

# Interim report 3/97

*Summary from the Report of the Board  
of Directors for the third four-month period  
of 1997*



**MOELVEN**

# Interim Annual Accounts 1997

## Profit and Loss Account

Moelven Industrier ASA		(Amount in NOK mill.)	Konsernet	
1996	1997		1997	1996
0.0	0.0	External turnover	2,335.9	2,152.1
18.6	21.1	Other operating revenues	43.9	44.1
18.6	21.1	Total operating revenues	2,379.8	2,196.2
22.6	25.0	Operating costs	2,182.7	2,062.8
3.7	3.6	Ordinary depreciation	71.9	71.4
26.3	28.6	Total operating costs	2,254.6	2,134.2
-7.7	-7.5	Operating profit/loss	125.2	62.0
3.2	47.8	Share of profit/loss in associated companies	45.3	2.8
-3.5	-3.6	Financial items	-32.7	-35.6
-8.0	36.7	Pre-tax profit/loss	137.8	29.2
0.0	0.0	Taxes	-7.6	-0.5
-8.0	36.7	Net profit/loss	130.2	28.7

## Balance Sheet

1996	1997	(Amount in NOK mill.)	1997	1996
23.3	14.0	Current assets	657.7	627.3
555.9	445.5	Financial investments	110.5	106.6
31.9	31.0	Fixed assets	435.8	397.8
611.1	490.5	Total assets	1,204.0	1,131.7
175.3	23.0	Current liabilities	389.2	409.3
116.0	54.3	Long-term liabilities	394.3	423.2
291.3	77.3	Total liabilities	783.5	832.5
352.7	356.7	Share capital (71,344,569 shares of NOK 5.00)	356.7	352.7
-32.9	56.5	Other share capital and reserves	63.8	-53.5
319.8	413.2	Total share capital and reserves	420.5	299.2
611.1	490.5	Total liabilities and share capital and reserves	1,204.0	1,131.7
-155.0	-62.0	Net interest-bearing debt	-380.0	-410.0

## Key Figures

	1997	1996
Net operating margin (in %)	5.3%	2.8%
Gross operating margin (in %)	8.3%	6.1%
Return on equity (in %)	16.4%	7.3%
Earnings per share (in NOK)	1.84	0.41
Investments in fixed assets (NOK mill.)	112.6	92.0
Equity ratio (in %)	34.9%	26.4%
Total turnover outside Norway (NOK mill.)	1,360.0	1,295.0
Exports from Norwegian companies (NOK mill.)	240.0	260.0
Number of employees	1,759	1,640
Number of shareholders	4,013	3,567

# Summary from the Boards' report

## Results for the 3rd four- month period and interim accounts for 1997

The group's operating income for the third four month period, from September to December 1997, was NOK 853 million. The figure for the same period in 1996 was NOK 875 million. Operating profit for the four months was approximately NOK 44 million, compared with NOK 41 million the previous year.

Net profit after interest payments was approximately NOK 81 million, compared with NOK 28 million for the corresponding period in 1996.

The group's income figures for the September-December period include NOK 45 million from the sale of Moelven's shareholding in Byggeland KS. About 10% of this sales income has been set aside until the final guarantee period expires in April. Net profit for the four months, excluding gains on asset sales, was therefore NOK 36 million, an improvement of 28% on the 1996 figure. Considering the market conditions for the Timber Industry division and Laminated Timber division in late 1997, the group's performance over the four months was satisfactory.

The Interior Layout division and the Construction and Contracting division ended the year in good shape.

## 1997 as a whole

The group's performance over the year as a whole was the best ever. Consolidated operating income for 1997 was NOK 2,380 million, an increase of 8% on the 1996 figure of NOK 2,196 million. Operating profit after depreciation was NOK 125 million, double the previous year's figure of NOK 62 million. Planned depreciation accounted for some NOK 72 million.

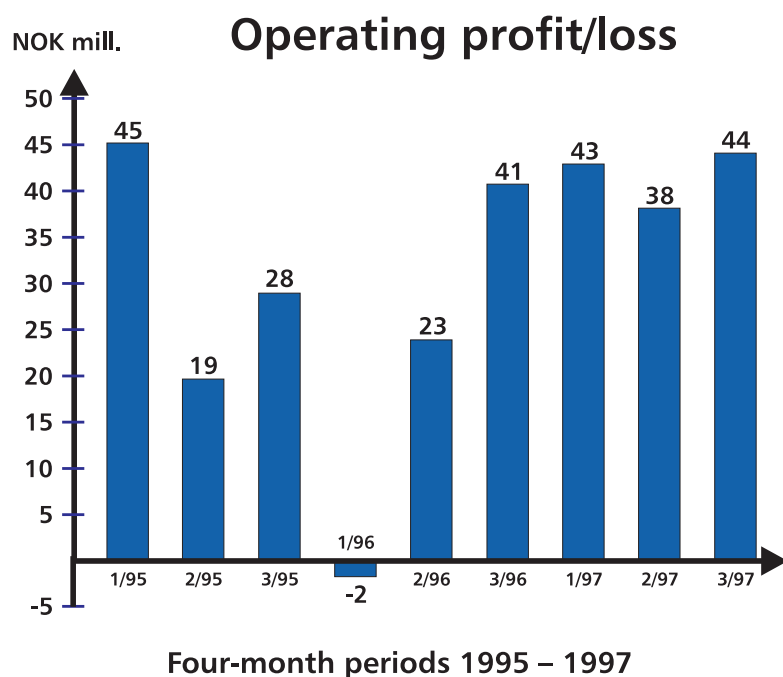
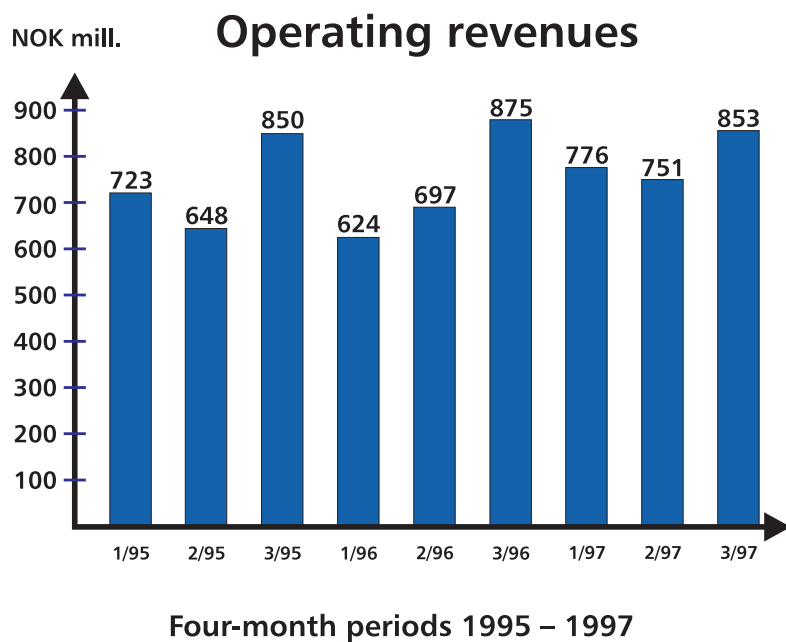
Net interest payable was NOK 33 million, and pre-tax profit for the year was NOK 138 million. Net profit excluding gains on asset sales was NOK 93 million. Pre-tax profit for 1996 was NOK 29 million.

The group reported operating profits in all business sectors in 1997, while net interest payable fell from NOK 36 million in 1996 to NOK 33 million.

Profit performance over the year was stable, the consolidated figures for each four-month period being fairly similar.

## The Group's business areas

(Amount in NOK mill.)	3rd four months		3rd four months	
<b>Operating revenues</b>	<b>1997</b>	<b>1996</b>	<b>1997</b>	<b>1996</b>
Timber Industry	428.3	411.2	1,253.2	1,076.8
Interior Layout	159.4	154.2	417.7	397.9
Laminated Timber	143.8	165.6	422.1	430.6
Construction and Contracting	143.3	158.8	340.5	342.7
Other, incl. the Parent Company	12.2	15.2	39.9	41.9
-internal operating revenues	-34.5	-29.8	-93.6	-93.7
<b>Total – Group</b>	<b>852.5</b>	<b>875.2</b>	<b>2,379.8</b>	<b>2,196.2</b>
<b>Operating profit/loss</b>				
Timber Industry	19.2	11.0	77.3	11.7
Interior Layout	19.3	15.6	37.2	25.0
Laminated Timber	3.8	7.9	5.4	15.6
Construction and Contracting	8.6	15.5	23.4	26.2
Other, incl. the Parent Company	-6.8	-9.1	-18.1	-16.5
<b>Total – Group</b>	<b>44.1</b>	<b>40.9</b>	<b>125.2</b>	<b>62.0</b>
<b>Pre-tax profit/loss</b>				
Timber Industry	17.8	6.9	69.0	0.7
Interior Layout	22.5	18.4	46.2	34.7
Laminated Timber	1.7	6.1	0.7	12.0
Construction and Contracting	7.4	15.9	21.2	26.1
Other, incl. the Parent Company	31.3	-19.2	0.7	-44.3
<b>Total – Group</b>	<b>80.7</b>	<b>28.1</b>	<b>137.8</b>	<b>29.2</b>



Cash Flow Statement for the Group		
(Amount in NOK mill.)		
	1997	1996
Net cash flow from operations	104.7	74.2
Cash flow from/to investments	-132.3	-78.2
Cash flow from/to financing	-38.5	-18.3
Net cash flow for the period	-66.1	-22.3
Liquid funds	12.6	78.7
Unutilized drawing rights	150.0	180.0
Available liquid funds	162.6	258.7

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

The processing companies within the Timber Industry division experienced normal profit margins throughout 1997, partly because the Norwegian market remained more buoyant than the European market. Given this market situation, the division's operating profit of NOK 19 million for the September-December period and NOK 77 million for the year was healthy.

The Interior Layout division reported stable, healthy profits, thanks to a high level of activity throughout the year. The division's operating profit of NOK 19 million for the four months from September to December was its best ever performance. Operating profit for the year as a whole was NOK 37 million.

In Sweden too the division performed well, though the considerable lack of activity in the Swedish market for commercial and industrial buildings continues to have an impact on turnover. This holds true for both new and refurbished buildings.

The performance of the Laminated Timber division in 1997 reflected the overcapacity that has developed in Europe over the past two years. The entire industry has been under pressure, and a weak market in Japan has only added to the problems. Several glulam manufacturers had increased their capacity to serve the rapidly expanding Japanese market, and reduced demand has now led to lower prices, both in Japan and in the large German market.

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

The Construction and Contracting division secured its strong position with a profit of NOK 23 million for the year. This figure takes account of development costs for Moelven TimberTech and investment in Russia, as well as the establishment of a new subsidiary, Moelven Hako Nord AS, in Kirkenes. The total cost of these projects was some NOK 5 million. Two further acquisitions were made in late 1997. The sister companies Byggsystem AB in Sweden and Byggsystem AS in Norway were

acquired from the Swedish company Westwood AB with effect from 1 December. These companies, which produce modules and building components, now form part of the division under the direction of Moelven Hako AS. The companies together form Scandinavia's largest module manufacturer.

The group's fixed and indirect costs not attributable to the operations of the business sectors stood at NOK 18 million, the same level as last year.

The cost of the group's R&D activities in 1997 totalled about NOK 12 million and was shared between the group and its divisions.

## Financial situation

At 31 December 1997, the group's balance-sheet total stood at NOK 1,204 million, an increase of some NOK 70 million on the previous year. The increase in total assets is explained by the addition of two companies to the group and the general increase in activity towards the end of the year.

The group enjoys a healthy cash position, and the balance-sheet total remains at 50% of total turnover, as required by the group. Net interest-bearing debt stood at NOK 380 million at the end of 1997, down some NOK 30 million from the same time in 1996.

Net interest-bearing debt were therefore equivalent to about 16% of operating income for the year, a reduction of two percentage points on the figure at the end of 1996. Capital expenditure on fixed assets and equipment, including the acquisition of Byggsystem AS and AB, totalled NOK 113 million in 1997.

The group's share capital and reserves after tax will be approximately NOK 420 million, an increase of NOK 120 million over the past year. The equity ratio will therefore be about 35%, an improvement of eight percentage points on 1996.

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

## Outlook

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

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

and demand in Japan. In the slightly longer term, there is reason to expect an improved balance between supply and demand in these markets.

The Interior Layout division and the Construction and Contracting division will maintain the same pace in 1998 as at the end of 1997.

Nordia AS and the companies in the Construction

and Contracting division have a total order backlog equivalent to 4-6 months' work, a marked improvement on previous years.

The group's financial position is healthy. The capital expenditure required by the subsidiaries in 1998 is less than the planned depreciation of approximately NOK 75 million.

Moelv, 27 January 1998

[The Board of Directors of Moelven Industrier ASA](#)