

Annual Report 2003



Member of Finnforest Corporation

MOELVEN

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Financial Calendar

8 March 2004

Annual General Meeting – Annual Accounts 2003

30 April 2004

Accounts for first quarter 2004

27 July 2004

Accounts for second quarter 2004

29 October 2004

Accounts for third quarter 2004

February 2005

Accounts for fourth quarter 2004

Preliminary profit and loss statement 2004

March 2005

Annual General Meeting – Annual Accounts 2004

Vision

Moelven shall be market leader for wood based building products and accompanying services in Norway, Sweden and Denmark.

The Moelven Group

Group Business Activity

Moelven Industrier ASA 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 AS and Mjøsen Skogeierforening. Moelven Industrier ASA is an independent subsidiary of the Finnforest Group.

The Moelven Group supplies wood-based products and accompanying services to the building industry, with a primary focus on the Scandinavian market. Moelven divides the market into two parts: "Building with wood" and "Living with wood". 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.

Moelven defines the Scandinavian building products market as consisting of three so-called megasegments: industry, distribution and building (builders/contractors) – each with multiple sub-segments. Products from Finnforest such as Kerto-beams and board products are also 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 2 853 employees and an annual turnover of NOK 4.8 billions. The Group has approximately 45 operational units, holding companies, sales organisations and partly owned businesses. The Moelven Group is organised into two main business areas: Moelven Timber Group and Moelven Building Group. The Moelven Timber Group has three operational divisions: Timber, Wood and Laminated Timber. The Moelven Building Group has two operational divisions: Modular Buildings and Modular System Interiors.

Moelven Timber Group

Production in the three divisions in this business area consists of the manufacturing of timber-based building goods, with a focus on the segments "Build with wood" and "Live with wood". The Moelven Timber Group also supplies processed wood products for other manufacturers of wooden building products and to 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).

The Moelven Timber Group has 1 807 employees and operating revenues of approx. NOK 3.6 billions.

Moelven Building Group

As an alternative to traditional building processes, the divisions Modular Buildings and Modular System Interiors supply industrialised 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 super-segment building (builders/contractors).

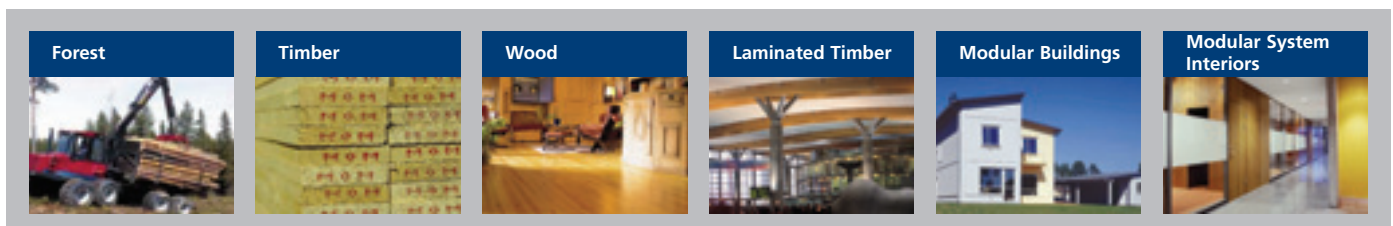
The Moelven Building Group has 988 employees and operating revenues of approx. NOK 1.3 billions.

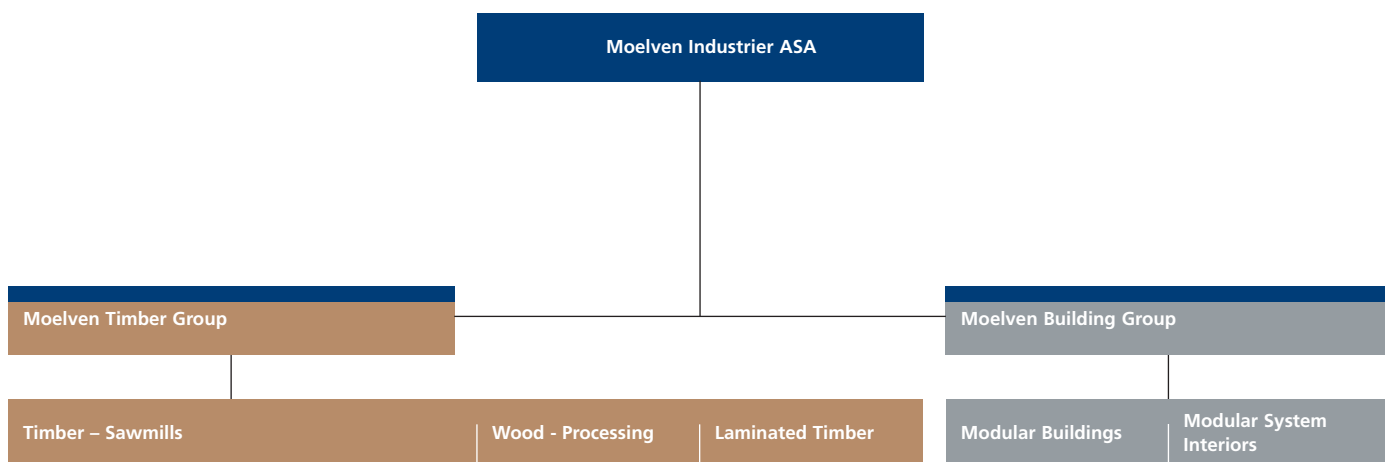
Significant Growth

Moelven has grown significantly during the past few years, both by developing the existing company and by making acquisitions. The Swedish-Norwegian industrial group Are will be sold to Moelven effective 1 January 2004. Are has an annual turnover of approx. NOK 800 millions and 300 employees.

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.

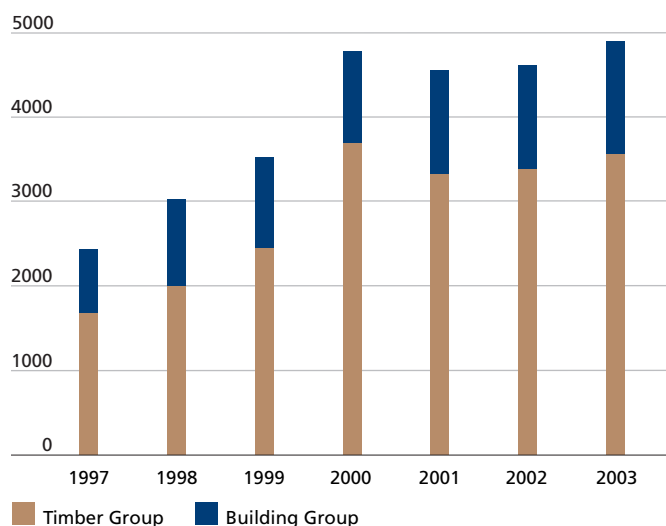
Chain of Value-adding Activities



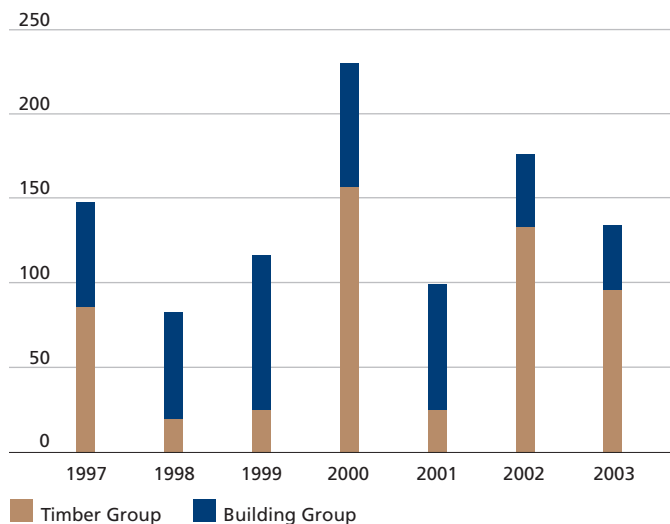


Business Area	Products	Operating Revenue NOK Millions	No of employees Dec 31. 2003
Moelven Timber Group			
Timber – Sawmills	Treated goods for the wood and paper industry	2 398	979
Wood – Processing	Wood-based building goods	1 363	577
Laminated Timber	Load bearing building elements	386	251
Moelven Building Group			
Modular Buildings	Modular buildings and electrical installations	763	469
Modular System Interiors	Interior walls of commercial buildings	580	519

Operating Revenues NOK millions



Operating Profit NOK millions



The Group Executive Board



Group Executive Board

Back from left: Rolv A. Amdal, Dag E. Sand, Hans Rindal, Reidar Mo and Anders L. Fossum.
Front from left: Bo B. Borgström and Haumann Sund.

The Corporate Assembly

Jaakko Punkari, Chairman
Heikki Asunmaa
Martin Lillandt
Eero Kytölä
Helge Urstrømmen
Børre Rogstadkjernet
Halvard Sæther
Harald Sjuve
Harald Løkkesveen *)
Hans E. Johnsen *)
John Lund *)
Odd Henning Kalager *)

Alternates:

Markku Melkko
Mikael Aminoff
Martinius Bækken
Tor Kristian Larsen
Per W. Gunro *)
Kåre Kastbakken *)

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 *)

Alternate Board Members

Olli Hirvonen
Ilkka Silvanto
Lars Ivar Eide (pers. alternate)
Nils Arne Vasaasen (pers. alternate)

*) Employee representatives

The Group Executive Board

Bo B. Borgström, CEO and Group
Managing Director
Anders L. Fossum, Managing Director
Dag E. Sand, Managing Director
Reidar Mo, Managing Director
Hans Rindal, CFO
Haumann Sund, Director of R&D
Rolv A. Amdal, Director of Information

Important Events



Moelven signs contract to purchase the Are Group autumn 2003.



"The wheel boiled in oil" was the main basis for industrial production when Moelven Brug was founded in 1899.

1899

The limited company of Moelven Brug was founded on 24 July. "The wheel boiled in oil" was the main basis of 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.

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 established in both Sweden and Norway.

1965

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

1972/76

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

1980

Mjøsbruket is established. This is Moelven's first sawmill.

1981

Moelven is listed on the Oslo Stock Exchange, Norway. Total share capital is NOK 17.5 millions

1982

Moelven takes over the majority of shares in Töreboda Limträ AB, and becomes one of the largest in Europe in the glulam area.

1985

Dalaträ AB in Sweden and LNJ Laminated Timber AS in Denmark are acquired.

1988

Moelven sells the majority of its mechanical industry.

1989

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

1990/92

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

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 acquisition of Notnäs AB and Westwood Group in Sweden almost doubles the 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 billions.

2001

Moelven gets new owners. The Finnish company, Finnforest, 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 for Moelven Industrier ASA.
- Bo Borgström takes over as CEO after Frode Alhaug.
- The Norwegian forestry owners associations Mjosen 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 owns 16.3 %, Finnforest Oyj 60.9 %, Glommen Fond AS 14.8 % and Mjosen Skogeierforening 7.5 % of the shares.

- Finnforest Sverige AB is integrated into Moelven.
- Moelven Modular Buildings enter into a major contract with Statoil for the production and delivery of modules in connection with the development of the Snøhvit gas field.

2003

- The collaboration between Moelven and Finnforest leads to the establishment of a new company in Denmark: Moelven Danmark AS. The company markets and sells products both from Moelven and Finnforest on the Danish market.
- The world's longest wooden bridge is opened at Flisa, Norway. The bridge is built using glue laminated wooden beams delivered by Moelven.
- The Are Group signs an agreement to sell the group to Moelven Industrier ASA effective 1 January 2004.
- An Extraordinary General Meeting at Moelven Industrier ASA voted to increase the share capital by up to NOK 52.5 millions by issuing new shares.
- Moelven Industrier ASA signs an agreement with Viken Skogeierforening and Krødsherad local authority to establish a company for the production and marketing of solid wood constructions. Production activities will take place at Moelven Laminated Timber's Splitkon plant at Krødsherad. Approximately NOK 15-20 million is invested.

Comments from the CEO and Group Managing Director



Bo B. Borgström

“Manufacturing industry is long-term – hence we shall face up to our responsibilities and think ahead”.

2003 has been a year of change for all of us at Moelven. Certain markets have gone against us, at the same time we see that the timber procurement has a downward trend in certain regions. This has placed great demands on us in 2003 and will continue to do so in 2004.

Moelven has always been an organisation capable of change and focused on profitability. These are qualities that are now required more than ever. The manufacturing industry is long-term; hence we shall face up to our responsibilities and think ahead. To do that, we must be willing to adapt, and to take the steps necessary for ensuring profitability. Not all of them are pleasant. Unfortunately, we have been forced both to discontinue sites, and to reduce the number of employees at existing sites. This has been most unfortunate for the persons affected, but necessary in a long-term perspective to ensure profitability over the years to come. Even if facing up to our responsibilities has regrettable consequences, the alternative is far worse.

Being willing to change and to think long-term is also about being on the offensive. Moelven has therefore, over the past year, parallel to being forced to take some drastic actions, also made positive decisions on measures that will be important to the Group in the future. We are anxious to maintain a sustainable and competitive business based on the strategy we have decided for Moelven. We are focusing on Scandinavia, we are focusing on distribution and we are focusing on increasing the internally created added value.

The purchase of the Swedish-Norwegian industrial group Are, which we agreed to buy in the autumn of 2003, is fully in line with Moelven's strategy. Through Are, and in accordance with our strategy in the Scandinavian heartland, Moelven will gain access to yet another unbroken value chain – from procurement, through primary production, to the distribution of processed wood products. Are has a high degree of total processing for its products and a wide product range.

Are also has a good distribution network, and with Are as part of Moelven, the Group becomes more competitive. We can increase specialisation, become more efficient, strengthen our distribution and improve the service to our customers. With Are as a part of Moelven we are therefore in an even better position than previously to rationalise the whole value chain from the forest to the end customer. This makes a grouping of Are and Moelven the right thing to do from an industrial and business point of view. It gives us an even better base for developing our business. I am pleased that our owners have given us this opportunity. It shows that they believe in Moelven, and we shall prove ourselves worthy of their confidence in us.

Competition is increasing. At Moelven we are not afraid of competition. On the contrary, we believe that healthy competition helps to spur further developments. Competition is stimulating and brings out the best in us. A company that wants to be successful must always look at improving its ways and modes of operation, both in terms of internal routines and in relation to its external environment, where customers are given first priority. It is not necessarily the case that the way we did things yesterday is the right way of doing them tomorrow. At Moelven we are therefore conscious to improve in all areas of operations, so that we achieve our main objective: creating added value for our customers and becoming their favoured business partner. That requires respect and humility when dealing with our customers.

I know that 2004 will require the very best of our abilities. It is when times are difficult that we can show our true abilities. I know that it will be hard work. I know that we will encounter unpleasant choices and will have to make difficult decisions. I know that we must be decisive. But I also know that Moelven will survive. I know that, because Moelven has a structure that focuses on profitability and has employees willing and ready to make decisions. We have seen proofs

of this during 2003. For example, our Timber division has set new production records in several months of the year in spite of two fewer sawmills, proving that productivity has increased considerably. That is the right response when the market is difficult. Another example is Moelven Building Group, which operates in a project market and has to face serious challenges in a falling market for office buildings. They have to be able to adapt to this new market situation. The project that you focus on today may disappear tomorrow. Moelven's Building Group has in 2003 been vigorous in facing the requirements for change. In all areas of the Group we have skilled, motivated and talented employees. That makes me optimistic on behalf of Moelven.

We will continue to work in line with the strategy laid out for Moelven by our owners. We shall concentrate on our core business and shall have geographic focus on Scandinavia. I am pleased that the strategy gives us firm guidelines for our work. Manufacturers must think long-term, and follow a steady course spanning many years. We must therefore have the ability to meet and stand up to short-term market recessions. With our strategy as a foundation – and with skilled and talented employees in the Group – I am confident that we will succeed in doing that within Moelven.



Bo B. Borgström
CEO and Group Managing Director

Annual Report

Summary

In 2003, the Board has focused on continuing the strategy laid out in conjunction with the changed ownership structure completed in 2001. This means that Moelven continues as an independent subsidiary within the Finnforest Group, with an increased emphasis on the sale and distribution of processed, timber-based building products to the home markets in Scandinavia. Profitability in 2003 has been satisfactory, but changes in the operating environment indicate that it is still right to concentrate resources on fewer and stronger positions if acceptable profitability is to be maintained.

As early as towards the end of 2002, activity in the commercial property market in Scandinavia was falling, and through the course of the year it has been necessary to carry out considerable adjustments to capacity and cost reductions at the Moelven Building Group to maintain profitability. For the sawmills in the Moelven Timber Group the fall in prices for industrial wood in our European markets, combined with a slight increase in the cost of raw materials, has resulted in reduced profitability for the second half of the year. This has resulted in adjusting the capacity of the sawmills within the Moelven Timber Group, but this will only take effect in the coming year. Demand for timber-based building materials for extensions to, renovations and remodelling of housing in Scandinavia has been stable at an acceptable level throughout the year, but the profitability trend shows that continued measures to improve productivity are also required at the planing mills and in the laminated timber business.

The work on improving the productivity of the company is ongoing, but is naturally accelerated during times when the operating and market environment is more challenging than normal. In 2003 operating revenue increased by 4 per cent compared to the previous year and was higher than ever before. At the same time, the number of employees was reduced by 8 per cent during the course of the year, which was necessary in order to maintain our competitiveness. A greater increase in operating revenue would have been desirable in order to avoid the staff cutbacks and the undesirable consequences this has for the individuals concerned, the local communities affected and the company. Unfortunately this has not been possible in the current market conditions.

In spite of a temporarily weaker market caused by the economic slowdown, the Board wishes to continue the long-term focus on developing a forward-looking, mechanical timber industry. The agreement in which the Are Group sold its operations to Moelven effective 1 January 2004 is the clearest expression of this. The Are Group is a Swedish-Norwegian industrialised timber group with sawmills and a considerable processing business. Their operating revenues in 2003 amounted to NOK 760 millions, and at the end of the year they had 290 employees. Their businesses are located in western Sweden, bordering on Moelven's existing business, and the merger of the two will strengthen Moelven's commercial position. In conjunction with the consolidation, Moelven's owners have supported the chosen strategy

by injecting NOK 118 millions in new shareholders' equity, and the purchase has been carried out on terms that will strengthen the financial position of the Group.

Timber has a strong position in competition with other materials when it comes to the construction of detached houses and other small buildings, whilst its position is weaker as regards larger buildings and buildings spanning several floors. Moelven has, for many years, found commercial applications for using timber in new areas. With regard to buildings over several floors and large buildings, it is above all Modular Buildings and Laminated Timber that have contributed. The Board decided towards the end of 2003 to spend up to NOK 11 millions on making solid wood elements commercially viable. Making new product areas commercially viable is both a drain on resources and involves risk; the investment is therefore based on co-operation with others, to ensure both the necessary access to expertise and to capital.

In Norway the operating environment for manufacturing businesses exposed to international competition has worsened over the past few years. This is partly connected to Norway's oil-dependent economy, but is also caused by the authorities' failure to put in place the right framework in areas that can be influenced. Moelven has, to some extent, participated in the national debate in areas that are important to the business, for example transport issues, but the main reaction of the Group will in the future continue to be to adapt to existing conditions. In 2003 this has been expressed most clearly through the fact that staff reductions have been most severe in Norway, whilst investments in new businesses primarily have taken place in Sweden.

Operating Revenues and Profit

Operating revenues for the year totalled NOK 4 864.1 millions, compared with NOK 4 618.4 in 2002. Operating profit totalled NOK 100.6 millions (139.4), which is clearly weaker than the year before. Profitability decreased during the year and was unsatisfactory in the second half of the year. The two main reasons for the reduction in profit were the weak market for new commercial buildings in Scandinavia and the fall in prices for industrial timber in the European markets towards the end of the year. It was not possible to implement cost-reducing measures to sustain a satisfactory profit level and compensate for the strong fall in demand and prices. A one-off cost totalling NOK 13.0 millions in connection with the discontinuance or sale of five production units during the year has also had an impact on the result.

Financial costs remained at the same level as the year before and profit, after accounting for financial costs, totalled NOK 64.5 millions (99.1). Despite the lower pre-tax result, taxes totalled NOK 32.3 millions (27.7), which is somewhat higher than the year before. The reason for the increase in taxes is due to a re-assessment of the Group's tax position. Of a total tax expense of NOK 32.3 millions, NOK 0.5 millions represents payable taxes. The year's profit after taxes is NOK 31.9 millions (74.2), corresponding to NOK 0.28 per share (0.64).

Business Areas

Moelven Timber Group

The Moelven Timber Group consists of three divisions: Timber (sawmills), Wood (planing mills) and Laminated Timber (glulam factories). All three divisions are involved in industrial-scale woodworking production, the primary product being wood-based construction material. Operating revenues totalled NOK 3 554.3 millions (3380.8), and operating profit totalled NOK 93.2 millions (129.1).

The sawmills in Timber have had satisfactory results for the year as a whole, yet there was a negative trend in profitability toward the end of the year. The reason for the slowdown is normal seasonal fluctuations in prices for the raw material logs and for the main output product, sawn timber. For the Norwegian part of the business, however, reduced forestry activity represents a long-term problem, as this leads to availability of timber at competitive prices being lower than sawmill capacity. This development has led to a reduction in the number of shifts at some plants toward the end of the year, and will, if the trend continues, lead to further reductions in the number of production units in operation in the future.

The planing mills at Wood have a weaker result than the year before, and the profit level for 2003 is not satisfactory. The poor result is due to a combination of factors: the high cost level and price pressures on certain products. Another factor having an impact is an increase in trade with products not produced at our own plants, giving a lower profit margin. Work is now in progress to concentrate production activity at fewer production plants in order to reduce the costs of production and simplify distribution.

The Laminated timber companies generated a somewhat better result than the year before. The reason for the improvement in profit is that capacity has been reduced somewhat and expenses have been adapted to a lower volume intended primarily for the domestic market, which require a higher level of added-value services, for example distribution, static calculations, and engineering, resulting in better margins.

Moelven Building Group

The Moelven Building Group consists of two divisions: Modular Buildings and Modular System Interiors. Both divisions supply modular solutions for the construction market as an industrial alternative to traditional on site construction. Operating revenues in 2003 totalled NOK 1 340.7 millions (1 240.8), and operating profit totalled NOK 37.0 millions (41.7). This business is project-based and the activity level fluctuates more than for the Moelven Timber Group. The market for commercial building projects both in Norway and Sweden has been weak in 2003. Operations at the modular factory at Säfte in Sweden have not achieved satisfactory results, and a significant cost-reduction scheme has been implemented at several businesses in the division. Also, the modular factory in Kirkenes has been sold to the employees. Despite the difficult market situation, the number of projects on order at the end of the year is normal. Major deliveries to the oil and gas industry have helped compensate for the slowdown in the land-based professional construction market. The largest project in this regard was in connection with the construction of the Snøhvit gas field. Modular Buildings supplied a building complex to the land facility that will provide accommodation, a cafeteria, a recreation centre, a service building and offices for 1200 persons. The building complex consists of 1032 units and covers a total of 24,000 sq.m. The complex was built in 11 months under difficult climatic conditions, yet without any delays or injuries to personnel.

Most deliveries made by Modular System Interiors go to the office market, and the business is therefore strongly affected by the high

rate of vacant office space, particularly in the major cities in Norway and Sweden. The consequence has been a major reduction in deliveries to new projects, and more than 2/3 of the operating revenues now come from extensions, renovations and remodelling.

Other Businesses

This area represents business activity in the Group that is not part of the core industrial business activity, and includes two holding companies in Norway and Sweden that provide services to Group companies in the areas of information, personnel, IT, R&D, accounting, insurance and financing. The management of assets not linked to the operations of the main businesses is also included in this area. These properties and ownership interests have a total book value of about NOK 50 millions.

Operating revenues totalled NOK 46.7 mill (89.3), with an operating loss of NOK 29.6 millions (-31.4).

Employees

At the end of the year, the Group had 2 853 employees (3 120), with 1 686 in Norway (1 838), 1147 in Sweden (1 181), 17 in Denmark (0) and 3 in other countries (101). The total number of man-years was 2 737 (2 922). The percentage of female employees was 9.64. The percentage is somewhat higher for female managers in financial departments, but lower for female managers in other departments.

The rate of absenteeism in 2003 was 7.06 % (7.21), corresponding to 48 090 full workdays (51 401). There was a reduction in short-term absences, while long-term absences (more than 16 days) remained stable at 4.24%. There have been 80 injuries resulting in leave during the year (88), corresponding to a figure of 16.67 when seen in relation to millions workhours (17,41).

Efforts to prevent injuries and absenteeism have been intensified during the year, 300 of the Group's managers have attended a 22-hour course in order to increase expertise in the area of preventive health, environment and safety. A reward system for production units has also been introduced, which is based on a combination of low absenteeism and high operating margin. Measures to improve work conditions have also been implemented. Among the companies in Norway, two-thirds have a contract regarding an inclusive work environment (agreement between the employee and employer organisations LO and NHO), and this has also been introduced in some Group companies in Sweden.

Environment

The board is engaged in improving the competitive edge inherent in having environmentally sound practices and products. With Nordic pine and spruce as the primary raw material, the Group has a highly beneficial base for the environmental competition with other construction materials. The raw material is renewable and originates in areas that have been certified by the pan-European programme (PEFC) as environmentally sustainable. The energy requirements for the production process are relatively small and the energy balance is good because all the thermal energy can be generated on the basis of self-produced bio-fuel, which also produces little waste in the production process. Many of the Group's products are system solutions that are flexible and well suited for recycling, which again reduces material consumption and waste. At the end of the lifecycle of the product, wood-based products are also easy to dispose of in an environmentally sound manner.

Investments, Balance Sheet and Financing

Investments in existing businesses totalled NOK 188,8 millions (119), corresponding to 3.9 per cent of operating revenue (2.6). Also in 2003, a significant amount has been invested in fire security at several production plants. In addition to investments in existing businesses, a net amount totalling NOK 20 millions in fixed assets has been generated through the purchase and sale of businesses.

At the end of the year, total capital was NOK 2 363.5 millions (2 140) and capital employed totalled NOK 1 593.1 millions (1 454). Of the Group's assets, NOK 1 300 millions belongs to businesses in Sweden, and the increase in capital employed is primarily a consequence of the strong Swedish kroner.

Cash flow from operating results in 2003 was NOK 227.7 millions (237.9), corresponding to NOK 1.96 per share (2.05), and equity at the end of the year totalled NOK 923.5 millions (918.5), which corresponds to an equity ratio of 39.1 per cent (42.9). Equity is calculated on the assumption of continuing operations. The risk premium in the debt and insurance markets has increased, and it is therefore profitable for the company to increase the equity financing and investments in risk-reducing measures.

Net interest-bearing debt totalled NOK 623.8 (498.0) and the liquidity reserve at the end of the year was NOK 676.2 millions (769). In connection with the sale of the Are Group to Moelven, the four largest shareholders have agreed to increase equity by NOK 118 millions. In addition, there has been raised new long-term financing in combination with refinancing of parts of the existing debt. The new loans of NOK 450 millions and SEK 350 millions respectively run for five years and will help the Group sustain a satisfactory liquidity reserve through 2008, given normal operating conditions.

Allocation of Profit for Year

The Board 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 2003, the Board proposes a dividend of NOK 0.15 per share (0.25). The total amount of dividends to be paid out is NOK 17.9 millions (29.8), corresponding to 56 per cent of the profit (40). The parent company, Moelven Industrier ASA, which shall pay dividends on behalf of the Group, had a profit of NOK 6 millions in 2003. The excess dividend will be covered with transfers from other equity of NOK 11.9 millions.

After year-end, an issue of approximately 10.5 millions new shares has been decided. These shares will also receive dividend; this will increase dividends with approximately NOK 1.6 millions.

Outlook

The Board expects that the market for extensions, renovations and remodelling of housing will remain stable or improve somewhat in 2004. This is an important market for the Group, and particularly for the planing mills and laminated timber businesses. The non-residential construction market in Scandinavia is expected to remain relatively slow, while oil and gas field developments will provide opportunities for the modular building business in Norway in 2004. Prices for industrial pine and spruce timber are expected to remain stable in Europe, with the possibility of an improvement in the second half of the year. The deterioration in the raw material situation for the Norwegian sawmill industry, which has existed over the past few years, is expected to continue.

Moelv, 3 February 2004
Board of Moelven Industrier ASA

Runar Lillandt
Chairman

Ari Martonen

Antti Oksanen

Arimo Uusitalo

Ivar Melby

Even Mengshoel

Torstein Opdahl

Jan Slattum

Arne Røde
(permanent alternate)

Bo B. Borgström
CEO

The Board of Directors in Moelven



The Board of Directors in Moelven

Back, from left: Arimo Uusitalo, Jan Slattum, Arne Rødø, Iver Melby, Antti Oksanen and Ari Martonen.
Front, from left: Even Mengshoel, Runar Lillandt (Chairman) and Torstein A. Opdahl.

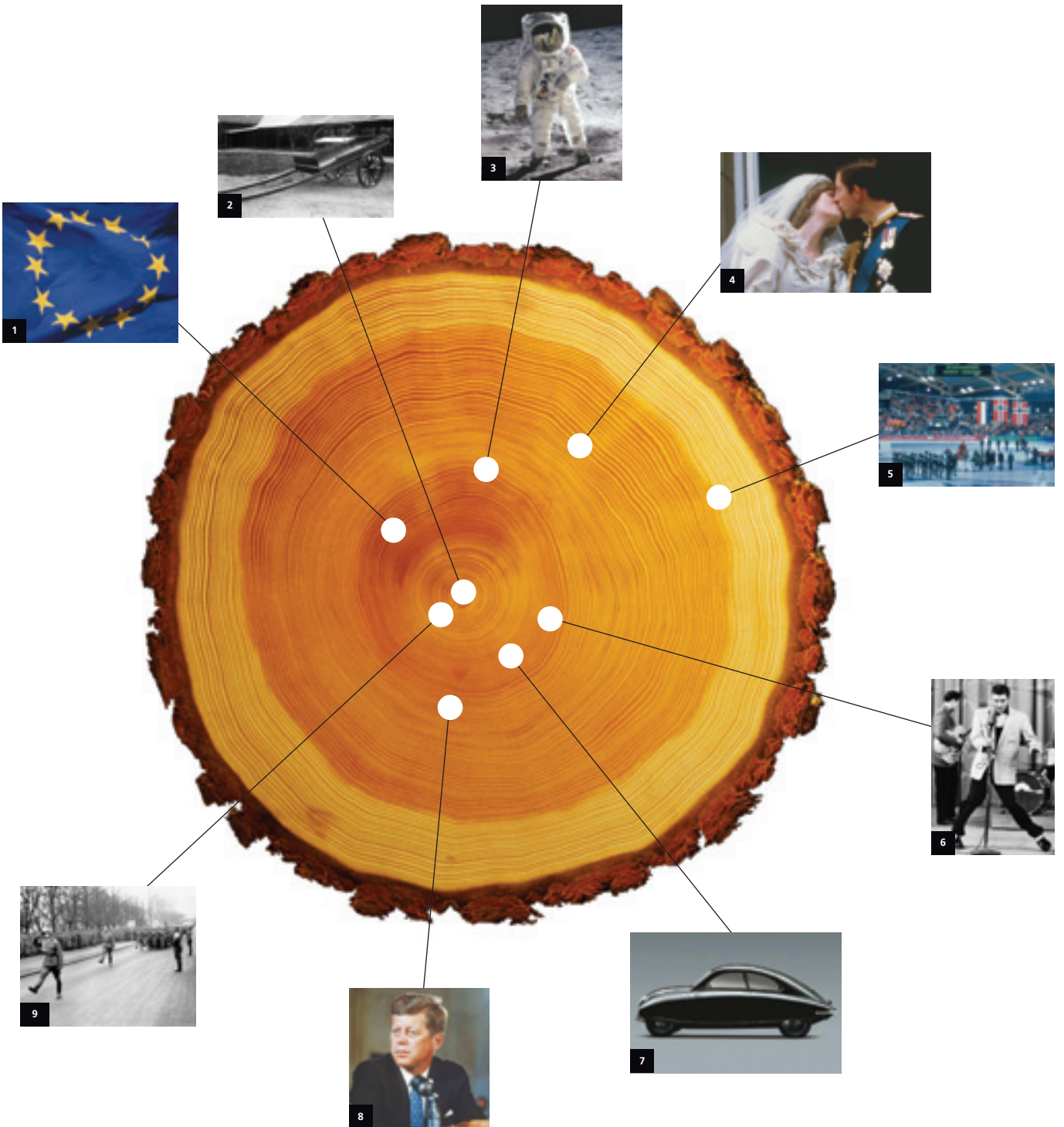
In Good and Bad Times

Industrial activity is a long-term proposition. Investments in machines and equipment must be carefully planned and based on a firm belief that the industry will be viable and serve its customers for many years to come. The Moelven Group has been an industrial actor for 104 years. This would not have been possible without a long term strategy. But just as important as a long-term perspective is the willingness to take on the responsibility for the future life of the industry. This involves having the flexibility and the willingness to adjust to changing circumstances and economic conditions. Changes in society and the conditions to which we have to adapt take place at a continued faster rate in our modern world. For an industry that intends to have a future life, this challenging reality requires insight and understanding about trends and events now that will have an impact on the future of the business.

Moelven is in the same situation. Even though the company has a long-term perspective, measures will often have to be put in place to meet the need of rapid changes. If we look at the basis for much of what Moelven produces - timber harvested from the forests, then it is easy to see that our business must operate with a long-term perspective. It takes about 70 years from the time a tree is planted until it can be harvested. This means that the timespan for the investment often stretches across three generations: Unless the grandparents do their job right, there will be nothing for the grandchildren to harvest when it is their turn.



- 1 The European Union was established (1957)
- 2 Cart produced by Moelven (Approx. 1935)
- 3 First man on moon (1969)
- 4 Wedding of Prince Charles and Lady Diana (1981)
- 5 The Winter Olympic Games in Lillehammer (1994)
- 6 Elvis Presley in his golden age (1960)
- 7 SAAB 92 initial introduction (1949)
- 8 President John F. Kennedy's first workday (1961)
- 9 Norway invaded and occupied by Germany (1940)



The Customer

Trond Arne Stensby – Chief Engineer, Norwegian Public Roads Administration.





“Moelven is important, not only as a producer and supplier, but as a long-term collaboration and sparring partner for us in continued development of the construction of wooden bridges”.

“Our collaboration with Moelven is based on a long-term perspective. Since Moelven is the only company in Norway that can supply large, monumental wooden structures, having a long-term perspective for collaboration is extremely important. Moelven’s expertise in advanced laminated timber structures has been the key to our efforts in the area of wooded bridges, both when it comes to building major bridges, such as the Tynset and Flisa bridges, but also in relation to smaller wooden bridges. Moelven is important, not just as producer and supplier, but as a long-term collaboration and sparring partner for us in continued development of the construction of wooden bridges”.


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The Employee

“A long-term perspective is important for those of us who are concerned about having a secure work situation”.

Inger Lill Lans – Surface treatment operator, Moelven List AB.



“Those of us who work here, both managers and production workers, need to have a goal to stretch for. We must know in which direction we are heading. For me, therefore, it is important that my company has a long-term perspective. We feel that things are now going well in our company. We have a good work situation and we feel that our jobs are secure for a long time ahead. It feels good to know that there is a forward view, being engaged with the future and the long term perspective. But we are not naïve, and we know that the situation can change fast. That makes it even more important for us to know what we want to achieve and where we want to go. A long-term perspective is important for those of us who are concerned about having a secure work situation”.




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The Local Community

Leif Henningson – Mayor, Töreboda local authority.





“For many years the company and the local authority have worked in close co-operation to develop the company and increase the number of jobs in the area”.

“Moelven Töreboda AB has thrived in Töreboda for many years and is a cornerstone company here, where forestry and the wood-working industries are basic business areas. For many years the company and the local authority have worked in close cooperation to develop the company and to increase the number of jobs in the area. As a publicly elected representative for the local population, I have high expectations that Moelven Töreboda AB also in the future years to come will continue to play an important role in the local business community”.

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The Shareholder



Even Mengshoel – Forest owner, Mjøsen skogeierforening.

“As a forest owner, I am used to long-term thinking: We take good care of the forest before we finally, after many years, can harvest anything. This is the same principle as our ownership in Moelven, which is a long-term proposition. We need an industrial powerhouse like Moelven to boost the turnover of wood and to develop wood’s potential. Stable prices and reliable customers are important for us in the long term view for forest procurement. However, we are also aware that we have an important social responsibility as owners of Moelven. Many families depend on jobs at Moelven, and this is a responsibility we take seriously”.



A photograph of a snowy forest landscape. The scene shows a dense forest of evergreen trees covered in snow, with rolling hills in the background under a hazy sky. A white rectangular text box is overlaid on the center of the image.

“We take good care of the forest before we finally, after many years, can harvest anything”.

The Moelven Group

Long-term and flexible: these are two key characteristics of the Moelven Group and an important reason why Moelven's industrial activity has existed for 104 years. No industry can survive this long without having a long-term perspective and without being willing to continually adapt and adjust to new realities and demands. This involves both having to start-up new projects as well as to sometimes have to make uncomfortable, but necessary adjustments. Today, the Moelven Group is a leading company in Scandinavia in the field of wood-based construction material and associated services. Annual turnover is NOK 4.8 billions and the company has 2 853 employees.

The Moelven Group consists of 45 operating companies, holding companies, sales companies and partially owned subsidiaries. Its geographic centre of gravity is in southeastern Norway and western Sweden. Its operations are diverse and extensive. The common denominator is highly developed industrialised production aimed at the building and construction market. 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.

The Market

Focus on Scandinavia

Moelven's focus is on the building markets in Scandinavia. Moelven defines the Scandinavian building and construction 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 includes Finnforest products like Kerto-beams and boards. Moelven aims to supply a full range of products to the Scandinavian building and construction market. A key factor in the Group's strategy is to strengthen the geographic focus on Scandinavia.

In 2003, 74 per cent of Moelven's sales revenues came from the Scandinavian construction market. 59 per cent of Moelven's total turnover comes from new-builds and the renovation of housing or commercial properties. The remainder of the turnover comes from chips sold to the paper and particleboard industries or used for energy production, and from wood products sold to the furniture and packaging industries and the export of sawn timber. The largest single market for Moelven products is the housing renovation market in Norway.

The Group sells to the professional building and construction markets and thereby indirectly to end users, who in turn come across many of Moelven's products at builder's merchants.

The Industry megasegment consists of a wide range of customers within the two main segments "Build with wood" and "Live with wood". The segment "Build with wood" includes laminated timber products, house-builders, planing mills that produce wooden building material; while the segment "Live with wood" includes manufacturers of windows, doors, furniture, floors, moulding and interior and exterior panelling. Other important customer groups in this industrial segment are pulp, paper and particleboard producers and biomass power plants. The one thing that they all have in common is that they use Moelven's products as raw materials in their manufacturing processes.

The Distribution megasegment consists of wholesalers, chains of builders' merchants, timber merchants and do-it-yourself (DIY) chains, all of whom sell the products on as supplied by Moelven, without further processing. Distribution plays a very important role in the distribution segment. Moelven has recently put a great deal of effort into building up its distribution network for builders' merchants in Scandinavia, through the establishment of customer service centres and well-organised routes for distribution.

For the Building megasegment (Builder/Contractor Segment), Moelven supplies "finished systems" like load-bearing structures for halls, modules for offices and homes, and system interiors for offices and commercial buildings. In all of these cases we supply complete parts of whole buildings.

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

By concentrating on the building and construction 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.

Distribution

Moelven defines distribution as one of the Group's most important success criteria, and this is why considerable resources have been invested the past years in developing an effective and efficient distribution system. The idea is to make buying as easy as possible for the customer, and to reduce the customer cost in capital fixed in goods in their own storage facility. Only one call or contact is needed, and the product should be on the way and delivered at the right time and with the right quality. In both Norway and Sweden, Moelven has built up customer and distribution centres for processed wood products as cornerstones in an efficient distribution system.

Product

Added Value to the Customers Generated by Internal Value Creation

Moelven adds value to the products it manufactures throughout the complete value chain. From the time the timber enters the sawmill, through to the planing mill and via the construction industry or builders' merchant to the end-user in the form of housing, pine flooring or laminated timber products. Moelven focuses on optimising the added value the company can contribute to the product and how, by looking at the entire chain of value-adding activities. We can co-ordinate and improve our efforts in order to add as much value as possible

to the product before it is sent to the next step in the production process. The idea behind this approach is to ensure that the product has a high added value when it arrives at the end user. One cornerstone of Moelven's business philosophy is that all businesses in the Group shall focus on what best serves the customer and how best adding value to the products supplied, thereby offering the end-user of the product or service an optimal level of benefit.

Skilled Staff

Industrial activity involves serious and long-term investments in equipment and machines. But machines and equipment are of little use without skilled staff to operate them. That is why Moelven over a long period of time has put great effort in recruiting and further develop skilled technicians. The Group also depends on highly skilled management, sales and marketing staff. Considerable resources have been invested in being able to offer attractive development programmes on various levels for our staff so that they can enhance their level of expertise.

Motivation is also an important factor and having an enjoyable workplace is a prerequisite in this regard. To this end, the Group is working consciously to reduce absenteeism by implementing a variety of measures. One example of these efforts is that an award system has been introduced at the start of 2004 for Moelven companies in which a low rate of absenteeism and solid operating profit will be rewarded.



Anders Boesen, Moelven List AB.

Industrialised Production

Most of Moelven's products are characterised by a high degree of industrialisation. The basic idea is that industrialised production will ensure efficiency and optimise the use of both employees and materials. The Group's staff is constantly striving to find or develop new industrial techniques and concepts that can challenge or complement traditional ways of operating.

Timber as the Basis for Sustainable Development

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, unsurprisingly, 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 fasten the boards together, a pure wood product. The Timber division is closest to the forest in the value-adding chain and unsurprisingly uses raw materials entirely based on wood. 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 building products. One way this is done is by encouraging new atti-

tudes and approaches to building in co-operation with trade and industrial organisations and in relation to important technical and research centres in both Sweden and Norway. Another way is to develop new and attractive products that are based on timber, rather than steel and concrete. There are a number of promising applications for wood that have traditionally been reserved for other materials. One example of this is the use of laminated timber for road bridges, which is being developed in co-operation with the Norwegian Public Roads Administration. At the same time it is important to emphasise that wood also opens up the opportunity for promising applications in combination with other materials.

Timber is flexible and has a wide range of uses. It also opens up decorative possibilities, 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 what is technically possible to make from wood, while on the other hand paying careful attention to environment considerations, design demands and functionality is given increased attention.

Working closely with respected architects, consulting engineering



Ulnes Bridge

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 increasing know-how on all levels and in all product areas. In Norway, Tresenteret in Trondheim (The Timber Centre), which is closely associated with the University of Trondheim, and Byggskolen in Lillestrøm are good examples of partners in the company's R&D efforts.

Developing effective anti-rot and fire-resistant treatments for wood products are among the areas in which the company has invested heavily in recent years. For environmental reasons, the Group has begun using only environmentally sound impregnation materials and has been successful in developing a successful impregnation method free from 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. Building 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, and will soon start production of solid wood elements in co-operation with other partners.

Organisation

Decentralised Organisational Structure

The main philosophy behind Moelven's organisational structure is a belief in a high degree of decentralisation, with each company or division being an independent unit with full responsibility for the profitability of their own operations. Each unit has a great deal of independent authority within the framework and strategic guidance drawn up centrally by the Group or by the management of the various business areas and divisions. At the same time, the work in the marketing and distribution areas is co-ordinated, especially in the area of processed wood products.

A decentralised organisational structure ensures 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 large building merchant chains. The production companies 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 Group's administrative costs, results in shorter chains of command and highlights local units' responsibility for profitability.

Result-oriented Business Culture

Moelven's business is based on a target-oriented business culture, and this culture and the values that it is based on primarily reside in its employees. For the Group, these values and the result-oriented business culture represent important guidelines for how we work, and a useful and cost-effective supplement to more formal management systems. The four central values that form the core of the results-oriented business culture are the following: Focus on results, Willingness to take responsibility, Respect for colleagues and Honesty and openness.

The Business Areas

The Moelven Timber Group

The Moelven Timber Group runs sawmills, processing businesses and laminated timber production units and use spruce and pine from Norway and Sweden. The three divisions in the Moelven Timber Group – Timber, Wood and Laminated Timber – process 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 aim 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 ("Build with wood" and "Live with wood"), 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 production companies 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 into building products ("Build with wood") and products such as mouldings, floorboards, interior and exterior panelling and components for doors and windows ("Live with wood"). The main share of these products is sold to chains of builders' merchants. The Laminated Timber division processes industrial wood into load-bearing structures. Wood and Laminated Timber sell the majority of their products on the Scandinavian building and construction market.

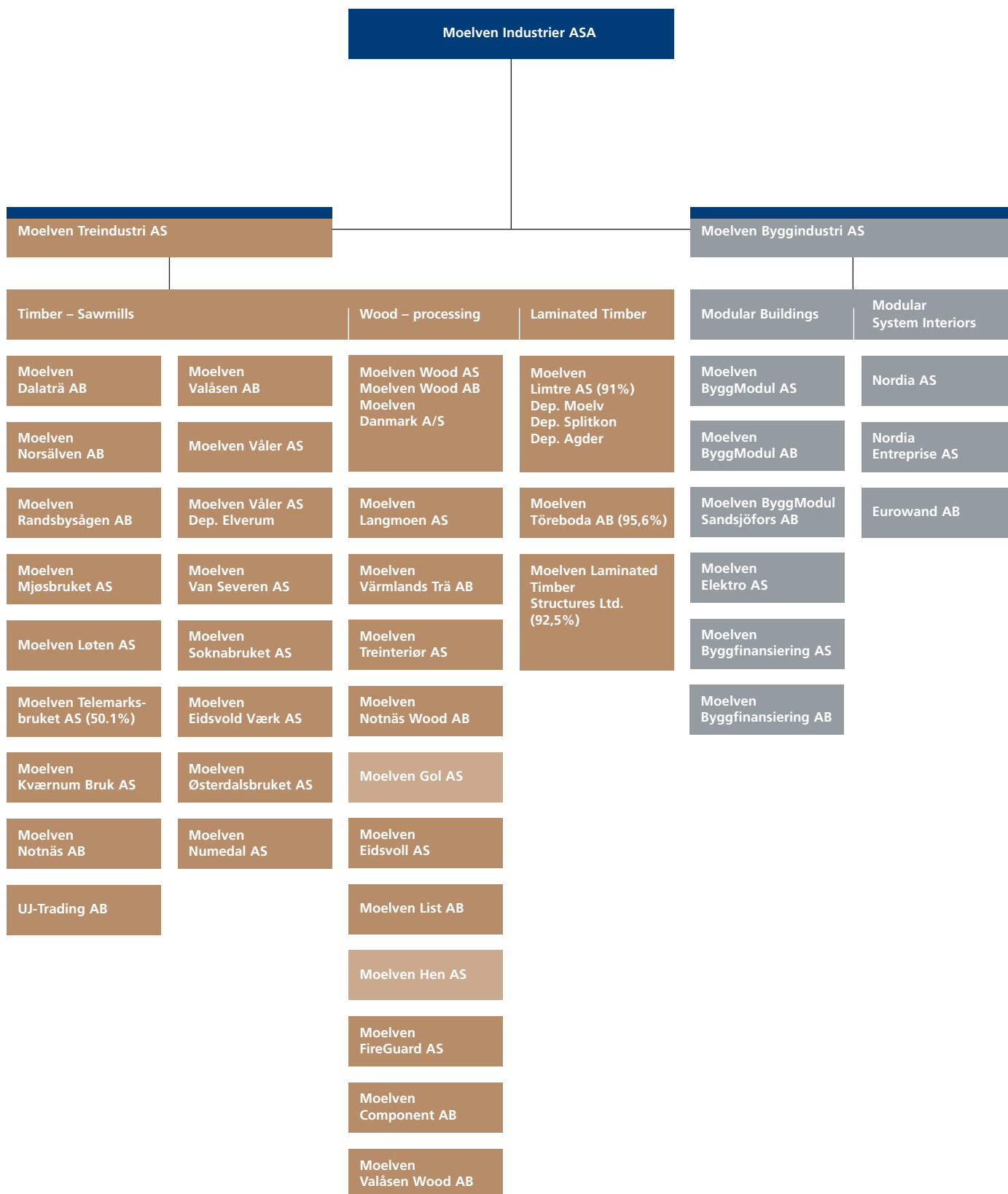
The Moelven Building Group

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 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 on site building 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 well suited to the increasing demand for quick delivery times and a high degree of flexibility. Both concepts require a smaller workforce than traditional building does, and are therefore more cost-effective in production. This puts Moelven's industrialised building concepts in a good position to compete with traditional building approaches. The market potential is considerable.

Organisational Chart per 31.12.03



Location

The headquarters for the Moelven Group is in Moelv in Norway. The majority of the Group's companies are based in southeastern Norway and central Sweden, however, some of the Group's production companies are located outside of this core area. In addition, Moelven is represented throughout most of Norway, Sweden and Denmark via branch and sales/customer offices and distribution centres.

- Timber – Sawmills
- Wood – Processing
- Laminated Timber
- Modular Buildings
- Modular System Interiors



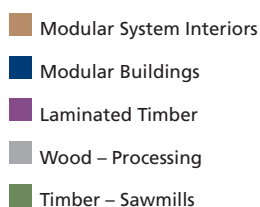
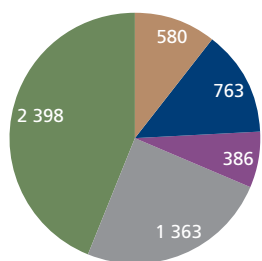
The most important factors influencing the Group's result are shown in the table below. The table shows the impact one per cent change in price would have on profits, all other factors being unchanged.

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

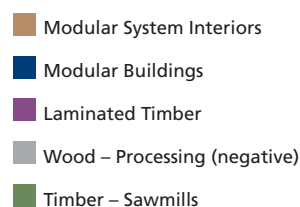
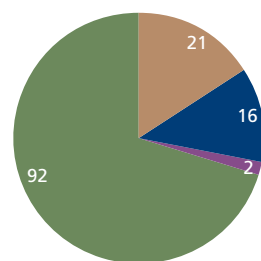
Estimated Change in Operating Result and Result per Share for one per cent Change in Price.

Factor	Operating Profit NOK millions	Business Area	NOK/share
Log prices	14	Timber	0.12
Price of planed goods in Scandinavia	14	Wood	0.12
Whitewood prices	12	Timber	0.10
Redwood prices	8	Timber	0.07
Modular prices, commercial buildings	7	Modular Buildings	0.06
Permanent change of EUR - NOK/SEK	3	Timber	0.03
Price of chips of pulp / paper	2	Timber	0.02

Operating revenues for each business area NOK millions 2003



Operating profit for each business area NOK millions 2003



Main Figures for Five Years

Amounts in NOK millions.	2003	2002	2001	2000	1999
THE GROUP					
Operating revenues	4 864.1	4 618.4	4 516.5	4 745.9	3 525.7
Depreciation & write-downs	146.1	147.4	161.4	159.8	110.1
Operating profit	100.6	139.4	92.7	223.0	89.6
Financial items	-36.1	-40.3	-53.5	-63.4	-43.1
Operating result before tax	64.5	99.1	39.2	159.6	46.5
Total capital	2 363.5	2 140.2	2 392.7	2 345.2	1 927.5
Equity ratio	39.1	42.9	36.7	37.5	32.6
Net operating margin in per cent	2.1	3.0	2.1	4.7	2.5
Cash flow from operating profit	246.7	286.8	254.1	382.8	199.7
Investments	189	119	105	77	72
No. of employees	2 853	3 120	3 149	3 046	2 404
<i>Proforma, Moelven Group incl. Forestia AS, in period 2000 - 1999</i>					
Operating revenues	4 864.1	4 618	4 517	4 828	4 717
Depreciation & write-downs	146.1	147	161	160	161
Operating profit	100.6	139.4	92.7	223	77
Net operating margin in per cent	2.1	3.0	2.1	4.6	1.6
No. of employees	2 853	3 120	3 149	3 046	3 196
TIMBER GROUP					
Operating revenues	3 554.3	3 380.8	3 324.8	3 685.7	2 444.2
Depreciation & write-downs	114.2	116.4	138.5	138.8	90.0
Operating profit	93.2	129.1	24.3	151.9	24.4
Financial items	-40.9	-32.9	-39.3	-47.4	-35.9
Operating result before tax	52.3	96.2	-15.0	104.6	-11.5
Total capital	2 054.4	2 281.0	2 208.3	2 182.6	1 460.9
Net operating margin in per cent	2.6	3.8	0.7	4.1	1.0
Cash flow from operating profit	207.4	245.5	162.8	290.7	114.4
Investments	160	104	59	63	47
No. of employees	1 807	1 936	2 019	2 022	1 436
Timber – Sawmills					
Operating revenues	2 398.1	2 360.1	2 398.9	2 723.3	1 568.0
Depreciation & write-downs	74.3	77.5	100.3	94.1	72.4
Operating profit	92.3	93.6	1.2	94.1	3.8
Net operating margin in per cent	3.8	4.0	0.1	3.5	0.2
Investments	119	72	37	44	40
No. of employees	979	1 006	1 043	1 126	1 100
Wood – Processing					
Operating revenues	1 363.0	1 273.8	1 160.7	1 222.1	6 205.5
Depreciation & write-downs	25.8	25.0	22.6	25.7	17.6
Operating profit	-0.6	40.6	32.0	41.7	13.4
Net operating margin in per cent	-0.0	3.2	2.8	3.4	2.2
Investments	31	20	15	10	7
No. of employees	577	627	647	570	336
Laminated Timber					
Operating revenues	386.1	364.6	383.4	536.0	530.8
Depreciation & write-downs	14.1	13.9	15.5	18.8	18.9
Operating profit	1.5	-5.1	-8.9	16.1	7.2
Net operating margin in per cent	0.4	-1.4	-2.3	3.0	1.4
Investments	10	13	7	9	11
No. of employees	251	303	322	326	414
<i>Proforma Moelven Timber Group incl. Forestia AS, period 2000 - 1999</i>					
Operating revenues	3 554.3	3 380.8	3 324.8	3 767.7	3 335.5
Depreciation & write-downs	114.2	116.4	138.5	138.8	140.9
Operating profit	93.2	129.1	24.3	151.9	11.8
Net operating margin in per cent	2.6	3.8	0.7	4.0	0.4
No. of employees	1 807	1 936	2 019	2 022	2 228
BUILDING GROUP					
Operating revenues	1 340.7	1 240.8	1 230.0	1 094.3	1 087.6
Depreciation and write-downs	23.2	22.8	18.1	15.1	12.1
Operating profit	37.0	41.7	71.9	71.0	88.2
Financial items	4.9	8.2	9.5	7.5	8.8
Operating result before tax	41.9	49.9	81.4	78.6	97.0
Total capital	606.0	612.8	660.5	520.0	520.9
Net operating margin in per cent	2.8	3.4	5.8	6.5	8.1
Cash flow from operating profit	60.2	64.5	90.0	86.1	100.3
Investments	7	10	26.2	11.7	18.3
No. of employees	988	1 123	1 080	978	900
Modular Buildings					
Operating revenues	762.9	655.8	590.0	542.9	561.6
Depreciation & write-downs	13.9	12.9	8.5	7.6	6.8
Operating profit	15.7	10.3	30.5	29.0	42.7
Net operating margin in per cent	2.1	1.6	5.2	5.3	7.6
Investments	4	7	21	5	7
No. of employees	469	534	514	414	412
Modular System Interiors					
Operating revenues	579.8	586.9	641.9	551.4	526.0
Depreciation & write-downs	9.2	9.9	9.6	7.5	5.3
Operating profit	21.3	31.4	41.4	42.0	45.5
Net operating margin in per cent	3.7	5.4	6.4	7.6	8.7
Investments	3	3	5	6	12
No. of employees	519	589	566	564	488
OTHER BUSINESSES					
Operating revenues	46.7	89.3	56.5	68.5	78.0
Depreciation & write-downs	8.8	8.2	6.0	6.0	8.0
Operating profit	-29.6	-31.4	-3.5	0.1	-23.0
Financial items	-0.1	-15.6	-23.6	-23.6	-16.0
Operating result before tax	-29.7	-47.0	-27.0	-23.6	-39.0
Cash flow from operating profit	-20.8	-23.2	2.5	6.1	-15.0
No. of employees	58	60	50	46	68

The Business

Timber



Craning timber at one of Timbers sawmills.

“Moelven’s business concept is to generate as high value as possible from each individual log – all based on the renewable raw material represented by the forest.”



Director at Moelven Våler AS – Hans Jørgen Sundby.



The Group’s “Industrial Wood” product is important in the segment «Build with wood».

The Business

Timber

Encompassing 16 production facilities, Timber organises the sawmill business in the Moelven Group. Timber is the largest division in the Moelven Group, contributing half of the Group's total operating revenues in 2003. Based on renewable materials, the business concept is to generate as high value as possible, with as little cost as possible, from each individual log. To achieve this goal, company employees must have thorough market expertise and be effective in selling to key customers in specific market segments. Timber has an annual turnover of NOK 2.4 billions and approximately 1 000 employees.

The Market

Industrial Timber

Throughout the years, Timber has emphasised specialising the production of industrial timber to meet the specific needs of selected customer segments. This approach ensures maximum value created and profitability for each individual log.

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. The most important customers for Timber are in the segments "Build with wood" (building materials) and "Live with wood" (flooring, panelling, moulding, furniture, windows and interiors). Annual production of industrial wood at Timber is about 1.5 millions cu.m. About 1/3 of this output is further processed to building materials by Wood and Laminated Timber. In total, Timber has about 1 500 customers.

Industrial Chips

The market for industrial chips is regional. Relatively large chips produced from logs having its original, natural moisture levels are sold to pulp and paper producers. In all, about 1 million solid cu.m. of this are sold annually, meaning that 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. Of the total annual production of about 0.5 million solid cu.m. of this product, most is sold to the particleboard industry and some is sold to bio-energy producers, as well as to farmers. The pulp and paper industries obtain about 1/3 of their 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 before being used in their production.

Products

Timber processes sawn timber, serving as the link between the forest and the markets. Timber saws round logs and processes the wood into industrial timber and industrial chips. Industrial timber is the most important raw material for producers in the two main segments «Build with wood» and «Live with wood», while industrial chips are used in the production of paper, bio-energy and particleboard. Environmental concerns have led to increased focus on bio-energy, which in turn increases the importance of industrial chips.

Renewable Raw Materials

The raw materials used by 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 past few years been increasing. The cost of raw materials represents the largest share of the production cost for Timber – in many cases as much as two-thirds. At the same time, the timber used in the sawmill industry makes up almost a similar share of the total timber 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 timber 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 approx. 75 millions cu.m, which corresponds to about 2/3 of the total annual forest growth. Timber has an annual timber consumption of 3.5 millions cu.m, which corresponds to just under 10 per cent of the timber harvested in Norway and Sweden suitable for this type of production.

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 Timber's profitability. Price fluctuations in these markets have historically had a major impact on profitability. Timber has over the past few years increased specialisation in the production of industrial wood in order to reduce exposure to fluctuating market conditions.

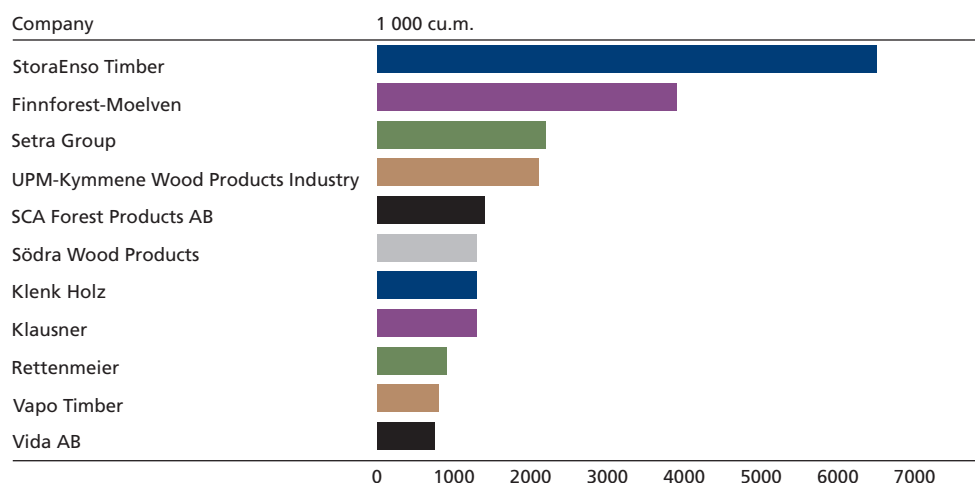


Production: Annual production of industrial spruce timber at Moelven Timber is approx. 1.5 million cu.m.

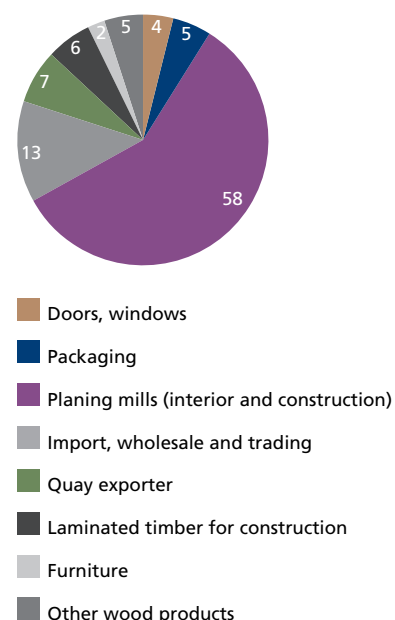
Timber	Volum cu.m.	Turnover NOK millions	Products	No. of Employees
Moelven Dalaträ AB	123 000	214	Industrial pine	80
Moelven Norsälven AB	75 000	125	Industrial pine	52
Moelven Notnäs AB	160 000	265	Industrial spruce	97
Moelven Ransbysågen AB	52 000	86	Industrial spruce and pine	34
Moelven Valåsen AB	310 000	476	Industrial spruce and pine	160
UJ Trading AB	-	43	Trading equipment to the wood mechanical industry	10
Moelven Kværnum Bruk AS	17 000	27	Industrial spruce	15
Moelven Løten AS	40 000	70	Industrial pine	35
Moelven Mjøsbruket AS	62 000	101	Industrial spruce	42
Moelven Numedal AS	53 000	81	Industrial spruce	42
Moelven Telemarksbruket AS	23 000	35	Industrial pine	26
Moelven Timber AS	-	23	Parent company functions	18
Moelven Våler AS, avd Elverum	30 000	53	Industrial spruce and pine	20
Moelven Våler AS*	162 000	251	Industrial spruce and pine	85
Moelven Soknabruket AS*	119 000	181	Industrial spruce and pine	85
Moelven Eidsvold Værk AS*	90 000	131	Industrial spruce	64
Moelven Van Severen AS*	123 000	190	Industrial spruce	75
Moelven Østerdalsbruket AS*	56 000	77	Industrial spruce and pine	33
Other	-	(31)		6
Timber Total	1 495 000	2 398		979

* Companies with both sawmills and processing facilities; figures for sawmills only.

The largest European producers of industrial wood products.



Operating revenues per segment in per cent.



The Business

Wood



Wood has a wide-ranging assortment of processed wood products.

“Focus on customer centres and efficient distribution to the nation-wide chains of builders’ merchants are two of the key points for Wood’s operation”.



Production of impregnated wood.



Solid wood ready to be distributed to the customers.

The Business

Wood

Wood organises the wood processing activity in the Moelven Group, and is the business area that is the product wise most customer-oriented. Production takes place at 16 production facilities, while marketing, sales and customer service functions have been centralised. Focus on customer centres and efficient distribution to the nationwide chains of builders' merchants are two of the key points for Wood's operation. In 2003, Wood generated 30 per cent of the Group's overall operating revenues, with an annual turnover of NOK 1.4 billions and about 580 employees.

Market

Wood has had a strong focus on the Swedish, Norwegian and Danish markets over the past few years – with particular focus on building up distribution capacity toward chains of builders' merchants, which are among Wood's most important customers. The chain stores shall be offered a wide range of products, but with short delivery times. Storage and delivery must be on the road.

More than 90 per cent in Scandinavia

Wood has a very strong position in Norway and Sweden, and has been expanding in the Danish market over the last years. Almost 92 per cent of Wood's operating revenues are generated from deliveries to the Scandinavian domestic market, and a large share of sales is for rehabilitation, renovation and additions to homes and leisure homes.

Close Collaboration with Builders' Merchants Chains

Wood works closely with nation-wide and pan-Scandinavian chains of builders' merchants selling products from Wood, and this collaborative effort will be intensified. The key to the success of this approach is the

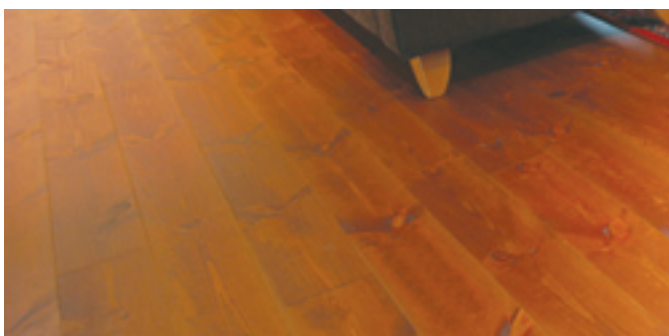
focus on customer service centres and efficient and centralised distribution centres.

Market Leader

Wood is the market leader in several product groups. The comprehensive distribution coverage allows them to adapt most shipments to the end customer's exact needs, ensuring efficient logistics and short delivery times.

Products

Most consumers in Scandinavia will in one way or another become familiar with a product from 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. Wood has complemented its product portfolio with goods from Finnforest in Sweden and Denmark, thereby being able to offer an even wider assortment of products to its customers. One particular area of focus is on developing so-called Do-it-yourself products that will to a high degree satisfy the needs of retail shoppers.



Solid wood in colours inspired by the Mediterranean Sea is a new product from Wood.



Wood produces and sells a wide variety of interior products, such as painted panelling.

Solid Wood and Interior Products

Solid wood for building purposes is Wood's single most important product group. Interior products (flooring, panelling for walls and ceiling and moulding) is the second largest product group, representing about 30 per cent of the division's operating revenues. Wood supplies surface-treated interior products and exterior boarding in several different colours. Producing components for door producers is another important product segment for Wood.

Product Program

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 previously.

Fire-retardant Wood

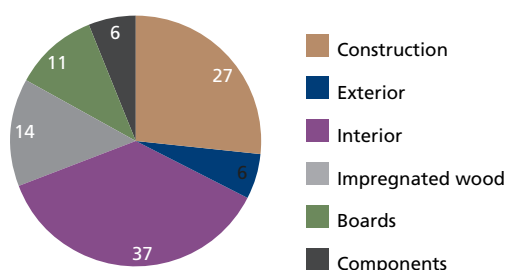
Wood that does not burn sounds like a contradiction in terms, but no longer. The Wood division supplies fire-retardant wood products, which are made using a very special impregnation process. This innovative product opens up new and exciting possibilities for the use of wood where fire regulations set very strict requirements. Fire-retardant wood products can now be used where previously architectural requirements were not compatible with strict fire regulations. 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 (Hamar, Norway) are examples of the use of this material in large buildings.

Wood	Turnover in NOK millions	No. of Employees
Moelven Component AB	81	44
Moelven List AB	71	45
Moelven Notnäs Wood AB	88	26
Moelven Valåsen Wood AB	135	34
Moelven Värmlands Trä AB	96	34
Moelven Eidsvoll AS	90	75
Moelven FireGuard AS	41	28
Moelven Gol AS **	25	10
Moelven Hen AS **	45	12
Moelven Langmoen AS	111	60
Moelven Treinteriør AS	54	21
Moelven Våler AS *	50	26
Moelven Soknabruket AS *	24	14
Moelven Eidsvold Værk AS *	127	28
Moelven Van Severen AS *	107	31
Moelven Østerdalsbruket AS *	57	21
Moelven Wood AS	614	27
Moelven Wood AB	87	24
Moelven Danmark A/S	151	17
Other	(690)	38
Wood Total	1 363	577

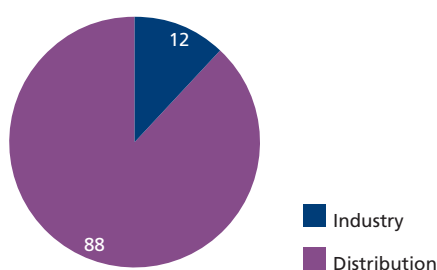
* Companies with both sawmills and processing facilities; figures for processing facilities only.

** Decided shut down

Operating revenues per product group in per cent

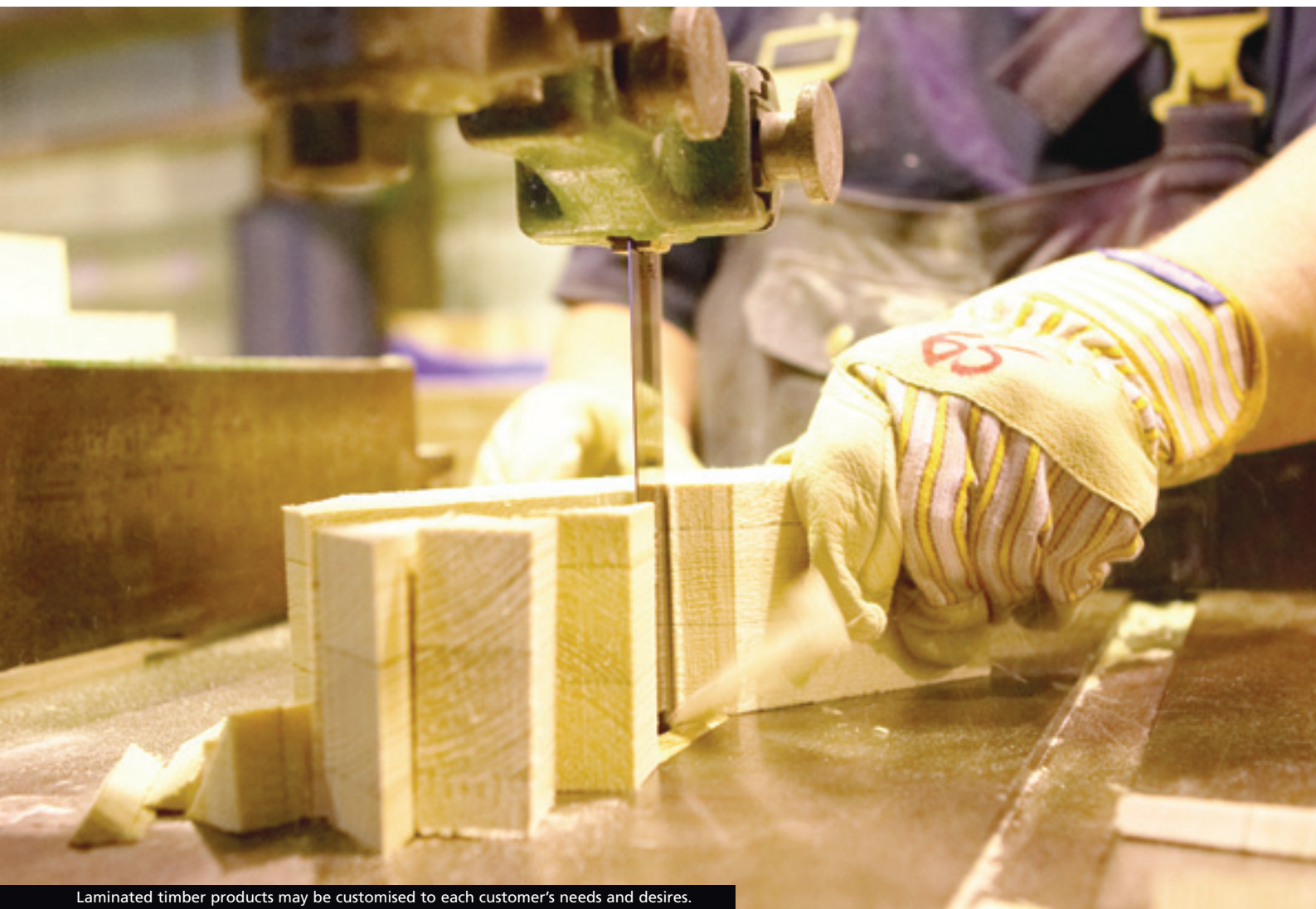


Operating revenues per megasegment in per cent



The Business

Laminated Timber



Laminated timber products may be customised to each customer's needs and desires.

“In combination with other building materials such as steel, concrete and glass, laminated timber has for many years opened up for greater architectonic freedom.”



Cerry Lundberg works in the production facility at Moelven Töreboda AB, Sweden.



Moelven's laminated timber business is the market leader in Scandinavia.

The Business

Laminated Timber

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 a number of signature buildings in both countries. The so-called truss arch constructions that Moelven Limtre developed for the Olympic halls in Norway and for the Oslo International Airport Gardermoen have been further developed and are now also used for building road bridges made of laminated timber, which has become an important market segment. In combination with other building materials such as steel, concrete and glass, laminated timber has for many years opened up for greater architectonic freedom. Laminated Timber consists of Moelven Limtre AS with three production units in Norway, in addition to Moelven Töreboda AB in Sweden. Laminated Timber employs a total of 250 people and has annual sales of NOK 386 millions.

Market

Strengthened Market Position in the Domestic Market

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 builder merchant, to the construction materials industry or builders of prefabricated houses, winter gardens or similar structures. In conjunction with the formation of chains in the builders' merchants' trade, there is a conscious effort to promote products from Laminated Timber, and to make the company's sales and marketing efforts more efficient.

Major structural changes have taken place in the European laminated timber industry in recent years, with a number of major producers supplying laminated timber in standardised dimensions. The increased production capacity in Europe has contributed to increased competition and reduced profitability. Moelven has therefore chosen to focus on its home market. A similar development seems to be taking place in Japan, which has traditionally been a strong export market for Moelven. Japan is still an important export market for standard laminated timber beams from Moelven Töreboda; however, the export volume is declining.

Logistics and Distribution

Like many of Wood's products, laminated timber in small quantities, often used for expansions or additions to residential housing, is sold through builders' merchants. Moelven emphasises good customer relations and service, both in the form of recommending solutions, engi-



The installation of large laminated timber elements requires tremendous precision and accuracy.



Local residents celebrated when the world's longest wooden bridge was opened over Glomma river.

neering, intersections and fittings; and by offering efficient logistics through a well-developed distribution network to the chains of builders' merchants and the construction industry through fixed distribution routes in both Norway and Sweden. Fast delivery is important and the company is able to deliver most products two days. The sale and distribution of Kerto-beams from Finnforest is co-ordinated both in the Swedish and Norwegian markets.

The End User's Needs

A majority of laminated timber deliveries are specifically adapted to the end user's needs, for example, by making minor adjustments to standard beams or customising project deliveries for specific construction projects: commercial buildings, sports arenas, churches or bridges. Laminated timber structures are well suited as building material for industrial buildings and arenas.

Few Limits

The famous signature buildings prove that there are few limitations on what can be built using laminated timber, where architectural, environmental and fire-retardant characteristics are often the decisive factors when builders have selected laminated timber as their material of choice for supporting structures in larger buildings.

Products

Glulam in 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 also contribute to an expanded use of wood as a supporting structure in buildings. The use of laminated timber for this purpose 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 excellent fire retardant properties. In addition, laminated timber is easy to work with and adapt on the construction site. Over the years, laminated timber has contributed to greater architectonic freedom in combination with other building materials such as steel, concrete and glass.

Road Bridges

A new important application area is large and small road bridges made of laminated timber where Laminated Timber has developed a close working relationship with the National transportation authori-

ties. A special concept for building bridges made of laminated timber has been developed, and several bridges made of laminated timber have been opened the past year. Among others, the world's longest road bridge made of wood will be built over the river Glomma at Flisa in Norway. The most spectacular bridge is the Leonordo da Vinci-bridge spanning E18 at Ås in Norway built in 2001.

Glulam in High-profile Buildings

Many major signature buildings have been made structurally viable through Moelven's development of intersections for among others trussed arches. The new technology and building techniques have in many ways revolutionised the possibilities for using wood in large spectacular buildings and structures. Moelven has built a number of high-profile buildings using laminated timber. In Sweden, the Universeum in Gothenburg, which was made using laminated timber elements supplied by Moelven Töreboda, received the National Architecture Prize for "Best present-day Building." The most famous structures built in Norway using laminated timber from Moelven are the Oslo International Airport at Gardermoen and the Olympic sports halls in Lillehammer and Hamar.

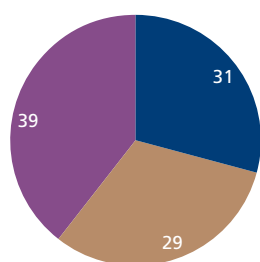
Power Line Masts

The production of power line masts made of laminated timber has become an important product segment for Moelven. The first masts were supplied in the early 1980s, and since then a number of small and large power lines have been built in Norway using laminated timber for the masts. Laminated Timber has worked closely with companies in the energy sector to develop this product. In 2003, the construction of a major power line with masts built using laminated timber was completed in the western part of Norway (Sogn og Fjordane county).

Kerto

Kerto-beams from Finnforest are marketed and sold by Moelven in Scandinavia and have become an important supplement to Moelven's standard laminated timber products. Kerto-beams complement laminated timber beams from a market perspective, and with Kerto in their product range, Moelven can offer customers a more complete range of quality products.

Operating revenues megasegment in per cent



- Industry
- Distribution
- Building

Laminated Timber	Turnover NOK Millions	No. of Employees
Moelven Töreboda AB	190	123
Moelven Limtre AS	191	125
Other	5	3
Laminated Timber Total	386	251

The Business

Modular Buildings



Forklift drivers play an important role in moving around finished modules. Jon Korsbakken is shown here behind the wheel of a forklift at Moelven ByggModul AS in Moelv, Norway.

“Indoor production and modules ready-made for installation offer major benefits compared to traditional on site construction. Modular buildings are increasingly being favoured by builders”.



A large order of temporary barracks was supplied by Moelven Modular Buildings for the Snøhvit gas field project at Melkøya, outside of Hammerfest, Norway.



Modular buildings are well suited for use as permanent buildings, such as schools, offices and apartments.

The Business

Modular Buildings

Moelven is Scandinavia's leading manufacturer of modular buildings. Manufacturing takes place at three facilities, two in Sweden and one in Norway. Production takes place indoors in the factory and the modules are delivered ready-to-use at the building site. This approach provides great advantages compared with traditional on site building and is one of the reasons that modular buildings are making greater inroads into the building market. This is also true for apartment buildings where Moelven has invested heavily to develop new products. Modular Buildings employs a total of 470 people and has annual sales of NOK 763 millions.

The Market

The majority of the ready-made modules Moelven makes are sold to builders and contractors in Scandinavia. The deliveries are concentrated in a niche with a total turnover that makes up just under two per cent of the total commercial building market.

Factory Production

By means of industrial production of the modules inside factories, it is possible to deliver finished solutions that are fitted and installed at the building site. This approach reduces the need for labour at the build

ing site and leads to a much shorter building time than for traditional on site construction. Production in the factory also includes electrical installation, heat, ventilation and sanitary systems, as well as all fixed furnishings. 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. "Clean site" during the building process are also more controlled, ensuring a better interior climate in the finished building. Moelven also offers financing of buildings.

Products

Industrialised Production

Moelven uses an industrialised approach in their production of modular buildings. Through the development of industrial concepts, 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 on site building. The modular buildings can be delivered both as temporary and permanent structures. Significant efforts have been put in expanding the market for modular buildings by targeting product development at markets that have previously been reserved for traditional on site building.

Greater Flexibility

Module-based buildings provide greater flexibility because it is easier to add on extensions, carry out remodelling or even move the building when needs change. The products have been developed to give the customer the same qualities as in buildings built 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.



Student apartments in Linköping, Sweden, based on modules from Moelven ByggModul AB.

Hotels, Schools, Offices and other Permanent Buildings

A constantly larger portion of production of modular buildings is now going to permanent buildings in the form of schools, hotels, offices, student housing and buildings in the health care 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.

Modular Buildings is steadily increasing their co-operation directly with construction companies. Module-based solutions have been developed that allow construction companies to utilise ready-to-use modules in their own building projects – both when it comes to commercial buildings and residential dwellings.

Multi-family Dwellings and Residential Housing

In recent years, a co-operative effort with architects and construction companies has been organised to develop solutions for multiple family dwellings and residential housing. For example, a four-storey multi-family dwelling in a major housing project is now being built in Ålesund in Norway. In 2003, a major apartment complex intended for younger tenants was built in Linköping in Sweden based on modules from Moelven. In 2002, modern functional residences based on modules from Moelven were built in Silverdalen outside of Stockholm.

Temporary Buildings

Traditionally the largest market for modules has been temporary accommodation and office buildings, where construction companies and others in the building and rigging sector have comprised the customer mass. One of the largest projects during the recent years 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. Last year Modular Buildings won an international competition to deliver building rig accommodation at Landsvirkjun on Iceland where a power facility driven by run-off from the Vatnajökul glacier is being built.

The modules can easily be adapted to changing needs. Oslo municipality, for example, has 800 modules that are used as classrooms at schools where the number of pupils has exceeded the school's capacity. These modules have been and are also being used during construction periods while permanent classrooms are being refurbished.

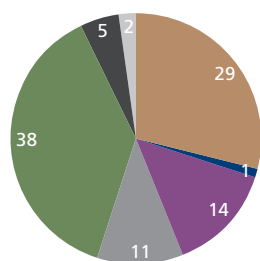
Installations

Moelven Elektro

Moelven Elektro offers engineering-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.

Modular Buildings	No. of Modules	Turnover		No. of Employees
		NOK Millions	Products	
Moelven ByggModul AS	836	387	Flexible module-based commercial buildings	159
Moelven ByggModul AB	116	187	Flexible module-based commercial buildings	135
Moelven ByggModul Sandsjöfors AB	390	135	Flexible module-based commercial buildings	159
Moelven Elektro AS	-	118	Electrical installations, high and low voltage	89
Other		(63)		0
Modular Buildings Total		763		469

Sales in per cent per modular category



- Apartments
- Hotels
- Offices
- Schools
- Industrial sites
- Services
- Miscellaneous

The Business

Modular System Interiors

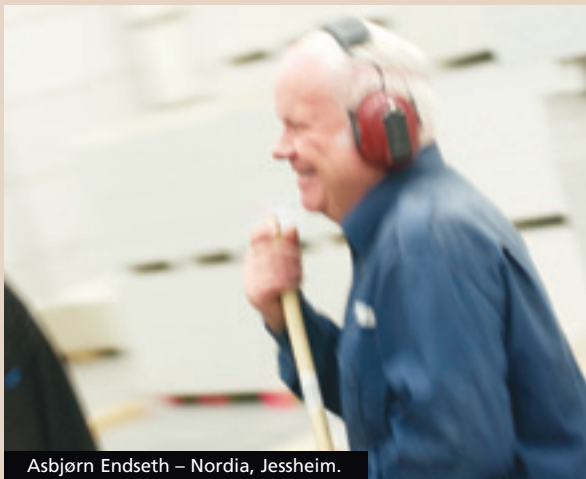


Glass walls is one of the product groups offered by Moelven's modular system interiors businesses.

“Modular interiors
is a concept that is well
adapted to the increasing
demand for fast deliveries
and a high degree
of flexibility”.



Arild Sakshaug – Nordia, Jessheim.



Asbjørn Endseth – Nordia, Jessheim.

The Business

Modular System Interiors

Modular System Interiors is Scandinavia's leading manufacturer and supplier of flexible system interiors for commercial buildings, which are marketed under the trademarks Nordia in Norway and Eurowand in Sweden. Modular interiors are a concept that is well adapted to the increasing demand for fast deliveries and a high degree of flexibility. It requires less use of labour compared to the traditional approach to construction, and is therefore more cost-efficient. Moelven System Interiors employs a total of 520 people and has annual sales of NOK 580 millions.

The Market

Moelven's interior companies operate primarily in the domestic market for commercial buildings in Norway and Sweden. This market can be divided into two parts: New-builds and rehabilitation or remodelling.

Moelven's system interior business is largest in Norway, the reason being that Norway has a longer tradition in using this type of interior. The use of system interiors per capita is four times more common in Norway than it is in Sweden.

New-build market

Flexible system interiors are most commonly used in commercial buildings of which office blocks represent the dominant type. Modular interiors are a concept that is well adapted to the increasing demand for fast deliveries and the need for a high degree of flexibility; it requires less use of labour than the traditional construction approach and the production is therefore more cost-effective. Investments in new commercial buildings are very sensitive to market conditions and the economic cycles, hence the new-build market has dropped sharply in Sweden and Norway over the past year.

Contractors are one of the key customer groups when it comes to this segment.

Rehabilitation/remodelling market

In recent years, the business linked to rehabilitation, remodelling and additions has to a lesser degree than the new build market been affected by economic cycles, so this segment has become increasingly important for the division. The strategy is to emphasise the establishment of good and long-term customer relationships as a basis for repeat deliveries beyond the individual original project. The products' flexibility is important when customers shall adapt to new needs.

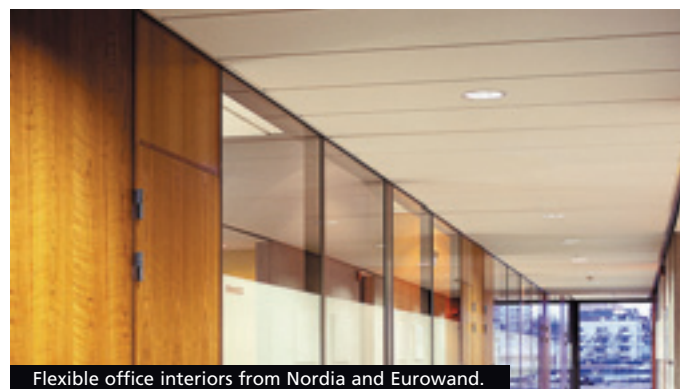
Products

Moveable office walls, vaulted ceilings and floors

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 useable product when it comes to flexible (mobile) office walls, vaulted ceilings or floors. Part of the business concept is that the products are flexible so that simple adjust



Glass walls are among the products supplied by Modular System Interior businesses.



Flexible office interiors from Nordia and Eurowand.

ments can be made to change the interior of a commercial building to keep pace with changing needs. Rehabilitation and remodelling are therefore important parts of the business.

Nordia and Eurowand are continuously developing new products, and their products are increasingly being harmonised between the two.

Customisation

The system includes all types of interior walls, window frames, glass sections, doors and vaulted ceilings. All units are delivered as modules, which makes it possible to interconnect them independently. The products are available in many different sizes and colours, allowing customers the opportunity 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 also be adjusted to 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, which 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 still in use. During remodelling, a large portion of the materials will be reused or stored for later use, which greatly reduces quantities of waste.

More internal production

Of the products that are part of a delivery, walls and windows are largely internally produced, while other items are purchased from

external suppliers. The share of goods produced within the Group has increased in recent years through acquisitions and take-over of suppliers.

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

Local Presence

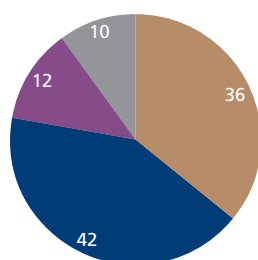
In this market it is important to have a local presence and to be located near the customer. This is part of the reason for the acquisition of several smaller interior companies in Sweden in recent years. In Norway, 14 local offices have been established in addition to Nordia's headquarters at Jessheim. In Sweden, the headquarters for Eurowand are located in Örebro, while regional offices have been established in the most populated areas. Two logistics centres support local offices, one in each country, from which all deliveries of goods are co-ordinated. 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 fiercest 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 for the flexible approach. Even though the base investment is competitive 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.

Modular System Interiors	Turnover NOK Millions	Product Description	No. of Employees
Nordia AS	414	Flexible system interiors for business offices	353
Nordia Enterprise AS	33	Flexible system interiors for business offices	4
Eurowand AB	141	Flexible system interiors for business offices	160
Other	(8)		2
Modular System Interior Total	580		519

Sales in per cent per market segment



- New commercial buildings, business offices
- Rehab. commercial buildings, business offices
- Rehab. commercial buildings, services
- Rehab. commercial buildings, turnkey contractor

Personnel



Mikael Axelsson, Moelven List AB.

“Moelven operates in an internationally competitive environment and depends on a flexible organisation with talented, motivated and effective staff members”.



Else Brækkan, Moelven Våler AS.



Personnel

Moelven has 2 853 employees divided between the Group's businesses in Norway, Sweden and Denmark. Although equipment and machines are important in any industrial group, what separates the best companies from the not so good companies are the employees. Moelven operates in an internationally competitive environment and depends on a flexible organisation with talented, motivated and effective staff members. In addition to motivational measures, a number of educational measures – such as technical training and systematic management and mid-level manager training – are in place to ensure the health, safety and skill-level of each and keep every staff member prepared for the competition we face on a daily basis.

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, then conditions must also be in place to recruit motivated and well-qualified employees – and to create a positive work environment that gives each employee a chance to develop themselves and their careers.

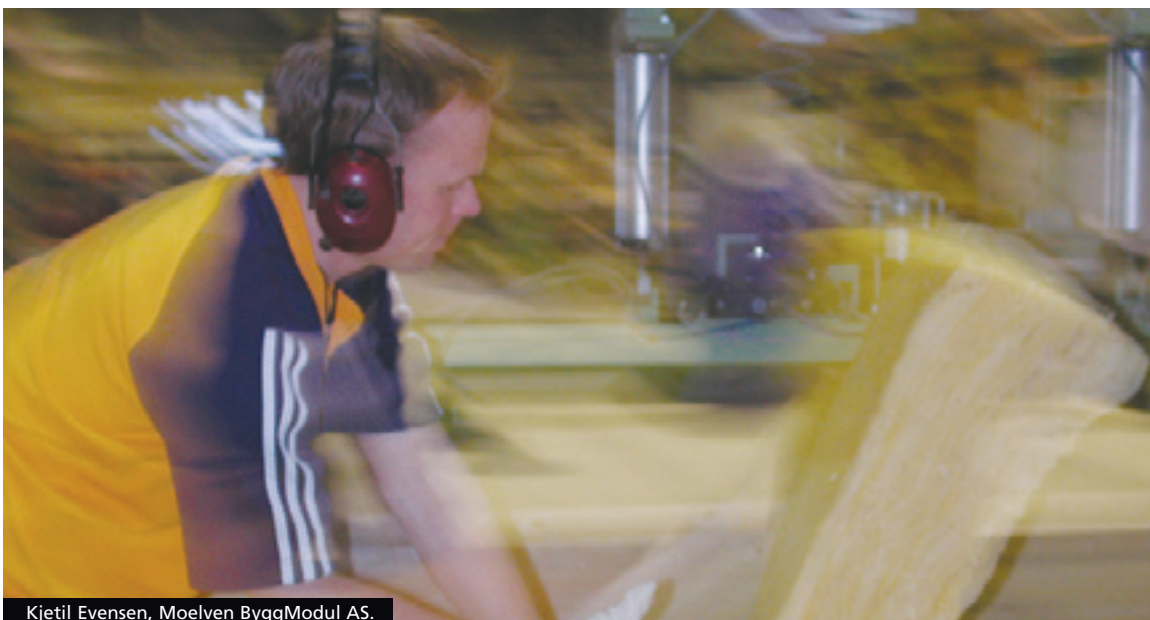
This is why Moelven is working hard to offer various employee groups the possibility of growing, learning and developing through educational programmes. Without a skilled, motivated and highly qualified workforce, the possibility of achieving results is limited.

The Moelven Group had, at the end of 2003, a total of 2 853

employees. Of these, 1 686 are employed in the Group's Norwegian operations, 1 147 are employed in Moelven's businesses in Sweden and 17 in Denmark and 3 in other countries. 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 proportions of women employed in the various Moelven companies.

A Flexible Organisation

Although Moelven's operations are focused on Scandinavia, the Group's activities are also affected by international and economic



Kjetil Evensen, Moelven ByggModul AS.

trends, as we live in an open, international economy. Therefore, one of the aims of the Group's human resources policy is to develop an organisation capable of change - with expertise, motivation and efficiency comparable to international benchmarks, and with a focus on continuous improvements and long-term profitability. This is an ambitious and demanding goal, setting great demands on the organisation and requiring the implementation of concrete measures.

An Ability to Adapt to Changing Circumstances

As it is operating in a highly competitive industry, the need for Moelven to adapt to changing environments has increased over the past year. There must always be a right balance between supply and demand, and when the economy and market slows then the organisation must adapt in order for it to survive. On this basis, the number of employees in the Group was reduced by 250 the past year. The reduction in personnel took place through the sale of businesses, discontinuing others and by reducing the number of employees in current companies.

In such a sensitive and unfortunate situation, Moelven emphasises an approach that adheres closely to all agreements, laws and regulations dealing with the subject. An important basis is the contract between the Group and the individual employee "Moelven Industrier ASA reorganisation and change – the relationship to our employee», which lays down guidelines for the process of reorganising a business.

Long-term Employment

In general, employment at Moelven is a long-term proposition. 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 certain fields. In order to advance the Group's overall expertise, Moelven pursues an aggressive recruitment and development policy.

Business Culture and Values

Moelven's operations have a target-oriented business culture, and this culture and the values that it is based on primarily reside in its employees. The Group considers the company's values and a target-oriented business culture to be important guidelines for the way the Group works, and believes that these guidelines make them a useful and cost-effective supplement to more formal management systems.

Four central values are at the core of Moelven's target-oriented business culture:

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

"The Moelven School"

On the initiative of the Moelven Group, and in co-operation with the Norwegian College of Building, a skill building offering in the form of 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 both their personal development and career opportunities. A similar training programme has been offered to Moelven's Swedish technical staff this last year in co-operation with and at Hammarö Utbildningscentre.

Professional operators with technical skills are a pre-requisite for achieving results in an industrial group like Moelven. Courses at the "Moelven School" run over a period of two years and provide credits towards the Norwegian higher education system.

Management Development Programme

In order to ensure that the company's managers continue to develop their skills, Moelven took the initiative for the management development programme "Mjøskompetanse" almost ten years ago. The programme is run in co-operation with other companies in southeastern Norway, but is also open for Moelven managers in Sweden.

The programme's content is based on the individuals' experience and their actual work situation, and aims to contribute in increasing their ability to achieve results in collaboration with others. The course involves 4-6 gatherings, each lasting from three to five days.

Since this management development programme started, 260 of the Group's Scandinavian managers and mid-level managers have participated, together with managers from other companies in Eastern Norway.

Development Programme for Mid-level Managers

Moelven also offers a special development program for mid-level managers in the Group. This course is specially adapted for colleagues serving as foremen, employee representatives, department managers, buyers and administrative personnel. The course is held both in Norway and Sweden. The development programme focuses on the participants' experience and their individual need and potential for improvement. The work methods, tools and training situations that are covered in the course provide the participants with an opportunity to work directly and concretely on challenges and situations that the employees face both in their private lives and at work.

Trainee Programme

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 since 1998. 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 runs over two years, has become a popular educational opportunity. The Moelven Group has employed a number of trainees after their completion of the programme.

Pensions and Insurance

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

Absenteeism Due to Illness

Over the past year there has been a concerted effort to reduce absenteeism due to illness. This has involved implementing measures aimed at changing attitudes and preventive measures (with regard to physical and psychological issues at the workplace), in addition to eliminating physical tasks that are particularly strenuous.

In order to motivate to reduce absenteeism, a system of company rewards has been introduced starting at the beginning of 2004. Companies with low absenteeism and positive operating margins will be rewarded for their results. The first award will take place March 2005. In case of a 100% payout, NOK 2 000 will be awarded for each employee in the company, and all awards are to be spent on measures that will create a better work environment at the company. The employees themselves will decide what measures should be given priority. The award is an extra reward above and beyond any existing wages and work agreements.

Environment



Source sorting is an important environment measure, as here at Nordia AS in Jessheim, Norway.

“Moelven’s products are based mainly on renewable pine and spruce timber from forests in Norway and Sweden. This yields tremendous benefits for the environment”.



Forests in Norway and Sweden are the basis for much of the woodworking activities at Moelven.

Environment

Moelven essentially uses nature's own raw material: renewable timber. Moelven's products are based mainly on renewable pine and spruce timber from forests in Norway and Sweden. This yields tremendous benefits for the environment. 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 100 per cent recyclable.

Health, Work Environment and Safety (HES)

Moelven works systematically to improve the health, work environment and safety conditions for the staff in the Group's companies. One of the concrete programmes in this regard is a special HES training programme for Group management, managers at the various companies and mid-level managers, as well as employee representatives. The programme has been specially adapted to the needs of the Group and approx. 300 persons have participated in the last year alone.

Another important measure is the so-called HES Handbook, which contains both general information about laws, regulations and contracts relating to health, work environment and safety, as well as detailed information about contract frameworks and rules for each individual company.

The purpose of the HES Handbook is to make sure that each staff member feels secure in his or her own work situation and how to react if there is an accident, as well as provide rules for orderliness. The HES Handbook will also help ensure that new employees in the company receive necessary information and guidance. The Norwegian Moelven companies have had an HES Handbook since the 1990s, while it is also now being introduced for the Swedish companies. The HES Handbook is adapted to the existing conditions at each individual local company.



Timber is a pure, natural product.

Focus on Preventing Injuries

Moelven has increased its focus on preventing work-related injuries. All the companies in the Group are required to carry out so-called "risk analyses", which are based on the Norwegian Work Environment Act's regulations concerning systematic health, work environment and safety work (IK regulation) and other requirements mandated by Næringslivets Sikkerhetsorganisasjon. Each company is responsible for carrying out risk analysis, but the Group's HES Manager has a central role in assisting and guiding companies to carry out the work. Attitudes and motivation are stressed in this process, and work to motivate the Group's employees to actively work to prevent work-related injuries is carried out systematically. Our goal is that preventing injuries shall be a part of the daily job for all employees.

Several of Moelven's companies have well-established industrial safety routines, as well as necessary process descriptions in order to ensure safe production processes.

In 2003 alone, investments totalling NOK 33 millions have been spent on building several new and approved sprinkler facilities. The work will continue in 2004, and by the end of the year all of the production facilities in the Timber, Wood and Laminated Timber divisions will have new and approved sprinkler facilities. This project started in 2002, with all the divisions mapping the scope and costs involved in

the project. The work has been complicated, but since the sprinkler installation project was run as a local project, there has been tremendous local support for the completion of the project.

Absenteeism

Out of a total number of 2 737 man-years, the Group had a total number of absences due to illness of 48 090 days in 2003. This corresponds to 7.06 per cent.

The number of reported work accidents with personal injuries is 111, of which 80 are injuries resulting in leave. This results in an H value of 16.67 (number of absence injuries per million work hours).

High average age and increasing muscle and skeletal ailments are important reasons for absence. This means that preventive measures are 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, such as company awards for low rates of absence. 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 social insurance office – in line with an agreement between LO, NHO and the government – and have received status as so-called IA companies. 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 work environment.

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

Environmental Impact of Using Raw Materials

Society is putting ever-increasing demands on selecting raw materials and production methods. International agreements and certification programmes are becoming increasingly accepted means to ensure that environmental considerations are taken. This is a development that Moelven is taking an active part in within their business areas.

Environmentally Sound Raw Materials

In this regard Moelven has a beneficial starting point in that the Group's basic ingredient for industrial activity is timber. The bark that is left over when the logs are sawn is used as bio-fuel, garden bark or soil enhancers.

The Moelven processing companies and laminated timber factories purchase their raw materials from environmentally certified sawmills, whether they are part of the Group or from other suppliers. Wood is also a significant component of the finished products made by Modular Buildings.

Laminated timber is a highly environmentally sound building mate-



Exercise is important for a person's physical and mental health. The exercise group at Moelven in action.

rial. Laminated timber per cubic metre contains approx. 470 kg wood, and approx. 6 kg glue.

Moelven's modular and interior companies represent businesses where an environmental friendly building component life-cycle approach is central to the design of the products, with extensive reuse of the products.

One of the products from the sawmill business: industrial chips, is being used in an increasing number of applications; the reason for this is the building of wide area heating facilities based on bio-energy in which industrial chips and briquettes play an important role. Wide area heating facilities produce energy and are used, for example, in the heating of homes and major public buildings. The Group's own heating facilities use industrial chips as fuel.

Environmentally Certified Wood (PEFC)

PEFC (Pan European Forest Certification) is a European certification programme based on standards developed by environmental protection organisations and the forestry industry. All of Moelven's sawmills in Norway were PEFC certified in 2001 according to the so-called "chain of custody" principle, and in 2002 many of Moelven's Swedish sawmills were also PEFC certified.

The purpose of PEFC certification is to address environment issues in the forestry business and ensure that forestry 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 supplied by certified suppliers, the sawmill may add an environmental label to its finished products. In order for the sawmill to be PEFC certified, internal routines must be in place to ensure that established procedures are followed throughout the chain of production – from the forest harvesting to the production, packaging and delivery of the end product 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 over. 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 conditions 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. In this way one creates a win-win situation for both the environment and the company.

Transportation

In the area of transportation and logistics, Moelven is focussing on the following:

- 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 railroad and boats, where possible, when and where company and customer-location allows.
- Increasing know-how and implementing targeted measures in this area.

Environmental Impact from Operations

Energy Consumption

Thermal energy is used for drying wood products and heating offices, and is generated by burning 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 saving to promote improved effects on the environmental and financial factors. The company is working on several concrete projects in this area at the moment.

Waste

Practically speaking, 100 per cent of the bark is used as biomass, landscaping bark and soil enhancement 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 plants and sites 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 speckling, 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 populated areas, this has entailed taking special measures to reduce noise.

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

Drainage of water from timber storage can cause algae growth in

nearly river systems. Recycling the water and climate controls of sprinkler systems are important measures to counteract this drainage.

Environmental Impact from the Use of Products

Carbon Binding

A “normal” wooden house requires approximately 50 cu.m 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.

Lifecycle

Timber is a natural, renewable resource with a positive impact on the environment when reused for new purposes or recovery by using scrap timber for energy production or recycling through biological breakdown in the soil. Moelven’s module and interior companies stand for efficient 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 from a normal wooden house will be 1 650 kWh (2 500 – 850 kWh), which corresponds to one month of consumption for one household with an annual consumption of 20 000 kWh.

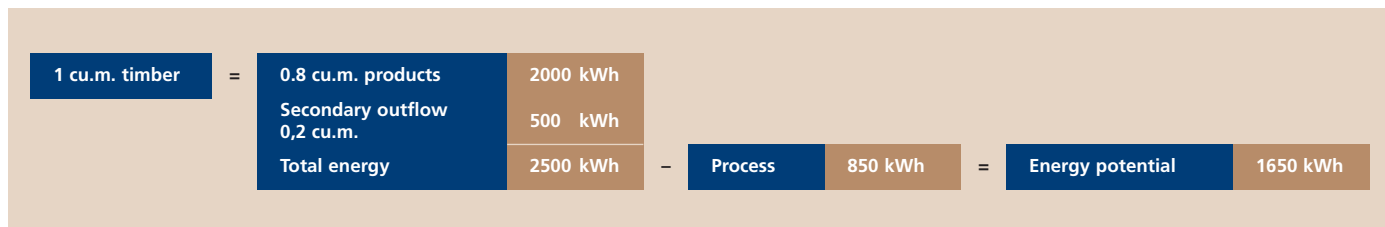
Special Products

Production of products that are pressure impregnated with CCA (heavy metals) has been stopped in Norway and in principle also in Sweden. Moelven has developed alternative products without the same negative environmental impact. One of Wood’s production facilities, which produces impregnated timber, is also now taking advantage of heavy metal-free wood protection (TMF) after the Norwegian Ministry of the Environment established the ban on CCA impregnated timber in September 2001. This provision took effect on 1 January 2002. The company is the only one in Norway that is using TMF impregnation. At other locations, Moelven is producing pressure-impregnated timber 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 hazardous waste and can be used in several areas. Wood was the first producer to begin using a new type of surface treatment for pine floors based on environmentally friendly plant oils and waxes, and has a separate production line for this new surface treatment. By means of special tempering, the floor is more surface resistant against dirt and wear, while still retaining the wood “feel”.

Packaging

Every year Moelven consumes approximately 7 millions sq.m of packaging material, weighing 600 tons. The Moelven Timber Group consumes 6.5 millions sq.m and the Moelven Building Group 0.5 million sq.m. The product packaging that Moelven uses has characteristics that ensure recycling and reuse. Over 90 per cent of the packaging are recycled foil that is collected and produced in Norway. The remaining packaging is paper-based. For Furugulvet® (Solid pine floor), 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 “household products” for this packaging product.

Energy potential



Aquisition of Are by Moelven

The Swedish-Norwegian industrial group Are will become part of Moelven Industrier ASA effective 1 January 2004. The parties entered into a preliminary agreement concerning the sale in the autumn 2003. The sale includes Are's wood-working business and sales organisation. Are has approximately 300 employees and an annual turnover of NOK 800 millions.

The sale includes the Swedish wood-working companies AB Edanesågen in Edane, Årjängs Såg AB in Årjäng, Nössemarks Trä AB in Nössemark, Tom Heurlin AB in Ånimskog, Are Brug AS in Spydeberg in Norway and Are Skogsprodukter AB in Ed, Sweden – the last-mentioned being Are's procurement organisation for timber. Are has a total sawmill output of approx. 350 000 cu.m and a wood processing output of approx. 240 000 cu.m. Moelven's total sawmill output, before the aquisition of Are, is approx. 1 500 000 cu.m, and has a total processing output of 500 000 cu.m. Together, Are and the Moelven Group will have a total annual turnover of approximately NOK 5.6 billions and 3 150 employees.

The sale of Are to Moelven represents a continued development for the Moelven Group. In line with Moelven's strategy of focussing on Scandinavia as the Group's geographical core area, the company will now have established an unbroken value chain – from acquisition of timber, via processing and through to the distribution of processed wood products. Having been strengthened with the contributions made by Are, Moelven is now with able to further strengthen the service to its customers.

Are has a high degree of product processing, a wide product range and a good distribution network. With Are, Moelven will increase the Group's competitive edge through more specialisation, more efficiency, better distribution and offer a wider range of services and products. All these benefits will support Moelven's goal of being a total supplier for its customers.

Moelven has emphasised the industrial aspect of the acquisition of Are, which will open up new opportunities to increase the efficiency of the entire value chain from the forest to the end-user.

"Pro forma accounts (not audited) have been prepared in connection with the sale of Are to Moelven. The figures give an impression of the financial situation had the joining of the two groups taken place as of 1 January of the year in question, while the balance sheet shows the figures as if the joining had taken place on the balance sheet date. The pro forma accounts give only an impression of the financial level of the two groups seen as one, and must not be interpreted as a representation of the Moelven Group's financial position had the two groups been one at the given point in time. The pro forma accounts do not account for the synergy effects anticipated from the joining of the two groups".

Amounts in NOK millions	2003	2002	2001
Operating Revenues	5 564	5 239	5 127
Depreciation and Write-downs	177	179	194
Operating Profit	128	177	124
Net Operating Margin in %	2.3	3.4	2.4
Total Assets	2 829	2 615	2 825
Equity in %	35	39	35
No. of Employees	3 150	3 420	3 450



Loading activity at Are Brug in Spydeberg, Norway.





Arve Torp at the impregnation facility at Are Brug in Spydeberg, Norway.



Production of interior products: Kristian Dingstad at Are Brug in Spydeberg, Norway.

Finnforest

Europe's Leading Company in the Woodworking Industry

The Finnforest Group – owned by Finnish forestry owners – owns 60.9 per cent of the shares in Moelven Industrier, and is a fast growing international force in the woodworking industry. The Finnforest Group – including Moelven – is 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 7 700 employees. Annual turnover is approx. NOK 14.8 billions.

Finnforest is part of the Metsäliitto Group, which is owned by Finnish forestry owners. 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. In the Finnforest Group, Moelven is responsible for the overall strategy in Scandinavia.

Market Leader

Finnforest's goal is to become market leader in Europe when it comes to wood-based building products and services. The goal shall be reached by closely co-ordinating collaboration efforts between the Group's divisions and product groups, the so-called "One Shop Finnforest", which is a business model that focuses on customers' needs, capital turnover and profitability. The most important factor when developing "One Shop Finnforest" is identifying and fulfilling the customer's needs and combining this with an ability to respond quickly to changes in the customer's preferences and the business environment. A new sales and distribution division has been established that will boost efforts directed at "One Shop Finnforest". Finnforest's strategy bases itself on several strategic business areas: industrial end-user applications, solutions for retailers and consumers, and modular building systems.

Core Business

The Group's core business activity is the production and marketing of processed wood-based products. The business is organised into two industrial divisions: Solid Wood and Engineered Wood, which is supported by a separate sales and distribution division and a product division for product portfolio and acquisition. Finnforest has put great emphasis on increasing the degree of processing involved in the Group's products. Examples of this are: Kerto-beams, heat-treated wood, I-beams, glue laminated timber, roof, panelling and flooring systems, in addition to the Finnforest Arena concept, a good example of which is the Pohjola stadium in Vantaa outside of Helsingfors.

Most of Finnforest's production facilities are in Finland, but the Group also owns production units in other European countries. The new sales and distribution division has an overall responsibility for the extensive sales and distribution network built by Finnforest in Europe, USA, China and Japan. More than 80 per cent of the Group's total sales go to markets outside of Finland.

The 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 sales and marketing companies in 21 countries is organised in order to best serve industrial, wholesale and retail customers, as well as builders. Each of these companies offers the full range of Finnforest products in their respective 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 (particularly in the case of industrial customers) and sales via distribution centres.

Market Collaboration

Moelven is an independent subsidiary of the Finnforest Group and focuses on the Scandinavian market. Finnforest and Moelven complement each other marketwise as well as productwise. Moelven's main markets are in Scandinavia, while Finnforest has its main markets in Great Britain, Germany, France, Finland and Central/Eastern Europe. Moelven has increased sales of its products by taking advantage of Finnforest's extensive marketing, sales and distribution network in Europe, while Finnforest benefits from Moelven's strong position in the Scandinavian market.

Through an extensive marketing and production co-operation with Finnforest in Scandinavia, 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.



Built for exhibition purposes by Finnforest, this summer cabin is based on building technics.



The design for Finnforest's new headquarters in Espoo emphasises the use of wood as building material.

Key financial figures

MOELVEN INDUSTRIER – THE GROUP

Amounts in NOK millions	Explanation	2003	2002	2001	2000	1999
PROFIT AND LOSS						
Operating revenues		4 864	4 618	4 517	4 746	3 526
Depreciation and write-downs		146	147	161	160	110
Operating profit		101	139	93	223	90
Net interest and financial items		-36	-40	-54	-63	-43
Operating result before tax		64	99	39	160	47
BALANCE						
Investments in fixed assets	A	189	119	105	77	72
Total capital		2 364	2 140	2 393	2 345	1 928
Total equity		923	919	879	879	629
Net interest-bearing debt		624	498	773	719	680
Capital employed	B	1 593	1 454	1 698	1 644	1 374
EARNINGS/PROFITABILITY						
Net operating margin	C	2.1 %	3.0 %	2.1 %	4.7 %	2.5 %
Gross operating margin	D	5.1 %	6.2 %	5.6 %	8.1 %	5.7 %
Return on equity	E	3.5 %	7.9 %	3.0 %	15.9 %	5.4 %
Return on capital employed	F	6.8 %	9.1 %	5.7 %	15.3 %	6.8 %
Interest cover	G	2.38	2.96	1.6	3.0	1.7
CAPITAL						
Equity ratio	H	39.1 %	42.9 %	36.7 %	37.5 %	32.6 %
Capital turnover rate	I	2.2	2.0	1.9	2.2	1.8
LIQUIDITY						
Current ratio	J	1.92	1.79	1.98	1.90	1.74
Quick ratio	K	0.91	0.76	0.91	0.84	0.79
Cash flow from operating result (NOK millions)	L	227.7	237.9	194.8	250.7	109.5
SHARES						
Earnings per share in NOK	M	0.28	0.64	0.23	1.16	0.37
Average number of shares (millions)		116.0	116.0	115.4	116.8	92.6
Cash flow per share in NOK	N	1.96	2.05	1.69	2.15	1.68
Tax value in NOK at 31 December	O	6.16	4.13	11.0	7.70	7.65
RISK-amount in NOK at 1 January	P	-0.16	-0.12	-0.21	-0.11	-0.25
Dividend in NOK per share	Q	0.15	0.25	0.25	0.35	0.25
PERSONNEL						
Number of employees at 31 December		2 853	3 120	3 149	3 046	2 404
Average number of employees		2 987	3 135	3 057	3 136	2 351

A Capitalised investments less investments due to acquisition of other companies

B Equity + net interest-bearing debt + bank deposit

C $\frac{\text{Operating profit}}{\text{Operating revenues}}$

D $\frac{\text{Operating profit} + \text{depreciation and write-downs}}{\text{Operating revenues}}$

E $\frac{\text{Operating result}}{\text{Average equity}}$

F $\frac{\text{Operating profit} + \text{interest income}}{\text{Average capital employed}}$

G $\frac{\text{Operating result} + \text{financial costs}}{\text{Financial cost}}$

H $\frac{\text{Total equity}}{\text{Total capital}}$

I $\frac{\text{Operating revenues}}{\text{Average total capital}}$

J $\frac{\text{Current assets}}{\text{Current liabilities}}$

K $\frac{\text{Liquid funds} + \text{financial investments} + \text{receivables}}{\text{Current liabilities}}$

L Operating result before tax – taxes payable + depreciations and corrections regarding other non liquid items

M $\frac{\text{Operating result}}{\text{Average number of shares}}$

N $\frac{\text{Cashflow from operating result}}{\text{Average number of shares}}$

O Market price for the period 1998 – 2001

P Overall RISK for Group
Estimated RISK at 1 January 2004 is NOK -0.15

Q Dividend proposal – 2003

Profit and loss account

MOELVEN INDUSTRIER – THE GROUP

Amounts in NOK millions	Note	2003	2002	2001
Revenue		4 838.4	4 576.6	4 455.2
Other operating income		25.7	41.8	61.3
Operating revenues	2, 3, 20	4 864.1	4 618.4	4 516.5
Raw materials and consumables used	4	3 060.5	2 731.2	2 750.9
Change in stock of work in progress, finished goods and projects		-39.8	41.5	11.8
Payroll expenses	17	1 070.9	1 040.6	999.6
Depreciation on fixed assets and intangible assets	14, 16	146.1	147.4	161.4
Other operating expenses		525.8	518.3	500.1
Operating expenses		4 763.5	4 479.0	4 423.8
Operating profit		100.6	139.4	92.7
Income from associates	19	-5.9	-0.4	0.1
Other interest income		2.2	4.7	4.7
Other financial income		12.5	4.5	7.1
Other interest expenses		-41.6	-45.3	-52.2
Other financial expenses		-3.3	-3.8	-13.3
Financial income/financial expenses		-36.1	-40.3	-53.6
Operating result before tax		64.5	99.1	39.1
Tax on ordinary result	5, 6	32.3	27.7	12.7
Operating result		32.2	71.4	26.4
Minority interests	20	-0.3	2.8	0.5
Net profit for the year		31.9	74.2	26.9
Profit per share		0.28	0.64	0.23
Average number of shares		115 954 584	115 953 313	115 449 913

Balance sheet at 31 December

MOELVEN INDUSTRIER – THE GROUP

Amounts in NOK millions	Note	2003	2002	2001
ASSETS				
Deferred tax asset	6	16.5	15.4	38.7
Goodwill	14	12.7	17.3	20.3
Total intangible fixed assets		29.2	32.7	59.0
Land		47.2	43.6	40.3
Buildings and other real property		337.2	295.6	312.4
Machinery and plant		408.2	411.1	401.2
Fixtures and fittings, tools, office machinery etc.		68.3	53.2	51.5
Total tangible assets	15, 16	860.9	803.5	805.4
Investments in associated companies	19	19.9	20.7	12.6
Investments in shares	18	25.0	24.8	25.0
Bonds and other receivables	7	13.1	15.7	24.9
Net pension funds	17	67.4	91.1	85.1
Total financial fixed assets		125.4	152.3	147.6
Total fixed assets		1 015.5	988.5	1 012.0
Stocks	8	708.2	665.0	743.9
Accounts receivable	7	477.4	353.8	433.2
Other debtors	7	116.6	95.5	157.4
Total debtors		594.0	449.3	590.6
Bank, deposits, cash in hand, etc.	10, 11	45.8	37.4	46.3
Total current assets		1 348.0	1 151.7	1 380.8
Total assets	20	2 363.5	2 140.2	2 392.8
EQUITY AND LIABILITIES				
Share capital		595.2	595.2	595.2
Own shares		-15.4	-15.4	-15.4
Share premium reserve		67.1	67.1	67.1
Total paid-in capital		646.9	646.9	646.9
Other equity		264.0	268.2	226.3
Minority interests	20	12.6	3.4	5.7
Total equity	21	923.5	918.5	878.9
Pension liabilities	17	67.6	56.2	50.8
Other provisions	9	8.9	17.4	18.2
Total provisions		76.5	73.6	69.0
Liabilities to financial institutions	10	646.1	493.5	743.9
Other long-term liabilities		16.0	11.3	3.8
Total long-term liabilities		662.1	504.8	747.7
Liabilities to financial institutions	10	23.5	42.0	75.2
Trade creditors		290.8	277.0	278.8
Tax payable	5	0.5	5.0	6.0
Public duties payable		124.8	101.9	132.3
Dividends		17.9	29.8	29.7
Other short-term liabilities	9	243.9	187.6	175.2
Total short-term liabilities		701.4	643.3	697.2
Total liabilities		1 440.0	1 221.7	1 513.9
Total equity and liabilities	20	2 363.5	2 140.2	2 392.8
Mortgages	13	46.2	86.7	117.6
Guarantees	12	69.2	19.6	12.1

4 February 2004
Moelven Industrier ASA



Runar Lillandt
Chairman



Ari Martonen



Antti Oksanen



Arimo Uusitalo



Iver Melby



Even Mengshoel



Torstein Opdahl



Jan Slattum



Arne Rodo
(permanent alternate)



Bo B. Borgström
CEO

Cash flow statement

MOELVEN INDUSTRIER – THE GROUP

Amounts in NOK millions	Note	2003	2002	2001
CASH FLOW FROM OPERATIONS				
Operating result before tax		64.5	99.1	39.1
Tax paid	5	-5.0	-6.0	-3.0
Ordinary depreciations	16	146.1	147.4	161.4
Gain/loss from the sale of fixed assets		-9.6	-11.8	-4.0
Restructuring costs		7.0	-4.0	-1.5
Pension costs, provided for but not paid / pension funds taken to income but not paid in	17	18.8	12.8	2.8
Income from associates	19	5.9	0.4	-0.1
Changes in current assets excl. liquid funds and deposits		-154.8	176.9	-98.0
Changes in current liabilities excl. loans		43.6	-9.7	-28.5
Net cash flow from operations		116.5	405.1	68.2
CASH FLOW FROM INVESTMENTS				
Payments to purchase fixed assets excl. acquisitions	15	-188.8	-119.4	-104.8
Net cashflow from acquisition / sale of subsidiaries		-13.0	4.1	-44.1
Sale of fixed assets	15	20.9	26.0	17.5
Long-term investments, financial		4.2	-21.5	29.5
Net cash flow from investments		-176.7	-110.8	-101.9
CASH FLOW FROM FINANCING				
Changes in short-term liabilities and overdrafts		-16.3	-33.4	15.5
Liquid share of income from associates		0.0	0.0	0.0
Changes in long-term debt		114.0	-240.7	-11.6
Issue of equity		0.0	0.0	0.0
Payment of dividends and purchase/sale of own shares		-29.1	-29.1	11.4
Net cash flow from financing		68.6	-303.2	15.3
LIQUID FUNDS				
Net change in liquid funds during the year		8.4	-8.9	-18.4
Liquid funds at 1 January		37.4	46.3	64.7
Liquid funds at 31 December	10	45.8	37.4	46.3
AVAILABLE LIQUID FUNDS				
Liquid funds at 31 December		45.8	37.4	46.3
Unutilised credit facilities at 31 December		630.8	733.8	555.0
Restricted deposits		0.4	1.8	1.6
Available liquid funds at 31 December		676.2	769.4	599.7
Additional information in connection with acquisition/sale of subsidiaries				
<i>Additions</i>				
Fixed assets		20.0	-5.1	46.4
Current assets		36.7	-0.1	65.0
Liquid funds		0.6	0.3	19.0
Total equity		-0.3	1.0	31.0
Interest-bearing debt		44.3	-5.5	37.0
Non interest-bearing debt		13.3	-0.4	62.4
Total balance from acquisitions		57.3	-4.9	130.4

2003: Acquisition of Moelven Danmark AS, Plyfa Göteborg AB and Woodpaint i Karlstad AB.

Deconsolidation of Aicher GmbH as associated company.

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.

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 December, and the results from the date of purchase until 31 December are entered in the profit and loss account. For subsidiaries sold in the course of the year, transactions from 1 January 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 December. Accounts receivables and payables secured by forward exchange rate contracts are converted at the forward rate at 31 December.

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 432 millions (282 millions) 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 December 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 contri-

butions 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.

Notes

MOELVEN INDUSTRIER – THE GROUP

1

PURCHASE AND SALE OF BUSINESSES

Events after balance sheet date

- Moelven Industrier AB has signed an agreement to purchase Mobilarum AB in Värmland. The company produces temporary and permanent modules for the Scandinavian construction industry. The company has two production units, 150 employees and sales totalling SEK 150 millions. The acquisition must be approved by the competition authorities.
- Moelven Industrier ASA will use the authority delegated to the Board to carry out a private placing to current shareholders as payment for the Are transaction. The competition authorities have approved the transaction with Are. The same rights and obligations as with the existing shares will follow the new shares in Moelven. The new shares will be issued at a rate of NOK 11.25. Face value is NOK 5. If the shareholders subscribe to the maximum number of shares available, a total of 10,500,000 new shares will be issued – an amount totalling NOK 118 millions.
- Proforma figures for Moelven, as if Are had been part of Moelven for the years 2003, 2002 and 2001. (figures have not been audited);

Amounts in NOK millions	2003	2002	2001
Operating revenues	5 564	5 239	5 127
Write-offs and depreciation	177	179	194
Operating profit	128	177	124
Net operating margin in per cent	2.3	3.4	2.4
No. of employees	3 150	3 420	3 450

Events in 2003

- The Swedish-Norwegian industrial Group Are is acquired of Moelven Industrier AB. Are is a sawmill and planing mill group with business activities in Sweden and Norway. Are's production facilities are located in West Sweden, and the Group has 300 employees and sales of NOK 800 millions. The takeover is scheduled for 1 January 2004. A precondition for the sale was approval by the competition authorities.
- Moelven Wood AB purchases Bejer Byggmaterial AB's planing business in Karlstad. The company has 7 employees and will become a production unit under Moelven Valåsen Wood AB.
- Moelven Industrier ASA purchases shares in Finnforest Danmark AS. The company markets, sells and distributes wood products from both Moelven and Finnforest for the Danish market. The company, which has changed its name to Moelven Danmark AS, has 17 employees and sales of DKK 170 millions.
- Moelven Industrier ASA sells its ownership interests in the Russian planing mill OOO Moelven Energo to Finnforest Oy.
- Agder – Telemark Skogeierforening takes over 49 per cent of the shares in Moelven Telemarksbruket AS via a private placing. The company will be run as a subsidiary of Moelven. The company has 26 employees and sales totalling NOK 40 millions.

Events in 2002

- Moelven has sold the activity in Norra Ny Skogs AB to Weda Skog AB. Weda Skog AB is a procurement company for timber in Wärrmland 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 millions 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 millions 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 per cent to 85 per cent. 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 EUR 17 millions 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 millions. 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 millions. Norra Ny Skogs AB has for many 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).

2

OPERATING REVENUES

In "Group operating revenues", deliveries between group companies totalling NOK 1 532 millions (NOK 1 025 millions in 2002) have been eliminated.

BUSINESS AREAS

3.1 – Main figures for Group and business areas

Criteria for division into business areas/divisions

The divisions are based on Moelven's two 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 parent company Moelven Industrier ASA, the Group's IT, R&D and service functions.

Key figures Amounts in NOK millions	Group			Timber Group			Building Group			Others incl. eliminations		
	2003	2002	2001	2003	2002	2001	2003	2002	2001	2003	2002	2001
Operating revenues	4 864.1	4 618.4	4 516.5	3 554.3	3 380.8	3 324.8	1 340.7	1 241.5	1 230.0	-30.9	-3.9	-38.3
Depreciations and write-downs	146.1	147.4	161.4	114.2	116.4	138.5	23.2	22.9	8.5	8.7	8.1	14.4
Operating profit	100.6	139.4	92.7	93.2	129.1	24.3	37.0	41.7	71.9	-29.6	-31.4	-3.5
Financial items	-36.1	-40.2	-53.6	-40.9	-32.9	-39.3	4.9	8.2	9.5	-0.1	-15.5	-23.8
Operating result before tax	64.5	99.1	39.2	52.3	96.2	-15.0	41.9	49.9	81.4	-29.7	-47.0	-27.2
Gross operating margin	2.1	3.0	2.1	2.6	3.8	0.7	2.8	3.4	5.8	-	-	-
Cash flow from operations	246.7	286.8	254.1	207.4	245.5	162.8	60.2	64.6	80.4	-20.9	-23.3	10.9
Total capital	2 363.5	2 140.2	2 392.7	2 054.4	2 281.0	2 208.3	606.0	612.8	660.5	-296.9	-753.6	-476.1
Interest bearing debt	669.6	535.5	819.2	613.5	508.7	841.8	29.0	36.2	49.3	27.1	-9.4	-71.9
Interest free debt	770.4	686.2	694.6	621.4	677.7	568.7	279.4	203.7	299.2	-130.4	-195.2	-173.3
Equity ratio (%)	38.9	42.9	36.7	39.9	48.0	36.1	48.9	52.0	47.2	-	-	-
Investments	188.8	119.4	104.8	160.0	104.3	76.9	6.7	10.0	26.3	22.1	5.1	1.6
Number of employees	2 853	3 120	3 149	1 807	1 937	2 019	988	1 123	1 080	58	60	50

3.2 – Operating revenues by geographical markets

Amounts in NOK millions	Group			Timber Group			Building Group			Others incl. eliminations		
	2003	2002	2001	2003	2002	2001	2003	2002	2001	2003	2002	2001
Scandinavia	3 772	3 435	3 365	2 483	2 201	2 187	1 320	1 239	1 220	-31	-5	-42
Euro-countries	470	867	874	469	653	609	1	2	3		212	262
Rest of Europa	333	66	27	313	277	279	20	1	6			
Japan	161	147	160	161	147	160						
Rest of the world	128	103	91	128	103	90			1			2
Total	4 864	4 618	4 517	3 554	3 381	3 325	1 341	1 242	1 230	-31	207	-38

3.3 – Distribution of operating revenues by producing country

Amounts in NOK millions	Group			Timber Group			Building Group			Others incl. eliminations		
	2003	2002	2001	2003	2002	2001	2003	2002	2001	2003	2002	2001
Norway	2 689	2 712	2 530	1 812	1 911	1 784	899	798	776	-22	3	-30
Sweden	2 035	1 795	1 918	1 602	1 359	1 472	442	444	454	-9	-8	-8
Denmark	140			140								
Germany	0	111	69		111	69				0		
Total	4 864	4 618	4 517	3 554	3 381	3 325	1 341	1 242	1 230	-31	-5	-38

3.4 – No. of employees per business area

Amounts in NOK millions	Group			Timber Group			Building Group			Others incl. eliminations		
	2003	2002	2001	2003	2002	2001	2003	2002	2001	2003	2002	2001
Norway	1 686	1 838	1 868	1 027	1 096	1 143	611	698	685	48	44	40
Sweden	1 147	1 181	1 171	763	747	768	377	425	395	7	9	8
Denmark	17	0	0	17	0	0						
England and others	3	101	110	0	94	108				3	7	2
Total	2 853	3 120	3 149	1 807	1 937	2 019	988	1 123	1 080	58	60	50

3.5 – Distribution of accounts receivables and stock by business area

Amounts in NOK millions	Group			Timber Group			Building Group			Others incl. eliminations		
	2003	2002	2001	2003	2002	2001	2003	2002	2001	2003	2002	2001
Accounts receivables	477.4	353.8	433.2	314.1	284.3	292.6	171.2	97.6	143.4	-7.9	-28.1	-2.8
Raw materials and purchased goods	708.2	665.0	743.9	646.7	579.7	658.5	61.4	83.3	79.5	0.1	2.0	5.9
Gross operating capital	1 185.6	1 018.8	1 177.1	960.8	864.0	951.1	232.6	180.9	222.9	-7.8	-26.1	3.1
As per cent of operating revenues	24	22	26	27	26	29	17	15	18	-	-	-
Trade creditors	290.8	277.0	278.8	213.9	209.9	200.8	80.9	70.7	78.7	-4.0	-3.6	-0.7
Net operating capital	894.8	741.8	898.3	746.9	654.1	750.3	151.7	110.2	144.2	-3.8	-22.5	3.8
As per cent of operating revenues	18	16	20	21	19	23	11	9	12	-	-	-

4

COST OF GOODS SOLD

Amounts in NOK millions	2003	2002	2001
Purchase of raw materials, semi-finished goods for resale and services, incl. increased provision for warranty and service commitments	2 765.0	2 462.6	2 548.7
Transport costs of goods sold	257.4	244.1	239.8
Changes in stocks of raw materials and purchases	38.1	24.5	-37.6
Cost of goods sold	3 060.5	2 731.2	2 750.9

5

TAXATION

Amounts in NOK millions	2003	2002	2001
Operating result before tax	64.5	99.1	39.1
Nominal tax in Norway 28 per cent	18.0	27.7	10.9
Re-consideration of deferred tax asset	14.3	0.0	0.0
Net tax effect of tax exempt items and effect of other tax rates abroad	0.0	0.0	1.8
Tax	32.3	27.7	12.7
<i>Taxes consist of payable taxes in</i>			
Norway	0.5	4.9	6.0
Sweden	0.0	0.0	0.0
Denmark	0.0	0.1	0.0
Total taxes payable	0.5	5.0	6.0
Changes in deferred tax	31.8	22.7	6.7
Total taxes	32.3	27.7	12.7

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 millions	2003	2002	2001
<i>Temporary differences</i>			
Provision for receivables	-0.9	-2.3	-3.0
Provision for stocks	6.7	13.7	12.8
Cost provisions according to generally accepted accounting principles	-2.4	-3.5	-3.3
Other short-term temporary differences	-2.4	1.5	1.4
Subtotal short-term differences	1.0	9.3	7.9
<i>Temporary differences</i>			
Accumulated excess tax depreciation	6.1	-4.1	6.5
Gain/loss account	7.5	8.0	9.5
Pension funds	18.3	25.5	23.8
Pension liabilities	-17.0	-15.5	-14.2
Other long-term items	-25.9	-20.3	-53.3
Subtotal long-term items	-11.0	-6.3	-27.6
Accommodated tax carry-forwards	0.0	-3.0	0.0
Tax reducing differences (-), tax increasing differences (+)	-10.0	3.0	-19.7
Deferred tax liability	0.0	0.0	0.0

6.2 – Deferred tax asset

Amounts in NOK millions	2003	2002	2001
Non-accomodated negative differences	10.0	0.0	19.7
Non-accomodated carry-forwards	19.6	28.8	26.8
Deferred tax asset	29.6	28.8	46.5
Deferred tax asset capitalised in the accounts	16.5	15.4	38.7

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. An increase in deferred tax benefit of NOK 20.6 millions was added in 2003, subsequent to a reclassification of fixed assets from earlier acquisitions.

6.3 – Deferred tax benefit from deficits carried forward

Amounts in NOK millions	2003	2002	2001
Norway	1.9	9.3	1.2
Sweden	17.7	22.5	25.6
Denmark and others	0.0	0.0	0.0
Deferred tax benefit from deficits carried forward	19.6	31.8	26.8

For the Group's Norwegian companies, the deficits have been carried forward in their entirety for the time period 1994-2003, and the timeframe in which the carry-forward opportunity expires is from 2004 to 2013. Of the tax-related deficit carried forward in the Group's Swedish companies, NOK 55 millions 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 in 1998. The deficit incurred may be used for all the Group's Swedish companies from 2004. A tax deficit in Sweden may be carried forward for an unlimited period of time.

7

OTHER RECEIVABLES

7.1 – Short-term items

Amounts in NOK millions	2003	2002	2001
Accounts receivables			
Accounts receivables, gross	483.8	357.2	438.1
Provision against losses	-6.4	-3.4	-4.9
Accounts receivables, net	477.4	353.8	433.2
This year's recorded losses	1.4	4.4	3.1
Changes in provision for loss	3.0	-1.5	-0.9
Losses on accounts receivables	4.4	2.9	2.2

Other debtors

Receivables from employees	3.6	5.1	5.0
VAT credit	47.1	27.7	30.1
Receivables regarding write-back of			
SPP pension funds	2.8	4.4	20.5
Other receivables	63.1	58.3	101.8
Total other debtors	116.6	95.5	157.4

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 13.1 millions in 2003 (15.7 in 2002) NOK 1.2 millions (2.8 in 2002) is bonds and security, NOK 4.0 millions (4.0 in 2002) is receivables from SIVA Moelv Næringspark AS, NOK 2.5 millions (0.0 in 2002) as long-term receivable to Aicher GmbH. A self-insurance fund is included amounted to NOK 0.0 million (2.0 in 2002). Long-term receivable of refund pension fees in Sweden amounts to NOK 3.8 millions (NOK 6.0 millions in 2002).

8

STOCK AND ORDERS

Amounts in NOK millions	2003	2002	2001
Raw materials and purchased semi-finished goods	203.6	231.3	261.3
Work in progress	105.4	121.4	121.0
Finished goods	380.0	275.5	333.3
Orders	16.4	35.1	25.7
Prepayments to suppliers	2.8	1.7	2.6
Total stocks and orders	708.2	665.0	743.9
Spesification of projects			
Own projects 31 December	0.0	0.0	0.0
Contracts at 31 December	183.9	100.0	86.7
Payments on account	-167.5	-64.9	-61.0
Total projects – net	16.4	35.1	25.7

OTHER LIABILITIES

9.1 – Short-term liabilities

Other short-term liabilities of NOK 243.9 millions (187.6 in 2002) essentially consists of accruals and provisions related to the operation of the Group's more than 40 operating units. A restructuring reserve is included with NOK 4.0 millions (0.0 in 2002).

9.2 – Long-term items

Other long-term liabilities of NOK 16.0 millions (11.3 in 2002) consist of a not interest bearing debt related to the funding of 9.9 per cent ownership in Forestia Plater AS. In addition it includes NOK 3.0 millions in a long-term loan from the minority owner in Moelven Telemarksbruket AS. Warranty and service commitments expected to fall due in more than one year is included with NOK 4.9 millions (4.3 millions in 2002). A reserve of costs regarding the closing down business, amounting to NOK 2.6 millions (3.4 in 2002) is included.

LIQUID HOLDINGS AND DEBT

10.1 – Interest-bearing receivables and debt

Amounts in NOK millions	Average	2003	2002	2001
	interest rate 2003			
Restricted bank deposits		4.5	1.8	1.6
Other bank deposits		41.3	35.6	44.7
Total bank deposits/receivables		45.8	37.4	46.3
Bank overdraft and other short term interest bearing debt		23.5	42.0	75.2
Long-term interest-bearing debt				
NOK	7.38 %	93.6	87.2	202.7
SEK	4.66 %	552.5	391.2	518.4
EUR		0.0	15.1	22.8
Others				0.0
Total long-term interest-bearing debt		646.1	493.5	743.9
Net interest-bearing debt		623.8	498.1	772.8

10.2 – Repayment plans on long-term loans

Amounts in NOK millions	2003	2002	2001
Long-term debt falling due within:			
1 year	83.0	128.6	38.6
2 years	108.6	156.4	63.2
3 years	2.5	143.6	133.6
4 years	0.0	2.4	103.5
5 years	417.0	0.0	46.2
6 years and more	35.0	62.5	358.8
Total	646.1	493.5	743.9

10.3 – Interest adjustment

Amounts in NOK millions – according to currency

	NOK	SEK
Interest adjustment for the following years		
2004	53.7	2.5
2005	0.0	141.5
2006	0.0	2.5
2007	0.0	0.0
2008	0.0	231.7
2009	0.0	0.0
2010	0.0	0.0
Total	53.7	378.2

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

10.4 – Future liquid holdings and long-term financing

Amounts in NOK millions	2003	2002	2001
at 31 December	983.6	929.6	1 111.6
in 1 year	936.1	801.5	1 066.2
in 2 years	807.5	598.6	873.8
in 3 years	785.0	491.0	678.9
in 4 years	765.0	388.5	415.5
in 5 years	435.0	368.2	392.2
in 6 years or more	35.0	38.0	371.1

Short-term financing

In addition to long-term liquid holdings, the Group has credit facilities that are renewed annually. As of 31 December 2003, these were as follows: NOK 100 millions, SEK 100 millions, EUR 4 millions, DKK 40 millions and GBP 0.5 million, for a total of NOK 277.7 millions. The Group has long-term credit facilities covering net interest-bearing debt through 2008. Due to normal seasonal variations, the Group's net interest-bearing debt was at its highest in the spring 2003, NOK 820 millions, and the Group's long-term credit facilities are expected to cover the liquidity needs over the coming four years, assuming normal seasonal fluctuations and normal cash flow from operations.

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.

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GUARANTEES

Amounts in NOK millions	2003	2002	2001
Loan guarantees/financial guarantees	69.0	19.3	10.0
Surety and prepayment guarantees	0.0	0.0	1.0
Joint guarantees other companies	0.2	0.3	1.1
Total	69.2	19.6	12.1

13

MORTGAGES – SECURED LOANS

13.1 – Loans with security in assets

Amounts in NOK millions	2003	2002	2001
Bank overdraft	0.0	0.0	3.0
Long-term loans	46.2	86.7	114.6
Total	46.2	86.7	117.6

13.2 – Book value of pledged assets

Amounts in NOK millions	2003	2002	2001
Other receivables and prepayments	5.9	60.3	75.3
Stocks	31.2	53.9	101.2
Machinery, installations	28.0	49.3	88.1
Buildings	29.4	80.1	75.1
Land	0.5	3.5	9.9
Shares	10.1	10.1	10.1
Total	105.1	257.2	359.7

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INVESTMENTS IN AND SALE OF FIXED ASSETS

Amounts in NOK millions	2003		2002		2001		2000		1999	
	Invest.	Sale	Invest.	Sale	Invest.	Sale	Invest.	Sale	Invest.	Sale
Fixtures and fittings	21.6	1.2	21.5	1.4	28.2	0.4	26.1	2.3	7.3	0.3
Machines and plant	122.8	61.0	118.9	20.3	70.2	8.3	181.4	27.1	56.7	4.4
Buildings and other property	62.9	3.1	29.5	18.7	50.6	8.8	58.0	30.9	22.6	5.5
Land	1.5	6.2	0.2	0.7	2.2	0.0	15.8	0.5	1.0	2.4
Total	208.8	71.5	170.1	41.1	151.2	17.5	281.3	60.8	87.6	12.6

2003: Investment includes gains made via the acquisition of Finnforest Danmark AS of NOK 20.0 millions. Sales include write-backs resulting from a reclassification of assets in 2002 by NOK 50.6 millions.

2002: The investment includes NOK 50.6 millions 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 Sandsjöfors AB amounting to NOK 44.0 millions, and NOK 0.9 million and NOK 1.5 million 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 millions from the acquisition of the timber industry

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FINANCIAL GOODWILL IN CONNECTIONS WITH ACQUISITION OF SUBSIDIARIES

Amounts in NOK millions	2003	2002	2001
Companies in the Timber Group	26.9	26.9	25.3
Additions from acquisition of Rosèn & Co. AB.	0.0	0.0	1.5
Depreciation for the year	-2.3	-2.3	-2.3
Accumulated depreciation	-16.6	-14.3	-12.0
Subtotal Timber Group	10.3	12.6	14.8
Companies in the Building Group	16.8	15.0	15.0
Additions from acquisition in the System Interior Division	0.0	1.8	0.0
Depreciation for the year	-2.3	-2.6	-1.9
Accumulated depreciation	-14.4	-12.1	-9.5
Subtotal Building Group	2.4	4.7	5.5
Total capitalised goodwill	12.7	17.3	20.3
Depreciation for the year	-4.6	-4.9	-4.2
Accumulated depreciation	-31.0	-26.4	-21.5
Total for the Group	12.7	17.3	20.3

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.

activities of Forestia AS. Additions from the acquisition of Hulåns Snickereri AB amounts to NOK 9.6 millions. 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 millions.

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

16

PLANTS AND PROPERTIES

16.1 – Book value

Amounts in NOK millions	Buildings and other property	Land	Machines and plants	Fixtures and fittings, tools etc.	Total
Acquisition value at 1 January	530.4	50.4	1 061.0	94.1	1 735.9
Additions 2003	62.9	1.5	122.8	21.6	208.8
Value at disposal	24.1	0.2	94.1	4.2	122.6
Acquisition value at 31 December	569.2	51.7	1 089.7	111.5	1 822.1
Acc. ord. depreciation at 1 January	218.2	4.6	626.2	31.3	880.3
Disposals acc. depreciation	22.9	0.0	33.9	3.9	60.7
Depreciation current year¹⁾	36.7	0.0	89.1	15.8	141.6
Acc. ordinary depreciation at 31 December	232.0	4.6	681.4	43.2	961.2
Net book value at 1 January	312.2	45.8	434.8	62.8	855.6
Net book value at 31 December	337.2	47.1	408.3	68.3	860.9
Ordinary depreciation rates in per cent	5-7	0	7-15	15-20	

1) Depreciation and write-downs for the year in accordance with the profit and loss account includes depreciation on fixed assets of NOK 141.6 millions, and amortisation on goodwill of NOK 4.5 millions.

16.2 – Annual operating leasing costs

Amounts in NOK millions	2003	2002	2001
Vehicles	7.2	6.1	5.1
Machines and equipment	2.3	5.0	2.0
Buildings and property	1.0	0.8	2.4
Total	10.5	11.9	9.5

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WAGES AND PENSION COSTS/PENSION LIABILITIES

17.1 – Payroll expenses

Amounts in NOK millions	2003	2002	2001
Wages and salaries	814.7	801.3	778.1
Employer's national insurance contribution and social expenses	228.1	217.0	202.7
Other social costs and benefits	28.1	22.3	18.8
Total	1 070.9	1 040.6	999.6

17.2 – Pension costs

Amounts in NOK millions	2003	2002	2001
Earnings for the year	14.3	15.9	15.0
Interest cost on pension liabilities	16.0	14.1	13.1
Pension costs (gross)	30.3	30.0	28.1
Expected return on pension assets	-17.9	-17.8	-17.0
Changes in estimates	5.8	0.7	0.4
Deferred employers' national insurance contributions	0.6	0.0	0.0
Pension costs (net), insured and uninsured plans	18.8	12.9	11.5
Pension costs for contractual pensions	6.6	6.8	7.5

17.3 – Pension liabilities

Amounts in NOK millions	2003	2002	2001
Balance at 1 January			
Accumulated earnings	194.9	179.5	151.0
Pension based on future salary increases	29.6	27.4	23.6
Pension liabilities (gross)	224.5	206.9	174.6
Pension funds	-259.5	-241.2	-227.0
Correction of opening balance, uninsured employers' national insurance contributions	6.1	0.0	0.0
Pension liabilities (net), surplus	-28.9	-34.3	-52.4
Balance at 31 December			
Pension liabilities (gross)	272.1	224.5	206.9
Pension funds (anticipated)	-231.5	-244.5	-233.5
Estimated change and variance, not charged	-47.5	-15.0	-7.7
Uninsured employers' national insurance contributions	6.7	0.0	0.0
Pension liabilities (net), surplus	-0.2	-35.0	-34.3
Total net pension funds, permissible insured schemes	-67.4	-91.1	-85.1
Insured schemes not allowed to be offset by over-financed schemes	19.8	14.8	13.1
Pension liabilities, contractual pensions (AFP)	47.8	41.4	37.7
Total pension liabilities	67.6	56.2	50.8

The Group's total pension commitments (TBO) for insured schemes is estimated to be NOK 287 millions at the end of the year 2003 (NOK 246 millions in 2002). TBO refers to the current value of likely future pension commitments, assuming the members remain in the scheme until retirement.

Pension funds and liabilities relate to the Group's 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 millions. The amount corresponds to the initial write-back in 2000 and will be paid out in annual instalments over a period of five years. The remaining amount in connection with the SPP-funds is not included in pension funds for the years 2003, 2002 or 2001.

Insured schemes

Pension funds are larger than pension liabilities for the Group's insured schemes. The surplus is entirely 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.

17.4 – Financial assumptions

Amounts in NOK millions	2003	2002	2001
Return on pension funds	7.5 %	8.0 %	8.0 %
Discount rate	6.5 %	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 1 922 people (1 940 in 2002) for the insured schemes, of whom 1 596 are active and 326 are pensioners. The pension liabilities in connection with contractual pensions encompass a total of 1 802 persons. The annual cost regarding the deviation from estimate is distributed over the next 12 years based on the total anticipated remaining years of employment of the members. As is clear from the above, we have – as a consequence of the falling interest rate – reduced the discount rate and rate of return by 0.5 per cent. This, in addition to pension companies' weak results many years in a row, is the main explanation for the increase in pension costs, the increase in the charged estimated variance and the significantly higher figures for non-charged estimated variance in the opening balance.

SHARES AND PARTICIPATING INTEREST IN OTHER COMPANIES, LONG-TERM

Amounts in NOK 1 000	Share of ownership	Company's share capital	Number of shares	Face value	Book value at 31 Dec. 2003
Forestia Plater AS	9.9	100	99	10	10 045
Vamo AS ¹⁾	45.0	100	4 500	45	45
Moelven Elementbygg AS ¹⁾	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
Total Moelven Industrier ASA					19 146
Bäckebrons Sågverk AB	11.0	SEK 4 100	4 500	SEK 450	510
Arbo Wood AB	4.1	SEK 1 220	50 000	SEK 50	886
SB Sågbränsle AB	21.4	SEK 112	240	SEK 100	22
WEDA Skog AB ¹⁾	50.0	SEK 12 000	60 000	SEK 6 000	7 300
Nye Land Sag AS ¹⁾	30.0	5 000	1 500	1 500	1 500
Firma Kiehn Holz GmbH	10.0	EUR 251	30	EUR 15	1 433
Fire Guard Scandinavia AS	1.8	11 149	196 500	197	197
Skogcertifiering Mellansverige AB	21.6	SEK 400	864	SEK 86	132
Transportfelleskapet Østlandet AS	20.0	500	200	100	101
Transportselskapet Sør AS	25.0	500	250	125	127
Transportselskapet Nord AS	12.5	500	125	63	64
Støren Trelast AS	18.8	6 600	12 400	1 240	1 100
Thermia AB	0.6	SEK 43 200	2 500	SEK 250	232
Naturbränsle Mellansverige AB (MNAB)	9.0	SEK 1 405	1 265	SEK 127	131
Jures Medis AB	15.0	LT 6 033	180 982	LT 905	957
Svenskt Limträ AB	33.0	SEK 100	333	SEK 33	31
Mjøskompetanse AS	7.7	130	1	10	10
Gunnebo AB	0.0	SEK 212 000	500	SEK 19	18
Granås Eiendom AS ¹⁾	30.0	3 000	900	900	900
Total others					15 651
Total					34 797

1) 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
Total for the Group	25 006

SHARES (20 PER CENT -) AND INTEREST IN ASSOCIATED COMPANIES – BY EQUITY METHOD

Amounts in NOK 1 000	Share of ownership	Value at 1 Jan. 2003	Balance: Additions/Disp.	Value at 31 Dec. 2003	Share profit
Vamo KS	40.5	61	-12	49	-11
Vamo AS	45.0	45	-	45	-
Moelven Elementbygg KS	60.0	230	-	230	-
Moelven Elementbygg AS	66.7	46	-	46	-
Aicher GmbH	85.0	-	-667	-667	-5 842
ANS Land Sag Eiendom	30.0	1 399	147	1 546	130
Nye Land Sag AS	30.0	2 377	-50	2 327	-150
Weda Skog AB	50.0	7 300	-	7 300	-
Granås Utbyggingsselskap KS	30.0	8 100	5	8 105	-
Granås Eiendom AS	30.0	900	-	900	-
Total for the Group		20 458	-577	19 881	-5 873

COMPANIES TREATED AS SUBSIDIARIES, WITH MINORITY OWNERSHIP SHARES

The Group accounts for 2003 include the following companies with minority interests

Moelven Telemarksbruket AS	49.0 %	(0.0 % in 2002)
Moelven ByggModul Kirkenes AS	0.0 %	(29.8 % in 2002)
Moelven Laminated Timber Str. Ltd	7.5 %	(7.5 % in 2002)
Mocon Holding AS (group)	0.0 %	(4.4 % in 2002)
Aicher GmbH	0.0 %	(15.0 % in 2002)

The companies' relative share in NOK millions of key parts of the Group's result and balance sheet for 2003.

Profit or loss item	2003	2002	2001	Balance sheet items	2003	2002	2001
Operating revenues	18.0	41.4	28.9	Equity	12.6	3.4	5.7
Net profit for the year	0.3	-2.8	-0.5	Total capital	22.0	19.2	11.8

EQUITY

21.1 – Changes in equity

Amounts in NOK millions	Sharecapital	Share premium reserve	Own shares	Other equity	Minority interest	Profit/loss	Total equity
Balance at 31 December 2002	595.2	67.1	-15.4	268.2	3.4		918.5
Net profit						32.1	32.1
Foreign currency translation				13.0			13.0
Provision for dividend						-17.9	-17.9
Change of category, tangible assets				-22.2			-22.2
Minority interests				-9.2	9.2		0.0
Balance at 31 December 2003	595.2	67.1	-15.4	249.8	12.6	14.2	923.5

21.2 – Own shares/authority to issue new shares

The Board has currently no authority to purchase own shares; however, the Board does have the authority to issue new shares for up to NOK 52,500,000. The reason for this is the need for the company to be able relatively quickly to purchase businesses that are within the company's core business strategy.

Moelven Industrier ASA incl. subsidiaries owned at 31 December 2003 a total of 3 087 800 own shares at an average rate of NOK 7.86 per share, corresponding to a total of NOK 24.2 millions.

21.3 – The largest shareholders at 3 February 2004

No. of shares	119 042 384	No. of own shares	3 087 800
Face value	NOK 5,-	No. of voting shares	115 954 800
Share capital	595 211 920	Average no. of shares	115 954 584

Cont. note 21.3

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	8 679 682	7.49
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	18 027	0.02
Fintling Bjørn	Sweden	11 000	0.01
Sundkvist Yvonne	Sweden	11 000	0.01
Eptech Eiendom AS	Norway	10 000	0.01
Largest shareholders		115 642 794	99.7
Other 986 shareholders		311 790	0.3
Total		115 954 584	100.00

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 1 January 1993	0.00
Per 1 January 1994	0.00
Per 1 January 1995	-0.16
Per 1 January 1996	-0.12
Per 1 January 1997	-0.10
Per 1 January 1998	-0.35
Per 1 January 1999	-0.25
Per 1 January 2000	-0.11
Per 1 January 2001	-0.21
Per 1 January 2002	-0.12
Per 1 January 2003	-0.16
Per 1 January 2004 (estimated)	-0.15

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 2002, a 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 og 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 % and 7.49 % of the votes, respectively.

The existing shareholders' agreement specifies that Moelven shall remain an independent subsidiary operating within strategy guidelines laid down by Finnforest. The result has been that Finnforest's assets in Scandinavia have been transferred to Moelven or sold externally if they do not relate to core Moelven activities. Outside of Scandinavia, Moelven's assets have been transferred to Finnforest or put up for sale externally if they do not relate to Finnforest's core activities.

Another consequence has been that companies in Moelven's sales and distribution network are viewed as preferred partners for Finnforest's production units in Scandinavia as long as they offer competitive terms, while companies in Finnforest's sales and distribution network are viewed as preferred partners for Moelven's production units outside of Scandinavia as long as they also offer competitive terms. The shareholders' agreement also specifies that the Moelven trademark shall be maintained and that collaboration between individual shareholders and Moelven shall take place at an "arm's length".

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

Corporate assembly		Board of Directors		Executive management	
Name	No. of shares	Name	No. of shares	Name	No. of shares
Jaakko Punkari (chairman)		Runar Lillandt (chairman)		Bo B. Borgström (President and CEO)	
Heikki Asunmaa		Ari Martonen (vice chairman)		Anders L. Fossum	100
Martin Lillandt		Arimo Uusitalo		Dag Sand	200
Eero Kytölä		Antti Oksanen		Reidar Mo	200
Helge Urstrømmen		Torstein Opdahl		Hans Rindal	200
Børre Rogstadkjernet		Even Mengshoel		Haumann Sund	100
Halvard Sæther		Iver Melby ^{*)}		Rolv A. Amdal	200
Harald Sjuve		Jan Slattum ^{*)}	200		
Harald Løkkesveen ^{*)}	100				
John G. Lund ^{*)}		Alternate, attending all meetings			
Odd Henning Kalager ^{*)}		Arne Rødø ^{*)}			
Per W. Gunro ^{*)}					
		Alternates			
Alternates		Ilkka Silvanto			
Mikael Aminoff		Olli Hirvonen			
Markku Melkko		Lars Ivar Eide			
Martinus Bækken		Nils Arne Vasaasen			
Tor Kristian Larsen					

* Employee representatives

21.6 – Share capital development since 1 January 1998

Year	Type of change	Change in share capital NOK millions	Total share capital NOK millions	Change in no. of shares	Total shares
1998	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
2000	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

MOELVEN INDUSTRIER ASA¹⁾

Amounts in NOK millions	Note	2003	2002	2001
Operating revenues	1	35.7	33.7	37.0
Payroll expenses	8	19.7	19.6	9.2
Depreciations and write-downs	7	3.8	3.3	3.5
Other operating expenses		79.0	67.7	20.7
Operating expenses		102.5	90.6	33.4
Operating profit		-66.8	-56.9	3.6
Income from subsidiaries ²⁾		51.6	77.4	26.0
Income from associates	13	0.0	0.0	0.0
Interest income from group companies		45.3	0.0	0.0
Other interest received and financial income		27.8	1.1	0.6
Interest paid to group companies		0.0	-17.1	-19.2
Other interest and financial expenses		-57.0	-4.3	-5.6
Financial income/financial expenses		67.7	57.1	1.8
Operating result before tax		0.9	0.2	5.4
Tax on ordinary result	2, 3	-5.1	15.0	0.5
Operating result		6.0	-14.8	4.9
Net profit for the year		6.0	-14.8	4.9
The Board's proposal for allocation of net profit and capital transfer				
Provision for dividends, NOK 0.15 per share		-17.9	-29.8	-29.7
Other equity		11.9	44.6	24.8
Total	14	-6.0	14.8	-4.9

1) On 1 January 2003, the subsidiary Moelven Finans AS merged with Moelven Industrier ASA.

The comparative profit and loss account and balance sheet figures for 2002 and 2001 have not been restated.

2) Including group contributions.

Balance sheet at 31 December

MOELVEN INDUSTRIER ASA

Amounts in NOK millions	Note	2003	2002	2001
ASSETS				
Deferred tax asset	3	38.6	33.0	47.9
Land	7	3.7	3.7	3.7
Buildings and other real property	7	20.1	21.5	22.8
Fixtures and fittings, tools, office machinery etc.	7	1.6	1.1	1.1
Total tangible fixed assets		25.4	26.3	27.6
Investments in subsidiaries	11	930.8	1 153.7	1 158.6
Loan to group companies	9	975.3	110.7	90.5
Investments in associates	13	0.3	0.3	0.3
Investments in shares	12	28.4	19.2	19.2
Bonds and other receivables	4	6.7	7.6	8.2
Net pension funds	8	34.7	57.3	53.7
Total financial fixed assets		1 976.2	1 348.8	1 330.5
Total fixed assets		2 040.2	1 408.1	1 406.0
Accounts receivable		0.4	0.1	0.1
Receivables from group companies		2.1	0.1	1.5
Loans to group companies		6.6	2.1	7.5
Other receivables		1.8	0.5	3.6
Total receivables		10.9	2.8	12.7
Bank deposits, cash in hand		0.1	0.9	1.0
Total current assets		11.0	3.7	13.7
Total assets		2 051.2	1 411.8	1 419.7
EQUITY AND LIABILITIES				
Share capital		595.2	595.2	595.2
Own shares		-15.4	-15.4	-15.4
Share premium reserve		67.1	67.1	67.1
Total paid-in capital		646.9	646.9	646.9
Other equity		106.0	123.5	164.2
Total equity	14	752.9	770.4	811.1
Pension liabilities	8	9.3	7.7	3.6
Debt to credit institutions	10	594.4	39.7	171.0
Long-term, not interest bearing debt to group companies		280.0	253.8	246.9
Long-term, interest-bearing debt to group companies		0.0	189.7	65.9
Other long-term liabilities		10.6	10.8	10.9
Total long-term liabilities		885.0	494.0	494.7
Bank overdraft within the group account system		354.8	68.5	69.0
Trade creditors		2.1	0.9	5.2
Accounts payable to group companies		4.7	29.0	0.2
Public duties payable		1.8	1.5	2.2
Dividends		17.9	29.8	29.7
Other short-term debt	5	22.7	10.0	4.0
Total current liabilities		404.0	139.7	110.3
Total liabilities		1 298.3	641.4	608.6
Total equity and liabilities		2 051.2	1 411.8	1 419.7
Mortgages		0.0	0.0	0.0
Guarantee	6	236.3	651.2	739.8
Number of shares (face value per share NOK 5.-)	14	119 042 384	119 042 384	119 042 384

Cash flow statement

MOELVEN INDUSTRIER ASA

Amounts in NOK millions	Note	2003	2002	2001
CASH FLOW FROM OPERATIONS				
Operating result before tax		0.9	0.2	5.4
Write-down of long-term receivables		0.0	0.0	0.0
Ordinary depreciation	7	3.8	3.3	3.5
Write-down of long-term shares		6.0	0.0	0.0
Gain/loss from sale of fixed assets		43.0	34.4	-3.0
Paid, but not charged, pension premium		-1.5	0.3	0.1
Change in current assets, excl. liquid funds and deposits		-3.6	4.5	11.7
Change in current liabilities, excl. loans		-10.1	29.8	1.1
Net cash flow from operations		38.5	72.5	18.8
CASH FLOW FROM INVESTMENTS				
Payments to purchase fixed assets excl. acquisitions		-2.9	-5.3	-1.5
Net cash expenditure for purchase of subsidiaries		49.3	-22.8	-18.0
Sale of fixed assets		0.0	3.5	0.0
Refund of excess paid pension premium		25.0	0.0	0.0
Long-term investments, financial		-863.7	-23.2	-26.7
Changes in long-term financing stemming from merger between parent and subsidiary companies		116.4	0.0	0.0
Short-term lending		-4.5	0.0	0.0
Cash flow from investments		-680.4	-47.8	-46.2
CASH FLOW FROM FINANCING				
Changes in short-term borrowings and overdraft		286.3	4.9	20.9
Changes in long-term debt		383.8	-0.7	39.4
Issue of equity		0.0	0.0	0.0
Payment of dividends/purchase and sale of own shares		-29.0	-29.0	-32.3
Net cash flow from financing		641.1	-24.8	28.0
LIQUID FUNDS				
Net change in liquid funds during the year		-0.8	-0.1	0.6
Liquid funds at 1 January		0.9	1.0	0.4
Liquid funds at 31 December ¹⁾		0.1	0.9	1.0

1) Refer to Group's note 10.4 – Future liquid holdings – long-term financing

Notes

MOELVEN INDUSTRIER ASA

1

OTHER OPERATING REVENUES

Amounts in NOK millions	2003	2002	2001
Net gain from sale of fixed assets	0.0	0.3	0.0
Net gain from sale of securities	0.0	0.3	3.0
Subsidiaries' share of joint expenses	26.9	25.9	26.2
Income from rentals – external	1.5	1.4	1.9
Income from rentals – internal	3.2	4.3	4.8
Other	4.1	1.5	1.1
Total other operating revenues	35.7	33.7	37.0

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 millions	2003	2002	2001
Short-term temporary differences			
Provision for receivables	-13.7	-14.8	-15.3
Cost provisions according to generally accepted accounting principles	-3.1	-1.7	-0.1
Subtotal short-term temporary differences	-16.8	-16.5	-15.4
Long-term temporary differences			
Accumulated excess tax depreciation	-5.9	-5.5	-5.1
Gain/loss account	0.5	0.6	0.6
Pension funds	9.7	16.1	15.0
Pension liabilities	-2.6	-2.2	-1.0
Other long-term items	-23.5	-21.1	-42.0
Subtotal long-term items	-21.8	-12.1	-32.5
Tax reducing differences (-), tax increasing differences (+)	-38.6	-28.6	-47.9
Deferred tax liabilities	0.0	0.0	0.0

3.2 – Deferred tax asset

Amounts in NOK millions	2003	2002	2001
Non-accommodated tax reducing differences	38.6	28.6	47.9
Non-accommodated carry forwards	0.0	4.4	0.0
Deferred tax asset	38.6	33.0	47.9

2

TAXES

Amounts in NOK millions	2003	2002	2001
Operating result before tax	0.9	0.2	5.4
28 per cent tax	-0.3	0.0	1.5
Tax effect of tax exempt items	-1.9	6.4	-1.0
Correction of previous years	-2.9	8.6	0.0
Total taxes	-5.1	15.0	0.5
Taxes consist of			
Tax payable	0.1	0.0	0.0
Change in deferred tax	-5.2	15.0	0.5
Total taxes	-5.1	15.0	0.5

4

RECEIVABLES – BONDS AND OTHER RECEIVABLES, LONG TERM

Other receivables, totally NOK 6.7 millions includes NOK 4.0 millions, loan to SIVA Moelv Næringspark AS (4.0 in 2002), loans to employees NOK 0.1 million (1.4 in 2002) and a self-insurance fund of NOK 0.0 million (2.0 in 2002).

5

OTHER SHORT-TERM LIABILITIES

This post consists in large part of accrued expenses.

6

GUARANTEES/-COMMITMENTS

Amounts in NOK millions	2003	2002	2001
Loans guarantees/financial guarantees	104.6	519.8	597.5
Surety and repayment guarantees	102.4	100.7	111.7
Guarantees for employee tax deductions	29.3	30.7	30.6
Total	236.3	651.2	739.8

The company has no restricted bank deposits.

The company's overdraft accounts are part of the Group's group account system. The company can thus be held jointly liable for more than the company's withdrawal. The employees' tax withholdings are insured by guarantees issued by external credit institutions.

7

PLANT AND PROPERTIES

Book value		Buildings and other property	Machines and installations	Fixtures and fittings, tools etc.	Total
Amounts in NOK millions	Land				
Acquisition value at 1 January	3.7	51.8	0.5	3.5	59.5
Additions	0.0	1.9	0.0	1.0	2.9
Value at disposal	0.0	0.0	0.0	0.0	0.0
Acquisition value at 31 December	3.7	53.7	0.5	4.5	62.4
Acquisition ordinary depreciation at 1 January	0.0	30.3	0.3	2.6	33.2
Disposals accumulated depreciation	0.0	0.0	0.0	0.0	0.0
Depreciations current year	0.0	3.3	0.1	0.4	3.8
Accumulated ordinary depreciations 31 December	0.0	33.6	0.4	3.0	37.0
Net book value 1 January	3.7	21.5	0.2	0.9	26.3
Net book value 31 December	3.7	20.1	0.1	1.5	25.4
Ordinary depreciation rates in per cent	-	2.5-10	10	20	

8

WAGES, SALARIES AND PENSION COSTS/PENSION LIABILITIES

8.1 – Payroll expenses

Amounts in NOK millions	2003	2002	2001
Wages	14.7	13.2	7.2
Employer's national insurance contribution	3.0	2.4	1.5
Pension costs	1.8	2.9	0.1
Other contributions/other personnell costs, incl. amount charged to subsidiaries	0.2	1.1	0.4
Total	19.7	19.6	9.2

8.2 – Pension costs

Amounts in NOK millions	2003	2002	2001
Earnings for the year	2.3	1.9	1.8
Interest cost on pension liabilities	2.9	2.4	2.4
Pension costs (gross)	5.2	4.3	4.2
Expected return on pension funds	-5.5	-5.1	-5.3
Changes in estimates and deviation	1.5	3.7	1.2
Deferred employer's national insurance contributions	0.2	0.0	0.0
Pension costs (net), insured and uninsured plans	1.4	2.9	0.1

8.3 – Pension liabilities

Amounts in NOK millions	2003	2002	2001
Balance at 1 January			
Accumulated earnings	21.6	31.5	19.2
Pensions based on future salary increases	2.3	2.7	1.7
Pension liabilities (gross)	23.9	34.2	20.9
Pension funds	-73.6	-84.3	-69.4
Correction, uninsured employers' national insurance contributions	1.0	0.0	0.0
Pension liabilities (net), surplus	-48.7	-50.1	-48.5
Balance at 31 December			
Pension liabilities (gross)	49.2	37.5	34.2
Pension funds (anticipated)	-54.3	-69.4	-70.6
Estimated change and variance, not charged	-21.5	-17.7	-13.7
Uninsured employers' national insurance contributions	1.2	0.0	0.0
Pension liabilities (net), surplus	-25.4	-49.6	-50.1
Total net pensin funds, permissible insured schemes	-34.7	-57.3	-53.7
Insured schemes not allowed to be offset by over-financed schemes	9.3	7.7	3.6

The company's total pension liabilities (TBO) for insured schemes are estimated at NOK 46.1 millions at the end of 2003. 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. In 2003, the company had reversals of NOK 25.0 millions in taxes, a reduction in accordance with "Law on company pensions".

8.4 – Financial assumptions

Amounts in NOK millions	2003	2002	2001
Return on pension funds	7.5 %	8.0 %	8.0 %
Discount rate	6.5 %	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 137 people, of whom 58 are active and 79 are pensioners. The annual cost regarding the deviation from estimate is distributed over the next 11 years based on the total anticipated remaining years of employment of the members.

9

FINANCIAL MARKET RISK

Loans in foreign currency – primarily SEK – to sister companies represent a financial risk. Having comparable debt to financial institutions in the same currency reduces the exposure to fluctuations in currency rates. The risk associated with having an offsetting liability and receivable in foreign currency is reduced by having FRA-contracts (interest swaps linked to liability and current interest rate on receivable).

10

LIABILITIES

	Type		Credit		Remaining term in months	
	2003	2002	2003	2002	2003	2002
Drawing rights ¹⁾	252.4	363.8	139.0	-	-	24.0
Drawing rights	410.0	430.0	328.0	39.7	52.5	64.5
Drawing rights	400.0	-	-	-	60.0	-
Term loan ²⁾	324.4	-	-	-	60.0	-
Term loan	127.4	129.2	127.4	-	17.0	29.0
Total	1 514.2	923.0	594.4	39.7		

1) Previous drawing rights have been replaced by a new one totalling NOK 400,000,000. No withdrawals have been made as of the start of the year.

2) Assuming the sale is approved, the term loan may only be used for purchasing the Are Group.

The loans have been issued based on a negative mortgage declaration. They have standard terms linked to equity-to-assets ratio and cash flow based on the Moelven Group's consolidated accounts.

SHARES IN SUBSIDIARIES

Amounts in NOK 1 000	Share of ownership	Company's share capital	No. of shares	Face value	Book value at 31 Dec. 2003
Moelven Industrier ASA owns					
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	35 006
Moelven Østerdalsbruket AS	100.0	18 000	1 800	18 000	18 006
Moelven Våler AS	100.0	48 000	4 800	48 000	48 006
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	12 000	1 200	12 000	12 006
Moelven Telemarksbruket AS	51.0	10 000	510	5 500	5 490
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	5 005
Moelven Gol AS	100.0	2 500	250	2 500	1 505
Moelven Eidsvoll AS	100.0	8 500	850	8 500	18 500
Moelven Fireguard AS	100.0	19 000	19 000	19 000	17 500
Moelven Treinteriør AS	100.0	3 000	3 000	3 000	6 982
Moelven Byggfinansiering AS	100.0	1 000	100	1 000	6 200
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 Portefølje AS	100.0	100	100	100	11 829
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	95.6	68 000	65 000	65 000	71 167
Moelven Industrier AB	100.0	SEK 107 046	40 000 000	SEK 107 046	99 580
Moelven Service AS	100.0	500	500	500	500
Moelven Danmark AS	100.0	DKK 5 000	50 000	DKK 5 000	12 417
Moelven Laminated Timber Str. Ltd	92.5	GBP 36	3 600	GBP 6	1
Total Moelven Industrier ASA					930 797
Moelven Treindustri AS owns					
Moelven Romedal AS	100.0	10 000	1 000	10 000	10 005
Total Moelven Treindustri AS					10 005
Moelven Timber AS owns					
Moelven Mjøsbruket 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 Eidsvold Værk AS	100.0	32 500	32 500	32 500	35 578
Total Moelven Timber AS					53 928
Moelven Industrier AB owns					
Moelven Notnäs AB	100.0	SEK 3 250	650 000	SEK 3 250	46 335
Moelven List AB	100.0	SEK 5 500	55 000	SEK 5 500	15 754
Moelven ByggModul AB	100.0	SEK 50 000	5 000	SEK 50 000	9 267
Moelven Norsälven AB	100.0	SEK 3 500	35 000	SEK 3 500	51 895
Moelven Ransbysågen AB	100.0	SEK 1 000	10 000	SEK 1 000	15 754
Moelven Värmlands Trä AB	100.0	SEK 3 000	3 000	SEK 3 000	19 368
Moelven Component AB	100.0	SEK 2 580	25 800	SEK 2 580	7 225
UJ-Trading AB	100.0	SEK 1 500	15 000	SEK 1 500	8 340
Trädan i Karlstad AB	100.0	SEK 100	1 000	SEK 100	102
Lerans Säg AB	100.0	SEK 1 000	10 000	SEK 1 000	1 297
Skåre Kontorshotell AB	100.0	SEK 100	1 000	SEK 100	672
Moelven Wood AB	100.0	SEK 9 000	90 000	SEK 9 000	9 301
Modulpoolen i Sandsjöfors AB	100.0	SEK 100	1 000	SEK 100	30 266
Moelven Notnäs Wood AB	100.0	SEK 3 800	38 000	SEK 3 800	14 271
Norra Ny Skogs AB	100.0	SEK 100	1 000	SEK 100	1 170
Moelven Westwood AB	100.0	SEK 10 000	10 000	SEK 10 000	66 722

Cont. note 11

Amounts in NOK 1 000	Share of ownership	Company's share capital	No. of shares	Face value	Book value at 31 Dec. 2003
Moelven Industrier AB owns (cont.)					
Plyfa Göteborg AB	100.0	SEK 250	100	SEK 250	556
Moelven Valåsen Wood AB	100.0	SEK 20 100	201 000	SEK 20 100	19 819
Total Moelven Industrier AB					318 114
Moelven Byggindustri AS owns					
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
Total Moelven Byggindustri AS					56 860
Moelven Westwood AB owns					
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
Total Moelven Westwood AB					253 255
Mocon Holding AS owns					
Moelven Limtre AS	100.0	11 000	11 000	11 000	43 028
Moelven Töreboda AB	100.0	SEK 12 000	120 000	SEK 12 000	42 000
Moelven Holzleimbau GmbH	100.0	EUR 200	20	EUR 200	0
Total Mocon Holding AS					85 028
Moelven Töreboda AB owns					
Moelven Töreboda Poland Sp.zo.o	100.0	PLN 4	40	PLN 4	8
Total Moelven Töreboda AB					8
Modulpoolen i Sandsjöfors AB owns					
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	463
Sandsjöfors Fastighets AB	100.0	SEK 275	2 750	SEK 275	255
Total Modulpoolen i Sandsjöfors AB					718
Moelven ByggModul AS owns					
Moelven ByggModul Kirkenes AS	70.2	200	20	200	1 000
Total Moelven ByggModul AS					1 000
Moelven Portefølje AS owns					
OOO Moelven Nor East	100.0	RUR 675	67	RUR 675	1
Total Moelven Portefølje AS					1

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SHARES AND INTERESTS IN ASSOCIATED COMPANIES, LONG TERM

Amounts in NOK 1 000	Share of ownership	Company's share capital	No. of shares	Face value	Book value at 31 Dec. 2003
Aicher GmbH	85.0	EUR 435	85 000	EUR 370	9 218
Forestia Plater AS	9.9	100 000	99	9 900	10 045
Vamo AS	45.0	100	4 500	45	45
Moelven Elementbygg AS	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
Total Moelven Industrier ASA					28 364

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SHARES (20 PER CENT -) AND INTERESTS IN ASSOCIATED COMPANIES, BY EQUITY METHOD

Amounts in NOK 1 000	Share of ownership	Value at 1 Jan. 2003	Balance: Additions/Disp.	Value at 31 Dec. 2003	Share of profit
Vamo KS ¹⁾	40.5	60	-11	49	-11
Moelven Elementbygg KS	60.0	230	-	230	-
Total		290	-11	279	-11

1) Vamo KS has granted a loan to Moelven Industrier ASA amounting to NOK 0.6 million at 31 December 2003 (1.0 in 2002).

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EQUITY

Amounts in NOK millions	Share capital	Share premium reserve	Own shares	Other equity	Net profit	Total
Balance at 1 January 2003	595.2	67.1	-15.4	123.5		770.4
Equity from merger of subsidiary				1.5		1.5
Correction, deferred employers' national insurance contributions				-0.7		-0.7
Net profit					6.0	6.0
Allocation of net profit				-11.9	11.9	0.0
Increase of capital				0.8		0.8
Hedging foreign subsidiaries				-7.2		-7.2
Provision for dividend					-17.9	-17.9
Balance at 31 December 2003	595.2	67.1	-15.4	106.0	0.0	752.9

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NUMBER OF EMPLOYEES

Average number of employees in 2003 was 25 (11 in 2002).

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BENEFITS, LOANS, MORTGAGES TO MANAGEMENT, SHAREHOLDERS, ETC.

Amounts in NOK 1 000, paid during the year	2003	2002	2001
Auditor's fee	290.0	320.0	290.0
Consultancy fees to auditors for other services	570.7	114.4	0.0
Remuneration of board members	845.0	1 070.0	700.0
Remuneration of corporate assembly members	170.0	332.0	184.0
Salary to President and CEO	1 843.5	778.1	0.0
Other benefits to President and CEO	168.4	64.0	0.0
Salary to previous President and CEO	-	1 560.5	1 660.8
Other benefits to previous President and CEO	-	726.9	431.8

Salary and other benefits to previous President and CEO, includes amounts paid during the term of notice in 2002.

In 2003, the Auditor's fee for the Group as a whole amounted to NOK 3.5 millions (NOK 3.7 millions in 2002).

Auditor's report for 2003

We have audited the annual financial statements of Moelven Industrier ASA as of 31 December 2003 showing a profit of NOK 6 047 151 for the parent company and a profit of NOK 31 868 000 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 allocation of the profit. 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 31 December 2003, 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 allocation of the profit are consistent with the financial statements and comply with the law and regulations.

Oslo, 3 February 2004

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

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

Statement by the Corporate assembly

At a meeting on 3 February 2004, the Corporate Assembly considered the report of the Board of Directors and Managing Director and proposals for the annual accounts 2003 of Moelven Industrier ASA and the Group, and the proposal for dividend and proposal for allocation of profit 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 2003 of Moelven Industrier ASA and the Group, and proposal for dividend and the proposal for allocation of profit for the year made by Moelven Industrier ASA.

3 February 2004



Jaakko Punkari
Chairman of the Corporate Assembly

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