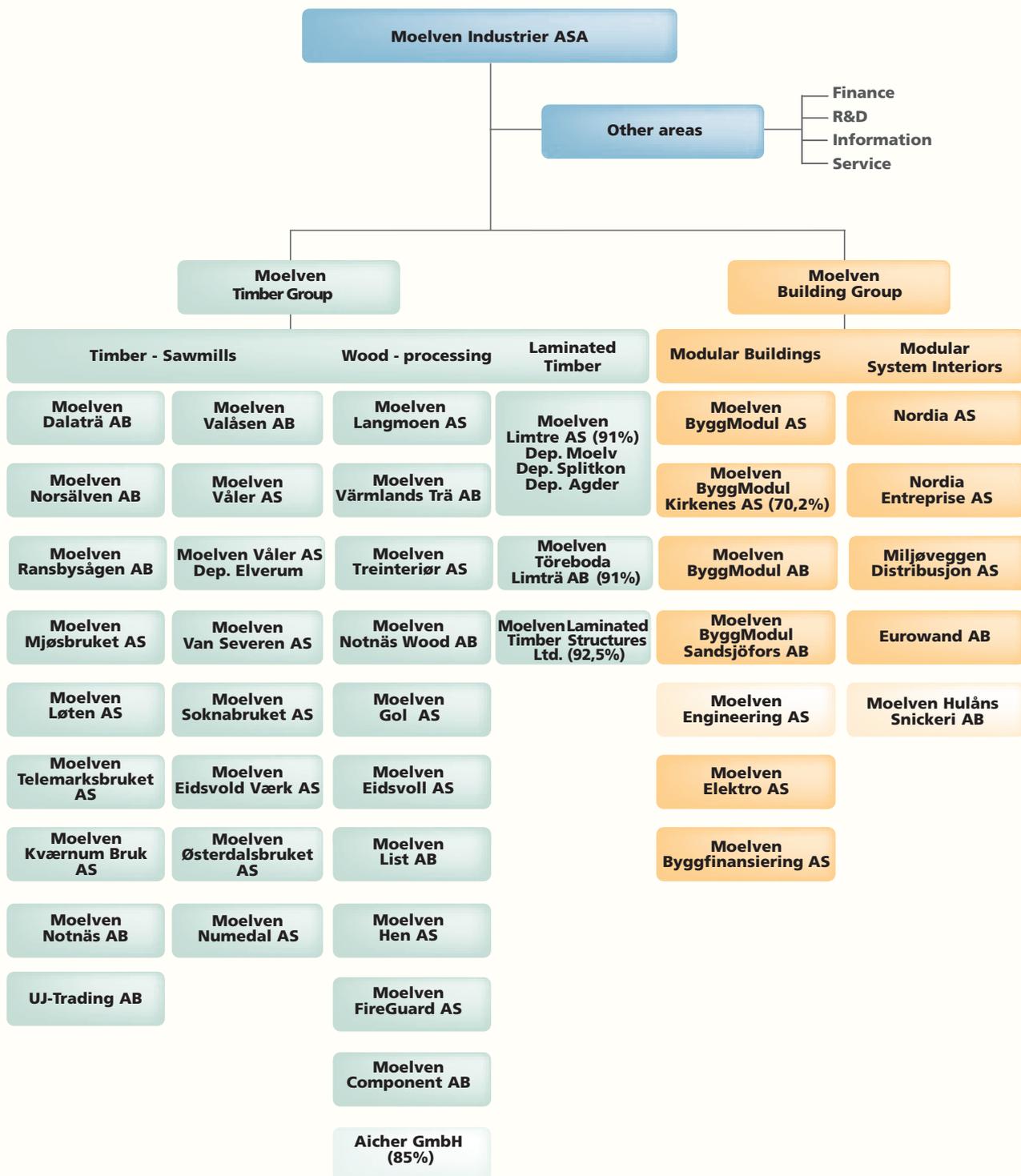
Modular Building Group has a total of 1100 employees in Norway and Sweden. Turnover in 2002 was NOK 1.2 billion.

The Moelven Building Group's operations are clearly distinguishable from those of other suppliers of building products, as our products are generally supplied pre-assembled and ready to use. There is also a clear distinction from traditional contractors, as a very large part of Moelven's production work is carried out in a factory and not on site.

Both the Modular Buildings and Modular System Interiors divisions primarily operate in our home market in Scandinavia, with professional customers such as builders or contractors. Both divisions have strong market positions in Norway and in Sweden.

Both modular buildings and modular system interiors are concepts suited to the increasing demand for rapid delivery and a high degree of flexibility. Both concepts require a smaller workforce than traditional building does, and are therefore more cost-effective. This puts Moelven's industrialised building concepts in a good competitive position compared with traditional building operations. The potential market is therefore considerable.

# Organisational Chart per 31.12.02



⬇ Kirkenes

⬇ Tromsø

## Location

The headquarters for the Moelven Group is in Norway. The majority of the Group's companies are based in south-eastern Norway and central Sweden, however, some of the Group's production companies are located outside of this core area. Via branch and sales/customer offices and distribution centres Moelven is represented throughout most of Norway and Sweden. Moelven's sales and distribution organisation in Denmark is in the process of being established.



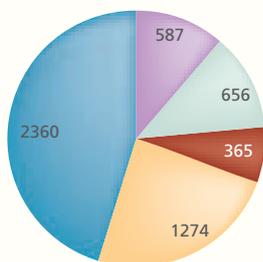
The most important factors influencing the Group's result are shown in the table below. The table shows the impact one per cent change in price would have on profits, all other factors being unchanged.

The table also shows that most of the factors are linked to the sawmill businesses in Moelven Timber. Traditionally, this is also the division in the Group that has experienced the largest fluctuations in profit.

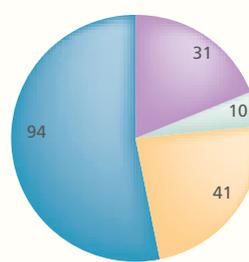
Estimated change in operating result and result per share for 1 per cent change in price

Factor	Operating profit MNOK	Area	NOK/share
Price of planed goods in Scandinavia	13	Wood	0,11
Log prices	13	Timber	0,11
Modular prices commercial buildings	7	Modular Buildings	0,06
Whitewood prices	7	Timber	0,06
Redwood prices	7	Timber	0,06
Permanent change of EUR NOK/SEK	4	Timber	0,04
Price chips of pulp & paper	2	Timber	0,02

Operating revenues per division  
NOK mill. 2002



Operating profit per division  
NOK mill. 2002



## Main figures for five years

(Amounts in NOK million)	2002	2001	2000	1999	1998
<b>THE GROUP</b>					
Operating revenues	4 618.4	4 516.5	4 745.9	3 525.7	3 027.4
Depreciation & write-downs	147.4	161.4	159.8	110.1	93.0
Operating profit	139.4	92.7	223.0	89.6	52.7
Financial items	-40.3	-53.5	-63.4	-43.1	-29.9
Operating result before tax	99.1	39.2	159.6	46.5	22.8
Total capital	2 140.2	2 392.8	2 345.2	1 927.5	1 892.9
Equity ratio	42.9	36.7	37.5	32.6	33.1
Net operating margin in per cent	3.0	2.1	4.7	2.5	1.7
Cashflow from operating profit	286.8	254.1	382.8	199.7	145.7
Investments	119	105	77	72	104
No. of employees	3 120	3 149	3 046	2 404	2 298
<b>Proforma, Moelven Group incl. Forestia AS, Westwood AB (Group) and Notnäs AB in period 2000 – 1998.</b>					
Operating revenues	4 618.4	4 517	4 828	4 717	4 587
Depreciation & write-downs	147.4	161	160	161	157
Operating profit	139.4	92.7	223	77	45
Net operating margin in per cent	3.0	2.1	4.6	1.6	1.0
No. of employees	3 120	3 149	3 046	3 196	3 143
<b>TIMBER GROUP</b>					
Operating revenues	3 380.8	3 324.8	3 685.7	2 444.2	1 998.7
Depreciation & write-downs	116.4	138.5	138.8	90.0	71.8
Operating profit	129.1	24.3	151.9	24.4	19.1
Financial items	-32.9	-39.3	-47.4	-35.9	-30.6
Operating result before tax	96.2	-15.0	104.6	-11.5	-11.5
Total capital	2 281	2 208.3	2 182.6	1 460.9	1 427.0
Net operating margin in per cent	3.8	0.7	4.1	1.0	1.0
Cashflow from operating profit	245.5	162.8	290.7	114.4	90.9
Investments	104	77	63	47	73
No. of employees	1 936	2 019	2 022	1 436	1 316
<b>Timber – sawmills</b>					
Operating revenues	2 360.1	2 398.9	2 723.3	1 568.0	1 309.0
Depreciation & write-downs	77.6	100.3	94.3	72.4	52.4
Operating profit	93.6	1.2	94.1	3.8	4.5
Net operating margin in per cent	4.0	0.1	3.5	0.2	0.3
Investments	72	46	44	40	65
No. of employees	1 006	1 043	1 126	1 100	1 048
<b>Wood – processing</b>					
Operating revenues	1 273.8	1 160.7	1 222.1	620.5	547.4
Depreciation & write-downs	25.0	22.6	25.7	17.6	19.4
Operating profit	40.6	32.0	41.7	13.4	15.0
Net operating margin in per cent	3.2	2.8	3.4	2.2	2.7
Investments	20	24	10	7	9
No. of employees	627	647	570	336	268
<b>Laminated Timber</b>					
Operating revenues	364.6	383.4	536.0	530.8	434.6
Depreciation & write-downs	13.9	15.5	18.8	18.9	15.7
Operating profit	-5.1	-8.9	16.1	7.2	-0.4
Net operating margin in per cent	-1.4	-2.3	3.0	1.4	-0.1
Investments	13	7	9	11	9
No. of employees	303	322	326	414	326
<b>Proforma, Moelven Timber Group incl. Forestia AS, Westwood AB (Group) and Notnäs AB in period 2000 – 1998.</b>					
Operating revenues	3 380.8	3 324.8	3 767.7	3 605.5	3 258.3
Depreciation & write-downs	116.4	138.5	138.8	129.9	135.8
Operating profit/loss	129.1	24.3	151.9	22.8	11.4
Net operating margin in per cent	3.8	0.7	4.0	0.6	0.3
No. of employees	1 936	2 019	2 022	2 228	2 161
<b>BUILDING GROUP</b>					
Operating revenues	1 240.8	1 230.0	1 094.3	1 087.6	1 034.1
Depreciation & write-downs	22.8	18.1	15.1	12.1	9.2
Operating profit	41.7	71.9	71.0	88.2	61.3
Financial items	8.2	9.5	7.5	8.8	8.5
Operating result before tax	49.9	81.4	78.6	97.0	69.8
Total capital	612.8	660.5	524.9	520.9	499.3
Net operating margin in per cent	3.4	5.8	6.5	8.1	5.9
Cashflow from operating profit	64.5	90.0	86.1	100.3	70.5
Investments	10	26	12	18	25
No. of employees	1 123	1 080	978	900	923
<b>Modular Buildings</b>					
Operating revenues	655.8	590.0	542.9	561.6	557.2
Depreciation & write-downs	12.9	8.5	7.6	6.8	5.7
Operating profit	10.3	30.5	29.0	42.7	19.2
Net operating margin in per cent	1.6	5.2	5.3	7.6	3.4
Investments	7	21	6	6	7
No. of employees	534	514	414	412	459
<b>Modular System Interiors</b>					
Operating revenues	586.9	641.9	551.4	526.0	476.9
Depreciation & write-downs	9.9	9.6	7.5	5.3	3.5
Operating profit	31.4	41.4	42.0	45.5	42.1
Net operating margin in per cent	5.4	6.4	7.6	8.7	8.8
Investments	3	5	6	12	18
No. of employees	589	566	564	488	464
<b>OTHER BUSINESSES</b>					
Operating revenues	89.3	57	69	78	79
Depreciation & write-downs	8.2	6	6	8	12
Operating profit	-31.4	-4	0	-23	-28
Financial items	-15.6	-24	-24	-16	-8
Operating result before tax	-47	-27	-24	-39	-36
Cashflow from operating profit	-23.2	3	6	-15	-16
No. of employees	60	50	46	68	59

## Europe's leading player in the wood-working industry

The Finnforest Group – owned by Finnish forestry owners – owns 60.9 per cent of the shares in Moelven Industrier, and is a dynamically growing international force in the woodworking industry. The Finnforest Group – including Moelven – is in fact the largest player in the mechanical wood-working industry in all of Europe. The Group operates in more than 20 countries and has more than 7,500 employees. The Group's goal is to become market leader in Europe when it comes to woodbased solutions for the building, retail and manufacturing industries. The modern-day Finnforest was established in 1999, after a merger involving business units in the Metsäliitto Group (Finnforest, Metsä Timber and Metsäliitto SW), which operated businesses in the mechanical wood-working industry. Finnforest

**Customers.** Finnforest's customers include industrial end-users, the DIY (Do-It-Yourself) market and wholesalers, as well as suppliers of modular building systems/solutions. Finnforest's network of more than 20 sales and marketing companies in different countries is organised into divisions in order to best serve industrial, wholesale and retail customers, as well as builders. Finnforest can offer a full range of its products in the various markets.

The distribution of products and associated services is organised according to a "two-roads-to-market" concept – direct sales from production facilities to end-users and sales via distribution centres. The distribution centres are based on the "One Stop Shop" approach, offering all necessary products and services to customers.

## The MoelvenGroups' majority shareholder, Finnforest, is a fast growing intern

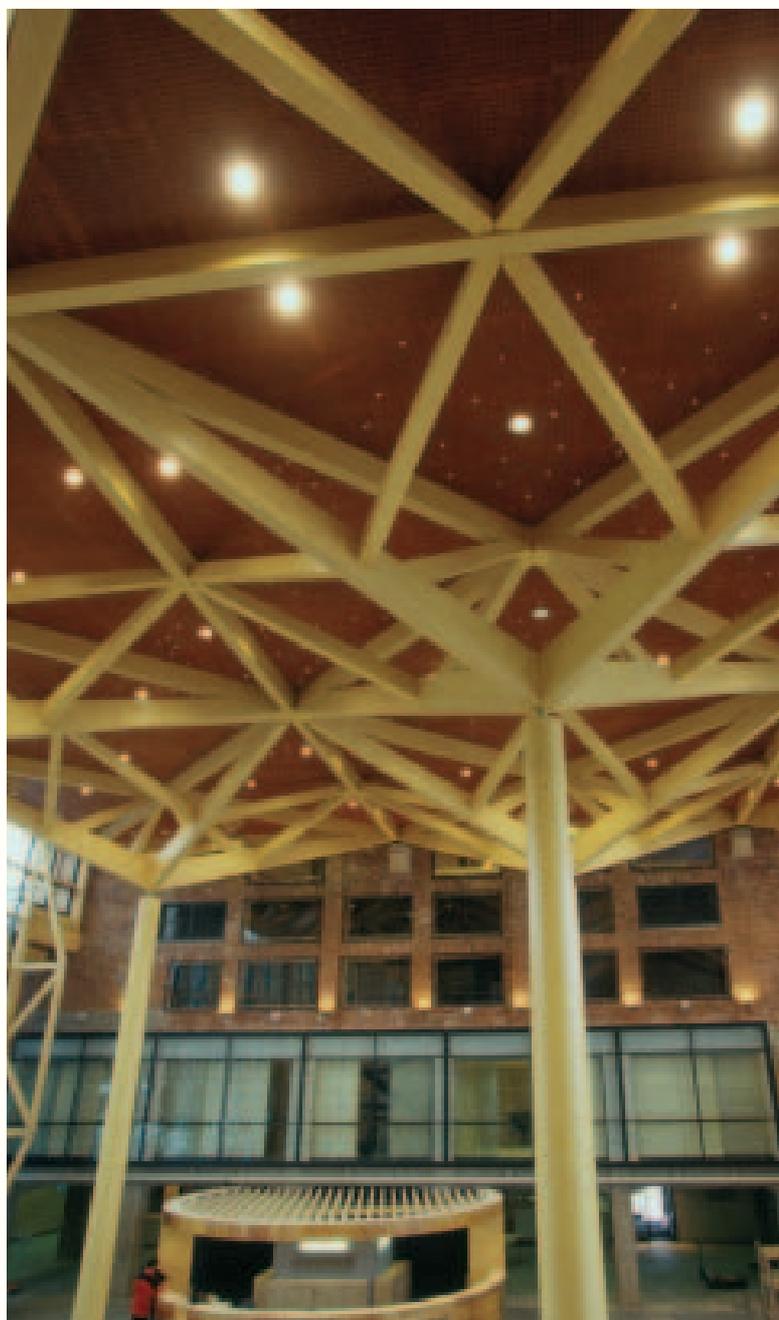
has sales of some EUR 1.8 billion and is a part of the Metsäliitto Group, which is owned by Finnish forestry owners.

Finnforest's business strategy is based on three strategic business areas: industrial end-use applications, retail products and modular building systems. The goal is to offer customers a working solution consistent with the "One Stop Shop" principle.

**Core businesses.** The Group's core business activity is the production and marketing of processed wood-based products and services. The business is organised into two divisions: Solid Wood and Engineered Wood.

Finnforest has put great emphasis on increasing the amount of processing involved in the Group's products. Examples of this are the following: Kerto-wood, heat-treated wood, I-beams, laminated timber, parquet, roof, panelling and flooring systems, as well as the Silva stadium concept.

Most of Finnforest's production facilities are in Finland, but the Group also owns production units in countries such as England, Estonia, France, Russia and Romania. Finnforest has also built an extensive sales and distribution network in Europe with sales offices in most European countries. Global marketing and sales is run from subsidiaries in the US, China and Japan. More than 80 per cent of the Group's total sales go to markets outside of Finland.





Finnforest has developed a special concept for building stadiums. This picture shows the Pohjoia stadium in Helsinki.

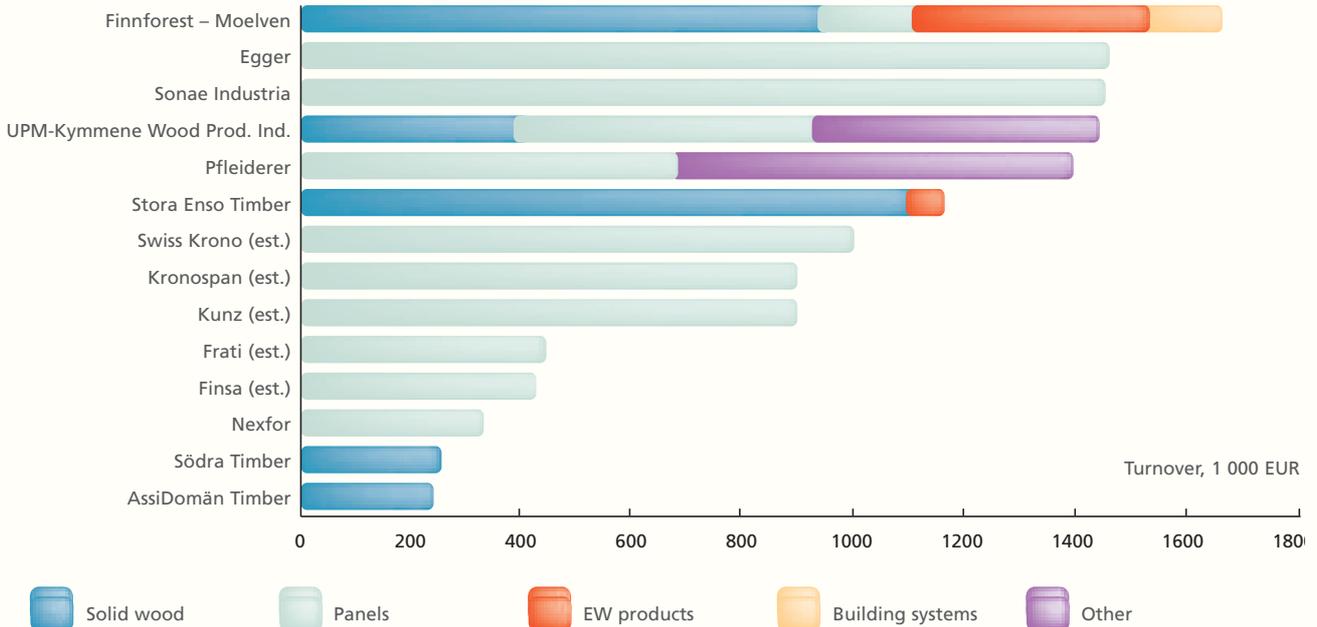
## ational company – the largest operator in the wood-working industry in Europe

**Market collaboration.** Moelven is an independent subsidiary of the Finnforest Group and is responsible for sales to the Scandinavian market, while Finnforest's most important markets are in Finland, the rest of Europe and overseas.

navia, Moelven has strengthened its market position by, for example, now being able to sell Finnforest's Kerto- and sheet products in Scandinavia. Moelven can thereby offer a full-range of building products to its customers in Scandinavia.

After a successful start co-ordinating marketing and production activity with Finnforest in Scandi-

### The largest operators in Europe's wood-working industry 2002



Katarina Carlsson works on the production line at the sawmill Moelven Norsälven AB in Karlstad local authority, Sweden, one of 16 Norwegian or Swedish sawmills belonging to the division Moelven Timber. Together with several other colleagues, Katarina is responsible for making sure that the logs are cut in accordance with customers' specifications. The technical know-how of the employees is one of the most important factors in securing successful production activity, where the goal is to generate the highest possible value from each and every log.

Moelven Timber is Europe's fourth largest producer of industrial timber. Together with Finnforest, which owns 60.1 per cent of the shares in the Moelven Group, Moelven/Finnforest is Europe's next largest producer of industrial wood. Industrial wood is Moelven Timber's main product, making up about 85 per cent of its revenues. Moelven Timber has 1006 employees and annual sales totalling NOK 2.4 billion.

**Moelven Timber** consists of 16 operative units in Norway and

TIMBER	Volume m <sup>3</sup>	Turnover NOK mil.	Products	No. of employees
Moelven Dalaträ AB	120 000	195	Industrial pine	81
Moelven Norsälven AB	75 000	115	Industrial pine	48
Moelven Ransbysågen AB	55 000	85	Industrial spruce and pine	32
Moelven Mjøsbruket AS	60 000	100	Industrial spruce	40
Moelven Løten AS	37 000	70	Industrial pine	35
Moelven Våler AS avd. Elverum	30 000	55	Industrial spruce and pine	19
Moelven Telemarksbruket AS	23 000	35	Industrial pine	23
Moelven Kværnum Bruk AS	20 000	30	Industrial spruce	15
Moelven Valåsen AB	300 000	430	Industrial spruce and pine	157
Moelven Notnäs AB	165 000	240	Industrial spruce	95
Moelven Våler AS avd. Våler *	160 000	245	Industrial spruce and pine	94
Moelven Van Severen AS *	120 000	175	Industrial spruce	77
Moelven Soknabruket AS *	130 000	205	Industrial spruce and pine	93
Moelven Eidsvold Værk AS *	95 000	130	Industrial spruce	72
Moelven Østerdalsbruket AS *	55 000	80	Industrial spruce and pine	47
Moelven Numedal AS	50 000	80	Industrial spruce	45
Other		90		30
<b>Total</b>	<b>1 500 000</b>	<b>2 360</b>		<b>1 006</b>

\* Companies with both sawmills and processing facilities, data for sawmills only.



Sweden, with 1006 employees and an annual turnover of NOK 2.4 billion





Managing Director Moelven Timber. Anders L. Fossum

Moelven Timber saws round logs and processes the wood into industrial wood and industrial chips. Industrial wood is the most important raw material for producers of wood-based building materials and certain other industries, while industrial chips are used in the production of paper, bio-energy and particle boards. Environmental considerations have led to increased focus on bio-energy, which in turn increases the importance of industrial chips.

**Market and specialisation.** Throughout the years, Moelven Timber has put great emphasis on specialising the production of industrial timber based on expertise about the needs of various customer segments. This allows for the maximum exploitation of the log in the financially most favourable manner possible and maximising the value of each log.

## Moelven Timber's business concept is to generate as high value as

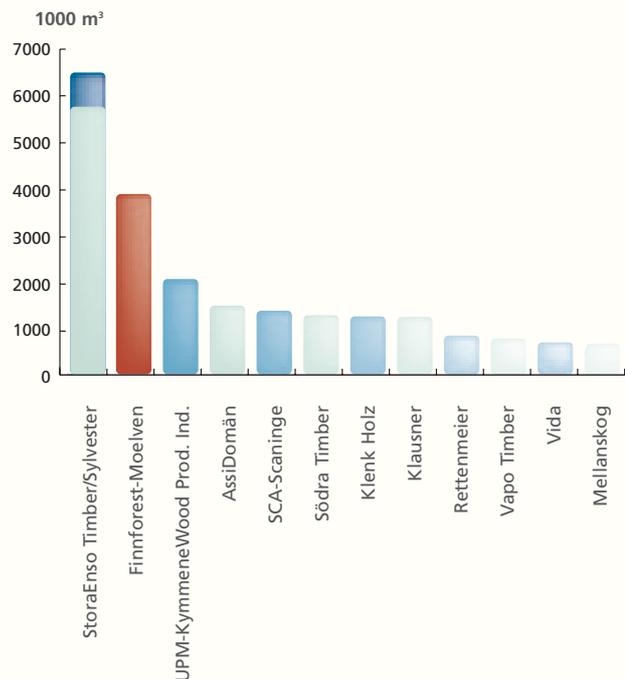
Moelven Timber is the largest division in the Moelven Group, and contributed in 2002 about half of the entire Group's operating revenues. Moelven Timber processes raw timber and is the link between the forest and the markets. Based on renewable materials, the business concept is to generate as high value as possible from each and every log. To achieve this goal, company employees must have thorough market expertise and be able to sell to selected customers in specific market segments.

Scandinavia is the main market, while niche products for the wood-processing industry outside of Scandinavia are also important for the company's profitability. Producers of wood-based building materials make up the largest customer segment, in addition to customers in the construction segments, the most important customers for Moelven Timber are door, window and interior product manufacturers. Annual production of industrial wood at Moelven Timber is about 1.5 million m<sup>3</sup>. About 1/3 of this goes to building materials for Moelven

Revenues per segment in per cent



Largest European producers of industrial wood



Wood or Moelven Laminated Timber. In all, the company has about 1,500 customers.

**Industrial chips.** The market for industrial chips is regional. Relatively large chips produced from logs having natural moisture levels are sold to a few dozen producers of pulp and paper. In all, about 1 million solid m<sup>3</sup> of this are sold annually, and this means that Moelven Timber is one of the largest suppliers of industrial chips in the geographical areas in which they operate.

The sawmills also produce smaller sized chips and chips from dried wood. Of the total annual production of about 0.5 million solid m<sup>3</sup>, about 80 per cent is sold to the particle board industry and about 20 per cent is sold to producers of bio-energy. The pulp and paper industries obtain about 1/3 of their

harvested in the forest. This means that a close and mutually dependent relationship exists between the forest owners and the sawmill industry. Forest owners depend on a competitive industry to be able to sell their timber at acceptable prices, while the sawmill industry depends on stable and sustainable supplies and prices in order to ensure profitability for the industry.

The annual amount of timber harvested in Norwegian and Swedish forests is about 75 million m<sup>3</sup>, which corresponds to about 2/3 of the total annual forest growth. Moelven Timber has an annual timber consumption of 3.5 million m<sup>3</sup>, which corresponds to just under 10 per cent of the timber harvested in Norway and Sweden suitable for this type of production. Moelven Timber is a significant operator in the markets for timber and raw materi-

## possible from each individual log – all based on renewable raw materials



raw materials from the sawmill industry, while the remaining 2/3 are purchased as timber direct from forest owners and processed into industrial chips by the pulp and paper industry itself.

**Renewable raw materials.** The raw materials used by Moelven Timber are renewable, as they are almost exclusively spruce and pine wood from Norway and Sweden. Spruce makes up about 55% of the total raw material, while the rest is pine. The share of pine has over the last few years been increasing. The cost of raw materials represents the largest share of the production cost for Moelven Timber – in many cases as much as two-thirds. At the same time, timber used in the sawmill industry makes up almost a similar share of the total timber

als for the pulp and paper industries in south-east Norway and central-Sweden.

**Timber prices.** Timber prices in Scandinavia and prices for industrial timber in the European market are the two factors that have the largest influence on Moelven Timber's profitability. Price fluctuations in these markets have historically made a major impact on profitability. Moelven Timber has over the last few years strengthened its position in selected raw material markets and increased specialisation in the production of industrial wood in order to reduce exposure to fluctuating price levels.



**MoelvenWood** consists of 16 operative units in Norway and Sweden,

Lena Florman heads up the customer service centre for Moelven Wood AB in Karlstad, Sweden. She represents a key element in the aggressive marketing strategy Moelven Wood has implemented to capture new market shares in the Scandinavian market. The focussed promotional effort will concentrate both on the establishment of customer centres in Sweden and Norway and on the distribution system supplying products to the various chains of builders merchant, which are among Wood's most important customers. The builder's merchants will then be able to offer a wider range of products and be able to order goods with short delivery times. Stock in inventory shall be "on the road."

The emphasis on customer centres and distribution system is critical if Moelven Wood's aggressive marketing drive is to succeed. Marketing, sales and customer service will all be centralised. In all, Moelven Wood consists of 16 operational units in Norway and Sweden, and with a total of 627 employees, the company has an annual turnover of NOK 1.3 billion.

with 627 employees and an annual turnover of NOK 1.3 billion

WOOD	Turnover in NOK mil.	No. of employees
Moelven Langmoen AS	130	62
Moelven Hen AS	55	15
Moelven Gol AS	35	13
Moelven Eidsvoll AS	100	79
Moelven Aicher GmbH	110	91
Moelven Treinteriør AS	50	23
Moelven FireGuard AS	40	31
Moelven Värmlands Trä AB	100	33
Moelven List AB	55	43
Moelven Component AB	70	41
Moelven Østerdalsbruket AS *	65	15
Moelven Van Severen AS *	110	33
Moelven Soknabruket AS *	20	3
Moelven Väler AS *	55	24
Moelven Eidsvold Værk AS *	145	31
Moelven Notnäs Wood AB *	90	26
Moelven Valåsen Wood AB	110	26
Other	-66	38
<b>Total</b>	<b>1 274</b>	<b>627</b>

\* Companies with both sawmills and processing facilities, data for processing facilities only.



Managing Director Moelven Wood, Dag E. Sand.

total production of 570,000 m<sup>3</sup>, approximately 90 per cent is now sold in these markets, and the figure is expected to increase.

Almost 92 per cent of Moelven Wood's operating revenues are generated from deliveries to the Scandinavian market, and a large share of the sales is for rehabilitation, renovation and additions to homes and leisure homes. Production takes place at 16 different facilities, while marketing, sales and distribution activities in Scandinavia have been centralised.

**Builder's Merchants.** Moelven Wood works closely with nation-wide and pan-Scandinavian chains of builder's merchants selling products from Moelven Wood throughout Scandinavia. This collaborative effort has come about the last few years, and the

## MoelvenWood works closely with nationwide chains of builders'

Moelven Wood is the business area within the Moelven Group that is the most customer-oriented when it comes to product. Most consumers in Scandinavia will in one way or another become familiar with a product from Moelven Wood by shopping at a builder's merchant.

Among the products are interior items such as interior panelling, floorboards and moulding, as well as wooden building material and rot- and fire-resistant wood products. Moelven Wood will be complementing its product portfolio with goods from Finnforest, thereby being able to offer an even wider assortment of products to its customers.

**90 per cent in Scandinavia.** Moelven Wood has a very strong position in Norway and Sweden, and has been expanding in the Danish market. Out of a

customer centres and the distribution system are critical aspects of this effort. Moelven Wood is going to complement its product range with products from Finnforest and will thereby also be able to offer its customers a broader product assortment both in Norway, Sweden and Denmark.

**Market leader.** Moelven Wood is the market leader in the domestic markets for most of its product groups. The company's comprehensive distribution coverage allows them to adapt most shipments to the customer's exact requirements. This ensures efficient logistics and short delivery times.

**Solid wood and interior products.** Solid wood for building purposes is Moelven Wood's single most important product group. Interior products (flooring, panelling for walls and ceiling and moulding)



is the next largest product group, representing about 30 per cent of the division's operating revenues. Moelven Wood supplies surface-treated interior products and exterior boarding in several different colours. Individual components for door production is another product segment for Moelven Wood.

**Product program.** Moelven Wood has also a product program for the home and garden segment. The products are supplied with or without impregnation and with or without surface treatment. The impregnation methods used today in Norway are based on much more environmentally safe chemicals than earlier.

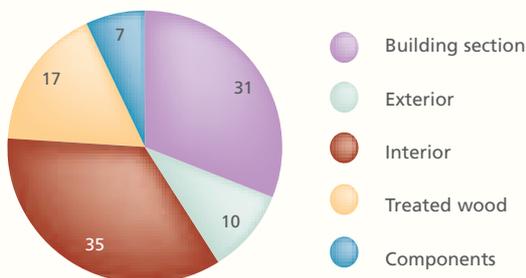
**Fire-proof wood.** Wood that does not burn sounds like a contradiction in terms, but no longer.

Moelven Wood supplies fire-safe wood products. This is achieved using a very special impregnation process, opening up new and exciting possibilities for the use of wood where fire regulations set very strict requirements. Fire-safe wood products can now be used in architectural applications where fire regulations earlier would have prevented the use of wood. Examples of new applications are boarding requiring firewalls, ceilings in buildings designed for large crowds of people and wooden furniture for passenger ships. The main airport at Gardermoen (Oslo International Airport, Norway) and the Hamar Olympic Amphitheatre in Hamar, Norway are examples of the use of this material in large buildings.

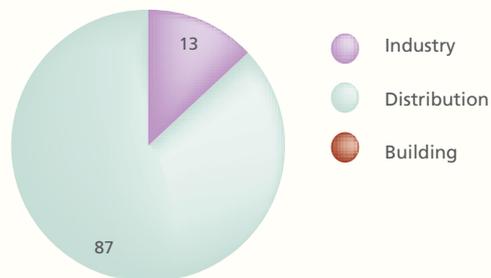
## merchants to develop customer centres and distribution outlets



Operating revenues in per cent per product group



Operating revenues in per cent per megasegment



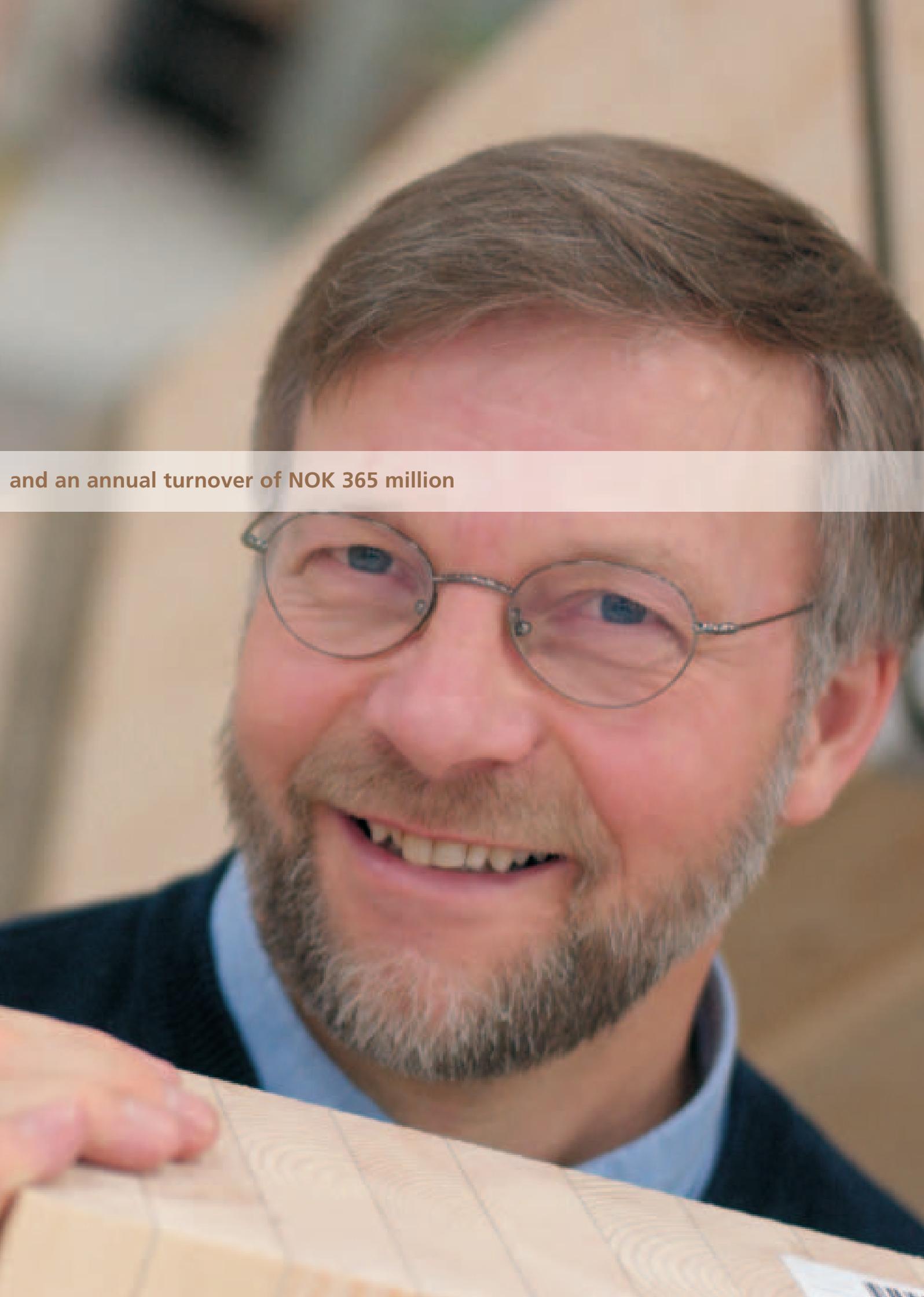
Åge Holmestad is Technical Director of Moelven Laminated Timber. He is also an important idea developer and construction consultant when it comes to new laminated timber products, and he is one of the men behind the truss constructions that made it possible to build the Olympic halls in Hamar, Lillehammer and the Oslo International Airport at Gardermoen using laminated timber. This concept has now been further developed to include road bridges made of laminated timber, which has become an important new business area. Power masts made of laminated timber are also an important product area.

## Moelven Laminated Timber has 303 employees

Moelven is the leading producer of laminated timber in Norway and Sweden. Moelven's laminated timber business is well known because laminated timber is used in signature buildings in both countries. The Moelven Laminated Timber division consists of four production units. Of these, the largest is Moelven Töreboda AB in Sweden, while the other three are gathered under the company Moelven Limtre AS in Norway, at three different locations. Kerto-beams from Finnforest have been incorporated into the product portfolio for the Scandinavian market and comprise an important and useful supplement to the laminated timber products. Moelven Laminated Timber employs a total of 303 people and has an annual turnover of NOK 365 million.

LAMINATED TIMBER	Turnover NOK mil	No. of employees
Moelven Limtre AS	188	159
Moelven Töreboda Limträ AB	164	141
Other	13	3
<b>Total</b>	<b>365</b>	<b>303</b>

and an annual turnover of NOK 365 million



There are many signature buildings using laminated timber from Moelven. In Norway, the Oslo International Airport at Gardermoen and the Olympic halls in Lillehammer and Hamar are the most well known.

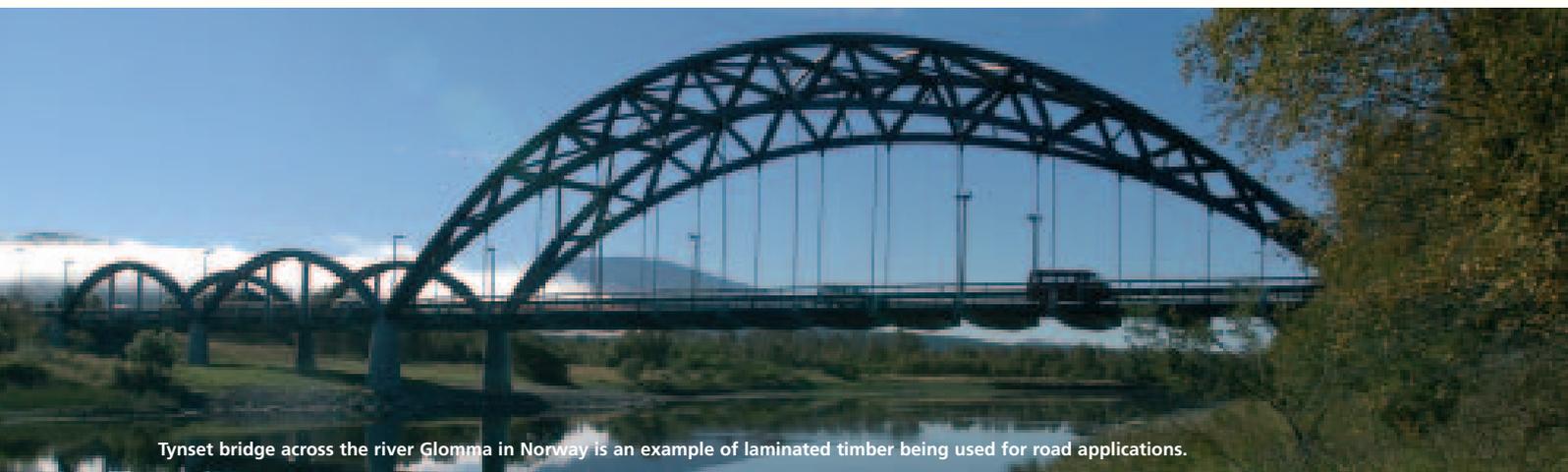
Most spectacular is the internationally famous Leonardo Bridge on E 18 in Ås outside of Oslo. In Sweden, Universeum in Gothenburg was awarded the National Architecture Prize for the "Best Modern Building." This building is based on laminated timber structures from Moelven Töreboda.

The construction of the large signature buildings was made possible due to the so-called intersection technology for, among other things, trussed arches. This has in many ways revolutionised the possibilities for the use of wooden structures in large and/or spectacular buildings.

**Logistics and Distribution.** Laminated timber in smaller quantities, often used in expansions or additions to residential housing, is like many of Moelven Wood's products sold through the building merchants trade. Moelven emphasizes good logistics and a well-developed distribution network to the building merchants chains and the construction industry through fixed delivery routes in both Norway and Sweden. Sales and distribution of Kerto-beams from Finnforest are co-ordinated on the Swedish market with laminated timber beams from Moelven Töreboda and products from Moelven Wood AB. This co-ordination of sales and distribution provides clear co-ordination benefits for both customer and supplier.

**Major Structural Changes in Europe.** Traditionally, the laminated timber industry has delivered projects that have been adapted to the individual fac-

## Moelven Laminated Timber has in cooperation with the road authorities deve



Tynset bridge across the river Glomma in Norway is an example of laminated timber being used for road applications.

**Strengthened Market Position at Home.** Moelven's laminated timber business has strengthened its market position in the Norwegian and Swedish home market. In these markets there are common characteristics between the Laminated Timber and Wood divisions, with respect to customer structure, sales and distribution. Of the total laminated timber deliveries from Moelven, approximately half are standard laminated timber beams that are delivered to the construction materials industry or builders of prefabricated homes, winter gardens or similar structures. In conjunction with the formation of chains in the building merchants trade, there is a conscious effort to promote products from the Laminated Timber division, and to make the company's sales and marketing efforts more efficient.

tory's national market needs. In recent years, however, there have been great structural changes in the European laminated timber industry. A number of larger producers of laminated timber in standardised dimensions have been established. There is a market and demand for laminated timber produced from Nordic spruce and pine in Europe and Japan. Japan, especially, is still an important export market for standard laminated timber beams from Moelven Töreboda. The increased production capacity in Europe has contributed to increased competition and reduced profitability. In addition for Norwegian production limits, the strong exchange rate of the Norwegian krone has reduced the company's international competitiveness and led to reduced activity in the export markets.



Laminated timber offers exciting possibilities for housing.

## Developed a new concept for wood based bridges that has become a new product range

**Residential Housing.** Laminated timber is mostly used for supporting structures in residential housing for both new housing and remodelling. Standard laminated beams are products that are often used as a substitute for solid wood constructions, but are also used to expand the use of wood as a supporting structure in buildings. Use of laminated timber in this way competes with other materials such as steel and concrete.

The advantages of using laminated wood are as follows: a larger selection of sizes, good shape stability and good strength characteristics in relation to weight and volume. Laminated wood also has good fire resistance qualities. In addition, laminated timber is easy to adjust at the construction site.

Over the years, laminated timber has contributed to greater architectural freedom in combination with other building materials such as concrete and glass.

**End User's Needs.** A major share of laminated timber deliveries are adapted to the end user's needs. This occurs through minor adjustments of standard beams or in project deliveries for different types of commercial buildings, sports arenas, churches and bridges. On the whole, laminated timber structures are very well suited to industrial buildings/arenas of different types.

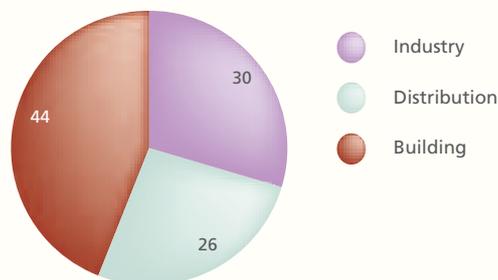
A new important application area is large and small road bridges made of laminated timber where

Moelven Laminated Timber has developed a close working relationship with transportation authorities. A special concept for building bridges made of laminated timber has been developed. During the past year, several bridges made of laminated timber have been opened. This coming year, the world's longest road bridge made of wood will be built over the Glomma river at Flisa in Norway – the bridge is made of laminated timber from Moelven.

**Few Limits.** The famous signature buildings prove that there are few limitations on what can be delivered from laminated timber. Architectural, environmental and fire-resistance characteristics are decisive when laminated timber is chosen as a supporting structure in larger buildings.

# ED LAMINATED TIMBER

Operating revenues in per cent per mega segment





Moelven Modular**Buildings** has 534 employees working at four



Jo Vesterlid is an architect at Moelven ByggModul AS. As architect, he plays a central role in the development of modular buildings and expansion of application areas for this type of building. New barriers to the use of modules have continuously been broken. In recent years, modular buildings have to a gradually larger extent been used as a solution for different types of commercial buildings, such as hotels, offices, kindergartens and schools, as well as apartment buildings. For example, an apartment building in Trondheim was for the first time built using modules for four storeys. Outside of Stockholm, homes are being built in a functional style using modules from Moelven. This represents a giant step forward in product development from the old "Moelven-barracks" to new functional houses based on modules.

Moelven Modular Buildings is Scandinavia's leading manufacturer of modular buildings. Manufacturing takes place at four facilities, two in Sweden and two in Norway. The total production capacity is 6,000 modules per year. Production takes place indoors in the factory and the modules are delivered

production sites, with a total annual turnover of NOK 656 million

ready-to-use at the building site. This provides great advantages compared with traditional site building and is one of the reasons that modular buildings are making greater inroads into the building market. Moelven Modular Buildings employs a total of 534 people and has annual sales of NOK 656 million.

MODULAR BUILDINGS	No. of modules	Turnover NOK mil.	Product description	No of employees
Moelven ByggModul Moelv AS	1 577	226	Flexible module-based commercial buildings	159
Moelven ByggModul Kirkenes AS	86	26	Flexible module-based commercial buildings	22
Moelven ByggModul AB	1 228	186	Flexible module-based commercial buildings	149
Moelven ByggModul Sandsjölfors AB	356	88	Flexible module-based commercial buildings	81
Moelven Engineering AS	-	37	Build/manufacture machines and equipment, as well as repair and maintenance	33
Moelven Elektro AS	-	107	Electrical installations, high and low voltage	90
Øvrige		-14		0
<b>Total</b>		<b>656</b>		<b>534</b>



Managing Director Moelven Building Group, Reidar Mo.

now being built in Silverdalen outside of Stockholm based on modules from Moelven.

**Snøhvit Development.** The traditionally largest market has been temporary accommodation and office buildings where construction companies and others in the building and rigging sector have comprised the customer mass. One example of this is Moelven's large-scale contract for building rig accommodation at Melkøya outside of Hammerfest in connection with the development of the Snøhvit gas field in the Barents Sea. Temporary accommodation is being built at Melkøya on the basis of modules from Moelven, which shall house a number of facilities, such as a canteen, apartments and a recreation and exercise centre.

## Moelven Modular Buildings has recently – in collaboration with architects and con

The Modular Buildings division is based on industrialised production. Through the development of industrial concepts, Moelven Modular Buildings can offer a wide array of products. Moelven's modular products are clearly different from structures built on-site because the products are generally delivered completely assembled and ready-to-use. Industrialised production provides several advantages compared to traditional site building. The majority of the ready-to-use modules are delivered to the Scandinavian building market. Customers are builders or construction companies.

Moelven's deliveries are concentrated in a niche with total revenues comprising barely two per cent of the total commercial building market. The Scandinavian market for building modules is worth approximately NOK 1.5 billion annually.

Module-based buildings are delivered as both temporary and permanent solutions. Significant emphasis has been placed on expanding the market for modules through targeted product development where the application of modules is expanded to markets that normally have been reserved for traditional on-site construction. This applies to permanent buildings such as schools, hotels, kindergardens, offices and other types of commercial buildings. In recent years, a co-operative effort among architects and construction companies has been created to develop solutions for multiple family dwellings and residential buildings. For example, modern functional residences are

**Permanent Buildings.** An increasing share of the production of modular buildings is now going to permanent buildings in the form of schools, hotels, offices, student housing and buildings in the healthcare sector. For builders who have needs that may vary over time, for example, municipalities where the number of students in individual school districts may change from year to year, module-based solutions provide the required flexibility because the modules can be physically moved without great expense. In other words, one does not need to rebuild if the number of students rises at one school and goes down at another.

Moelven Modular Buildings co-operates to an ever-increasing degree directly with contractors. Module-based solutions have been developed that allow contractors to utilise ready-to-use modules in their buildings. This applies to both commercial buildings and residential buildings. In addition to development of the module concept itself, part of the reason is also that the building market has been and continues to be characterised by a labour shortage.

**Industrial Production.** Using industrial production in the factories, it is possible to deliver finished solutions that are adapted and installed at the building site. This reduces the need for labour at the building site and leads to a much shorter building time than for traditional building. Production in the factory also includes electrical installation, heat, ventilation and sanitary systems, as well as

furnishings fixed to the wall. Ninety per cent of the building process occurs under controlled conditions in the factory. Delays and other effects on the building process due to unfavourable weather conditions can thereby be avoided. Cleaning procedures during the building process are also part of the system, which contributes to a good interior climate in the finished building.

The module-based buildings provide great flexibility because there are good possibilities for additions, remodelling or moving the building when needs change. The products have been developed to give the customer the same qualities as in buildings set up in a traditional manner. Emphasis on architectural qualities leads to several choices with respect to details and construction. The average consumer in many cases cannot distinguish

between a module-based building and one that was built in a traditional manner. Moelven also offers financing of buildings.

**Elektro.** Moelven Elektro offers project management, installation and maintenance of both high and low voltage systems. The company has four offices in southeastern Norway. Most of the company's deliveries go to commercial buildings. Part of the deliveries takes place in connection with module-based buildings from the Group's other companies, but the main portion of income comes from contracts with external customers.

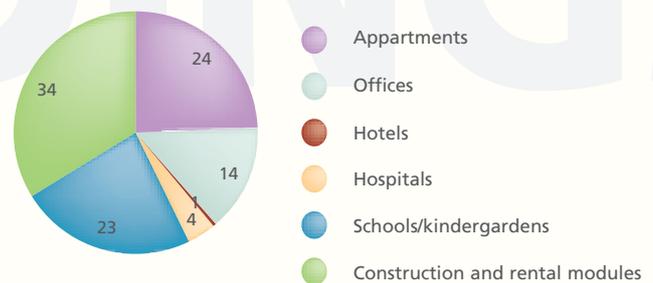
**Engineering.** The Board decided to close down Moelven Engineering in 2003. The company, which has 54 employees, has consisted of a construction department and a mechanical department.

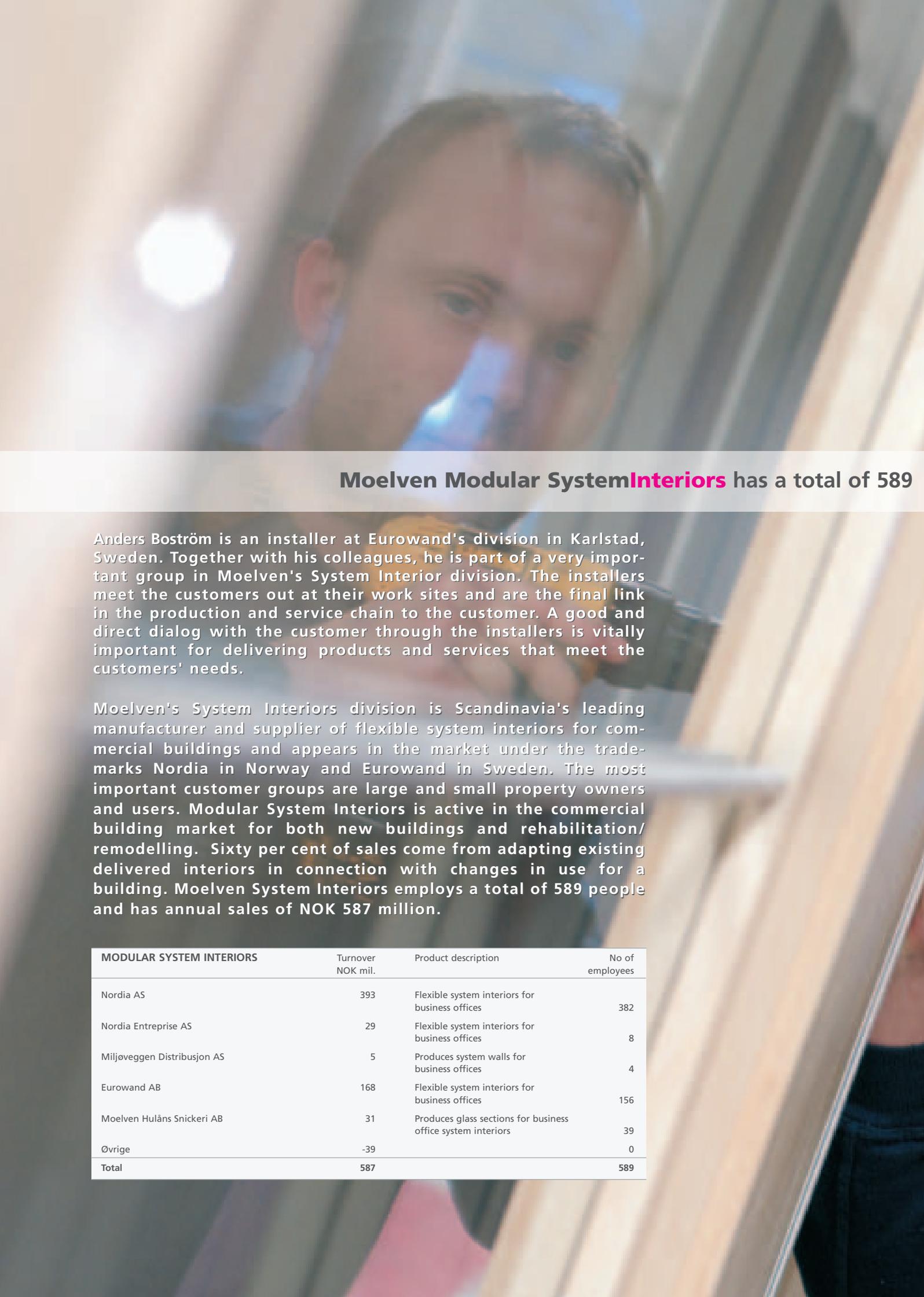
## tractors – worked hard to develop module-based solutions for multi-family housing



# BUILDINGS

Sales in per cent per category



A man with short brown hair is focused on his work, using a power drill on a wooden structure. The background is slightly blurred, showing a workshop or construction site environment with warm lighting.

## Moelven Modular System Interiors has a total of 589

Anders Boström is an installer at Eurowand's division in Karlstad, Sweden. Together with his colleagues, he is part of a very important group in Moelven's System Interior division. The installers meet the customers out at their work sites and are the final link in the production and service chain to the customer. A good and direct dialog with the customer through the installers is vitally important for delivering products and services that meet the customers' needs.

Moelven's System Interiors division is Scandinavia's leading manufacturer and supplier of flexible system interiors for commercial buildings and appears in the market under the trademarks Nordia in Norway and Eurowand in Sweden. The most important customer groups are large and small property owners and users. Modular System Interiors is active in the commercial building market for both new buildings and rehabilitation/remodelling. Sixty per cent of sales come from adapting existing delivered interiors in connection with changes in use for a building. Moelven System Interiors employs a total of 589 people and has annual sales of NOK 587 million.

MODULAR SYSTEM INTERIORS	Turnover NOK mil.	Product description	No of employees
Nordia AS	393	Flexible system interiors for business offices	382
Nordia Entreprise AS	29	Flexible system interiors for business offices	8
Miljøveggen Distribusjon AS	5	Produces system walls for business offices	4
Eurowand AB	168	Flexible system interiors for business offices	156
Moelven Hulåns Snickeri AB	31	Produces glass sections for business office system interiors	39
Øvrige	-39		0
<b>Total</b>	<b>587</b>		<b>589</b>

employees with a total annual turnover of NOK 587 million



# SYSTEM



Managing Director Moelven Building Group, Reidar Mo.

Module-based interiors is a concept that is well adapted to the increasing demand for quick deliveries and the need for a high degree of flexibility. It requires less use of labour than the traditional construction business and is therefore more cost-effective.

**Largest in Norway.** Moelven's business within system interiors is larger in Norway than in Sweden, which is due to the fact that these types of interiors have longer traditions there. Taking into consideration the total population, system interiors is four times more common in Norway than in Sweden.

In recent years, the business linked to rehabilitation, remodelling and additions has been only minimally affected by economic conditions, and today this segment comprises more than 50% of the total market. Moelven is therefore placing emphasis on establishing good and long-term customer relation-

## Moelven Modular System **Interiors** supplies flexible products. By simple

In one way or another most people are familiar with the products from Nordia and Eurowand. Flexible system interiors, especially in connection with offices, is an extremely useful product for flexible (mobile) office walls, vaulted ceilings or floors.

Part of the business concept is that the products are flexible so that simple adjustments can change the interior of a commercial building to keep pace with current needs. Rehabilitation and remodelling are therefore two important parts of the business.

ships that provide a basis for repeat deliveries beyond the individual original project. Investments in new buildings depend more on economic conditions and have larger fluctuations, but the differences between the Swedish and Norwegian markets have largely evened each other out. Construction companies are one of the most important customer groups where new buildings are concerned.

**Local Presence.** In this market it is important to have a local presence and to be located near the



customer. This is part of the reason for the acquisition of several smaller interior companies in Sweden in recent years. In Norway, 15 local offices have been established in addition to Nordia's headquarters at Jessheim. In Sweden, the headquarters for Eurowand is located in Örebro, while regional offices have been established in the most populated areas. The local offices are supported by two logistics centres, one in each country. All deliveries of goods are co-ordinated there. At the building site, the necessary goods are received in finished form with surface treatment, ready to be installed. Installation is performed mainly by own employees.

**Improved Profitability.** The greatest competition to flexible system interiors comes from traditional building methods, but since flexible solutions give the customer improved profitability throughout the lifetime of the building, market share is increasing. Even though the base investment is competi-

meet special requirements for soundproofing. The customer also has the advantage of being able to work closely with one and the same consultant from the time the requirement analysis is performed and up to the finished installation. The same applies to any subsequent adaptations to modified needs.

**Environmental Advantages.** The use of system interiors also has clear environmental advantages. The deliveries come ready to install. This means that trash, dust, gas emissions and noise at the building site are reduced to a minimum.

A neat building site contributes to a good interior climate when the building is finished and is very important when remodelling while the building is in use. During remodelling, a large portion of the materials will be reused or stored for later use, which greatly reduces quantities of trash.

## adjustments, office interiors can be altered according to changing needs



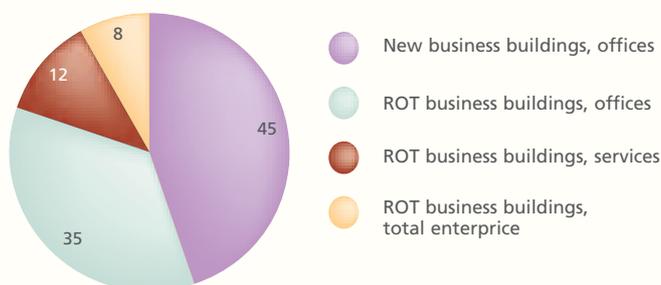
tive in price and provides a shorter construction time, the main reason for the advance of the concept is that remodelling is simple because adaptation to new needs can be made while the building is in use.

The system includes all types of interior walls, window frames, doors and vaulted ceilings. All units are delivered in modules which makes it possible to interconnect them independently. The products are available in many different sizes and colours. This gives customers wide options to customise their own working environment. Requirements for soundproofing and acoustics are met in the same way as they are for a building designed in a traditional manner, but the interiors can be adjusted to

**More Company Production.** Of the products that are part of a delivery, walls and window frames are largely internally produced, while the other goods are purchased from external suppliers. The share of internally produced goods has increased in recent years through acquisitions of other companies.

System interiors can also be supplemented with shelving, closets, mouldings and other interior products delivered by Moelven. Sales of these products are made through Nordia's and Eurowand's affiliated stores and distribution takes place from one of the two logistics centres. Installation is simple and is best performed by the users themselves.

**Operating revenues in per cent per market segment**





Oddvar Ertsås is the administrative manager of Moelven Industrier, and is one of the people responsible for the so-called “Moelven school”, which is run in co-operation with the Norwegian College of Building at Lillestrøm. Technicians and operators from Moelven’s manufacturing businesses can take higher education courses there in order to gain knowledge and expertise. This gives individuals the chance to develop within their own jobs, and benefits the company by providing it with highly qualified and knowledgeable employees.

## **MoelvenPersonnel** supports the “Moelven School for professionals”,

The “Moelven school” is one of many measures taken by Moelven with respect to personnel, to give its employees the opportunity to pursue further education and personal development. Another measure is systematic management development in co-operation with other companies. This management development programme has been in existence for eight years, and has put 260 managers from Moelven and other companies back into the “classroom”. Moelven is also involved in a trainee program, which ensures the recruitment of a qualified workforce to the Group companies.



one of several projects offering further education to employees



Director Kari Knapskog is on behalf of Mjøs kompetanse responsible for the management development programme.

## Moelven **Personnel**. Moelven has a result-oriented company culture, where

A slogan often used is that "human capital is a company's most important resource". A slogan loses its meaning if there is no attempt to work systematically at giving the slogan real substance. If employees are your most important resource, the conditions must also be put in place both to recruit motivated and well qualified new employees – and to create a pleasant working environment that offers individual employees further development for themselves and their careers.

This is why Moelven is working in a number of areas with the aim of providing employee groups with possibilities for growth and development in their work. Without a competent, motivated and highly qualified workforce, the possibility of achieving results is reduced.

The Moelven Group had, at the end of 2002, a total of 3120 employees. Of these, 1838 are employed in the Group's Norwegian operations, whilst 1181 are employed in Moelven's businesses in Sweden. As is generally the case in the timber and building industries, Moelven's workforce is predominantly male. Women make up no more than around 10 per cent of the total number of employees in the Group. There are, however, fairly large variations between the share of women employed in the various Moelven companies.

**Long-term employment.** In general terms, employment at Moelven tends to be long-term. But with around 3,100 employees, it is still necessary to

recruit several hundred new employees every year. The majority of the Group's activities are in geographical areas with a stable labour market and satisfactory availability of qualified personnel. At a time of great social change, the requirements for expertise also change. In order to further develop the Group's overall expertise, Moelven pursues an aggressive recruitment and development policy.

**An organisation capable of change.** Although Moelven's operations are focused on Scandinavia, the Group's activities are also influenced by international and economic trends, as we live in an open, international economy.

One of the aims of the Group's human resources policy is, therefore, to develop an organisation capable of change – with expertise, motivation and efficiency comparable to the best international – which focuses on continuous improvement and long-term profitability. This is an ambitious and demanding goal, setting great demands on the organisation and requiring concrete measures to be taken.

**Business culture and values.** Moelven's operations have a result-oriented business culture, and this culture and the values that it is based on primarily are interest in its employees. The Group considers the company's values and the result-oriented business culture to be important guidelines for how we work, and believes that this makes them a useful and cost-effective supplement to more formal

management systems. The following are Moelven's four central values, which form the core of the result-oriented business culture:

- A focus on results
- Willingness to take responsibility
- Respect for your colleagues
- Honesty and openness

**"The Moelven School"**. At the initiative of the Moelven Group, and in co-operation with the Norwegian College of Building, a training programme was set up last autumn for the operators in the Group's Norwegian industrial operations. Through the "Moelven School", the operators will be able to further develop their skills and "top up" their technical knowledge, thus enhancing their personal development and career opportunities. Operators with technical skills are a pre-requisite

Since this management development programme started, 200 of the Group's Scandinavian managers and middle-managers have participated together with managers from other companies in Eastern Norway.

**Trainee programme.** Since 1998 Moelven has, through its co-operation with Vikinglauget ("The Viking Guild") – which Moelven initiated in 1993 – participated in a joint trainee programme in the Hamar region. The aim is to recruit young people with higher education to the region's companies, thus contributing towards local growth and development. The trainee programme, which lasts two years, has become a popular educational opportunity. A number of trainees have been employed by the Moelven Group after completing the programme.

the employees are the primary representatives of this culture and its values



Operators from different Moelven companies receive further development at the "Moelven School".

for achieving results in an industrial group like Moelven. Courses at the "Moelven school" run over two years – while the student is still at work – and provide credits towards the Norwegian further education system. We are working on establishing a similar system for the employees in Moelven's Swedish operations.

**Management development programme.** Eight years ago, in order to ensure that the company's managers continued to develop their skills, Moelven took the initiative for the management development programme "Mjøskompetanse". It is run in co-operation with other companies in south-eastern Norway. The programme's content is based on individuals' experience and their work, and aims to help them increase their ability to achieve results in collaboration with others. The course involves 4-6 gatherings, each lasting from three to five days.

**Pensions and insurances.** In addition to the statutory Norwegian and Swedish pension and insurance schemes, Moelven has entered into agreements for supplementary pensions and personal insurances. It is important to Moelven that the employees and their families feel secure about their financial situation, even if they become unable to continue their employment. Coverage depends on the country, length of employment, age, salary and certain other conditions.

**Absenteeism due to illness.** Over the last year there has been a concerted effort to reduce absenteeism due to illness. This effort includes both changing attitudes and preventive measures (with regard to physical and psychological issues at the workplace) and removing physical tasks that are particularly strenuous.



**Moelven** **Environment**. Systematic reviews are conducted on a regular basis at

Per Ivar Pedersen is the HES Director (Health, Environment and Safety) of the Moelven Group. One of his tasks is to conduct a systematic review of Group operations with the objective of clarifying safety and risk exposures and environmental issues for individual companies. Based on the analyses made, action plans are established for both procedures and concrete measures to minimise risk of injury. The risk analyses are performed in accordance with provisions of the Norwegian Workplace Environment Act [Arbeidsmiljøloven] governing systematic health, environmental and safety measures (IC – provision) and requirements of Næringslivet's Sikkerhetsorganisasjon.

In Moelven's decentralised company structure, responsibility for performing risk analyses lies with the individual companies, but the Group's HES Director has a central role as guide, facilitator and implementer for the companies.



the companies in order to map risk exposures relating to environmental matters

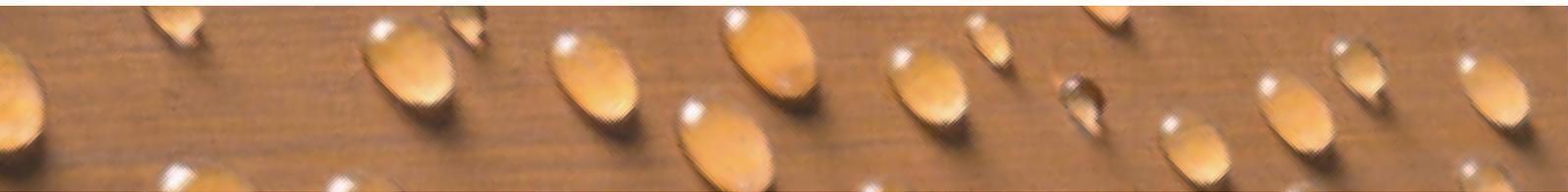
Moelven essentially uses nature's own raw material: renewable timber. Moelven's products are based mainly on timber in the form of pine and spruce from large forests in Norway and Sweden. This yields great benefits that are environmentally friendly. Timber has a minimal need for energy during the production process and the energy used is nature's own. In contrast to alternative building materials such as steel, aluminium and concrete, timber is based on a renewable resource and is also 100 per cent recyclable. The society of today demands emphasis on increased environmentally friendly choices of raw materials and production. International agreements and certification organisations are given increasing power to make sure that environmental issues are addressed. Moelven is taking an active part in this trend within its product areas.

emissions and require minimal use of spackling, cutting, polishing and painting at the building site.

The use of one of the products from the sawmill business, industrial chips, has steadily increased. This is due to the expansion of district heating plants that use bio-energy, where industrial chips and briquettes play an important role. District heating plants produce energy and are used in heating houses and larger public buildings. The group's own heating plant also uses industrial chips as a raw material.

**Environmentally Certified Timber (PEFC).** PEFC (Pan European Forest Certification) is a European certification program based on standards developed by environmental protection organisations and the forestry industry. All of Moelven's sawmills in Nor-

## Moelven**Environment.** Moelven's products are primarily based on nature's own



**Environmental Impact from the Use of Raw Materials.** In such a context, Moelven enjoys an advantageous position, because the group's industrial production is essentially based on the use of timber. Leftover bark from cut logs is used as biomass, landscaping bark or soil improvement material. Moelven's processing companies and laminated timber factories purchase most of their raw materials from the Group's own environmentally certified sawmills. Timber is also an essential part of the finished products of the Modular Buildings division.

Laminated timber is a very environmentally friendly building material. Per cubic meter, laminated timber contains approximately 430 kg of timber and approximately 6 kg of glue. Moelven's Modular Building and System Interiors companies stand for efficient building design with respect to the environment and natural resources, where the recycling idea is central. Order based industrial factory production that utilises source sorting generates minimal waste and little residual material.

The System Interiors operations use factory treated surfaces and finished materials, which reduce gas

way were PEFC certified in 2001 according to the so-called "chain of custody" and, in 2002, several of Moelven's Swedish sawmills were also certified. The purpose of PEFC certification is to address environmental issues in the forestry business and ensure that forest resources are managed in a sustainable and environmentally responsible way.

The PEFC chain of custody certificate means that if at least 70 per cent of the timber at a sawmill has been delivered by certified suppliers, the sawmill may add an environmental label to its finished products. In order for the sawmill to be PEFC certified, internal procedures must be in place to ensure that established procedures are followed throughout the chain of production – from the cutting of logs to production, packaging and delivery to the customer. In this way, the sawmill is one link in the chain from the forest to the finished product. The certification itself is based on independent, third party certification.

**Recycling.** To address environmental issues in the best possible way, it is important that the products can be reused several times. Moelven has paid special attention to this issue, especially with

respect to Modular Buildings and System Interiors. Modular-based buildings are flexible in their use with good possibilities for remodelling or moving when needs change. The same flexibility that characterises the modular products also applies to Moelven's interior products. When needs change, the products can easily be adapted to new circumstances and requirements, which ensures reuse instead of tearing down and disposal. Moelven's goal is to be able to recycle 100 per cent of its raw materials. We practice source sorting and have entered into agreements with suppliers for necessary return arrangements. This creates a win-win situation for both the environment and the company.

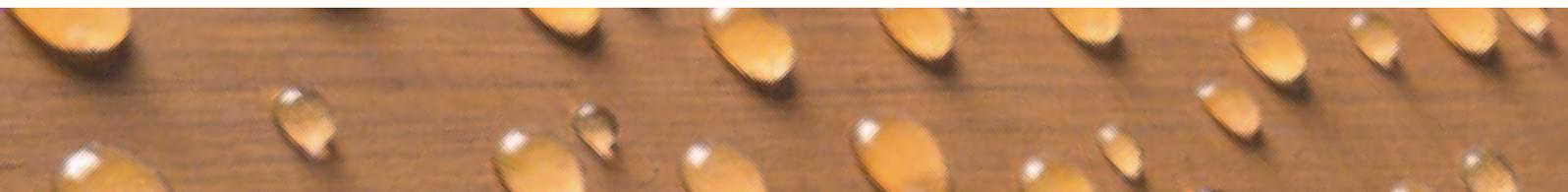
**Transportation.** In the area of transportation and logistics, Moelven is focusing on the following:

During this work, great emphasis is placed on attitude and motivation, and systematic work is being performed to motivate group employees to actively work to prevent damage. The goal is to make damage prevention a part of the daily job and to "run in the veins" of employees. Several of Moelven's businesses have well established specifications for industrial protection and required procedures to ensure safe production.

**Energy Consumption.** Thermal energy is used for drying wood products and heating offices, and is generated by burning of bark and chips in biomass plants. The plants satisfy licensing terms and applicable requirements for emissions.

Moelven is engaged in the technological development of bio-energy and energy efficiency to

## raw materials: Renewable spruce and pine from Norwegian and Swedish forests



- Because vehicle transportation will continue to be the most important type of transportation for the Group, Moelven will work actively to increase utilisation per vehicle by reducing driving without a load.
- Through co-ordination of movement of goods and strategic co-operation with other transportation buyers, the burden on the environment can be reduced.
- Use of the railroad and boats, where possible, from the companies' location and customer structure.
- Strengthening know-how and efforts in this area.

**Environmental Impact from Operations.** Moelven has placed more focus on injury preventing efforts. All companies within the Group shall perform so-called risk analyses. These are performed in accordance with provisions of the Workplace Environment Act (Arbeidsmiljøloven) governing systematic health, environmental and safety measures (IC-provision) and requirements of the NSO (Norwegian Industrial Safety and Security Organisation). The individual companies are responsible for conducting risk analyses, but the group's HES Director has a central role as guide, facilitator and implementer for the companies.

promote positive effects on the environment and improve finances.

**Trash.** Practically speaking, 100 per cent of the bark is used as biomass, landscaping bark and soil improvement material. Ashes and soot are delivered to approved landfills. Waste oil and chemicals are treated according to return agreements with approved sanitation companies or receivers. Plastic, metal and packaging is sorted and goes to recovery in accordance with established arrangements.

Moelven's module and system interior companies utilise order based industrial factory production with source sorting that results in minimal waste and very little residual material. The System Interiors operations use factory-treated surfaces and finished materials that reduce gas emissions and require minimal use of spackling, cutting, polishing and painting at the building site.

**Noise, Dust and Drainage.** The three most important causes of noise associated with Moelven's business are processing logs, operating fan systems and movement by rolling transportation material. From some of the facilities, which are close to other built

dings, this has entailed taking special measures to reduce noise.

Processing the chips creates dust. Individual facilities have implemented special measures to reduce the spread of dust.

Drainage of water from timber storage can cause algae growth in nearby river systems. Recycling the water and climate controls of sprinkler systems are important measures to counteract this drainage.

**Health, Environment and Safety (HES).** Out of a total number of 2922 man-years, the Group had a total number of absences due to illness of 51401 whole days during the year 2002. This corresponds to 7.21 per cent. The number of reported work accidents with personal injuries is 115, of which 88 are injuri-

This means that the companies, starting from the first sick day, are following a program for follow-up of absence due to illness.

The psychological work environment is also important to reduce absence due to illness. A work environment characterised by contentment and good relationships among the employees results in lower rates of absence. It is therefore important to continually focus on contentment factors and take measures where necessary to improve the working environment.

Moelven's goal is zero injuries to personnel. If injuries happen, the causes must be identified and measures taken. Training of personnel in safety and safety procedures will continue to be given a high priority. At the same time, the reporting of near-

es and absences. This results in an H value of 17.41 (number of absence injuries per million work hours).

High average age and increasing muscle and skeletal ailments are important reasons for absence. This means the preventive effort is generally important. During the last year the focus has been on analysing the reasons for absence due to illness in order to reduce the rate of absenteeism. This resulted in concrete measures in the form of both attitude-raising campaigns and special action plans. In some of the group's businesses, employees are offered a program to prevent muscle and skeletal ailments. Several of the group's businesses in Norway have launched an HES project in co-operation with the governmental insurance office in line with an agreement between LO, NHO and the government and have received status as so-called IA companies.

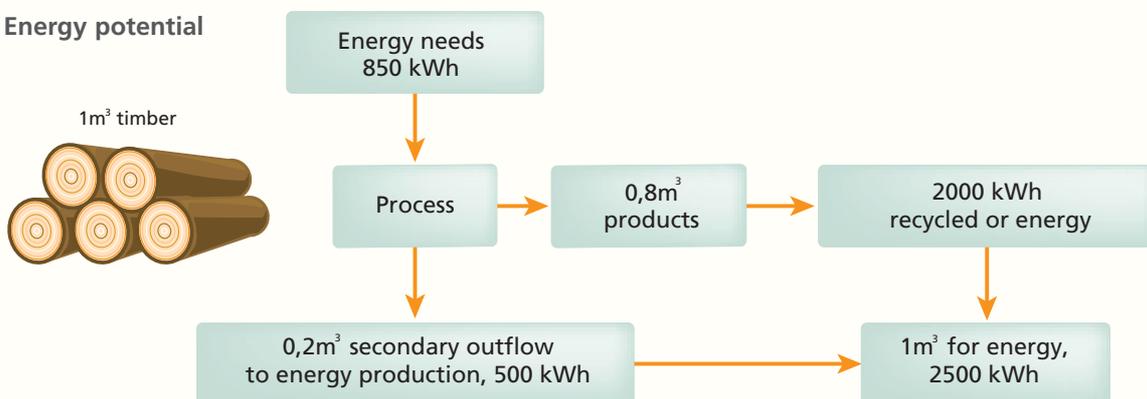
## MoelvenEnvironment. Wood is a naturally

accidents will also contribute to preventing dangerous situations and dangerous actions.

**Environmental Impact from the Use of Products, Carbon Binding.** A "normal" wooden house requires approximately 50 m<sup>3</sup> of timber. This quantity of timber binds approximately 15 tons of carbon that otherwise would have been released through decomposition in the forest or when burned. Wooden houses in principle have an equal lifetime to that of a tree in the forest – about 100 years. This illustrates that timber used in buildings or for other purposes counteracts global warming.

**Life Cycle.** Timber is a natural, renewable resource with a positive impact on the environment when reused for new purposes or recovery by using scrap

Fig.: Energy potential





## renewable resource, which is easily recycled or reused

timber for energy production or recycling through biological breakdown in the soil.

Moelven's module and interior companies stand for efficient building design with a central recycling idea because of extensive reuse of the products.

**Energy Potential.** If wood products are used for energy purposes after completed use in the primary areas, the latter energy potential will be released. Total released energy will be 1650 kwh (2500 – 850 kwh), which corresponds to one month of consumption for one household with an annual consumption of 20,000 kwh.

The figure shown illustrates that there is an energy potential corresponding to 1650 kwh associated with each cubic metre of timber.

**Special Products.** Production of products that are pressure impregnated with CCA (heavy metals) has been stopped in Norway. Moelven has developed alternative products without the same negative environmental impact. Moelven Wood's production facility at Hønefoss, which produces impregnated lumber, is also now taking advantage of heavy metal-free wood protection (HMF) after the Norwegian Ministry of the Environment established the ban on CCA impregnated timber in September 2001. This provision took effect on January 1, 2002. The company is the only one in Norway that is using HMF impregnation. In addition, Moelven is producing pressure-impreg-

nated lumber that is impregnated with copper and is approved in accordance with the regulation of the Ministry of the Environment. The alternative products are not considered special trash and can be used in several areas.

A new type of surface treatment for pine floors based on environmentally friendly plant oils was launched on the market last summer/fall. Moelven Wood was the first to use it and has a production line for this new surface treatment for pine floors. The product has a new type of surface that is treated with environmentally friendly plant oils and wax. With the help of special tempering, the floor will be more surface resistant against dirt and wear. At the same time, the proximity to wood is maintained.

**Packaging.** Every year Moelven consumes approximately 7 million m<sup>2</sup> of packaging material, weighing 600 tons. The Moelven Timber Group consumes 6.5 million m<sup>2</sup> and the Moelven Building Group 0.5 million m<sup>2</sup>. The product packaging that Moelven uses has characteristics that ensure recycling and recovery. Over 90 per cent of the packaging is recycled foil that is collected and produced in Norway. The remaining packaging is paper-based. For Furu-gulvet®, Moelven has contributed to the development of packaging cardboard that can be used as substrate cardboard. "The World Packing Organisation" gave Moelven the "World Star" designation in the category of "household products" for this type of packaging.

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