

# Interim report 3/96

*Summary from the Report of the  
Board of Directors for the third  
four-month period of 1996*

*Environment in practice.*

**MOELVEN**

# Interim Annual Accounts 1996

## Profit and Loss Account

Moelven Industrier ASA			The Group	
1995	1996		1996	1995
		(Amount in NOK mill.)		
0.0	0.0	External turnover	2,154.1	2,186.1
17.6	18.1	Other operating revenues	41.4	34.4
17.6	18.1	Total operating revenues	2,195.5	2,220.5
24.9	22.3	Operating costs	2,062.7	2,068.6
3.7	3.6	Ordinary depreciation	71.1	59.6
28.6	25.9	Total operating costs	2,133.8	2,128.2
-11.0	-7.8	Operating profit/loss	61.7	92.3
2.4	3.1	Share of profit/loss in associated companies	2.7	2.5
-20.4	-3.5	Financial items	-35.7	-48.8
-29.0	-8.2	Profit/loss before extraordinary items	28.7	46.0
-29.0	-8.2	Pre-tax profit/loss	28.7	46.0
0.0	0.0	Taxes	-0.5	-7.7
-29.0	-8.2	Net profit/loss	28.2	38.3

## Balance Sheet

1995	1996		1996	1995
46.6	11.9	Current assets	627.7	662.9
554.8	542.1	Financial investments	107.1	99.7
29.5	31.9	Fixed assets	397.9	385.8
630.9	585.9	Total assets	1,132.7	1,148.4
199.2	174.9	Current liabilities	384.0	486.9
133.3	95.9	Long-term liabilities	449.4	381.2
332.5	270.8	Total liabilities	833.4	868.1
352.7	352.7	Share capital (70,544,318 shares of NOK 5.00)	352.7	352.7
-54.3	-37.6	Other share capital and reserves	-53.4	-72.4
298.4	315.1	Total share capital and reserves	299.3	280.3
630.9	585.9	Total liabilities and share capital and reserves	1,132.7	1,148.4
-160.0	-155.0	Net interest-bearing debt	-410.0	-390.0

## Key Figures

	1996	1995
Net operating margin (in %)	2.8%	4.2%
Gross operating margin (in %)	6.0%	6.8%
Return on equity (in %)	7.4%	10.1%
Earnings per share (in NOK)	0.40	0.54
Investments in fixed assets (NOK mill.)	61.0	108.0
Equity ratio (in %)	26.4%	24.4%
Total turnover outside Norway (NOK mill.)	1,295.0	1,330.0
Exports from Norwegian companies (NOK mill.)	260.0	250.0
Number of employees	1,640	1,686
Number of shareholders	3,567	3,517

# Summary from the Boards' report

Summary from  
the Report of  
the Board of  
Directors for  
the 3rd four-  
month period  
of 1996

## Results for the 3rd four-month period and interim accounts for 1996

The Group's operating revenues for the third four-month period were NOK 875 mill. against NOK 850 mill. in the same period for 1995. The operating profit for the period was approx. NOK 40 mill. against NOK 28 mill. the previous year.

The profit less financial items in the third four-month period was NOK 27.6 mill. against NOK 13.7 mill. in 1995. The result is satisfactory seen in relation to the pressed raw material and market situation for the Timber Industry division and the industry in general.

The Group's other business areas, Interior Layout, Construction and Contracting and Laminated Timber have had a good finish to the year.

The Group's operating revenues for the whole of 1996 were NOK 2,195 mill. The operating revenues for 1995 were NOK 2,220 mill.

The operating profit after depreciation was NOK 62 mill. against NOK 92 mill. in 1995. Ordinary depreciation was approx. NOK 71 mill., an increase from NOK 59 mill. in 1995. After net financial items of a negative NOK 35 mill., the annual profit before tax was NOK 28.7 mill. against NOK 46 mill. the previous year.

The Group also had positive results in all business areas in 1996, and net financial costs are continuing to show a positive development with a fall of NOK 8 mill. in relation to the previous year.

The overall development in profits throughout the year is better than expected seen in light of the difficult international market for timber and laminated timber products. Market prices for timber products fell by more than 30 percent in the final

months of 1995 and the first half-year of 1996. Profit margins have been correspondingly pressed and negative for most sawmills in Scandinavia.

Better demand at the close of the year has given a rise in prices of 15-20 percent at the start of 1997, but also a corresponding rise in the cost of raw materials. The demand for timber has been higher than supplies.

The Timber Industry division has compensated for areas of shortage in timber volume through import from the Group's activity in Russia.

The division's operating profit of NOK 11.9 mill. is affected by a fall in operating revenues of almost NOK 100 mill. as a direct result of the price drop in the market. The operating profit in 1995 was NOK 69.5 mill.

The Interior Layout division has had good results throughout the whole year and the overall operating profit was NOK 25 mill. after winding-down costs for the division's companies in England and Germany. The result is at the same level as in 1995 with somewhat lower operating revenues.

The Laminated Timber division's operating result is improved, rising from approx. NOK 5 mill. from the previous year to NOK 15.5 mill. The economic trends have to a greater extent than previously followed the international market of sawn timber and Germany has in particular been weak in 1996. The division has had a positive development in the Japanese market.

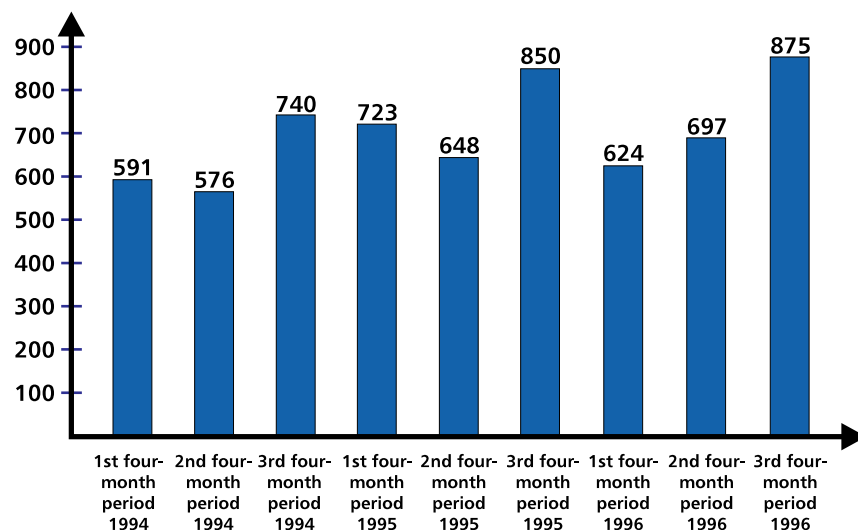
Construction and Contracting continues in its positive development with an operating profit of NOK 26.1 mill against NOK 20.7 mill. in 1995.

## The Group's business areas

	Operating revenues				Operating profit/loss				Profit/loss after financial items			
	3rd four months		Total		3rd four months		Total		3rd four months		Total	
	1996	1995	1996	1995	1996	1995	1996	1995	1996	1995	1996	1995
(Beløp i NOK mill.)												
Timber Industry	411.0	419.3	1,076.7	1,160.0	11.2	13.4	11.9	69.5	6.9	9.5	0.7	58.8
Interior Layout	154.2	177.3	397.9	410.8	15.5	16.1	25.0	26.0	18.3	23.1	34.6	36.3
Laminated Timber	167.2	154.7	432.2	419.9	8.1	-0.2	15.6	10.4	6.2	0.6	12.0	10.6
Construction and Contracting	149.7	118.0	341.2	292.0	15.3	10.1	26.1	20.7	15.5	9.9	26.0	20.4
Other, incl. the Parent Company	23.0	12.5	42.0	27.1	-9.6	-11.3	-16.9	-34.3	-19.3	-29.4	-44.6	-80.1
internal operating revenues	-30.6	-32.3	-94.5	-89.3								
<b>Total – Group</b>	<b>874.5</b>	<b>849.5</b>	<b>2,195.5</b>	<b>2,220.5</b>	<b>40.5</b>	<b>28.1</b>	<b>61.7</b>	<b>92.3</b>	<b>27.6</b>	<b>13.7</b>	<b>28.7</b>	<b>46.0</b>

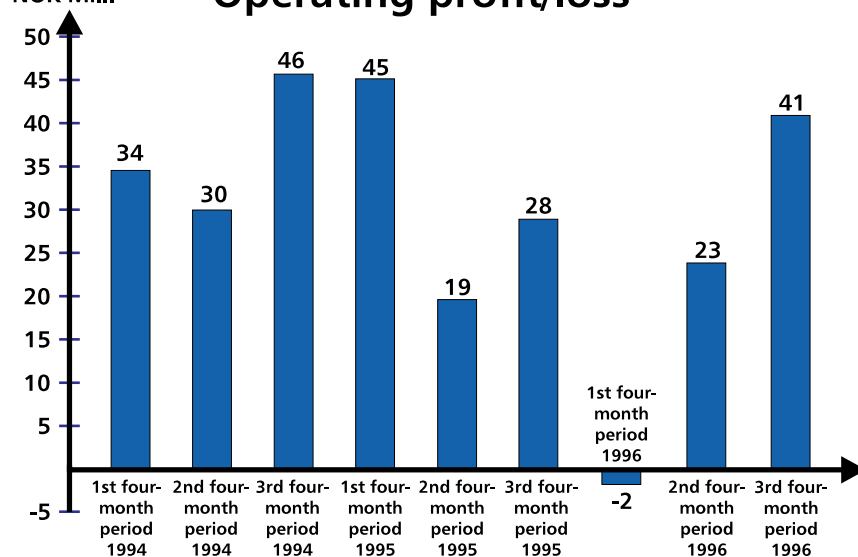
NOK Mill.

## Operating revenues



NOK Mill.

## Operating profit/loss



## Cash Flow Statement for the Group

(Amount in NOK mill.)

	1996	1995
Net cash flow from operations	78.2	123.9
Cash flow from/to investments	-91.3	-169.8
Cash flow from/to financing	-9.0	101.6
Net cash flow for the period	-22.1	55.7
Liquid funds	78.8	100.9
Unutilized drawing rights	180.0	100.0
Available liquid funds	258.8	200.9

The Group's fixed and indirect costs, which are not attached to the operation of the business areas, have been reduced in 1996. The net effect of costs after revenues from associated companies comprises approx. NOK 17 mill. against NOK 34 mill. in 1995.

### Financial position

The Group's financial balance sheet as at 31.12.1996 was approx. NOK 1,130 mill. and has been reduced by approx. NOK 15 mill. from the previous year.

The liquidity of the Group is good.

The balance sheet makes up approx. 50 percent of the Group's annual operating revenues.

Net interest-bearing debt is approx. NOK 410 mill. and at the same level as at the close of the previous year. Interest-bearing debt in relation to turnover is approx. 18 percent.

Aggregated investments in fixed assets, including the purchase of Øresø Limtræ AS in Denmark, were approx. NOK 80 mill.

The Group's capital and reserves after tax and disposals is NOK 300 mill., which is the equivalent of 26.4 percent of total capital. This is an improvement of approx. two percentage points.

### Outlook

The results for the year yield an operating margin of under three percent and this is not a

satisfactory result for the Moelven Group. The general required level is five percent and this entails that the subsidiaries must on average lie at a level of seven percent.

The Timber Industry division represents approx. 50 percent of the Group's activity and it fulfilled the requirements of the Group in seven of the previous nine years. In 1996 external market conditions have been negative for the industry and it is the belief of the Board of Directors that the results of the Timber Industry companies are good relatively speaking.

Determined strategy and thorough planning are yielding good results in keeping with the Group's requirements for the business areas Construction and Contracting and Interior Layout. The Laminated Timber division's results are overall too weak, even though the development in the third four-month period is at a normal level.

Against this basis, the outlook for 1997 is somewhat better than 1996. With the prevailing external market conditions, the situation continues to be somewhat unclear for the timber and laminated timber industries.

The Timber Industry division starts off the year with 15-20 percent higher prices than for 1996, but with a difficult timber market and high prices for raw materials. Margins are, however, expected to be better in the present year for the Timber Industry division and Laminated Timber division.

*Moelv, 30. January, 1997.*