

Interim report 4/99

*Report of the Board of Directors for the 4th
Quarter 1999 and Preliminary results for 1999*

Profit and Loss Account				The Group		
(Amount in NOK mill.)	4 th Quarter			Total		
	1999	1998	1997	1999	1998*	1997
Operating revenues	958.7	802.2	581.0	3,525.7	3,027.3	2,377.5
Depreciation	27.7	27.1	19.3	110.1	93.0	71.7
Cost of goods	602.0	505.4	348.0	2,230.7	1,909.1	1,422.0
Operating cost	297.1	255.0	188.6	1,095.4	972.5	758.4
Operating profit/loss	31.9	14.7	25.1	89.5	52.7	125.4
Share of profit/loss in associated companies	0.0	2.7	45.3	0.0	3.7	44.8
Interest and other financial income	4.5	14.3	4.9	21.0	26.2	19.6
Interest and other financial expenses	-13.0	-9.6	-12.0	-64.1	-59.8	-52.0
Pre-tax profit/loss	23.4	22.1	63.3	46.4	22.8	137.8
Taxes - not payable	3.3	3.7	5.8	13.0	6.4	38.6
Minority interests	-0.7	0.2	0.0	-0.1	0.2	0.0
Net profit/loss	19.4	18.6	57.5	33.3	16.6	99.2

Comparative figures for 1998 and 1997 have been adjusted to account for transactions that would have influenced the profit and balance statement in relation to the new Accounting Law of 1999. The annual result for 1988 has been adjusted to account for exchange gains of NOK 6 million, which had not been posted at 31.12.98 in compliance with the earlier accounting law. Other changes in the size of the Group's figures are due to the inclusion in the balance of a deferred tax benefit of NOK 45 million at 31.12.98.

*) Including Westwood AB (Group) and Notnäs AB from 1 May 1998.

Pro-forma, as if Westwood AB (Group) and Notnäs AB had belonged to the Group in 1998 and 1997.

Operating revenues	959	802	891	3,526	3,341	3,389
Depreciation (Depreciation of goodwill is not included)	28	13	37	110	94	106
Operating cost	899	774	814	3,326	3,221	3,163
Operating profit/loss	32	15	40	90	26	120
Net operating margin (in %)	3.3%	1.9%	4.5%	2.6%	0.8%	3.5%
Gross operating margin (in %)	6.3%	3.5%	8.6%	5.7%	3.6%	6.7%

Balance Sheet				31.12		
				1999	1998	1997
Intangible assets				65.7	59.0	51.4
Tangible assets				751.4	762.8	438.2
Financial assets				127.3	110.3	92.1
Fixed assets				944.4	932.1	581.7
Stocks				537.0	501.3	361.7
Receivables and deposits				449.6	463.5	292.8
Current assets				986.6	964.8	654.5
Total assets				1,931.0	1,896.9	1,236.2
Share capital (92.642.384 shares of NOK 5.00)				463.2	463.2	356.7
Other equity and reserves				169.9	166.6	82.2
Total equity and reserves				633.1	629.8	438.9
Long-term liabilities				731.9	739.4	441.3
Current liabilities				566.0	527.7	356.0
Total liabilities				1,297.9	1,267.1	797.3
Total liabilities and share capital and reserves				1,931.0	1,896.9	1,236.2
Net interest bearing debt				681	675	380
Capital employed				1,314	1,305	819
Working capital				609	547	404

Key Figures				4 th Quarter			Total		
				1999	1998	1997	1999	1998*	1997
Net operating margin (in %)				3.3%	1.8%	4.3%	2.5%	1.7%	5.3%
Gross operating margin (in %)				6.2%	5.2%	7.6%	5.7%	4.8%	8.3%
Return on capital employed (in %)				9.7%	9.0%	12.8%	6.8%	5.0%	16.3%
Earnings per share (in NOK)				0.21	0.21	0.82	0.36	0.19	1.40
Cash flow per share (in NOK)				0.52	0.51	1.15	1.67	1.33	2.95
Investments in fixed assets, excl. acquisition (NOK mill.)				27	35	36	66	104	104
Equity ratio (in %)				-	-	-	32.8%	33.2%	35.5%
Total operating revenue outside Scandinavia (in %)				-	-	-	35%	32%	32%
Number of employees				-	-	-	2,404	2,298	1,759
Number of shareholders				-	-	-	4,369	4,548	4,065
Average number of shares				92 642 384	85 630 678	70 744 380	92 642 384	85 630 678	70 744 380

- Improved sales in all divisions and better profit margin for Group overall.
- Best result ever for Construction & Contracting and Interior Layout divisions.
- Timber Industry Division is not showing satisfactory profitability. Forestia's integration with the Moelven Group provides the basis for improved profitability in the future.
- The need for only modest investments will mean a good cash flow.
- Board proposes to pay out a dividend of NOK 0.25.

THE GROUP

Operating revenues increased in all business areas, and the Construction & Contracting and Interior Layout divisions posted their best results ever. Structural changes

made in the Laminated Timber Division have also contributed to the positive results, and Forestia's integration into Moelven has laid the basis for the same kind of profit development in the Timber Industry division. The general modest need for investments will allow for a solid cash flow, and this – combined with the company's general solid financial situation – will give the Group a great deal of flexibility with respect to future decisions. The board proposes to pay a dividend of NOK 0.25 per share.

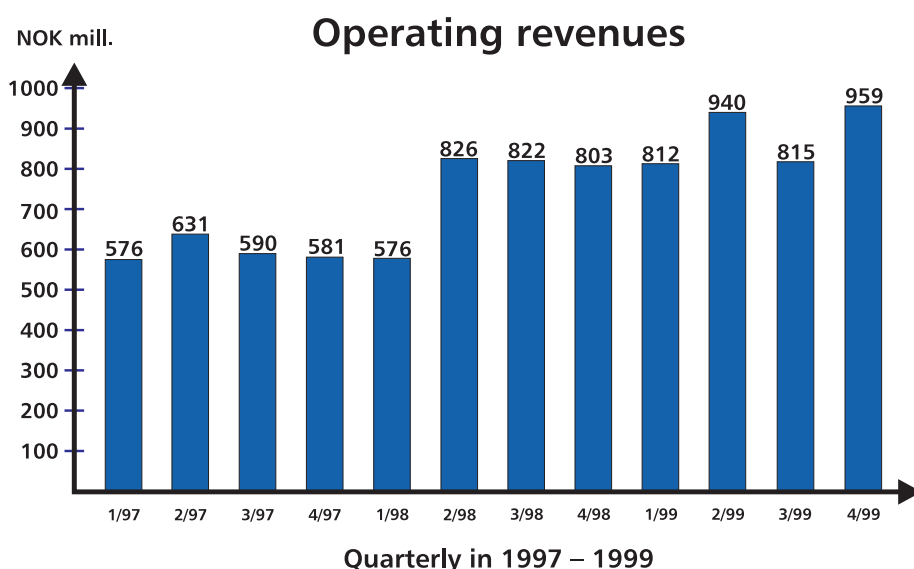
Operating revenues and results

The operating revenues in 1999 amounted to NOK 3525.7 million (compared to NOK 3027.3 million in 1998). The operating profit totalled NOK 89.5 million (52.7) – NOK 37 million more than at the same time last year. Compared with the proforma figures – in which Westwood and Notnäs are included in the overall 1998 figures – operating rev-

*) Including Westwood AB (Group) and Notnäs AB from 1 May 1998.

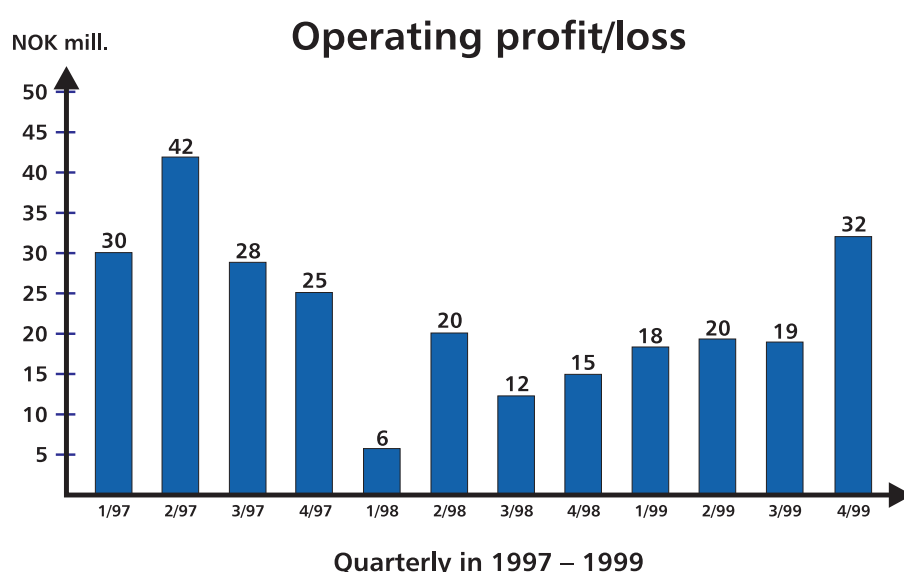
Group's business areas						
(Amount in NOK mill.)	4 th Quarter			Total		
Operating revenues	1999	1998*	1997	1999	1998*	1997
EuroTimber - sawmill	409.5	413.0	279.8	1,568.0	1,309.0	1,043.3
EuroWood - timber process.	161.4	168.2	71.1	620.4	547.4	347.1
Interior Layout	171.7	129.5	122.0	526.0	476.9	417.7
Laminated Timber	151.6	103.4	91.2	530.8	434.6	421.9
Construct. and Contracting	151.0	158.1	79.3	561.6	557.2	343.5
Other, incl. the Parent Comp.	23.2	23.5	9.5	77.8	79.2	39.7
- internal operating revenues	-109.7	-193.5	-71.9	-358.9	-377.0	-235.7
Total - Group	958.7	802.2	581.0	3,525.7	3,027.3	2,377.5
Operating profit/loss						
EuroTimber - sawmill	6.7	3.5	5.4	3.8	4.5	66.4
EuroWood - timber process.	2.7	3.8	3.8	13.4	15.0	11.4
Interior Layout	19.1	16.4	16.6	45.5	42.1	37.2
Laminated Timber	0.8	3.7	2.9	7.2	-0.4	5.3
Construct. and Contracting	7.4	2.9	4.1	42.6	19.2	22.9
Other, incl. the Parent Comp.	-4.8	-15.6	-7.7	-23.0	-27.7	-17.8
Total - Group	31.9	14.7	25.1	89.5	52.7	125.4

Pro-forma, as if Westwood AB (Group) and Notnäs AB had belonged to the Group in 1998 and 1997.						
	4 th Quarter			Total		
Operating revenues	1999	1998	1997	1999	1998	1997
EuroTimber - sawmill	409	413	338	1,568	1,519	1,556
EuroWood - timber process.	161	168	140	620	652	667
Other business areas	389	221	413	1,338	1,170	1,166
Total - Group	959	802	891	3,526	3,341	3,389
Operating profit/loss (Depreciation of goodwill is not included)						
EuroTimber - sawmill	7	4	9	4	-14	60
EuroWood - timber process.	3	4	2	13	17	12
Other business areas	22	7	29	73	23	48
Total - Group	32	15	40	90	26	120



enues increased by NOK 185 million and operating profit showed an improvement of some NOK 64 million. Net financial costs amounted to NOK 43.1 million (33.6) and ordinary pretax profit totalled NOK 46.4 million (22.8). Taxes on ordinary profit are estimated to total NOK 13.0 million, but the actual payable tax will be just under NOK 2 million. The end result after subtracting estimated taxes payable and minority interests ends up at NOK 0.36 (0.19) per share. The cash flow per share is NOK 1.67 (1.33).

Operating revenues for the fourth quarter were NOK 958.7 million (802.2) and operating profit was NOK 31.9 million (14.7). Net financial costs were NOK 8.5 million (-4.7) and ordinary pretax profit was NOK 23.4 million (22.1).



Financial position

Capital employed at the end of the year amounted to NOK 1314 million (1305). Compared to the figures for the previous year, NOK 60 million of the increase is due to adaptations to the new accounting regulations which are now in effect. In the course of the fourth quarter this year, working capital was reduced by NOK 35 million. The decrease is typical for this time of year. Profitability on working capital was 6.8% (5.0).

Net interest-bearing debt totalled NOK 681 million (675) and has been reduced by NOK 89 million during the fourth quarter. The liquidity reserve - including unutilised drawing rights - was NOK 408 million (381). The cash flow was NOK 154.4 million (114.0). Investments in fixed assets during the same period totalled NOK 66 million (104).

The Group's equity totalled NOK 633.1 million (629.8). This corresponds to an equity ratio of 32.8% (33.2). Per share the equity amounts to NOK 6.83 (6.80).

Cash Flow Statement

(Amount in NOK mill.)	Total		
	1999	1998	1997
Net cash flow from operations	96.5	78.8	98.9
Cash flow from/to investments	-77.8	-105.1	-110.7
Cash flow from/to financing	-22.8	49.9	-54.3
Net cash flow for the period	-4.1	23.6	-66.1
Liquid funds	32.1	36.2	12.6
Unutilized drawing rights	376.0	345.0	150.0
Available liquid funds	408.1	381.2	162.6

Additional net investments as a result of acquisitions and sales:

Current assets	15.2	386.0	12.2
Fixed assets	5.9	335.1	31.5
Liquid funds	2.4	2.8	1.9
Total assets	23.5	723.9	45.6
Share capital and reserves	4.7	225.0	9.5
Interest bearing debt	14.1	338.1	10.9
Interest free debt	4.7	160.8	25.2
Total balance	23.5	723.9	45.6

DIVISIONS Timber Industry Division

In addition to the focus on operations at the existing plants in Sweden and Norway, in 1999 a great deal of work concentrated on implementing structural changes. Toward the end of the year, this led to an agreement regarding the integration into Moelven of the timber business activities at Forestia AS (formerly a subsidiary of Norske Skogindustrier ASA). The operating revenues in this division will increase by some 70%. The board sees this move as a significant step in improving the division's competitiveness and future profitability. In Sweden, Moelven joined together with the Swedish timber

1999: Acquisition of Splitkon AS and Agder Limtre AS and sale of Byggsystem AS.

1998: Acquisition of Westwood AB (Group) and Notnäs AB.

1997: Acquisition of Westwood Byggsystem AB and Byggsystem AS.

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industry groups Bergkvist-Insjön AS and Karl Hedin AB to establish the raw material supplier Weda Skog AB. The idea behind this move was to establish a company that can ensure a long-term and efficient supply of raw materials for all three groups. Up until now many of the deliveries of supplies to the various companies have been unnecessarily inefficient, resulting, for example, in excessive transport costs for the respective companies. The new company will annually purchase about three million cubic metres of timber for a total value of about SEK 1.5 billion.

Sawmills - EuroTimber

The market this year has been characterised by weak demand, particularly for pine products. In the second half of the year, however, prices for spruce products did show a slight improvement. Restructuring efforts after the acquisition of Westwood and Notnäs have been highly prioritised and was to a large extent completed by the end of the year. Operating revenues in 1999 were NOK 1568.0 million (1309.0) and operating profit was NOK 3.8 million (4.5). Compared with the proforma figures for the same period last year – in which the businesses Westwood and Notnäs are included, sales increased by 49 million and operating profit showed a gain of NOK 18 million. Operating revenues for the fourth quarter amounted to NOK 409.5 million (413.0) and operating profit totalled NOK 6.7 million (3.5). We anticipate a slight increase in prices in the first quarter this year, and margins are better now than during the start of 1999.

Processing - EuroWood

The processing companies have had a relatively stable year. Market conditions in Sweden have improved, while competition in the German market has increased. Operating revenues in 1999 were NOK 620.4 million (547.4) and operating profit was NOK 13.4 million (15.0). Compared with the proforma figures for the same period last year – in which the companies Westwood and Notnäs are included, there was a slight reduction in turnover, even though this did not have a negative effect on the results. In the fourth quarter, operating revenues were NOK 161.4 million (168.2) and operating profit totalled NOK 2.7 million (3.8). For most of the processing companies, we do not anticipate any major changes in market conditions.

Laminated Timber

The Laminated Timber Division posted a positive gain compared to the previous year. This is due in large part to the structural measures that have been implemented. Demand in the Japanese and Swedish markets have improved during the year. In Germany demand is strong, while the price level remains low. Operating revenues in 1999 were NOK 530.8 million (434.6); this figure included 100% of the business activities in Norway and Sweden, and 40% of the business activities in Limtræ Danmark AS. Accumulated operating profit totalled NOK 7.2 million (-0.4). In the fourth quarter, operating revenues totalled NOK 151.6 million (103.4) and operating profit was NOK 0.8 million (3.7). The primary reason for the lower profit compared to the same period last year was the relatively large share of production for the German market, in addition to the slightly poorer result for Limtræ Danmark AS. We anticipate an improvement in profitability this year.

Construction & Contracting

Demand for new buildings in the Swedish market increased in 1999, while the Norwegian market remained at the same level as last year. The share of modules delivered to buildings such as schools and hotels increased, while deliveries to accommodation units in the contracting sector were down slightly. Operating revenues in 1999 amounted to NOK 561.6 million (557.2) and operating profit totalled NOK 42.6 million (19.2). In the fourth quarter, operating revenues were NOK 151.0 million (158.1) and operating profit was NOK 7.4 million (2.9). Orders on book for most of the companies in this business area are at about the same level as at the end of 1998. We anticipate continued growth in the Swedish market for new buildings and a stable or slightly sinking demand in the Norwegian market.

Interior Layout

The demand in the Swedish market for interior layout products has had a positive development in 1999, particularly in the market for new buildings; this has been somewhat offset by a slight decrease in demand in the Norwegian market for new buildings. A significant share of the deliveries still go to the refurbishment market, which has shown stable growth both in Norway and Sweden. Operating revenues in 1999 were NOK 526.0 million (476.9) and operating profit was NOK 45.5 million (42.1). For the fourth quarter operating revenues were NOK 171.7 million (129.5) and operating profit amounted to NOK 19.1 million (16.4). Orders on book at the end of the year were at the same level as at the end of 1998.

Other businesses

Operating revenues in 1999 were NOK 77.8 million (79.2) and the operating result - including the parent company - totalled NOK -23.0 million (-27.7). For the fourth quarter, operating revenues totalled NOK 23.2 million (23.5) and the operating result was NOK -4.8 million (-15.6). In addition to the Group's parent company, this business area includes the companies Moelven FireGuard AS, Moelven Nor East AS, as well as a number of other smaller businesses.

Outlook

The board expects a relatively solid level of activity this year for the Group overall, with slight differences between the various business areas. The Construction & Contracting and Interior Layout divisions can expect a somewhat weaker demand in the market for new buildings in Norway, while the prospects for the Swedish market and for the refurbishment market in general is promising. The Laminated Timber companies are enjoying solid demand from the Japanese market, and we anticipate that this will improve the situation somewhat for the European laminated timber market. There still remains however a great deal of work to be done rationalising operations within and among the various wood working companies. The positive effect on profit margins from the measures implemented should come gradually.

For the Group overall, the board expects a better year-end result for 2000 compared to 1999.

Sokna, 16 February 2000

Board of Directors of Moelven Industrier ASA

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Moelven Industrier ASA is a Norwegian manufacturing company listed on the Oslo Stock Exchange. After the acquisition of the wood-processing activities in Forestia AS – with effect as of 1 February 2000, the Moelven group will have in all 3,200 employees and a total annual turnover of NOK 4.8 billion.

Moelven organises its business activities in four business divisions: Sawmills (sawmills in both Sweden and Norway) and Timber Processing; Interior Layout; Laminated Timber; and Construction & Contracting.

The group's businesses are predominately based in Norway and Sweden.