



Annual Report

2004

Innovation

a constant
opportunity

Member of Finnforest Corporation

MOELVEN[®]

Vision

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

Content

The Group

Group Business Activity	2
Annual Report	8
The Moelven Group	12
Key figures	21

Divisions

Timber	22
Wood	28
Laminated Timber	34
Modular Buildings	40
Modular System Interiors	46

Personnel	52
Environment	58

Solid Wood Elements	66
Finnforest	68
Important Historical Events	70

Annual financial statement

Accounts and notes	72
--------------------------	----

Addresses	100
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Financial Calendar

26 April 2005	Annual General Meeting – Annual Accounts 2004
28 April 2005	Accounts for first quarter 2005
29 July 2005	Accounts for second quarter 2005
28 October 2005	Accounts for third quarter 2005
February 2006	Accounts for fourth quarter/Preliminary profit and loss statement 2005
April 2006	Annual General Meeting – Annual Accounts 2005

Major Events in 2004

Ole Salvén (51) is appointed as new CEO, taking over from Bo B. Borgström.



New saw mill production line at Moelven Telemarksbruket opens in Bø.



The Are Group is part of Moelven Industrier ASA as of 1 January 2004.



- Moelven Industrier ASA acquires the Are Group as of 1 January 2004. The sawmill and planing group, Are, consists of production plants in Sweden and Norway with a total annual turnover of approx. NOK 800 million and approx. 300 employees. The acquisition agreement includes the following timber processing 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 and Are Skogsprodukter AB in Ed.
- The Moelven Group acquires Mobilarum AB in Värmland. Mobilarum produces temporary and permanent buildings for the professional building market in Scandinavia. The company has two production units: Kils Volumbyggen in Kil and Nordmodul in Torsby. With a total of approx. 150 employees, Mobilarum AB reported NOK 153 million in annual turnover for the accounting year 2002/2003.
- Moelven ByggModul Säfte AB signs contracts to supply 432 apartment modules for a new student campus at Umeå. The total value of the contract is SEK 81 million.
- Finnforest Oyj, its parent company Metsäliitto Osuuskunta and Moelven Industrier ASA sell a block of Moelven shares to four Norwegian forest owners' associations. After the sale, Finnforest Abp owns 51.0 per cent of the Moelven Group and Metsäliitto Osuuskunta 14.2 per cent. The sale means that two new Norwegian forest owners' associations gain ownership interests in Moelven Industrier ASA – 4.8 per cent for Agder-Telemark Skogeierforening (AT-Skog and daughter companies) and 3.0 per cent for Haldenvassdragets Skogeierforening (Havass). Glommen Skogeierforening raises its stake in Moelven Industrier ASA to 17.8 per cent, and Mjøsen Skogeierforening to 9.4 per cent.
- Moelven ByggModul AS supplies modules to a major housing project consisting of five apartment blocks at Nylandshagen in Ålesund.
- CEO and Group Managing Director Bo B. Borgström launches a so called "incubator factory," intended to be housed in vacant offices at Moelven's locations in Moelv.
- Norway's largest producer of mouldings, Moelven Eidsvoll AS, signs a contract regarding the purchase of a fully automatic surface treatment facility for painting and treating mouldings. The new facility offers major cost reductions.
- Moelven ByggModul AS in Moelv signs a NOK 75 million contract for the production and delivery of modules for a major construction site camp at Aukra outside of Molde in connection with the development of the oil facilities at Ormen Lange.
- A new production line costing NOK 44 million is opened at Moelven Telemarksbruket AS in Bø. Moelven Telemarksbruket is owned jointly by the Moelven Group and AT-Skog (Agder-Telemark Skogeierforening), with Moelven controlling 51 per cent of the shares and AT-Skog 49 per cent.
- Moelven Limtre AS signs a contract for the delivery of laminated timber elements for several major bridge projects. One of the bridges – part of the E-6 highway in Steinkjer – will be the wooden bridge with the highest traffic volume in the world.
- Moelven Wood is chosen "Supplier of the Year" by Norway's largest builders' merchants chain, Byggmakker, at their annual dealer forum in the Viking Ship in Hamar. This is the first time a supplier of timber and processed wood products receives this distinction.
- In December Central European Regional Director for Finnforest, Ole Salvén (51), is appointed to be the new Group Managing Director of Moelven Industrier ASA. He follows Mr. Bo B. Borgström (62), who will retire on 2 February 2005. Mr. Salvén has been with Finnforest since 1994, and has also been employed by Bank of America. Bo B. Borgström has been CEO and Group Managing Director in Moelven Industrier ASA since 12 July 2002.

The Moelven Group

Chain of Value-adding Activities



Group Business Activity

Moelven Industrier ASA is owned by Finnish and Norwegian forestry owners organisations, with the Finnish Metsäliitto Andelslag and Finnforest Abp as the majority shareholders, and the Norwegian Glommen Fond AS, Mjøsen Skogeierforening, Agder-Telemark Skogeierforening (AT-Skog) and Haldenvassdragets Skogeierforening (Havass) as the largest minority shareholders. The main shareholders have agreed that Moelven Industrier ASA shall remain an independent subsidiary within the Finnforest Group.

Moelven's vision is to become market leader for wood-based building materials and associated services in Norway, Sweden and Denmark. The group is organised into two main business areas: the Moelven Timber Group and the Moelven Building Group. Production takes place in Norway and Sweden. The Group is oriented toward the professional building market and not directly to the consumer market.

Moelven defines the Scandinavian building products market as consisting of three 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 3191 employees and an annual turnover of NOK 5.8 billion. The Group consists of 45 operational units. Each business area consists of several companies. Timber, Wood and Laminated Timber belong to the business area the Moelven Timber Group, while Modular Buildings and Modular System Interiors belong to the business area the Moelven Building Group.

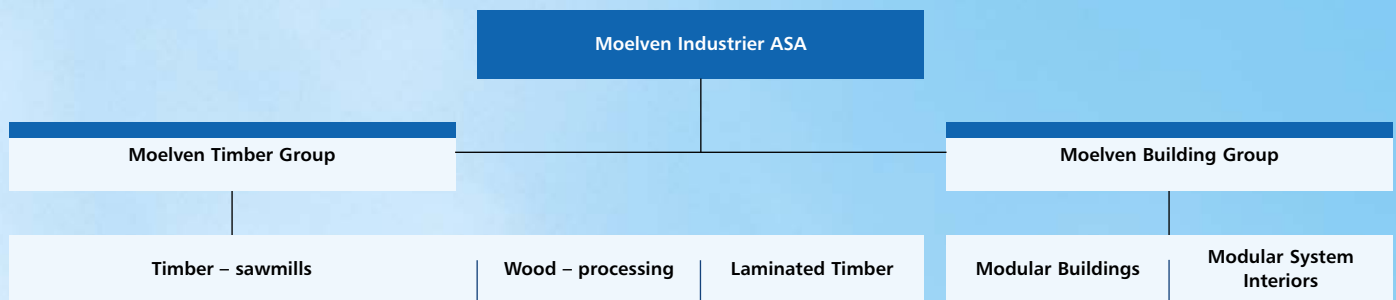
Moelven Timber Group

Production in the three divisions in this business area consists of the manufacturing of wood-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 as "raw material" 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, interior products such as floors, panelling and moulding, as well as fire and rot-proof timber and components. These products are sold in the megasegments industry and distribution (building merchants).

Moelven Building Group

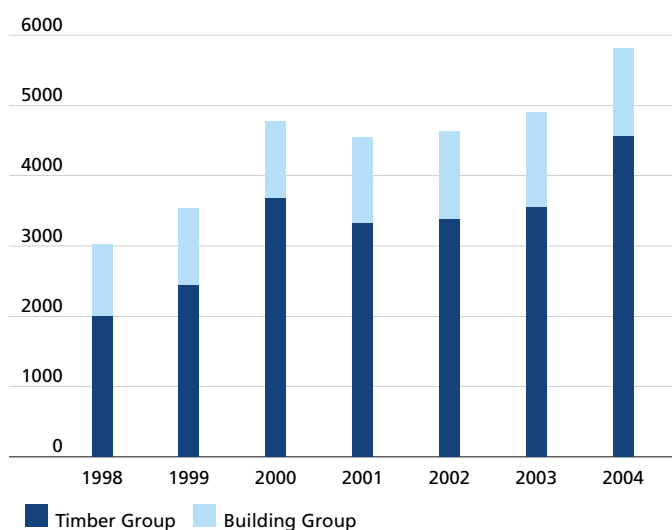
As an alternative to traditional building processes, the divisions Modular Buildings and Modular System Interiors supply industrialised building concept based on modules. The main products are buildings for use as schools, offices, nursery schools, hotels, accommodation for building contractors and system interiors and electrical installations for commercial buildings. The products are sold in the mega-segment building (builders/contractors).

The Moelven Group has grown significantly during the past few years, both by developing existing businesses and through acquisitions. The expansion of the Group has increased the need to give all the business units a great degree 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.

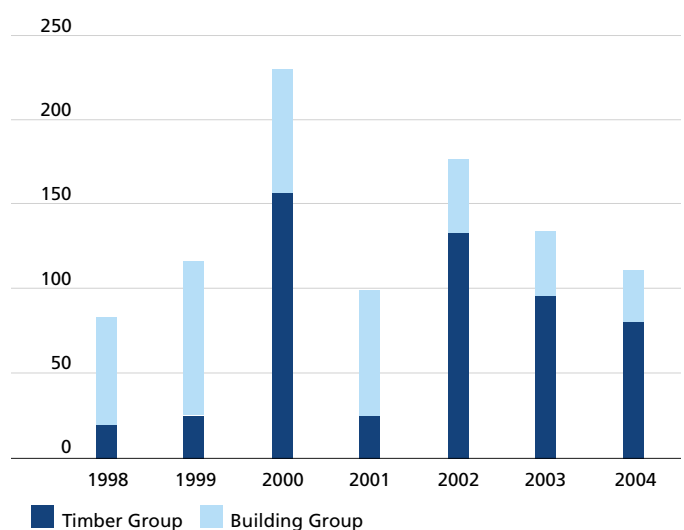


Business areas	Products	Operating revenues NOK million	Employees at 31.12.04
Moelven Timber Group			
Timber – Sawmills	Raw material for the wood and paper industry	3 076	1 331
Wood – Processing	Wood-based building products	1 984	472
Laminated Timber	Load-bearing building elements	387	244
Moelven Building Group			
Modular Buildings	Modular commercial buildings and electrical installations	737	633
Modular System Interiors	Flexible system interiors for commercial buildings/offices	520	457

Operating Revenues NOK millions



Operating Profit NOK millions



Comments from the CEO and Group Managing Director




Bo B. Borgström.

«Satisfying our markets and our customers shall be the lead star of our activity.»

The produced volume of sawn timber is still increasing in Europe, and above all in Russia. Unfortunately, the increase has not been brought about by increasing demand, but from an effort to secure the supply of fibre to the cellulose and paper industry. Particularly, the European market is experiencing an excess supply of sawn pine, which had a noticeable impact on Moelven in 2004. Prices for sawn pine have been under constant pressure over the past year, and the Moelven pine sawmills, particularly in Sweden, have been unable to reach their profit targets. The increasing imbalance between prices for raw materials and prices for sawn pine have progressively reduced the already small profit margins quarter by quarter. We have not succeeded in compensating for the profit shortfall at the sawmills by improved results in our other businesses, even though the progress at our laminated timber and Norwegian modular buildings businesses has been quite encouraging. Neither shall we forget that Moelven Wood was voted this year's best supplier by one of Norway's major builder's merchants.

Our future survival in a constantly more difficult competitive environment obviously depends on us ensuring that the cost structure and productivity at our businesses are among the best. We must also stay committed to increasing specialisation and constantly raising the degree of internal processing. The fact that Moelven controls a nearly complete value chain from the forest to customised system solutions is a competitive advantage that we must take full advantage of. To succeed in this area, we are highly dependent on our employees' innovative and creative abilities. We must constantly ask ourselves whether our current procedures and our organisational structure is optimal. Satisfying our markets and our customers shall be the lead star of our activity. We must develop from being a supplier of individual products, into being someone that is able to satisfy Scandinavian customers' requirements for product families, needed services and turnkey solutions.



We are also working closely with other bodies in the industry to establish a so-called "incubator factory" for the timber processing industry in or near Moelv. Participating in this kind of innovative and creative project is one way in which we can stay one step ahead of our competitors in terms of developing new systems and products. We must learn to imagine the unimaginable!

We observe an ever more environmentally conscious market. This means an increasing awareness of the importance of wood products in relation to minimising emissions of greenhouse gases, which gives our products an important competitive edge over other building materials. Such environmental benefits gained from using our products are among our strongest selling points. We intend to contribute to the industry's existing efforts by increasing the recognition and appreciation of this environmental theme.

The future is promising for us here at Moelven, and it will be up to ourselves to benefit from its opportunities!



Bo B. Borgström
CEO and Group Managing Director

Group Executive Board



The Group Executive Board: Back from left: Morgan Östenson (interim), Rolv A. Amdal, Morten Sveiverud (interim), Hans Rindal, Dag E. Sand and Åge Holmestad
Front from left: Anders L. Fossum, Bo B. Borgström and Reidar Mo.

The Group Executive Board

Bo B. Borgström (until 2.2.05), CEO and
Group Managing Director
Ole Salvén (as of 2.2.05), CEO and
Group Managing Director
Hans Rindal, CFO
Reidar Mo, Managing Director
Anders L. Fossum, Managing Director
Dag E. Sand, Managing Director
Rolv A. Amdal, Director of Information

The Corporate Assembly

Jaakko Punkari, Chairman
Heikki Asunmaa
Eero Kytölä
Mikael Aminoff
Helge Urstrømmen
Børre Rogstadkjernet
Halvard Sæther
Harald Sjuve
Harald Løkkesveen *)
Odd Henning Kalager *)
Per W. Gunro *)
John G. Lund *)

Alternates:

Martti Asunta
Juha Mäntylä
Martinus Bækken
Hans T. Kiær
Kåre Kastbakken *)
Ove Skotland *)

The Board of Directors

Runar Lillandt, Chairman
Ari Martonen
Arimo Uusitalo
Antti Oksanen

Torstein Opdahl
Even Mengshoel
Iver Melby *)
Arne Rødø *)

Alternate Board Members:

Martin Lillandt
Ilkka Silvano
Nils Arne Vasaasen (pers. alternate)
Ole Theodor Holth (pers. alternate)
Leif H. Kristensen *) Regularly attending
alternate

*) Employee representatives

Annual report

Highlights

In 2004, the Board continued the work on improving the position of the Group's business areas. Scandinavia is still considered to be the Group's home market, with production being roughly equally split between Sweden and Norway.

In June 2004, Agder-Telemark Skogeierforening (including subsidiaries) and Haldenvassdragets Skogeierforening bought 4.8 per cent and 3.0 per cent of the shares in Moelven Industrier ASA respectively, while Glommen Skogeierforening and Mjøsen Skogeierforening increased their holdings to 17.5 per cent and 9.2 per cent respectively. While the Group broadened its Norwegian ownership base, Metsäliitto Osuuskunta (with its subsidiary Finnforest Abp) maintained its majority holding of 65.2 per cent.

From 1 January 2004, the Are Group became a part of the Moelven Group. The Are Group is a Swedish-Norwegian timber processing group with both sawmills and planing mills. Its annual operating revenues were approx. SEK 760 million, employing approx. 300 persons. Taking effect on 15 March 2004, Moelven acquired the Swedish modular building manufacturer Mobilarum AB, which has production facilities at Kil and Torsby in Sweden. The company has 150 employees and operating revenues totalling approx. SEK 160 million. All of Mobilarum's companies are located in western Sweden, in close proximity to Moelven's existing facilities, and great emphasis was put on integrating the new units with existing ones during 2004.

The negative profit trend experienced in the second half of 2003 has unfortunately continued into 2004, and the annual profit for 2004 is not satisfactory. Efforts to improve the structure of the Group's activities and to implement a range of operational improvements were therefore reinvigorated in 2004. As part of the internal restructuring of the Group's activities, all production at the Kværnum sawmill and at the Gol and Hen planing mills was discontinued. This was carried out without reducing the overall level of activity in the Moelven Timber Group.

Operating revenues and profit

The Group's operating revenues totalled NOK 5 773.2 million, compared to NOK 4 864.1 million in 2003. The operating profit was NOK 70.3 million, which is a decrease from NOK 100.6 million the year before. Pro forma operating revenues and operating profit in 2003 – after accounting for the acquisition of the Are Group – were NOK 5 564 million and NOK 128 million, respectively. The main reason for the weaker profit figure is that the market for new commercial and industrial buildings is still slow, despite comprehensive cost-cutting and efficiency measures the division is still not able to achieve the profitability margin as earlier. For the Moelven Timber Group, the imbalance between prices for raw materials and finished products has resulted in a decrease

of the sawmills' profitability. Even though the planing mills and glulam factories have developed positively, the Moelven Timber Group overall posted a lower profit figure this year compared to last year.

Net financial expenses increased from NOK 30.2 million in 2003 to NOK 50.0 million in 2004. The increase is primarily due to a higher net interest-bearing debt as a result of acquisitions.

Pre-tax profit was NOK 16.6 million (64.5), while the result after taxes and before minority ownership was a loss of NOK 2.5 million (plus NOK 32.2), which corresponds to NOK – 0.02 per share (0.28). Taxes for the year includes a one-off cost relating to a change in tax rules for gains and losses on shares. Taxes payable totalled NOK 5.5 million (0.5). Cash flow from profit and loss items was NOK 178.3 million (227.7), which corresponds to NOK 1.41 per share (1.96).

Equity, investments and balance sheet

In connection with the acquisition of the Are Group, an emission was made issuing 10.5 million new shares, and own shares were sold, both at a rate of NOK 11.25 per share, resulting in NOK 120.7 million in new equity capital for the Group. The remainder of our own shares were also sold, resulting in an additional increase of NOK 35.4 million in equity capital. Equity ratio at the end of the year was 36.5 per cent (39.1), corresponding to NOK 1 053.4 million (923.5). The decrease in equity ratio is due to the acquisitions of the Are Group and Mobilarum. Equity has been assessed under the assumption of continued business operation.

In 2004, investments in fixed assets were made totalling NOK 199 million (188.8). In addition, fixed assets increased with NOK 294.8 million (20) through the purchase of businesses. The largest single investment was made at Moelven Telemarksbruket, which is the only remaining sawmill in Telemark, Norway's fourth largest forestry county. Investments in fire safety measures totalling NOK 55 million were made in the past two years, and in addition to the new production line for modules, other investments were primarily maintenance and upgrade investments designed to increase processing efficiency at mills within the Moelven Timber Group. Increase in assets as a result of the purchase of businesses applies primarily to the acquisition of the Are Group, while Mobilarum makes up a smaller share.

At the end of the year, the Group's assets totalled NOK 2 884.2 million (2 363.5). Pro forma comparative figures for 2003 – including the Are Group and Mobilarum – are 2 829 million.

Employed capital was NOK 1 962.4 million (1 593.1). The increase is primarily due to the acquisition of the Are Group and Mobilarum. Net interest-bearing debt at the end of the year totalled NOK 872.3 million (623.8), and liquidity reserves totalled NOK 906.4 million (676.2).

Financial Risk

Fluctuations in prices for raw materials, finished products, currency and interest, as well as other external variables mostly beyond the control of Moelven, have all had an influence on the Group's profit and balance sheet. The impact of more lasting changes to these variables is described in more detail on page 20.

In order to reduce the consequences of the fluctuation in these variables, extensive use of fixed price contracts for raw materials and finished products have been made, as well as futures contracts for foreign exchange and fixed interest rate contracts on long-term debt.

As a result of the hedging strategies, any changes in prices and rates will have to be permanent in order for them to have full impact on the Group, and during the hedged period adjustments can be made to

operations to compensate for external rate fluctuations. Approximately one half of the Group's total assets is linked to business activity in Sweden, and these figures will therefore be influenced by the SEK/ NOK exchange rate. Equity is in large part hedged against this vulnerability in that share investments in most of the Group's Swedish subsidiaries are financed in SEK.

Most of the Group's credit sale is insured against loss, giving low risk exposure to receivables.

The Group's long-term financing is in long-term drawing rights. Given normal operating conditions, the Group is ensured a satisfactory liquidity reserve through 2008.

Business Areas

Moelven Timber Group

All the companies in the Moelven Timber Group are involved in the mechanical processing of timber and most of the finished products are directly or indirectly used for wood-based building goods. The business area is divided into three divisions: Timber (sawmills), Wood (planing mills) and Laminated Timber (glulam factories). Operating revenues totalled NOK 4 559.9 million (3 554.3), and operating profit was NOK 78.2 million (93.2). Pro forma figures for 2003, which include figures for the Are Group, show operating revenues at NOK 4 255.0 million and an operating profit of NOK 120.6 million. Operations at the companies in the former Are Group have performed as expected; however, they have been subject to the same financial challenges as the business area's other companies. Strong focus has been put on internal consolidation and efficiency measures, and three plants have been closed down while the integration process has been carried out, but without a reduction in the overall activity level.

The sawmills had a difficult year in 2004, where the negative trend seen at the end of 2003 continued. The continuing imbalance between prices for raw materials and finished goods produced at the Swedish pine sawmills has made it extremely difficult to achieve satisfactory profitability for these units. For spruce, price developments have ranged from stable to favourable. A number of efficiency and cost-reducing measures have been implemented during the year, which are expected to give positive effects in 2005.

The planing mills had a better result than the year before, but it is still not satisfactory. Solid demand and high market activity has meant that the companies in this area have been able to increase prices while maintaining the same satisfactory activity level.

The laminated timber companies had a significantly better result in 2004 than in 2003, which is the product of a long-term and comprehensive process involving both capacity adjustments and a stronger focus on the domestic market. During the year, laminated timber production at one of the Group's three glulam factories in Norway was closed down and sold to Moelven MassivTre AS, in which the group has a 47 per cent ownership interest. Moelven MassivTre AS is in the process of commercialising the production and sale of solid wood elements. The production started in October.

Moelven Building Group

The Moelven Building Group supplies modular systems to the professional building market as an industrialised alternative to on-site production. The companies in the Moelven Building Group are organised into Modular Buildings (module-based housing) and Modular System Interiors (flexible system interior solutions for commercial buildings). Operating revenues totalled NOK 1 253.5 million (1 340.7), and opera-

ting profit was NOK 29.8 million (37.0). Internal problems at one of the Swedish module factories had a negative influence on the bottom line. Significant capacity reductions were carried out at this factory, and the final adjustments shall be in place during the first quarter of 2005.

The market for module-based apartment blocks is increasing and this is one of the focus areas for companies in the Modular Building division. This trend is strongest in Sweden, where modules for several freestanding housing projects have been supplied, as well as to the "BoKlok"-project. Boklok ("Smarthome") is a collaboration project between Ikea and Skanska regarding the construction of high-quality but inexpensive apartment blocks. Major deliveries to oil and gas-related projects have continued in 2004 in Norway, and this trend is expected to continue in 2005.

An increase in deliveries to housing projects is expected to continue in the Norwegian market. A new production line was opened in the summer of 2004 and is dedicated to producing these types of modules. The order book at the end of the year for both the Swedish and Norwegian divisions is solid.

The companies producing system interiors have had a year with stable, albeit low, market activity. The low volume of new-builds has ushered in the need for adjustments to concepts and capacity. The capacity adjustments have primarily been carried out in Sweden, while changes to the overall concept with a focus on rehabilitation, renovation and additions have been implemented in Sweden as well as Norway.

Other businesses

This business area represents the Group's holding companies and shared services in Norway and Sweden, such as Information, Personnel, IT, R&D, Insurance, Accounting and Financing. Some smaller businesses and assets not belonging to the Group's core business activities are also included in this area. The book value of assets outside of the core business area was approx. NOK 45 million. In all, operating revenues totalled NOK 69.8 million (46.6), and operating losses totalled NOK 37.7 million (29.6). The substantial increase in operating revenues is not permanent, and was due to the acquisition of the Are Group.

Innovation

Moelven is strongly committed to investments in research and development, which not only involves work aimed at improving the safety and efficiency of existing production processes, but also includes developing existing as well as new products and services.

In order to lay the groundwork for innovation and growth, the Group has taken the initiative to establish an "incubator factory." The goal of this is to create a centre that takes advantage of the diversity of existing research and ideas, supporting the development of these into commercial applications.

In 2004, one of the laminated timber factories was sold to the recently established company Moelven MassivTre AS, in which Moelven has a 47 per cent ownership interest. The other owners are Viken Skogeierforening (47 per cent) and Krødsherad Kommune (6 per cent). Solid wood elements as a product is a further step in the development of traditional laminated timber, and can be used for floors, ceilings, walls and balconies. The new product contributes to an increased use and application of wood-based building materials in competition with building materials such as steel and concrete.

In recent years, the Moelven Building Group has put considerable focus on developing new material concepts for residential housing

and multi-storey buildings. As a result of these efforts, multi-storey apartment buildings in wood were built in Norway, Sweden and Denmark in 2004.

A significant share of the revenues in the Moelven Timber Group is generated from the sale of chips that are used as raw material in other industrial production. Of the total amount of timber arriving at the sawmill, only about 50 per cent end up as sawn wood while the rest consists of bark and various types of chips. It is therefore extremely important to ensure maximum exploitation of the value that the chip represents. With this in mind, the prospect of building a bio-energy facility in close proximity to certain production facilities is being considered. Such facilities would be designed to take advantage of renewable, environmentally friendly raw materials for the production of thermal energy. These types of bio-energy facilities are already much more common in Sweden than in Norway, thus there exists expertise within the Moelven units in Sweden which could help increase the development and use of such facilities in Norway.

Health, environment and safety

Employees

At the end of the year, the Group had 3 191 employees (2 853), of which 1 706 (1 686) are in Norway, 1 466 (1 147) in Sweden, 17 (17) in Denmark and 2 (3) in other countries. The total number of man-years was 3 031 (2 737) in 2004. The percentage of female employees was 9.78 (9.64). The percentage is somewhat higher for female office employees than for operators, the latter comprising just over 76 per cent of all the employees. There are no female representatives in the Corporate Assembly or on the Board of Directors.

Work Environment

The rate of absenteeism in 2004 was 6.32 per cent (7.06), corresponding to 44 991 (48 090) full workdays. Compared with the previous year, the rate of long-term absences (more than 16 days) has decreased. In 2004, the rate of long-term absences was 3.08 per cent (4.24).

There have been 83 (80) injuries resulting in leave during the year, corresponding to a figure of 20.4 (16.7) injuries per million work hours. The total number of injuries was 132 (111).

The Board has a goal of further reducing the number of injuries and the rate of absenteeism significantly. Considerable preventive measures have been implemented to achieve these goals. A three-day course in health, work environment and safety has been offered to Group managers, and in the course of the past two years approx. 350 managers have participated in this course. Another important measure has been providing employees with a handbook in health, work environment and safety; the handbook contains general information about national laws and regulations governing health, work environment and safety, as well as specific information about the rules and regulations for each company. A reward system for all companies in the Group was introduced in 2004, and is based on a combination of low absenteeism and a high operating margin. The winning company receives a monetary grant per employee to be used on measures that will improve the work environment for all employees within the company.

Environmental aspects

Climate changes caused by human activity is becoming ever more evident and is creating problems around the globe.

For the Board, it is important to make sure that the Group's business activities minimise the pollution released into the environment, and

that the raw materials that are used are harvested in an environmentally sound manner. For sawn timber, this means that the timber must be purchased from suppliers certified by PEFC (Program for the Endorsement of Forest Certification schemes) or FSC (Forest Stewardship Council).

With Nordic pine and spruce as the primary raw material, the Group has a competitive advantage on the environmental issue compared to other building materials. Wood-based building materials bind CO₂ for a period of time equal (in principle) to the lifespan of a tree in the forest, and at the end of the product's lifecycle, the CO₂ returns to the environment. This is in stark contrast to the burning of fossil fuels, which adds new CO₂ to the environment. The Board is intent on maintaining the environmental advantage by ensuring sound production processes. In addition to measures designed to minimize waste and emissions, active efforts are being made in the area of bio-energy and energy conservation. The energy needs for the Group's production processes are relatively small and the Group is in large part already energy self-sufficient as a result of all the thermal energy produced from by-products of the production processes; this also contributes to reducing the amount of waste. In the Moelven Building Group, all production is order-driven and within the factory, so that there is only a minimal amount of waste and excess materials. The Building Group's products are in large part flexible system interiors that are also well suited for reuse and recycling.

New international accounting standards (IFRS)

As of 1 January 2005, all publicly traded companies in Norway must report accounts in accordance with IFRS (International Financial Reporting Standards).

Moelven Industrier ASA will not report accounts according to IFRS as it is not a publicly traded company, but will nonetheless provide details showing what effect the IFRS rules would have on the accounts. For the Moelven Group, the largest difference relates to the reporting of pension commitments, financial instruments and allocation of dividends. Pension commitments will have a one-off effect that will reduce equity by NOK 55 million, while the impact on the reporting of financial instruments will vary depending on the market value assessment at the time of reporting. As of 1 January 2004, the impact on equity capital as a result of a market value assessment of financial instruments was NOK 4.6 million, and applies primarily to the use of interest rate instruments to eliminate the risk associated with long-term financing.

Shares and Ownership

Share capital in Moelven Industrier ASA consists of 129,542,384 shares with a face value of NOK 5; there is only one class of shares. In all, there are 990 shareholders, with the 6 largest owners controlling a total of 99.7 per cent of all the shares. In 2002 a shareholders' agreement was made between Metsäliitto Osuuskunta, Finnforest Abp (100 per cent owned by Metsäliitto), Glommen Fond AS (95 per cent owned by Glommen Skogeierforening AS) and Mjøsen Skogeierforening. The shareholders' agreement includes clauses that regulate representation in the Corporate Assembly and on the Board of Directors, as well as principles relating to decision-making on particular issues and the transfer of shares. Agder-Telemark Skogeierforening and Haldenvassdragets Skogeierforening also signed the shareholders' agreement in connection with their purchase of shares in Moelven Industrier ASA in 2004.



Board of Directors in Moelven: Back, from left: Torstein Opdahl, Martin Lillandt (alternate for Antti Oksanen), Even Mengshoel, Ari Martonen, Runar Lillandt, Iver Melby, Arimo Uusitalo, Leif H. Kristensen (regularly attending alternate) and Arne Rødo.

The corporate assembly has 12 members, 4 of which are chosen by the employees. The Board consists of 8 members, 2 of which are employee representatives. *Almennaksjeloven* (Norwegian Companies Act) regulates the work of the Board. For more information about executive functions and bodies, see Note 21.

Business transactions with the owners are made in some business areas. This involves, for example, the purchase of timber, where the Norwegian forest owners' associations are suppliers. Moelven's marketing units in Scandinavia is also used for distributing Finnforest products to the Scandinavian market, while Moelven in some instances uses Finnforest's marketing force in Europe. Transactions involving interest swaps and currency exchanges are handled by Metsä Group Financial Services Oy. The general principle for all these transactions is that all dealings must take place based on the principle of "an arm's length" and that other companies will be chosen if they are able to offer better prices and/or terms.

Allocation of Profit for Year

The Board wishes to continue a stable dividend policy and believes that even though the bottom line for the Group after taxes is a loss, the equity is satisfactory to justify a dividend payment. For 2004, the

Board proposes a dividend of NOK 0.15 per share (0.15). The total amount of dividends to be paid out is NOK 19.4 million (17.9). The parent company, Moelven Industrier ASA, which shall pay the dividends on behalf of the Group, had a profit of NOK 82.9 million in 2004. Any excess beyond the proposed dividend will be transferred to other equity.

Outlook

The Board expects that the demand in the Scandinavian markets for wood-based building materials both for new residential housing and leisure homes, as well as for renovations, will continue at a solid level. The activity level in the professional building market at the start of the year is low, and only minor changes are expected in 2005. European planing mills are expected to have a solid level of activity. The Board therefore expects a solid level of activity for the sawmills, while the price level for certain raw materials and finished goods are still such that additional cost-efficiency measures are needed. Overall, the Board expects a somewhat better result in 2005, compared to 2004.

Jessheim, 2 February 2005
Board of Moelven Industrier ASA

Runar Lillandt
Chairman

Ari Martonen

Antti Oksanen

Arimo Uusitalo

Iver Melby

Even Mengshoel

Torstein Opdahl

Arne Rødo

Leif H. Kristensen
Regularly attending alternate

Bo B. Borgström
CEO and Group Managing Director

Moelven Group

Modern products and service know-how is the successful r history.



The Leonardo bridge over highway E18 in Ås.

Local raw materials and employee know-how about the use of raw materials to create modern products, services and solutions forms the company base. One success factor has been the ability and will to create products and services that satisfy changing market demands. Innovative and capable employees at Moelven have down through the years created products that have satisfied market demand and served as the basis for expansion. The original Moelven oil-boiled wooden wheel is one example of this, which was the basis of the Moelven industrial production. Other examples of this include the “House on wheels”, which has been further developed into solid quality modern apartments; glulam beam junction technology that opened up a revolutionary new approach to major load-bearing structures made of laminated timber; and innovative fire-proofing treatments for safer housing construction.

es based on local raw materials and employee ecipe behind Moelven's 105-year industrial



Former Group Managing Director Johs. Mageli formulated two policy principles: Moelven must always be at the leading edge of technological developments in the field. We must be committed to and invest seriously in product development. Both of these principles are alive and well in the company today, and is being developed further in all areas.

Moelven is currently working in collaboration with other companies to establish an “incubator factory”, the purpose of which is to develop promising future-oriented ideas in the woodworking sector into commercialised solutions. Any new idea or invention is itself an innovation, and innovation is a continuous and time-consuming process where only the very best of many ideas end up as commercial solutions after considerable commitment and investment. The “incubator factory” is one of a number of measures designed to reinforce Moelven’s commitment in this area.

The Moelven Group

The Moelven Group is a leading company in Scandinavia in the field of wood-based construction materials and associated services. Annual turnover is NOK 5.8 billion, and the company has 3191 employees. The Group has 45 operating companies and is organised into two business areas: Moelven Timber Group and Moelven Building Group. Each business area consists of several divisions. Timber, Wood and Laminated Timber are part of the business area Moelven Timber Group, while Modular Buildings and Modular System Interiors belong to the business area Moelven Building Group. Moelven's main geographic area is between and including southeastern Norway and central Sweden. The common denominator is highly developed industrialised production aimed at the building and construction markets.

The Moelven Group is owned by Finnish and Norwegian forest owners' associations, with Metsäliitto Cooperative and Finnforest Oyj holding a majority interest and Glommen Fond AS, Mjøsen Skogeierforening, Agder-Telemark Skogeierforening (AT-Skog) and Haldenvassdragets Skogeierforening (Havass) holding minority interests. The main shareholders have agreed that Moelven Industrier ASA shall remain an independent subsidiary within Finnforest's overall strategy.

The Market

Focus on Scandinavia

Moelven's focus is on the professional building markets in Scandinavia, and Moelven defines the market as consisting of three so-called megasegments: industry, distribution and building (builders/contractors) – each with a number of subsegments. Moelven's product range in the Scandinavian market includes Finnforest products such as Kerto-beams and plywood. Moelven aims to supply a full range of products and accompanying services to the Scandinavian building and construction market. A key factor in the Group's strategy is to strengthen the geographic focus on Scandinavia.

In 2004, 80 per cent of Moelven's sales revenues came from the Scandinavian market. About 85 per cent of Moelven's revenues came from new-builds and the renovation of housing or commercial properties. The remainder of the turnover was 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. The largest single market for Moelven products is the housing renovation market in Scandinavia.

The Group sells to the professional building and construction markets and thereby indirectly to consumers who meet many of Moelven's products at builders' merchants.

The Industry megasegment

This segment consists of a wide range of customers within the two main segments "Building with wood" and "Living with wood". The segment "Building with wood" includes laminated timber products, house-builders, planing mills that produce wooden building material; while the segment "Living 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 they all have in common is that they use Moelven's products as raw materials in the manufacturing process.

The Distribution megasegment

This segment consists of wholesalers, chains of builders' merchants, timber merchants and do-it-yourself (DIY) chains, all of which sell the products on as supplied by Moelven without further processing. Distribution is the critical factor in this segment, and 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.

The Building megasegment

To Builders/Contractors Moelven supplies ready-made systems like Load-bearing structures for halls, modules for offices and homes, and system interiors for offices and commercial buildings. In all these, we supply complete parts of the whole buildings.

Moelven's five divisions have their strengths in different megasegments, depending on the nature of their business. The Timber division operates mainly in the Industry megasegment, the Wood division focuses on the Distribution megasegment, while 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, Moelven ensures a high level of expertise about, and understanding of, how the markets develop – and the 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 amount of capital tied up in goods stored at their 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. The customer and distribution centres for processed wood products established in Norway, Sweden and Denmark are the cornerstones of an efficient distribution system.

Products

Added Value for Customers and Company

Moelven adds value to the products it manufactures throughout the value chain: From the moment the timber enters the sawmill, via the planing mill or the glulam factory or the building industry and on to the builders' merchant before it finally ends up with 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 activity, we can co-ordinate and improve our efforts in order to optimise the value added to the product before it is sent to the next step in the production process. The idea behind this approach



Moelven trailers, always well driven and well equipped.

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 the businesses in the Group shall focus on what best serves the next step in the value-adding chain, and offer the product's end-user an optimal level of overall cost-benefit.

Skilled Staff

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

Motivation is also an important factor and having an attractive workplace is a prerequisite in this regard. To this end, the Group is working consciously to reduce absenteeism through a variety of measures. One example of these measures is a reward system that rewards the employees at Moelven companies for low rates of absenteeism and high profit margins.

Industrialised Production

Most of Moelven's production is 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 approaches.

Timber as Basis for Sustainable Development

The majority of Moelven's products are based on the "forest gold" – timber. There is a direct chain of added value from the timber in the forest out to the consumer. The Moelven products with the lower proportion of wood in them are, unsurprisingly, Moelven's office solutions (flexible system interiors), while goods aimed at consumers, such as panelling, floorboards and mouldings, are based entirely on wood. The modular products are exclusively based on timber as materials for load-bearing structures, walls and interiors. Apart from the glue used to fasten the boards together, glulam is also a pure wood product. The timber division is closest to the forest in the value-adding chain, and naturally uses 100 per cent wood as raw material. Timber uses modern facilities to saw and dry timber so that it may be used as components for various other producers of wood-based products.

Moelven is working consciously to increase the proportion of wood in building products. One way this is done is by encouraging new attitudes 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 applications. It also opens up decorative opportunities that are not available with other types 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 one hand, the goal for Moelven is to challenge the boundaries of what is technically possible to make from wood, while on the other hand paying careful attention to environmental considerations, design demands and functionality.

Working closely with respected architects, consulting engineering companies, universities and research institutes abroad and at home is an important part of Moelven's R&D efforts. The Group has put great effort into increasing know-how on all levels and in all product areas. In Norway, Tresenteret in Trondheim (The Timber Centre), which is closely allied with the University of Trondheim (NTNU), 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 of any heavy-metals.

The work developing fire-resistant wood products and efforts to gain certification for these products has reaped results, and the products have already achieved a high reputation and increased use in the construction industry.

Solid wood elements is a product area that is very similar to that of laminated timber. Using solid wood elements 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, and as of the beginning of 2005 has started production of solid wood elements at a plant owned by Moelven MassivTre AS, in collaboration with Viken Skogeierforening and Krødsherard local authority.

Organisation

Decentralised Organisational Structure

The main philosophy behind Moelven's organisational structure is a belief in a high degree of decentralisation, with each company and

division functioning as 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, marketing and distribution activities are closely 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 the 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 the day-to-day competition.

Moelven's decentralised organisational structure has few levels of management, which reduces the Group's administrative costs, results in shorter chains of command and highlights local units' responsibility for profitability.

Results-oriented Business Culture

Moelven's business is based on a target-oriented business culture, and this culture and the values on which it is based 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, Honesty and Openness.

Business Areas

Moelven is organised into two business areas and five divisions: the Moelven Timber Group (3 divisions) and the Moelven Building Group (2 divisions). The divisions in the Moelven Timber Group are as follows: Timber (sawmills), Wood (processing companies) and Laminated Timber (glulam producers). The divisions in the Moelven Building Group are as follows: Modular Buildings (flexible module based apartment blocks, commercial properties; and electrical installations) and Modular System Interiors (flexible interior systems for business offices).

Moelven Timber Group

The Moelven Timber Group runs sawmills, wood-processing businesses and laminated timber production units, based on spruce and pine from Norway and Sweden. The Group has a total of 2047 employees in businesses located primarily in southeast Norway and central Sweden. The Group had a total turnover of NOK 4.6 billion in 2004.

Timber, Wood and Laminated Timber, the three divisions in the Moelven Timber Group, 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, while industrial chips are used in the production of

paper, biomass energy and particleboards. 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.

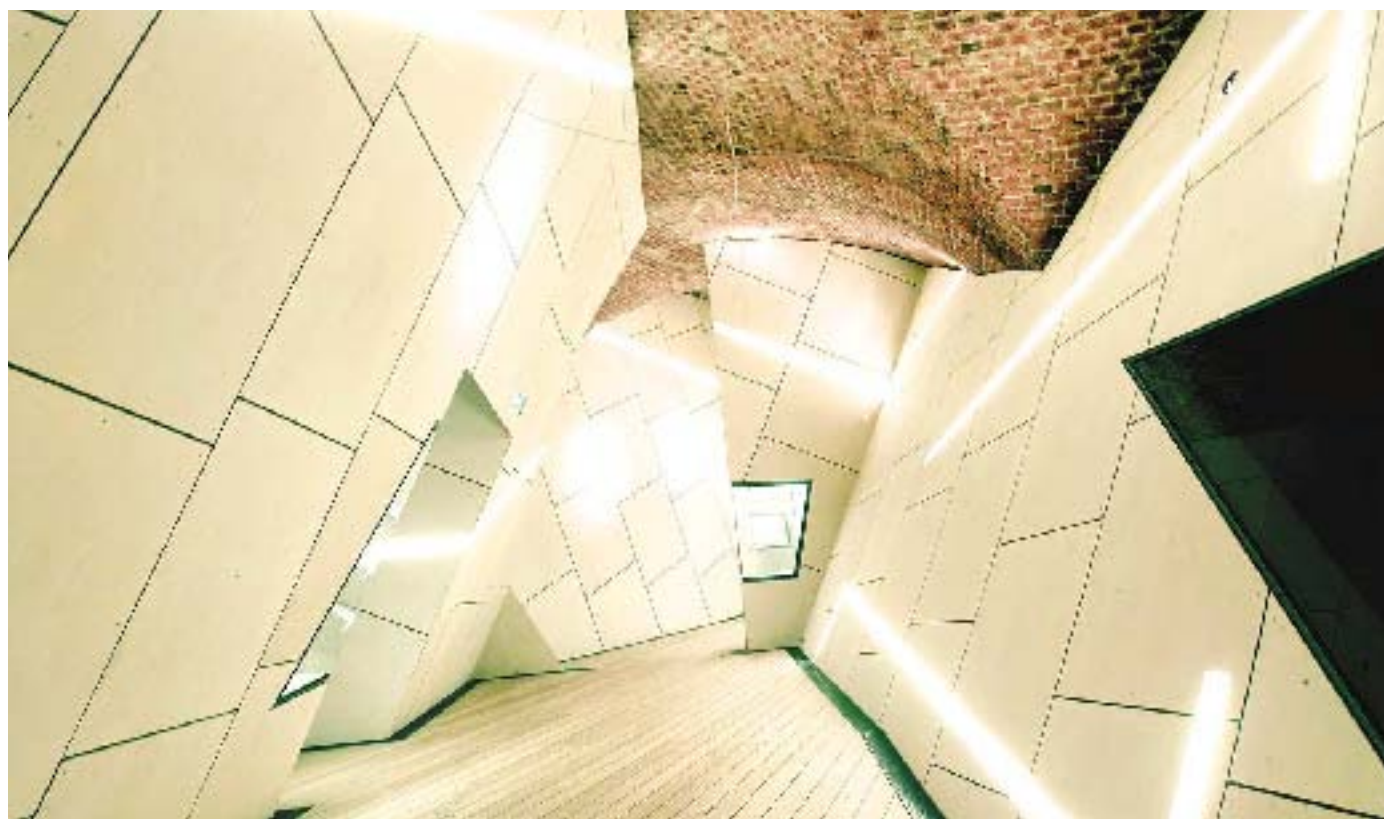
The Wood division processes industrial timber received from the Timber division and converts it into building materials ("Build with wood"), as well as products such as mouldings, floorboards, interior and exterior panelling and components for doors and windows ("Live with wood"). Most of these products are sold to chains of builders' merchants. The Laminated Timber division processes industrial wood into load-bearing structures. Moelven Wood and Moelven Laminated Timber sell the majority of their products on the Scandinavian building and construction market.

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 the builders and craftsmen more efficient through the use of industrialised concepts complemented by associated value-adding services. The Moelven Building Group has a total of 1090 employees in Norway and Sweden, and reported a turnover of NOK 1.3 billion in 2004.

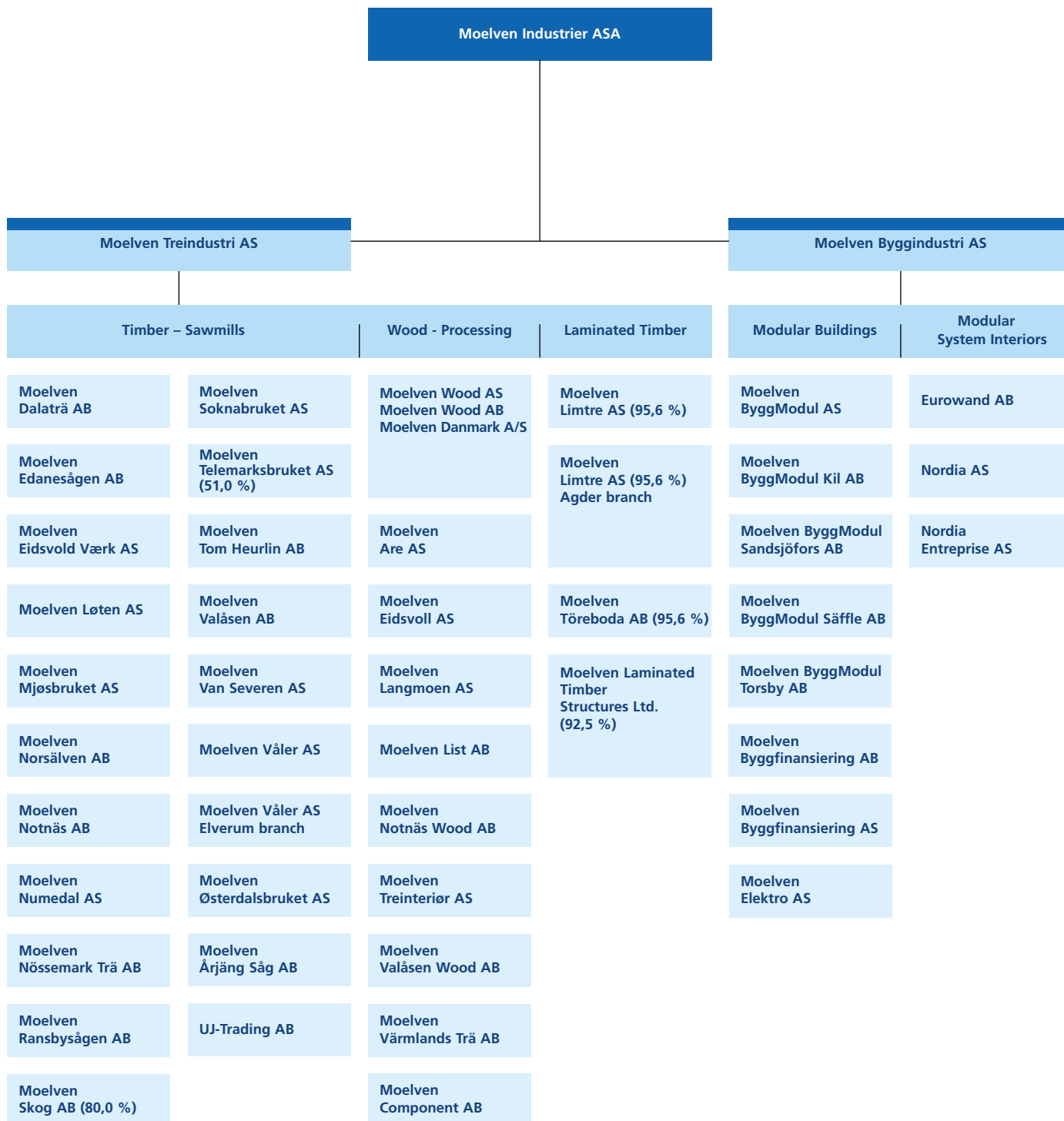
The Group's operations are clearly distinguishable from those of other suppliers of building products, as the products are generally supplied pre-assembled and ready to use. There is also a clear distinction from traditional on-site building contractors, as a very large part of Moelven's production work is carried out in a factory and not on site. Both the Modular Building and Modular System Interiors divisions operate primarily in the Scandinavian domestic market and are oriented toward professional customers such as builders and contractors. Both divisions have strong market positions in Norway and Sweden.

Both Modular Buildings and Modular System Interiors are concepts well suited to the increasing demand for short delivery times and high degree of flexibility. Since both concepts require a smaller workforce than traditional building concepts, they are more cost-efficient in production. This puts Moelven's industrialised building concepts in a good position to compete with traditional building approaches. The market potential is therefore considerable.



Fire-resistant birch panelling from Finnforest and Moelven in the Danish-Jewish Museum in Copenhagen.

Organisational Chart at 31.12.04



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.



The Moelven Group

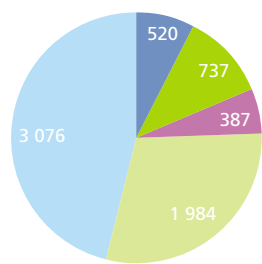
The most important factors influencing the Group's result are shown in the table below. The table shows the impact one per cent change in price would have on profits, all other factors being unchanged. The

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.

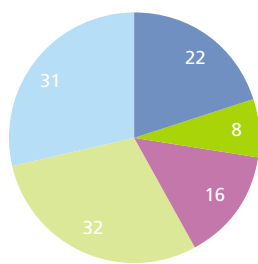
Factor	Operating Profit MNOK	Area	NOK/share
Price of planed goods in Scandinavia	19	Timber	0.15
Log prices	17	Wood	0.13
Whitewood prices	15	Timber	0.12
Modular prices, commercial buildings	14	Modular Buildings	0.11
Redwood prices	10	Timber	0.08
Price of chips of pulp /paper	3	Timber	0.02
Permanent change of EUR – NOK/SEK	2	Group	0.02

Operating revenues for each business area NOK millions 2004



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

Operating profit for each business area NOK millions 2004

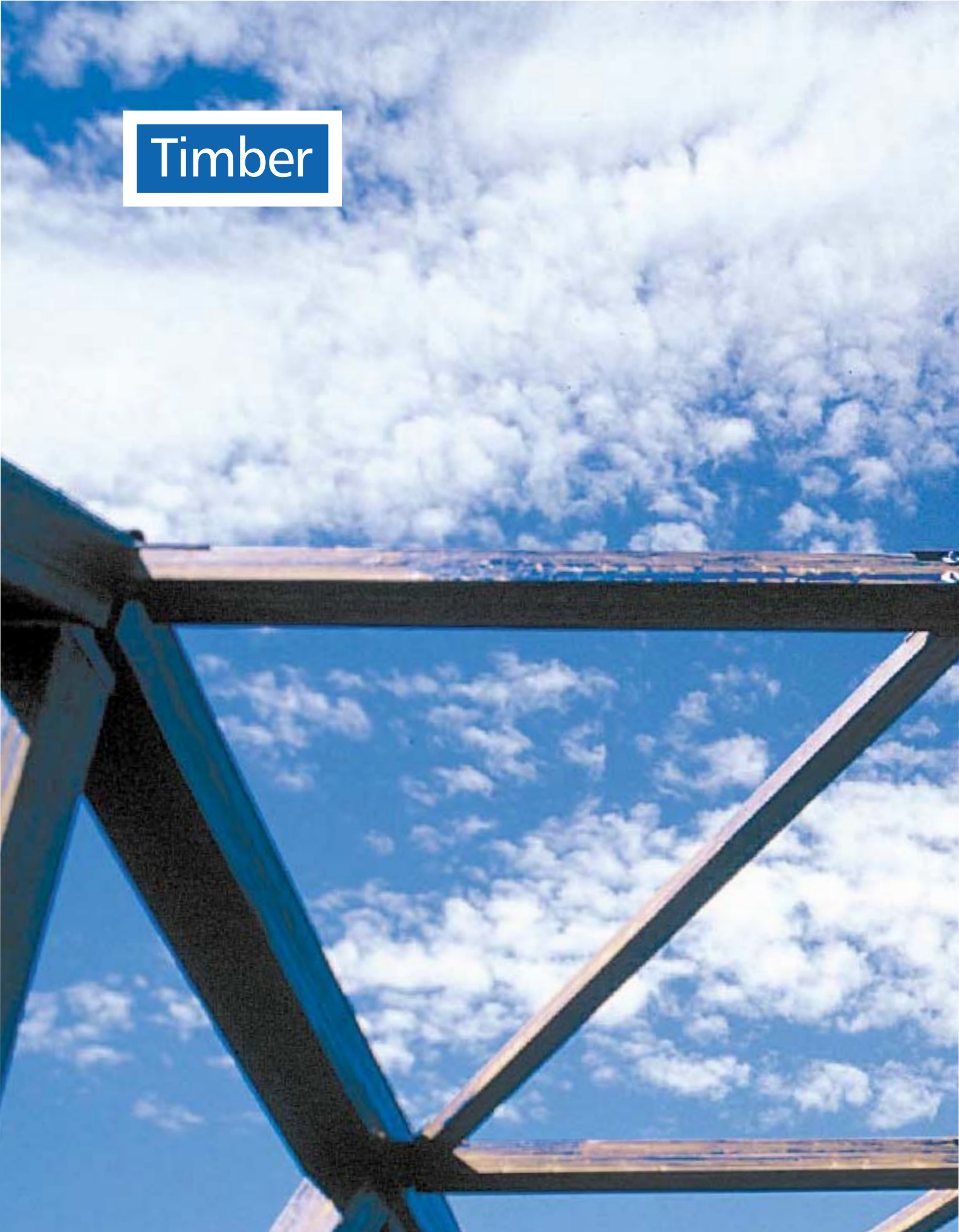


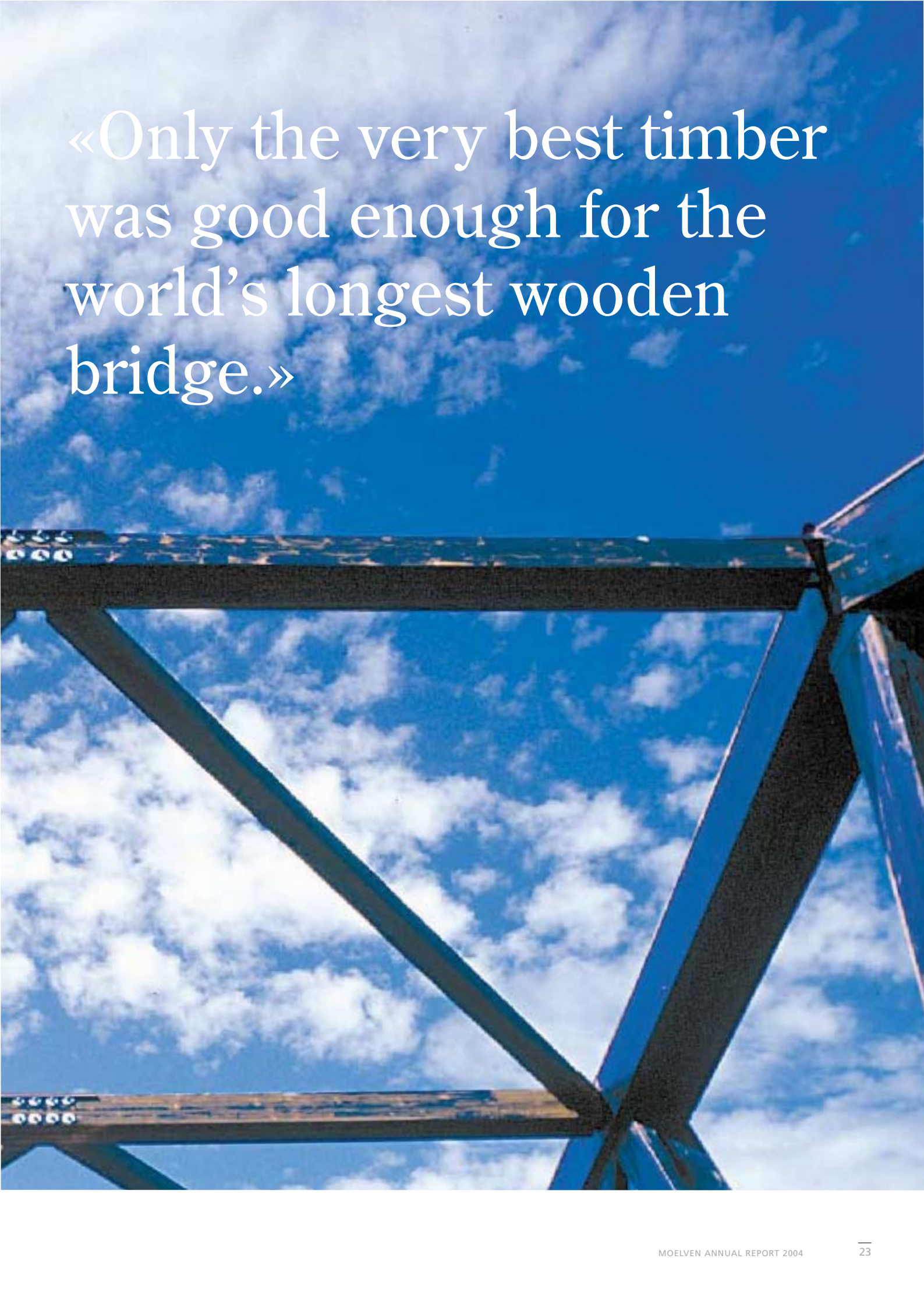
- Timber-Sawmills
- Wood-Processing
- Laminated Timber
- Modular Buildings
- Modular System Interiors

Main Figures for Five Years

Amounts in NOK millions.	2004	2003	2002	2001	2000
THE GROUP					
Operating revenues	5 773.2	4 864.1	4 618.4	4 516.5	4 745.9
Depreciation & write-downs	177.5	146.1	147.4	161.4	159.8
Operating profit	70.3	100.6	139.4	92.7	223.0
Financial items	-53.7	-36.1	-40.3	-53.5	-63.4
Operating result before tax	16.6	64.5	99.1	39.2	159.6
Total capital	2 884.2	2 363.5	2 140.2	2 392.7	1 345.2
Equity ratio	36.5	39.1	42.9	36.7	37.5
Net operating margin in per cent	1.2	2.1	3.0	2.1	4.7
Cash flow from operating profit	247.8	246.7	286.8	254.1	382.8
Investments	199	189	119	105	77
No. of employees	3 191	2 853	3 120	3 149	3 046
<i>Proforma, Moelven Group incl. Are Group in 2003–2000 and Forestia AS in 2000</i>					
Operating revenues	5 773	5 564	5 239	5 127	5 378
Depreciation & write-downs	178	177	179	194	194
Operating profit	70	128	177	124	249
Net operating margin in per cent	1.2	2.3	3.4	2.4	4.6
No. of employees	3 191	3 150	3 420	3 450	3 315
TIMBER GROUP					
Operating revenues	4 559.9	3 554.3	3 380.8	3 324.8	3 685.7
Depreciation & write-downs	145.5	114.2	116.4	138.5	138.8
Operating profit	78.2	93.2	129.1	24.3	151.9
Financial items	-40.6	-40.9	-32.9	-39.3	-47.4
Operating result before tax	37.6	52.3	96.2	-15.0	104.5
Total capital	2 636.5	2 054.4	2 281.0	2 208.3	2 182.6
Net operating margin in per cent	1.7	2.6	3.8	0.7	4.1
Cash flow from operating profit	223.7	207.4	245.5	162.8	290.7
Investments	184	160	104	59	63
No. of employees	2 047	1 807	1 936	2 019	2 022
Timber – Sawmills					
Operating revenues	3 075.9	2 398.1	2 360.1	2 398.9	2 723.3
Depreciation & write-downs	93.6	74.3	177.5	100.3	94.1
Operating profit	30.6	92.3	93.6	1.2	94.1
Net operating margin in per cent	1.0	3.8	4.0	0.1	3.5
Investments	120	119	72	37	44
No. of employees	1 331	979	1 006	1 043	1 126
Wood – Processing					
Operating revenues	1 983.8	1 363.0	1 273.8	1 160.7	1 222.1
Depreciation & write-downs	32.6	25.8	25.0	22.6	25.7
Operating profit	32.0	-0.6	40.6	32.0	41.7
Net operating margin in per cent	1.6	0.0	3.2	2.8	3.4
Investments	57	31	20	15	10
No. of employees	472	577	627	647	570
Laminated Timber					
Operating revenues	387.2	386.1	364.6	383.4	536.0
Depreciation & write-downs	13.3	14.1	13.9	15.5	18.8
Operating profit	15.6	1.5	-5.1	-8.9	16.1
Net operating margin in per cent	4.0	0.4	-1.4	-2.3	3.0
Investments	7	10	13	7	9
No. of employees	244	251	303	322	326
<i>Proforma Moelven Timber Group incl. Are Group in 2003–2000 and Forestia AS in 2000</i>					
Operating revenues	4 560	4 254	4 002	3 935	4 400
Depreciation & write-downs	146	145	148	172	173
Operating profit	78	121	167	56	178
Net operating margin in per cent	1.7	2.8	4.2	1.0	3.9
No. of employees	2 047	2 104	2 236	2 320	2 291
BUILDING GROUP					
Operating revenues	1 253.5	1 340.7	1 240.8	1 230.0	1 094.3
Depreciation & write-downs	19.3	23.2	22.8	18.1	15.1
Operating profit	29.8	37.0	41.7	71.9	71.0
Financial items	2.1	4.9	8.2	9.5	7.5
Operating result before tax	32.0	41.9	49.9	81.4	78.6
Total capital	617.9	606.0	612.8	660.5	520.0
Net operating margin in per cent	2.4	2.8	3.4	5.8	6.5
Cash flow from operating profit	49.1	60.2	64.5	90.0	86.1
Investments	15	7	10	26	12
No. of employees	1 090	988	1 123	1 080	978
Modular Building					
Operating revenues	736.5	762.9	655.8	590.0	542.9
Depreciation & write-downs	12.3	13.9	12.9	8.5	7.6
Operating profit	7.6	15.7	10.3	30.5	29.0
Net operating margin in per cent	1.0	2.1	1.6	5.2	5.3
Investments	14	4	7	21	5
No. of employees	633	469	534	514	414
Modular System Interiors					
Operating revenues	520.4	579.8	586.9	641.9	551.4
Depreciation & write-downs	7.0	9.2	9.9	9.6	7.5
Operating profit	22.2	21.3	31.4	41.4	42.0
Net operating margin in per cent	4.3	3.7	5.4	6.4	7.6
Investments	1	3	3	5	6
No. of employees	457	519	589	566	564
OTHER BUSINESSES					
Operating revenues	69.8	46.7	89.3	56.5	68.5
Depreciation & write-downs	12.6	8.8	8.2	6.0	6.0
Operating profit	-37.7	-29.6	-31.4	-3.5	0.1
Financial items	-15.3	-0.1	-15.6	-23.6	-23.6
Operating result before tax	-53.0	-29.7	-47.0	-27.0	-23.6
Cash flow from operating profit	-25.1	-20.8	-23.2	2.5	6.1
No. of employees	54	58	60	50	46

Timber





«Only the very best timber
was good enough for the
world's longest wooden
bridge.»

Timber

Building the world's longest
the timber used for the lamin
good enough for a bridge tha
loads and all kinds of weathe



The world's longest wooden bridge, which crosses the river Glomma at Flisa, Norway.



Architectural detail of the Flisa bridge.

The world's longest wooden bridge, which crosses the River Glomma at Flisa in Norway, was opened by Minister of Agriculture Lars Sponheim in the summer of 2003. He wanted to demonstrate that the bridge is a symbol of the opportunities that the timber industry has in new areas if it is innovative and takes advantage of advanced expertise. The bridge constructions were supplied by Moelven Limtre AS using timber from Moelven Timber's sawmills. Key words for the process of selecting suitable timber for the massive structures are sorting, moisture content and strength.

Producing timber may seem simple, but producing timber of a high enough quality to build bridges is not possible without in-depth knowledge about trees and their various qualities. Sorting starts in the forest and continues through the various processes at the sawmill. An experienced eye is needed to sort out the precise planks with the necessary strength. The planks must also be cut so that there are no knots or other disruptions to their fibres where they are to be finger

wooden bridge placed strict requirements on
laminated timber structures. Only the best was
that shall stand for many years enduring heavy
traffic.



The world's longest wooden bridge

The laminated timber structures used to build the world's longest wooden bridge, which stretches 197 metres across the River Glomma at Flisa, are massive. The largest structure is almost 90 metres long and weighs 80 tonnes.

Moelven Limtre AS supplied the laminated timber structures, in the form of truss arches that carry the bridge, while Mesta AS erected and built the bridge itself.

The world's longest wooden bridge is the result of close cooperation between the developer, the consulting engineers, the architects and Moelven Limtre AS. Moelven has for many years worked closely with the Norwegian Public Roads Administration developing wooden road bridges, and many bridges have now been built, with the Flisa Bridge being the longest. In Sweden, Moelven is also actively involved in the construction of wooden bridges through Moelven Töreboda. The company's experience with wooden bridges shows that they are competitive to steel and concrete bridges in terms of price as well as quality. Aesthetic considerations are also an important factor when wooden bridges are selected.

These bridges have created considerable interest both nationally and internationally. "Wood is a unique and environmental friendly raw material and wooden structures require less energy to produce. There are many examples of using wood as an alternative to steel and concrete," said Minister of Agriculture Lars Sponheim during the opening ceremony. He told his audience that this outstanding wooden bridge was an excellent example of what the timber industry can achieve when they mobilise the best expertise, skills and products at hand.

jointed, as knots dramatically reduce the strength of the joint.

The drying requirements are just as important as sorting based on strength and knots, and the moisture content of the planks must be between 8 per cent and 15 per cent. The drying out process must be done without the timber becoming warped, because if the planks become warped they cannot be finger jointed.

To achieve efficient production of the laminated timber beams, delivery times need to be very precise, and this is important because the laminated timber factory is interested in having as little stock as possible, while maintaining optimal production levels.

The reason that Moelven Timber's sawmills supply timber for Moelven's laminated timber production is that Moelven has the experienced and skilful staff at the sawmills that are trained to select the type of timber that will meet the high standards needed for use in such bridges.

Timber

The sawmills in the Moelven Group belong to the Timber Division, and consist of a total of 19 separate operating companies. Moelven Timber is the largest division in the Group and in 2004 contributed more than half of the Moelven Group's operating revenues. Moelven's business concept is to generate as high value as possible from each individual log – all based on the forest as a renewable resource. This requires extensive know-how about the market and about key customers in the various market segments. Timber has an annual turnover of NOK 3.1 billion and has 1331 employees.

Products

Moelven Timber processes sawn timber and is the link between the forest and the markets. The division converts logs into the products industrial wood and chips. Industrial wood is the most important raw material for producers in the two main segments «Building with wood» and «Living with wood», while industrial chips are used in the production of paper, bioenergy and particleboards. Environmental concerns have resulted in an increased commitment to bioenergy, which in turn increases the significance of industrial chips.

The Market

Industrial Timber

Throughout the years, Timber has emphasised specialising the production of timber to meet the separate needs of specific customer segments. This approach enables maximum value-creation and profitability for each individual log.

The companies organised in Moelven Timber are defined according to which market segment they are serving: "Building with wood" and "Living with wood".

"Build with wood"

The "Building with wood" companies were formerly referred to as combi-plants, because they featured both sawmills and planing mills. The sawmills produce wood that in large part are used as raw material for the company's own planing mill, and then convert the wood into structural solid wood and exterior panelling. The finished goods are sold through Moelven Wood to builders' merchants that sell the products on to builders. The products from the "Building with wood" companies are used as building material, and are normally not visible in completed buildings.

"Live with wood"

The "Living with wood" companies in Moelven Timber are the regular sawmills. The sawn material they produce is the raw material for other timber industry companies where it is processed into interior products such as floorboards, mouldings, interior panels etc.; or into furniture, stairs, windows, doors, etc. In other words, into products that are visible and appreciated in the finished building.

Moelven Timber's annual output of industrial timber is 1.9 million m³. Of this, one third is processed by Moelven Wood or Moelven Laminated Timber. Deliveries are made to a total of around 1800 customers.

Scandinavia is the principal market, but niche products for timber processing industries outside Scandinavia are also important for profitability.

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, 1.2 million solid cubic metres of this are sold annually, meaning that Moelven Timber is one of the largest suppliers of industrial chips in the geographical areas in which they operate. The sawmills also produce smaller-sized chips. Of the total annual production of about 0.6 million solid cubic metres of product, most is sold to the particleboard industry and some to bio-energy producers and agriculture.

Renewable Raw Materials

Timber's production is based on a renewable raw material – spruce and pine. Spruce makes up approx. 60 per cent of the raw material. Raw material represents the largest part of Moelven Timber's production costs. At the same time, the value of the timber supply to the sawmills represents the largest part of the value of the timber felled in the

forest. This implies that the forest owners and the sawmilling industry are mutually heavily dependent.

The forest owners are dependent on a competitive industry in order to sell their logs at acceptable prices, while the sawmilling industry is dependent on stable and foreseeable supplies to ensure profitability.

Moelven Timber for its part annually consumes 3.9 million m³ of logs, which corresponds to just less than 10 per cent of the logs that are felled in Norway and Sweden suitable for production of this kind.

Timber Prices

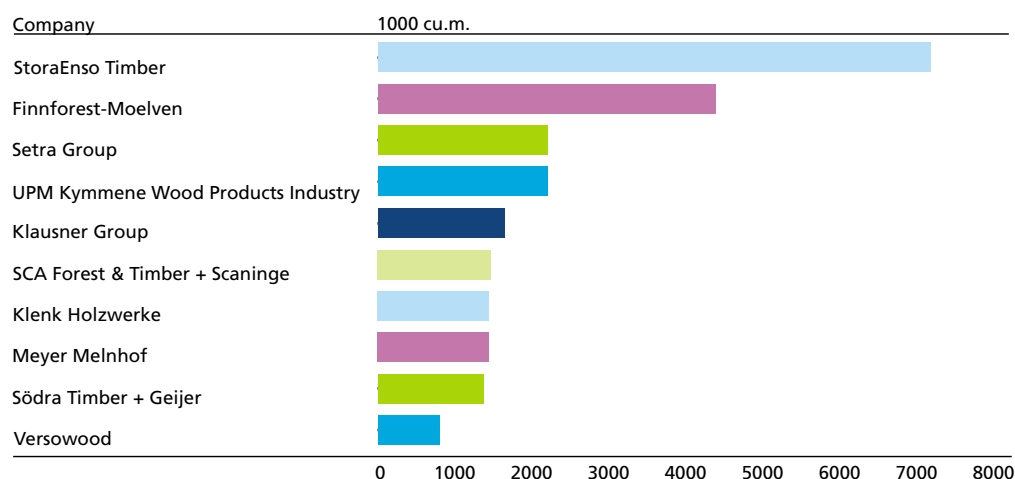
Log prices in Scandinavia and prices for industrial timber in Europe are the two factors that have the largest influence on Moelven Timber's profitability. Price fluctuations in these markets have historically had a significant impact on profitability. Moelven Timber has over the past few years increased specialisation in the production of industrial wood in order to reduce exposure to fluctuating market conditions.

Moelven Timber	Volume m ³	Revenue MNOK	Products	No of employees
Moelven Dalaträ AB	128 000	211	Industrial pine	74
Moelven Norsälven AB	68 000	107	Industrial pine	44
Moelven Notnäs AB	169 000	282	Industrial spruce	99
Moelven Ransbysågen AB	60 000	100	Industrial spruce and pine	34
Moelven Valåsen AB	320 000	490	Industrial spruce and pine	154
Moelven Nössemark Trä AB	76 000	117	Industrial spruce and pine	39
Moelven Årjäng Såg AB	108 000	173	Industrial spruce and pine	45
Moelven Løten AS	41 000	74	Industrial pine	36
Moelven Mjøsbuket AS	71 000	115	Industrial spruce	40
Moelven Numedal AS	54 000	88	Industrial spruce	43
Moelven Telemarksbuket AS	21 000	36	Industrial spruce and pine	27
Moelven Tom Heurlin AB*	81 000	115	Industrial spruce	90
Moelven Edanesågen AB*	120 000	176	Industrial spruce	91
Moelven Våler AS*	156 000	268	Industrial spruce and pine	117
Moelven Våler AS, avd Elverum	33 000	58	Industrial spruce and pine	19
Moelven Soknabuket AS*	129 000	201	Industrial spruce and pine	97
Moelven Eidsvold Værk AS*	74 000	109	Industrial spruce	79
Moelven Van Severen AS*	108 000	162	Industrial spruce	88
Moelven Østerdalsbuket AS*	55 000	78	Industrial spruce and pine	54
Moelven Kværnum Bruk AS	3 000	12	Industrial spruce	-
UJ Trading AB	-	45	Wood mech. Equipm. trade to Wood proc. incl.	12
Moelven Timber AS	-	30	Parent company functions	24
Moelven Timber AS, avd Virke	-	785	Timber procurement	-
Moelven Skog AB	-	196	Timber procurement	25
Other / Eliminations		-952		
Timber total	1 873 000	3 076		1 331

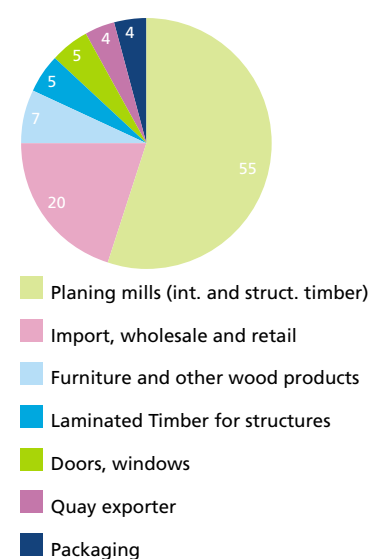
* Company with both sawmill and processing facilities; figures for sawmill only.

* No. of employees overall for company.

The largest European producers of industrial wood products.



Operating revenues per segment in per cent



Wood





«Fire-resistant
wood in the
Opera House.»

Wood

We have supplied fire-resistant wood to the Royal Opera House in Copenhagen. This is a testament to the intimacy of our relationship with our customers.



The new opera house in Copenhagen.



From the new opera house in Copenhagen.

The new Royal Opera House at Holmen in Copenhagen is the latest pride of all of Denmark. It has emerged as a splendid landmark building, and was opened at the beginning of 2005. The Danes wanted to build a world-class opera house and have employed leading Danish architects to design the building and many well-known Danish artists to form the decorative works.

The Danish fire regulations lay down strict restrictions on the use of wood in public buildings. The fact that the practice rooms in the new opera house are nevertheless clad in plywood that has been fireproofed by Moelven is a breakthrough for fire-resistant wood on the Danish market. The product had to be submitted for comprehensive testing in order for it to be certified and approved in Denmark. What made this possible was Moelven's collaboration with others in developing a method of impregnation that prevents the wood from burning.

The delivery of fire-resistant plywood to the Royal Opera House is also an example of good Nordic cooperation on a Moelven project. The plywood is produced by Moelven's majority shareholder Finncor in Finland, is fire-proofed by

nt wooden walls to the new Royal Opera
has contributed to the rooms' warmth and



Moelven Langmoen and is sold through Moelven Danmark.

Moelven Danmark has also delivered Kerto beams and plywood sheets from Finforest to the new opera house.

A comprehensive research and development programme lies behind the new fire-resistant wood products. Moelven has worked on the development of non-combustible wood for many years and has delivered fire-resistant impregnated boarding to many large buildings in Norway, such as the Hamar Olympic Amphitheatre and the Oslo International Airport (Gardermoen). The products had to be submitted for comprehensive testing and certification procedures in order to pass the approval tests satisfying the rigorous fire regulations. The use of fire-resistant plywood in the opera house in Denmark was important for Moelven because the opera house is a notable reference project. The architects have demonstrated here the opportunities for creating warm and intimate spaces through the use of timber products in large public buildings.

Opera house costing NOK 2.5 billion

The new Royal Opera House in Copenhagen cost NOK 2,5 billion. The construction work started in November 2001 and was completed on 1 October 2004. The opera house has a total area of 41,000 m² of which 12,000 m² is below ground level.

The opera house is clad with limestone from southern Germany, while the foyer area is paved with Sicilian marble. Altogether, the opera house has 14 storeys, of which five are below ground level. Only 7,000 m² of the total floor area of 14,000 m² is used for theatres and foyers. The opera house has over 1000 rooms, and the main theatre has seating for approx. 1,500, while a theatre for experimental work can seat approx. 200 people.

The stage floor in the main theatre and those of the five associated back and side stages are built using modules on wheels that can be moved mechanically from one stage to another. This means that one can easily change from one fully mounted set to another, which makes it possible to change between several different opera and ballet performances from one day to the next.

The client was A.P. Møller and his wife Chastine Mc-Kinney Møller's Foundation, which made a donation to the people of Denmark. The gift was later accepted by the government and parliament. The opera house was taken over by the Danish state on 1 October 2004 and it is the Royal Theatre that is responsible for managing it.

The architect was Danish, Henning Larsen.

Wood

Moelven Wood organises the wood processing operations in the Moelven Group and is the most consumer-oriented division productwise. Production takes place in 16 operational units, while marketing, sales and customer centres are centralised. Concentration on customer service centres and efficient distribution to the builders' merchant chains, which are among its most important customers, are two key elements in Moelven Wood's operations. In 2004 Moelven Wood was responsible for just under 30 per cent of the Group's total operating revenues. Wood has an annual turnover of NOK 2.0 billion and employs 472 persons.

The Market

Moelven Wood has had a strong focus on winning shares in the Scandinavian markets over the past few years – with particular focus on building up distribution and customer centres in Sweden, Norway and Denmark. Particular emphasis has been laid on streamlined distribution capacity towards chains of builders' merchants, which are among Moelven Wood's most important customers. The chain stores are offered a wide range of products, but with short delivery times, so that storage must be "on the road" and delivery must be "just in time".

More than 90 per cent in Scandinavia

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

Close Collaboration with chains of Builders' Merchants

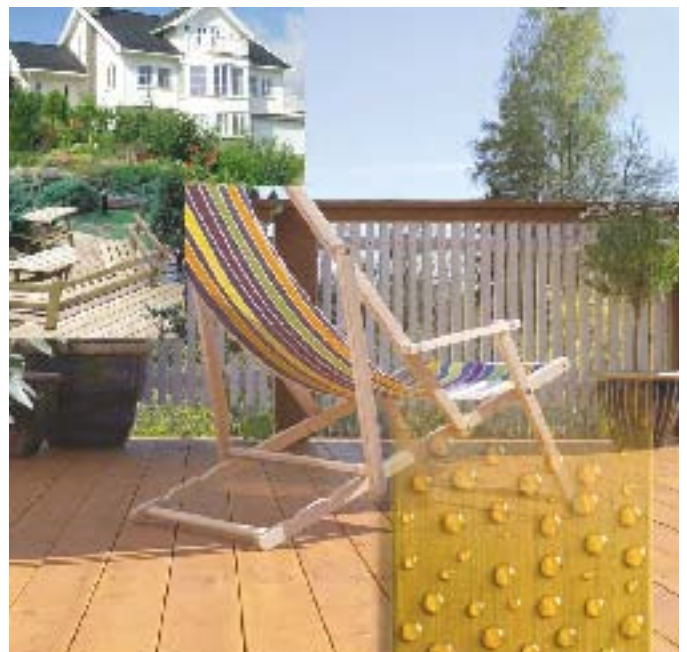
Wood works closely with nation-wide and pan-Scandinavian chains of builders' merchants selling products from Moelven Wood. This collaborative effort will be intensified. The key to the success of this approach is the focus on customer service centres and efficient and centralised distribution.

Market leader

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

Products

Most consumers in Scandinavia are in one way or another familiar with products from Moelven Wood by having shopped at builders' merchants. Among the products available to consumers are interior wood products such as interior panelling, floorboards and moulding, as well as rot and fire-resistant wood products. Moelven Wood has



Impregnated wood without heavy metals -- TMF is a Moelven registered trademark and is used for environmental-friendly anti-rot treatment of wood used for decking and panelling.

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 and Interior Products

Solid wood for structural building purposes is Moelven 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. Moelven Wood supplies surface-treated interior products and exterior boarding in several different colours. Producing components for door producers is another important product segment for the division.

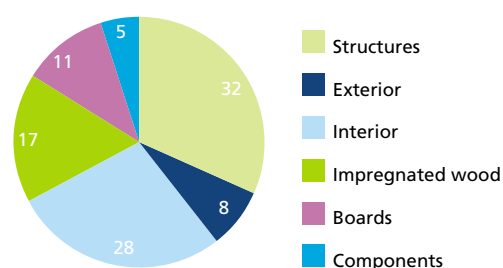
Product Program

Wood also has a product range for the home and garden segments, and the products are supplied with or without impregnation and/or surface treatment. The impregnation methods used today in Norway are based on much more environmentally safe chemicals than earlier.

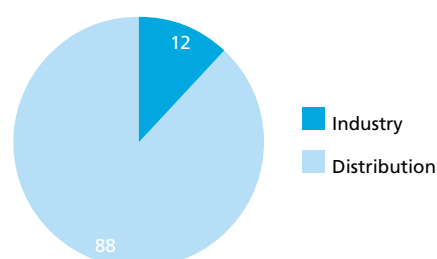
Fire-resistant Wood

Wood that does not burn sounds like a contradiction in terms, but no longer. The Moelven Wood division supplies fire-resistant 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 in areas with very stringent fire regulations, and fire-retardant wood products from Moelven can now be used in a wide variety of creative architectural applications. 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 terminal at Oslo International Airport (Gardermoen), the Hamar Olympic Amphitheatre (Hamar), the Danish Jewish Museum (Copenhagen) and now also the new Royal Opera House (Copenhagen) are all examples of the use of fire-retardant wood in large public buildings.

Operating revenues per product in per cent



Operating revenues per segment in per cent



New surface treatment facilities enables supplying major orders of paneling and moulding to the contract market.

Wood	Revenue NOK million	No of employees
Moelven Component AB	93	44
Moelven List AB	69	45
Moelven Notnäs Wood AB	107	29
Moelven Valåsen Wood AB	176	31
Moelven Värmlands Trä AB	75	26
Moelven Eidsvoll AS	94	75
Moelven Langmoen AS	217	96
Moelven Treinterior AS	54	21
Moelven Tom Heurlin AB**	121	
Moelven Edanesågen AB**	200	
Moelven Våler AS**	50	
Moelven Soknabruket AS**	19	
Moelven Eidsvold Værk AS**	142	
Moelven Van Severen AS**	123	
Moelven Østerdalsbruket AS**	69	
Moelven Are AS	248	27
Moelven Wood AS	802	35
Moelven Wood AB	191	26
Moelven Danmark A/S	174	17
Other / Eliminations	-1 040	
Wood total	1 984	472

** Company with both sawmill and processing facilities; figures for planing only.

** Total number of employees, see Timber page 27.



Laminated timber

«Monumental splendour
with timber structures.»



Laminated timber

Gothenburg's Universeum w Joint technology made it pos



Glulam structures in the Universeum in Gothenburg.



From Universeum.

Large monumental timber buildings were for a long time an impossible dream. Today they are a matter of course. The Gothenburg Universeum, the Olympic sporting halls and Norway's main airport are examples of large monumental buildings based on timber constructions. How was this possible? The key term is joint technology.

Transport and production considerations set limits to the length of laminated timber beams. To be able to carry out the construction of the large landmark buildings, the laminated timber beams had to be joined together in such a way that the structural members were not only long enough, but they also had to be able to transfer forces from one beam section to another.

So the engineers at Moelven Laminated Timber began an intense development process, and they found part of the answer in Switzerland. The rest they worked out by themselves. With the help of long dowels and steel plates they devised a method of joining the laminated timber beams and transferring the forces between

as built with laminated timber.
sible.



the beams, which satisfied both structural and economic considerations. But production facilities for carrying out this kind of construction did not exist. So they had, among other things, to design and build an entirely new “slicing saw” before production could begin.

This, very briefly, is the history of the joint technology. Why is it called joint technology? Well, because the joint is the point where the beams meet and where their forces meet and have to be transferred.

The rest of the story is familiar: The Viking Ship and the Olympic Amphitheatre at Hamar, Håkon’s Hall at Lillehammer, the main airport at Gardermoen; and last but not least the monumental Universeum at Gothenburg. It is perhaps less well known that this joint technology has been taken further in the big timber bridges, but Moelven Laminated Timber is now investing heavily in this area. This reveals how innovation and development can lead to new business opportunities.

Sweden’s national scientific centre

The Universeum in Gothenburg, is Sweden’s national museum of science. The museum was opened by King Carl XVI on 8 June 2001, and the king is also the museum’s high patron. In the space of two years the museum had a million visitors, making the Universeum one of the main tourist attractions in the entire Nordic region.

The architects Tomas Hansen and Gert Wingård of Wingård Arkitektkontor AB in Gothenburg designed the Universeum. They have won two prestigious architectural prizes for the building; the Swedish Arkitekturtriksagens prize for “Today’s best buildings” and the 2004 Swedish Treprisen.

The Universeum is based on a laminated timber structural frame by Moelven and has a completely original architectural design. The laminated timber was constructed, produced and delivered by Moelven Töreboda AB. The Universeum has become a new landmark in Gothenburg, because, among other things, the three-storey laminated timber facade distinguishes it clearly from both the modern glass facade of the Hotel Gothia and the many brick buildings that characterise this part of the city centre.

It is the entrance to the Universeum that has attracted particular attention. It is marked by a 16-17 metre long Moelven laminated timber cantilever and hidden by a type structure that Moelven has used for many years in large road bridge constructions. An aim has been to choose building materials and structural solutions that allow future recycling when dismantled.

The Universeum’s vision is to create experiences that increase the desire to seek out knowledge and to take an active part in learning about science and technology. But the Universeum should also be a common meeting place for schools, industry and the community – an arena for both activities and ideas, where networks within industry, the academic world and other knowledge-building institutions can come together.

Laminated timber

Moelven is the leading producer of laminated timber in Norway as well as in Sweden. Moelven's laminated timber business is well known because laminated timber is used in a number of signature buildings in both countries. The truss arch constructions that Moelven developed for the Olympic halls in Norway and for the Oslo International Airport 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 opened up possibilities for greater architectonic freedom. The Laminated Timber division consists of Moelven Limtre AS, with two production units in Norway, and Moelven Töreboda AB in Sweden. The division employs a total of 244 people and has annual sales of NOK 387 millions.

Market

Increased Market Position in Domestic Market

Moelven's laminated timber business has strengthened its market position in the Norwegian and Swedish home markets. In terms of customer structure, sales and distribution in these markets, there are many similarities between the Laminated Timber and Wood divisions.

Of the overall laminated timber deliveries from Moelven, approximately half are standard laminated timber beams that are sold mainly to builders' merchants, builders of prefabricated houses, winter gardens and similar structures. In conjunction with the formation of chains in the builders' merchants' trade, a conscious effort has been made to promote products from Laminated Timber, and to make the company's sales and marketing efforts more efficient.

Logistics and Distribution

Like many of Moelven Wood's products, small quantities of laminated timber used for expansions or additions to residential housing are sold through builders' merchants. Substantial efforts have been put into having efficient logistics and a well organised distribution network to get the products out to the builders' merchants and the construction industry via fixed vehicle routes both in Norway and Sweden. The sale and distribution of Kerto-beams from Finnforest is co-ordinated with the sale of glulam beams both in Sweden and Norway.

Adapted to the end-user needs

Most glulam deliveries are specifically adapted to the end user's needs, by making minor adjustments to standard beams or customising project deliveries for specific construction projects like commercial buildings, sports arenas, churches or bridges.

Laminated timber structures are in general well adapted for use in commercial buildings and arenas.

Few limits

Many famous signature buildings prove that there are few limitations to what load bearing structures can be constructed using laminated timber whenever architectural, environmental and fire-retardant characteristics are critical.

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 for load bearing structures 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 a larger range of



Various laminated timber dimensions.

sizes, good shape stability and good strength characteristics in relation to weight and volume. Laminated timber has excellent fire retardant properties, and is also extremely easy to work with and adapt at the construction site. Over the years, laminated timber has contributed to allowing for greater architectonic freedom when combining the product with other building materials such as steel, concrete and glass.

Glulam in large buildings

Many major signature buildings have been made structurally viable through Moelven's development of joints for applications such as 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 signature buildings using laminated timber: Universeum in Gothenburg, the Oslo International Airport (Gardermoen) and the Olympic sports halls in Lillehammer and Hamar are among the best known examples.

Power Line Masts

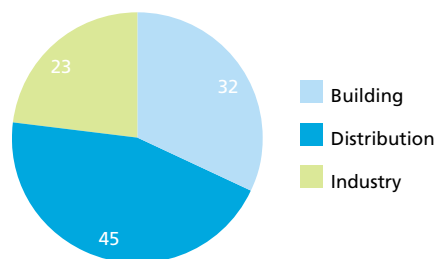
The production of power line masts made of laminated timber has become an important product segment for Moelven. The first masts were supplied in the early 1980s, and since then a number of small and large power lines have been built in Norway using laminated timber for the masts. The Laminated Timber division 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. With Kerto in their product range, Moelven can offer customers a better and wider range of quality products.

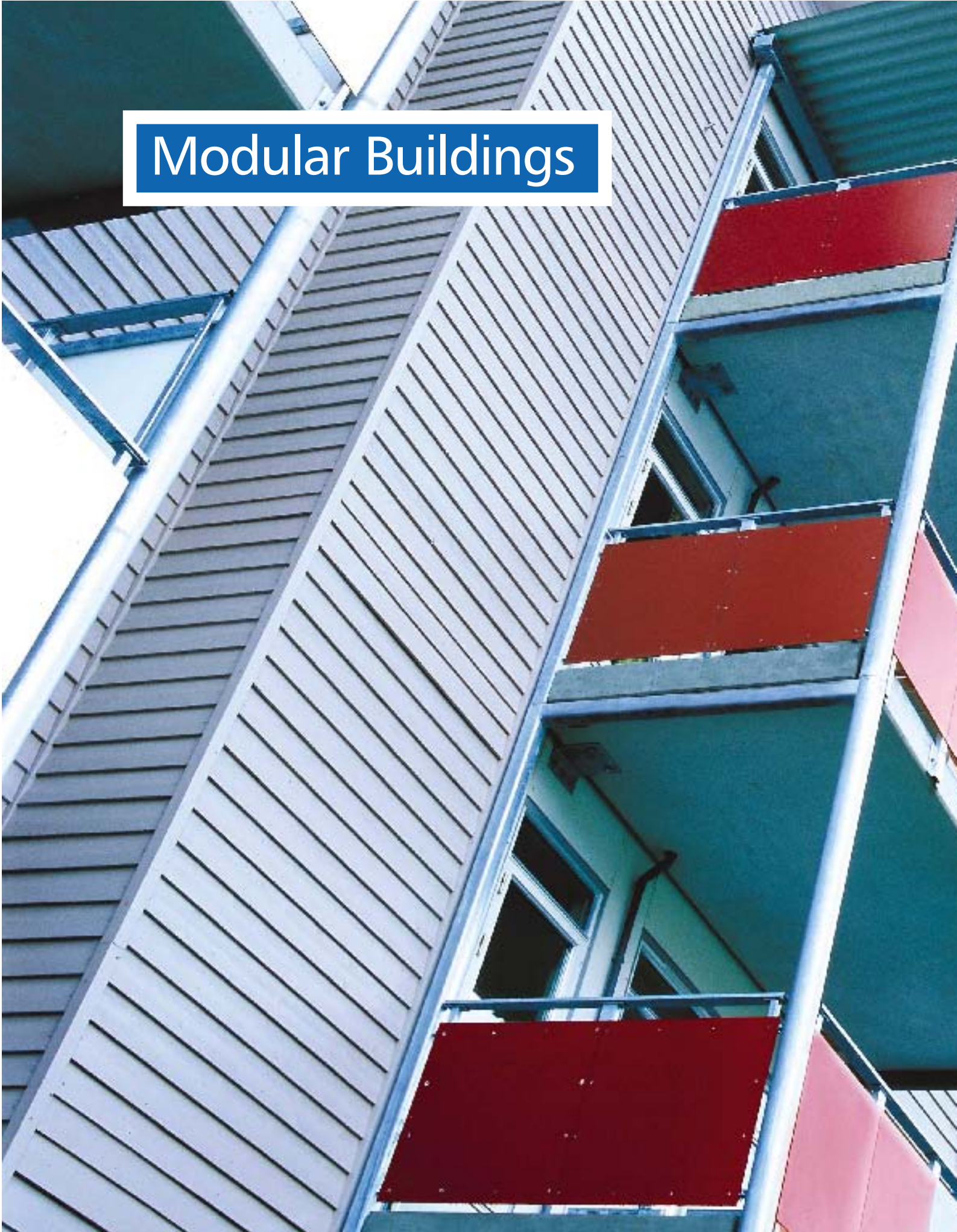
Laminated Timber	Revenue NOK million	No of employees
Moelven Töreboda AB	203	133
Moelven Limtre AS	179	109
Moelven Laminated Timber Structures Ltd	21	2
Other/Eliminations	-16	
Laminated Timber total	387	244

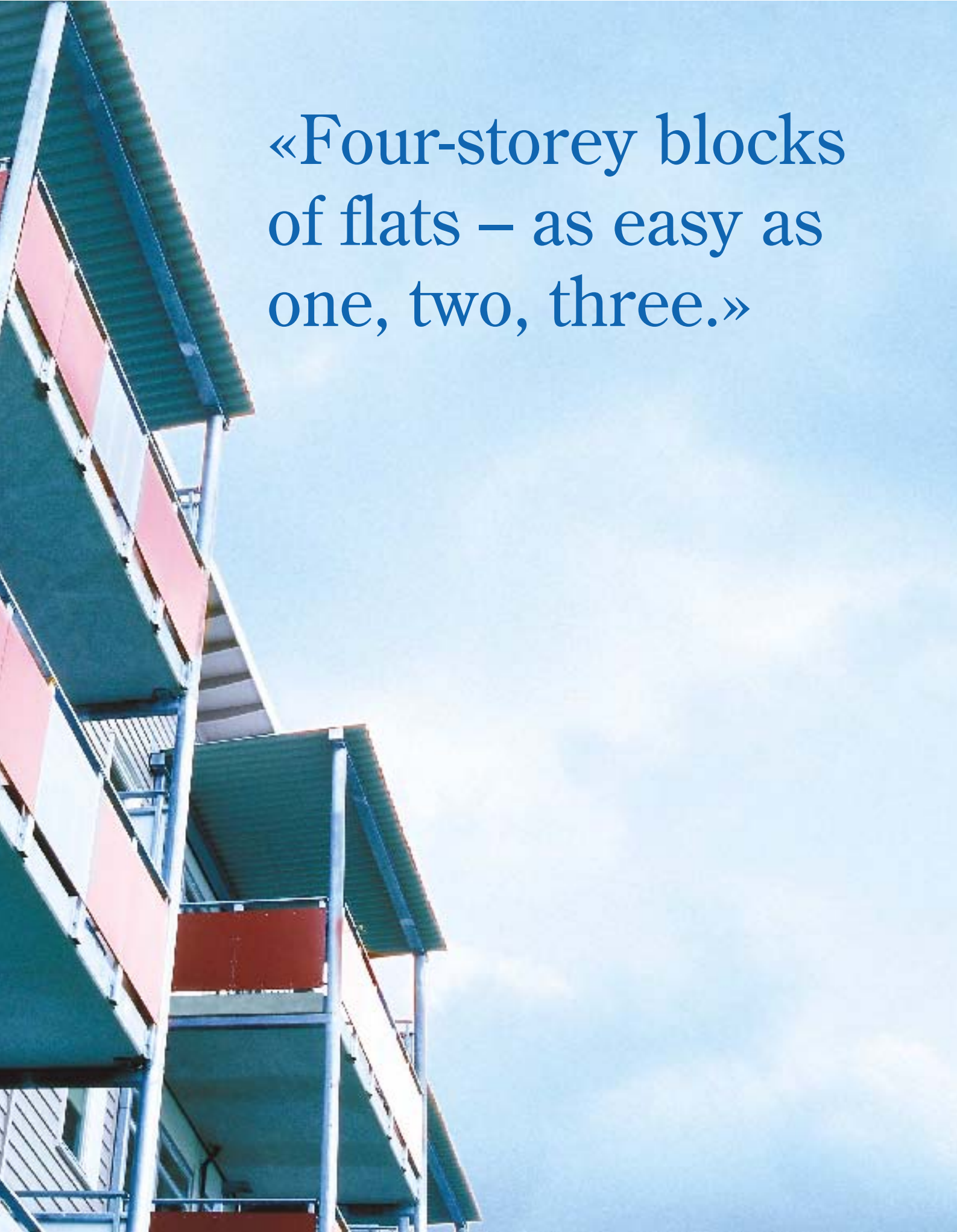
Operating revenues in per cent per megasegment



Oslo International Airport (Gardermoen).

Modular Buildings





«Four-storey blocks
of flats – as easy as
one, two, three.»

Modular Buildings

New technology has made it storeys high with prefabricated days to erect such a building



Interior of apartment in Ålesund.

For many years we have wanted to make use of the advantages of modular construction for tall buildings, but there were always technical limitations getting in the way. After a comprehensive development process, however, one could this summer for the first time in Norway build four-storey apartment blocks based on the general use of modules.

Considerations of accuracy, load bearing structures and fire resistance were the principal factors limiting higher construction earlier. New methods have now been developed, however, to erect units with millimetre accuracy. By inserting special guide rods, the units are positioned precisely in relation to each other, and safe structural framing is ensured by making end grain (posts) meet end grain, avoiding the deformation that can occur when longitudinal grain (in the beams) bears down on longitudinal grain. Fire resistance is achieved in the construction by inserting extra plasterboard and insulation, and sprinkler systems are also installed to ensure extra safety in the event of a fire.

possible to build blocks of flats up to four
ed modules. In Ålesund it took only three

!



Building method of the future?

Many people believe that the method used for building the apartments outside Ålesund is the method of the future for this type of project, but this is conditional on the proposed project being designed for modular construction already on the drawing board. The advantages of the modular approach to building blocks of apartments are obvious: Short construction time on-site, factory production under cover and, not least, it is cheaper than traditional on-site construction without any reduction in quality and standards.

When the units arrive on site from the factory, all the internal fittings for the flats are ready fixed: tiled bathroom, kitchen, papered and painted walls, wood strip flooring, electrical installations, plumbing and architraves. Work on site is limited to balconies and lift connections.



Apartments based on modules in Ålesund.

Modular Buildings

Moelven is Scandinavia's leading manufacturer of modular buildings. Manufacturing takes place at five facilities, four 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 many advantages compared with traditional on-site construction and is why modular buildings have become so popular among professional builders. This is also true for apartment buildings where Moelven has invested heavily in developing new products. Moelven Modular Buildings employs a total of 633 people and has annual sales of NOK 737 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 market niche with a total turnover that makes up just under two per cent of the total commercial building market.

Factory Production

An industrialised production process where the modules are built indoors offers many advantages in relation to traditional on-site construction. The modules are produced indoors in the factories, and supplied as finished units, connected together on the building site. First of all, this approach reduces the need for labour at the building site and leads to a much shorter construction period than for traditional on-site construction. The production process in the factory also includes electrical installations, heating, 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 due to complications such as poor weather conditions are thereby avoided. It is also easier to maintain a clean site during the building process indoors, ensuring a better interior climate in the finished building. Moelven can also arrange for the financing of the building projects.

Products

Industrialised Production

Moelven uses an industrialised approach in their production of Modular buildings. Through the development of industrial concepts, Moelven can offer a wide array of products, and Moelven's modular products are clearly different from structures built on-site, because the products are generally delivered completely assembled and ready-to-use. 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 and even move the entire building when needs change. The products have been developed to give the customer the same standard and quality as buildings built in a



The Viking Ship Motel at Hamar.

traditional manner, and an emphasis on architecture has opened up a wide range of choices with respect to shape and design. The average consumer can usually not distinguish between a module-based building and one that has been built in a traditional manner.

Multi-family Dwellings and Residential Housing

In recent years, a collaborative effort with architects and contractors has been organised to develop solutions for multiple family dwellings and residential housing. Working closely with Skanska and IKEA, for example, Moelven has built module-based apartment blocks both for the Danish and Norwegian markets. This project is the so-called BoKlok "LiveSmart") concept, where the apartments are auctioned at IKEA. In Ålesund, five apartment blocks standing four storeys tall with module-based apartments were built in 2004. During 2003, a major apartment complex was built using modules from Moelven and designed for young tenants in Linköping in Sweden. One advantage of module-based apartment blocks is the short construction period, giving significant cost-cuts for the builder.

Hotels, Schools, Offices and other Permanent Buildings

The production of modules for use in permanent buildings, such as schools, hotels, offices, student dormitories and medical facilities is an important market segment. Needs often change over time; for example, the number of students in a school district may change from year to year, and module-based solutions provide the flexibility of being able to move the modules at a very low expense. In other words, one does not need to rebuild if the number of students increases at one school and decreases at another.

The Modular Buildings division is increasingly working closely with traditional contractors, and module-based solutions have been developed that allow contractors to utilise ready-to-use modules in their own building projects – both when it comes to commercial buildings and residential dwellings.

Temporary Buildings

The majority of Moelven's modular building production has traditionally been sold to the building and construction sectors and consisted primarily of temporary offices and accommodation facilities. One of Moelven's modular building factories, Moelven ByggModul Kil, is specially designed for this type of production. In capacity, the factory at Moelv is the largest manufacturer of this type of housing for the building and construction sectors.

In recent years, Moelven has received large orders for temporary buildings in connection with the Norwegian oil and gas industry. Two of the largest projects have been the construction of on-site accommodation on Melkøya outside Hammerfest in connection with Statoil's development of the Snøhvit gas field in the Barents Sea, and a corre-

sponding job for Norsk Hydro at Aukra in north-western Norway for the Ormen Lange gas field. These on-site accommodation complexes include a number of facilities such as a canteen, apartments, a gym and a leisure centre.

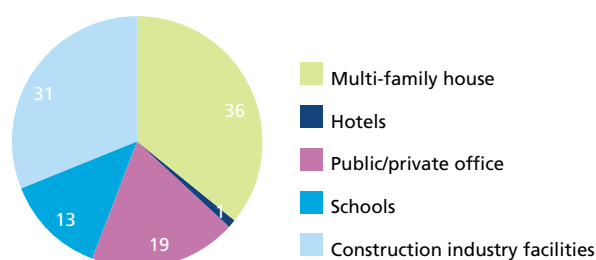
Modular buildings can easily be adapted to changing demands. The City of Oslo, for example, has 800 modules that are used as school buildings when the number of children exceeds the school's capacity or when permanent schools are being rehabilitated.

Installations

Moelven Elektro

Moelven Elektro offers engineering and electrical installation and maintenance of both high and low voltage systems. The company has four branch offices in south-eastern Norway. Most of the company's deliveries are made to commercial buildings. Some deliveries take place in connection with the delivery of module-based buildings by the Group's other companies, but the main portion of income comes from contracts with external customers.

Sales per module category in per cent



Modular Buildings	Number of modules	Revenue NOK million	Products	No. of employees
Moelven ByggModul Säfte AB	1 110	147	Flexible module-based	112
Moelven ByggModul Sandsjöfors AB	390	105	Flexible module-based	87
Moelven ByggModul Kil AB	748	98	Flexible module-based commercial	86
Moelven ByggModul Torsby AB	310	63	Flexible module-based	60
Moelven ByggModul AS	1 830	284	Flexible module-based commercial	159
Moelven Elektro AS		151	Electrical installations, high and low voltage	129
Other / Eliminations		-111		
Modular Buildings total	3 330	737		633

Modular System Interiors

«We furnish
tomorrow's work
environment.»





Modular System Interiors

The developer of Sweden's functionality and high flex offices. The solution was c



Office layouts in the Kista Science Tower outside Stockholm.

Kista between Stockholm and Arlanda is one of Sweden's most dynamic areas. With its 32 storeys, the Kista Science Tower is Sweden's tallest office building and a well-known landmark in Kista. But the building is more than just a symbol of the future and of exciting architecture. It is also a stimulating work environment that encourages creativity and social activities.

The demands for functionality and flexibility were high. The developer wanted to be able to make alterations simply and quickly to adapt the offices to meet new needs. This was solved by using system walls with glazed sections delivered and erected by the Moelven-owned Eurowand.

The spectacular architecture of the Kista Science Tower.

s tallest office building wanted superior
ibility in order to create efficient and modern
our system walls with glazed sections.



The 32-storey office block in Kista is the main building in a complex of altogether six office buildings which make up the Kista Science Tower. The buildings have a triangular shape, which means that they are not only dynamic and exciting, but the layout also provides stimulating natural lighting regardless of which floor you are on.

The glass facades and the triangular shape of the buildings give a feeling of high technology that fits well with the activities that many of the tenants are engaged in.

The offices have a total area of 41,000 m²; 700 m² on each floor. It is easy to connect several storeys to make premises of up to 2,800 m², or to divide the offices into smaller units down to 200 m². There is office space for a total of 2,500 people.

The design of the Kista Science Tower is the result of an architectural competition that was launched in 1998, the winners being White Arkitekter. Construction began in 2000, and the whole complex was completed in 2004. The contractors were NCC, and the developers – who have now taken over the whole complex -- were Vasakronan.

The movable walls and flexible technical fittings enables fast alterations of the layout from cellular to open plan offices, or vice versa. The system solutions from Eurowand met this need in the best possible way. As the solutions were based on developed standard products and details, they were also very competitive in price. This was an important point for the developer.

One of the special features of the system is that it consists of standard walls that are compatible with corridor partitions which have birch-faced ply and glass areas. The system is complete and easy to work with. And above all, it achieves the flexibility that is the hallmark of efficient, modern offices.

Modular System Interiors

The Modular System Interiors division 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. Flexible system interiors is a concept that is well adapted to the increasing demand for fast deliveries and a high degree of flexibility. It requires less labour compared to the traditional approach to construction, and is therefore more cost-efficient. This division has annual sales of NOK 520 millions and employs a total of 457 people.

The Market

Moelven's system interior companies operate primarily in the Norwegian and Swedish commercial buildings market. This market can be divided into two parts: New-builds and rehabilitation or remodeling.

This segment is largest in Norway, perhaps because the traditions for using this type of interiors are longer in Norway. 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 for offices in commercial buildings. Modular system interiors is 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 highly

cost-effective. Investments in new commercial buildings are very sensitive to market conditions and economic cycles, hence the new-build market has dropped sharply in Sweden and Norway over the last three years. Contractors and property management companies are among the key customer groups in this segment.

Rehabilitation and Remodelling Market

In recent years, the companies serving the rehabilitation, remodeling and additions market have not been quite as vulnerable to fluctuating economic cycles, so this segment has become increasingly important for the division. The strategy is to establish good and long-term customer relationships as a basis for repeat deliveries beyond the individual original project. The product's flexibility is important when customers need to adapt to new demands.

Products

Moveable office walls, Suspended system ceilings and Floors

In one way or another, most people have met with the products from Nordia and Eurowand. Flexible system interiors, especially in connection with offices, is an extremely practical product when it comes to flexible (mobile) office walls, suspended system ceilings or floors. Part of the business concept is that products are so flexible that simple adjustments easily can be made to change the interior of a commercial building to keep pace with changing demands. Rehabilitation and remodeling are therefore important parts of the business.

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

Customised Systems

The range of system interiors offer all types of interior walls, window frames, glass sections, doors and suspended system ceilings. All the units are built as modules so they are easily installed and interchanged.



System interiors supplied by Nordia AS to Petoro in Stavanger.

The products are available in many different sizes and colours, allowing customers the opportunity to customise their own work 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 initial needs are described until the finished installation is in place. The same also applies for any subsequent adaptations.

Environmental Benefits

The use of system interiors also has clear environmental benefits. The deliveries come ready to install, which means that all 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 may be used or stored for later use, which also greatly reduces the amount of waste and impact on the environment.

More In-house Production

Of all the products delivered, walls and windows are largely produced in-house, while many other items are purchased from external suppliers. The share of goods produced within the Moelven Group has increased in recent years through acquisitions.

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 best carried out by the users themselves.



System interiors supplied by Nordia AS to Petoro in Stavanger.

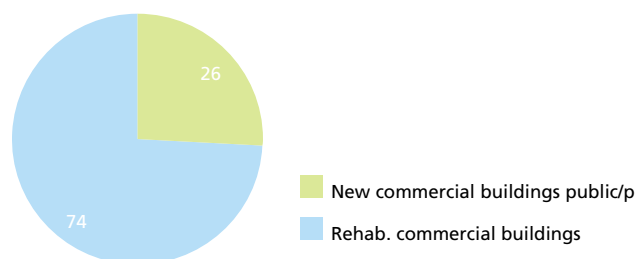
Local Presence

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 branch offices have been established in addition to Nordia's headquarters at Jessheim. In Sweden, the head offices for Eurowand are in Örebro, while regional branch offices have been established in the most populated areas. Two main logistics centres support local offices, one in each country, from which all deliveries and 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 main alternative to installing flexible system interiors is using traditional building methods; however, flexible solutions offer the customer better profitability throughout the lifetime of the building, therefore flexible system interiors is gaining market shares. Even though the initial investment in system interiors 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 still in use.

Sales per market segment in per cent,
Modular System Interiors



Modular System Interiors	Revenue NOK million	Products/description	No. of employees
Eurowand AB	128	Flexible system interiors for offices	147
Nordia AS	382	Flexible system interiors for offices	304
Nordia Entreprise AS	15	Flexible system interiors for offices	4
Other / Eliminations	-5		2
Modular System Interiors total	520		457

Personnel



Jens A. Rygg is controlling the sawmill at Moelven Løten AS.

A control room with four monitors at the top showing various industrial scenes. Below the monitors is a large window looking out onto a log processing area where several large logs are being processed. In the foreground, a person wearing a red jacket is operating a control panel with a joystick and several buttons.

«Machines can't think. People can.»

Personnel

We began by making wheels in a wide range of areas, and we refined our products.



Participants in the management development programme "Mjøskompetanse."



Mona Fossum producing moulding at Moelven Eidsvoll.

It all started with the production of wheels boiled in oil for the horse-drawn carts of those days, and it was successful because it was a product that met the needs of the time. The oil-boiled wooden wheel laid the foundations for Moelven's industrial production. But no one can survive on yesterday's successes. Moelven has therefore worked unceasingly to further develop existing products and to create new ones that meet current and future market demands – and which of course are competitive in price and quality. This is one of the most important factors in ensuring a viable business now and in the years to come. This is impossible without skilled and trained employees.

for horse carts. Nowadays we are active in
e are continuously developing and improving



“Houses on wheels”

Part of Moelven’s strength through the years has been innovative employees who have developed products based on local raw materials that were aimed at the future and that became hits in their markets. That is to say that they saw the existing and future market need, and they were able to develop the right product to fill that need.

An example might be the new transportable forester’s hut that was introduced in 1950 and which became an immediate success. This forester’s hut was later developed into what was called “the house on wheels”, which almost became a necessity in the growing building and construction market. From the “house on wheels”, Moelven’s staff have since developed modules, which are today the basis for large scale and comprehensive production both of temporary buildings and of high quality apartments.

Another example of invention and creativity at Moelven is the new joint technology in laminated timber manufacture, which is the technology behind the building of the major Olympic halls in Lillehammer, the main terminal at the Oslo International Airport (Gardermoen) and the world’s longest timber bridge.

The right conditions have to be in place in order to achieve product development and innovation. There has to be space and drive in the organisation for new thinking – and for trying and failing. The human search for new possibilities and new solutions must be given the room and freedom to develop within agreed strategies. Nothing happens on its own accord. The will and the ability to create must be stimulated. But the critical success factor is always a staff of capable and motivated employees who are determined to advance themselves and to develop tomorrow’s products.

Machines are necessary tools on the road to innovation. But machines cannot think. People can.

Personnel

Moelven has 3 191 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 next best 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 management training – are in place to ensure the health, safety and skill-level of all employees, and to keep every staff member prepared for the competition we face on a daily basis.

A common slogan 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 a total of 3 191 employees at the end of 2004. Of these, 1 706 are employed in the Group's Norwegian operations, 1 466 in Sweden, 17 in Denmark and 2 in other countries. As is generally the case in the timber and building industries, Moelven's workforce is predominantly male, and female employees comprise no more than 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.

Flexible Organisation

Although Moelven's operations are focused on Scandinavia, the Group's activities are also affected by international and economic trends, as we live in an open, global economy. One of the aims of the Group's human resources policy is therefore to develop a flexible organisation capable of adapting to changing demands, 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.

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. When the economy and market slows then the organisation must adapt in order to survive in the long-term. Sometimes this adaptation involves selling or closing down businesses, and sometimes staff reductions are called for in certain companies.

If and when such challenging situations arise that necessitate staff reductions, Moelven puts great emphasis on adhering to the laws and regulations regulating such situations. An important basis is a collaboration agreement between the Group and the employees called "Moelven Industrier ASA restructuring and change – the relationship to our employees," which lays down strict guidelines for the process of reorganising a business.

Long-term Employment

In general, employment at Moelven is a long-term proposition. Yet with approx. 3 200 employees there is still a need to recruit hundreds of employees every year. The majority of the Group's activities are in geographical areas with a stable labour market and satisfactory availability of qualified personnel. At a time of great social change, expertise requirements are constantly changing, and in order to advance the Group's overall know-how, Moelven must pursue an active recruitment and development policy.

Business Culture and Values

Moelven's operations have a result-oriented business culture, and this culture and the values on which it is based primarily reside in its employees. The Group considers the company's values and a result-oriented business culture to be important guidelines for the way the Group works, and believes that these guidelines are a useful and

cost-efficient supplement to more formal management systems. Four central values are at the core of Moelvens'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 and Hammarö Education Centre in Sweden, a skill-building programme was set up for the operators in the Group's Norwegian and Swedish 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.

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 to Moelven managers in Sweden.

The programme's content is based on the individual's experience and their actual work situation, and aims to contribute to 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, 300 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 programme 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 participant's current experience platform and their individual needs 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 in the event where they are unable to continue their employment. Coverage depends on the country, length of employment, age, salary and certain other criteria.

Absenteeism Due to Illness

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

In order to motivate all the staff to reduce the rate of absenteeism, a system of company rewards was introduced early in 2004. Companies with low absenteeism and positive operating margins will be rewarded for their results. The first award be given March 2005. For successful companies in the Group, NOK 2000 will be awarded per employee 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 wage and work agreements.



Anne Jodal Ronningen operates a strap machine at Moelven Eidsvoll AS.



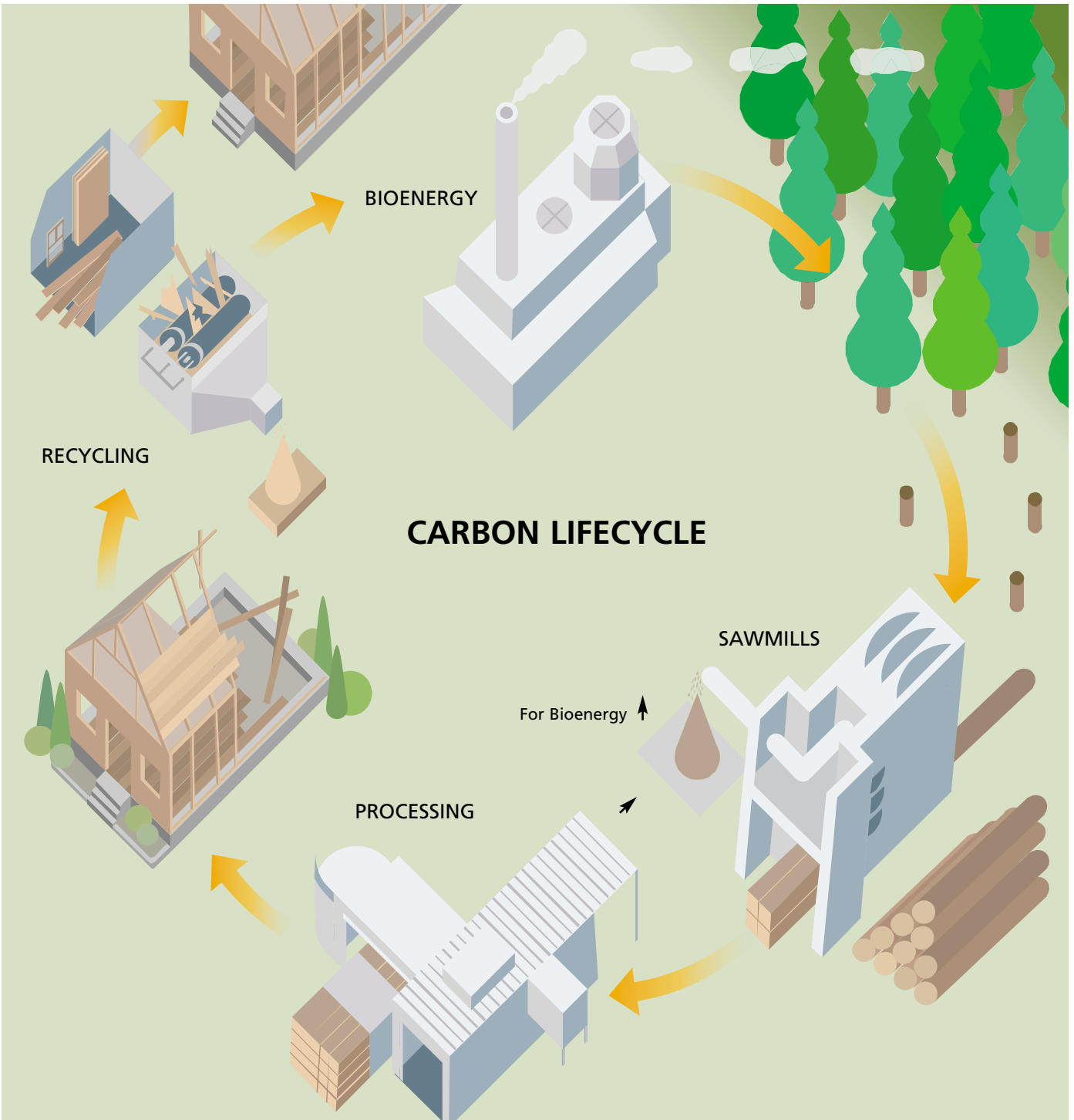
Environment

A photograph of a dense forest with tall, thin trees and a mossy forest floor. The trees are dark and have a rough, textured bark. The forest floor is covered in green moss and some small plants. The lighting is soft, suggesting a quiet, natural setting.

«Timber – the most natural
thing in the world.»

Environment

We use nature's own raw materials products bind the greenhouse



Use of timber binds large quantities of carbon dioxide in the natural carbon cycle.

Material – renewable timber. Moreover, timber releases less greenhouse gas CO₂

Timber and timber products are among the most natural building materials, and as a major timber processing company, Moelven makes use of this renewable resource in its production. Trees and wooden products also have an important role in binding the greenhouse gas CO₂ (carbon dioxide).

An awareness of environmental matters is becoming increasingly important for businesses as the release of greenhouse gases increases and the greenhouse effect becomes more and more visible. One of the most important means of reducing the greenhouse effect is to reduce the release of carbon dioxide (CO₂), forestry management and the timber processing industry can play an important role in this.

High emissions of the greenhouse gas CO₂ contribute to the greenhouse effect and lead to climate changes around the globe. Trees and timber products bind carbon dioxide (CO₂) and act as stores or stocks of the gas, so that the gas is not released into the atmosphere where it can influence climate changes.

The natural carbon cycle plays a key role in this puzzle. Carbon is recycled naturally between the earth's ecosystems and the atmosphere through the processes of photosynthesis, breathing, decomposition and combustion. Trees function as a kind of carbon cleansing body because trees absorb carbon dioxide from the atmosphere by photosynthesis and store it as carbon. When the trees are felled the carbon remains stored in the wood and in all the wood products made from the tree. By using timber for building materials, the natural cycle is therefore extended, which in turn contributes to a reduction in the discharge of carbon dioxide into the atmosphere.

Another important point from an environmental perspective is that timber products can be re-used for other purposes than their original function. Timber products can also be recycled as bi-products for energy recovery as a substitute for fossil fuels which increase carbon dioxide emissions.

Increased use of timber can help to reduce climate change in several ways:

- The raw material (wood) can be recycled.
- Timber and timber products act as carbon sinks.
- Timber products are manufactured with low release of CO₂.
- Timber products can be used as a substitute for materials that are produced with a high release of CO₂.
- Timber products can be used for energy recovery – as a substitute for fossil fuel.
- Increased tree planting – increased use of timber products stimulates increased tree planting, and new trees bind up carbon.

Man-made climate changes

There is a natural greenhouse effect, in which the so-called greenhouse gases in the atmosphere take up the heat radiation from the earth and thus keep it evenly and comfortably warm.

But mankind is now disturbing the delicate natural balance: man-made emissions are supplying the atmosphere with an excess of greenhouse gases, making the earth warmer.

The greenhouse effect is a natural arrangement that is necessary in order for there to be tolerable temperatures on earth. The problem arises when humans discharge too many greenhouse gases and thereby disturb nature's delicate balance. CO₂ is the most important among several greenhouse gases. In the last 100 years, the quantity of CO₂ in the atmosphere has reached greater levels than it has been at during any time in the past 150,000 years.

The increase in the concentration of CO₂ in the atmosphere accounts for most (about 60 per cent) of the man-made intensification of the greenhouse effect. The man-made discharges of CO₂ are primarily due to the use of fossil fuels (coal, oil and gas) and to deforestation in the tropics.

Man-made emissions amount to only a small fraction of the total supply of greenhouse gases in the atmosphere, and the effect is small in relation to, for example, the effect of naturally produced water vapour. The problem is that the climatic system is very complicated and sensitive, and even small changes in this system can have major consequences. Nature's own discharge of greenhouse gases is part of a cycle in which, for example, rotting trees release CO₂ and living trees take up CO₂ through photosynthesis. Our discharge of CO₂, from the burning of fossilised materials among other things, is not part of this cycle. When we use fossil fuels we release carbon that has been stored in the earth or the ocean bed far back in time. This carbon is not part of the modern natural carbon cycle and leads to an excess of CO₂ which will remain in the atmosphere for a long time.

(Sources: Cicero – Centre for International Climate and Environmental Research and Natur og Ungdom)

Environment

Moelven's products are based mainly on renewable pine and spruce timber from forests in Norway and Sweden, and this represents 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, safety and work environment for the staff in the Group's companies. One programme 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. 350 employees have participated in the past year alone.

Another important measure is the so-called HED 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 safe and secure in his or her own work situation, and how to react if there is an accident, as well as to provide rules for orderliness. The HES Handbook will also help ensure that new employees in the company receive the necessary information and guidelines to carry out their jobs in a safe manner. The Norwegian Moelven companies have had an HES Handbook since the 1990s, while it is now also being distributed among the employees in the Swedish companies. The HES Handbook is adapted to the existing conditions at each individual local company.

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 on 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 ensuring that companies carry out the work. Attitudes and motivation are stressed in this process, and measures to motivate the Group's employees to actively work to prevent work-related injuries are taken systematically. Our goal is that the job of preventing injuries is a natural part of the daily job of all employees.

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

A comprehensive programme was initiated in 2003 to install approved sprinkler systems in all the Group's production facilities. The work continued in 2004, and all production facilities in Timber, Wood and Laminated Timber now have approved sprinkler systems. More than NOK 55 million has been invested in this work, which has been complicated; but owing to the fact that this programme was run as local projects in the various companies, employee involvement has been high and the implementation of the systems has been efficient.

Absenteeism

Out of a total number of 3 191 man-years, the Group had a total number of 44 991 mandays in 2004 caused by absences due to illness, which corresponds to 6.32 per cent. The number of reported work accidents with personal injuries was 132, of which 83 were injuries resulting in leave of absence. The resulting H value is 20.40 (number of injuries resulting in leave per million work hours).

High average age among the employees and increasing muscle and skeletal ailments are important reasons for absenteeism, and this means that general preventive measures are important. The focus the past few years has been on analysing the reasons for absenteeism, and the result of these efforts has led to a number of concrete measures being implemented in the form of awareness campaigns and special action plans, e.g. company awards for low rates of absenteeism.

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 running a programme following up absences due to illness. The psychological work environment is also important to reduce the rate of absenteeism. 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 procedures will continue to be given a high priority. At the same time, the reporting of near-accidents will also contribute to prevent dangerous situations and events by putting focus on the events and by implementing appropriate safety measures.

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

Laminated timber is an environmentally sound building material in that out of every 470 kg of glulam there is only approx. 6 kg of glue.

Moelven's modular and interior companies represent businesses where an environmentally friendly 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 central heating facilities for wide-areas 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 (Programme for the Endorsement of Forest Certification schemes) is a European certification programme based on standards developed by environmental protection organisations and the forestry industry. All of Moelven's sawmills were PEFC certified in 2001 according to the so-called «chain of custody». Several of Moelven's Swedish sawmills have also been PEFC-certified.

The purpose of PEFC certification is to address environmental issues in the forestry business and to 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 sawmills 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 sawmill 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 modular 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 focusing 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-ordinated movement of goods and strategic co-operation with other transportation buyers, the burden on the environment can be reduced.
- To improve this record even better in 2005, the Group will within "PROJECT LOGISTICS" analyse all the product flows, aiming to reduce unnecessary driving.
- Use of railroad and boats, when and where possible.
- Increasing know-how and efforts 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 processes with an aim at reducing the Group's impact on the environment and saving financial resources. The company is working on several concrete projects in this area at the moment. In the past year Moelven has also prepared a strategy for increasing the Group's commitment to bioenergy.

Waste

Nearly 100 per cent of the bark left over from the Group's production processes 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, and plastic, metal and packaging is sorted and goes to recovery plants and sites in accordance with established arrangements.

The past year Moelven has carried out an extensive survey of brominated flame retardants (BFH) at its companies with emissions directly or indirectly into lake Mjøsa. None of the companies at the time had or have had products or additives that contained the environmentally damaging material. A review has also been carried

out to see if any BFH has been used going back as early as 1990, but there is no indication that this chemical has ever been used during this period.

At the same time, Moelven is continuing the work registering and investigating old depots and dumps. This is an ongoing process, and is being carried out at all of Moelven's businesses regardless of whether there is any suspicion of BFH use in the past or not.

Moelven's modular 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 reuse 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 at Moelven companies are the handling of logs, fan systems and rolling transportation material. For the facilities close to populated areas, this has entailed taking special measures to reduce the noise down to accepted levels.

Processing chips creates dust, and some facilities have implemented special measures to reduce the spread of dust.

The drainage of water from timber storage can cause algae growth in nearby river systems, and so the recycling of water and the strict control of sprinkler systems are important measures to counteract this effect.

Environmental Impact of Products

Carbon Binding

A «normal» wooden house requires approximately 50 cubic metres 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 end energy potential will be released. The total energy released from a normal wooden house is 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 that do not have the same negative environmental impact. One of Moelven Wood's production facilities, which produces impregnated timber, is now taking

advantage of heavy-metal free wood protection (TMF) after the Norwegian Ministry of the Environment issued a 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 which is approved in accordance with regulations issued by the Ministry of the Environment. The alternative products are not considered hazardous waste.

Moelven 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. The product has a new type of surface that is treated with environmental plant oils and waxes. A special hardening process makes the surface resistant to dirt and wear, while at the same time retaining the genuine look and feel of wood.

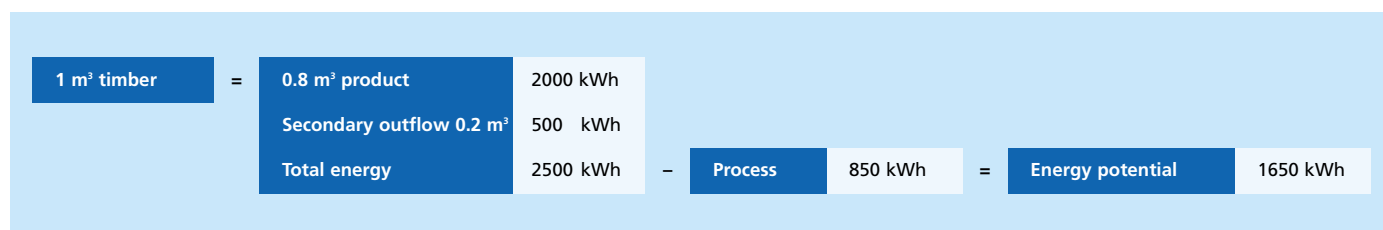
Packaging

Every year Moelven consumes approximately 8 millions sq.m of packaging material, weighing a total of 700 tons. The Moelven Timber Group consumes 7.5 million sq.m., and the Moelven Building Group consumes 0.5 million sq. m. The product packaging that Moelven uses is recyclable, more than 90 per cent of the packaging is recycled plastic that has been collected and produced in Sweden. 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.



Moelven produces pine flooring using environmentally friendly vegetable oils and waxes.

Energy potential



Solid Wood Elements

Technical experience gained from years of glulam production has been transferred to Norway's largest factory for the production of solid wood elements, which is now in operation in Moelven's former laminated timber factory Splitkon at Krøderen. The technology rationalises production and leads to minimal waste of valuable natural resources.

Solid wood elements create new and exciting possibilities

Solid wood elements give architects and developers new possibilities both for building multi-storey apartment blocks and for discovering exciting new architectural forms when building with wood. Many architects in Norway and abroad are having great expectations to the new solid wood production company Moelven MassivTre AS. Even before production had really got under way, the company had received major orders.

Moelven MassivTre AS has the following owners: Moelven Industrier ASA (47 per cent), Viken Skogeierforening (47 per cent) and Krødsherad Municipality (6 per cent). Close collaboration encourages creativity and offers all the companies involved the advantage of being able to pool their resources.

This is Solid Wood Elements

This new product is made of wooden elements that are either glued together or mechanically connected. Solid wood can be used for structural walls, partitions, floor separations, and balconies. Solid wood can also contribute towards the development of more environmentally friendly building systems, because solid wood contains no hazardous ingredients. Solid wood can be re-used and re-cycled like other wooden materials, and it is also easy to work with on site. Moreover, the product is extremely fire-resistant. Another advantage is that lower quality timber which are difficult to sell for other purposes can be used to make solid wood elements.

The company is primarily directed toward the professional building industry, and the main customers are architects, engineers, contractors, small builders and prefabricated housing manufacturers. Solid wood elements is a promising, new product for the future, and the market potential is substantial.

In addition to the production of solid wood elements, the company also offers construction services, but it is important to emphasise that Moelven MassivTre is not a prefabricated housing manufacturer.

Preliminary Project

Before the solid wood project was launched, Moelven, Viken Skogeierforening and Norsk Treteknisk Institutt undertook a preliminary project, which looked carefully at the product, the market potential and the various manufacturing issues. The conclusion was positive enough for a decision to be taken to establish the company in the former Moelven Laminated Timber Splitkon factory. One of the advantages of establishing the factory at this site was that the employees had long experience in the production of timber structures based on laminated timber technology; another was that the premises were well-suited for the production of solid wood elements.

Laminated Timber Technology

Interestingly, some laminated timber technology is in use at the new factory for the production of solid wood elements. This applies in particular to what is called high frequency gluing, which involves a more rational gluing process compared to traditional technologies.

The new Viken Centre at Bardu in Troms is one of the projects already under construction using solid wood elements from the new factory.



The new Viken project at Bardu is based on high use of solid wood elements. Architect: Stein Halvorsen AS chartered architects MNAL. Illustration: Stein Halvorsen AS.



In the detached house for Dysthe/Lyngstad, a completely open façade facing the valley was made possible using solid wood elements. Photo: Knut Hjeltnes.



Svein Nyhus works in the factory at Moelven MassivTre AS.

Finnforest

The Finnforest Group – owned by Finnish forestry owners – owns 51.0 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 woodworking industry in all of Europe. The Group operates in more than 20 countries and has more than 8 000 employees. Annual turnover is NOK 16 billion.

Europe's Leading Company in the Woodworking Industry

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 woodworking industry. Within the Finnforest Group, Moelven is responsible for the overall strategy in Scandinavia.

Market Leader

Finnforest's goal is to become the 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 customer needs and combining this with an ability to respond quickly to changes in customer preferences and the operational environment.

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

Finnforest is intent on maximising the degree of processing of the Group's products. Among the relevant products 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 facilities in other European countries. The

new sales and distribution division has overall responsibility for the extensive sales and distribution network put together 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.

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 takes place either via company-run distribution centres or directly from the producing factory, the latter is particularly true when it comes to larger industrial customers.

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 increases 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 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.



FMO Tapiola is Europe's tallest wood-built office building. It offers modern, user-friendly workplaces in an ecologically sound office environment. The building is located close to the main road connections in Tapiola, Espoo Finland. Finnforest, Europe's largest wood products industry corporation, is responsible for the creation of the building, which shall be completed during the summer of 2005.

Important Historical Events



1899

Moelven Brug (limited company) is founded on 24 July. "The wheel boiled in oil" is the original basis for the company's industrial activities.

1948

Johs. Mageli is appointed Director of AS Moelven Brug. He was the founder of the modern Moelven.

1950

A new type of transportable forest hut and rest barracks, the "Moelven House on Wheels," is developed.

1959/60

The laminated timber factory at Moelv starts production in collaboration with Ringsaker Almanning.

1960/61

Agricultural products, loaders, dumpers and mobile cranes are developed. Deck cranes are developed later.

1964

Moelven House Units is expanded – sales offices are established in Sweden and Norway.

1965

A/S Ringsakerhus is founded in collaboration with OBOS (house building cooperative in Oslo). This signals the start of housing field development.

1972/76

New factories are built for the production of components for the housing industry. "Norway's oil adventure" requires major deliveries from Moelven, for example, to Kårstø and Rafsnes.

1980

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

1981

Moelven is listed on the Oslo Stock Exchange. Total share capital: NOK 17.5 million.

1982

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

1985

Acquisition of Dalaträ AB in Sweden and LNJ Limtræ AS in Danmark.

1988

Moelven sells the majority of its mechanical industry.

1989

Moelven takes over Norema's residential and business building divisions from Aker.

1990/92

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

1994

Deliveries to the Olympic halls (Viking Ship, Håkons Hall and Hamar Olympic Amphitheatre) for the 1994 Winter Olympic Games.

1995

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

1998

Acquisition of Notnäs AB and the Westwood Group in Sweden almost doubles Moelven's Timber Group.

1999

Moelven celebrates its 100th anniversary.



1980



1995



1999

2000

Moelven takes over Forestia's timber-manufacturing business, along with 820 employees, 12 production plants and an increase of NOK 1.3 billion in revenue.

2001

New owners. The Finnish company, Finnforest, acquires 59.1 per cent of Moelven shares, and the Norwegian and Swedish forestry owners retain 37.6 per cent. Moelven strengthens its position in the Swedish modular building market by acquiring Sandsjöfors Modulbyggen AB in Sandsjöfors, 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 B. Borgström becomes new CEO and Managing Director after Frode Alhaug.

The Norwegian forestry owners' associations, Mjøsen and Glommen, agree with the Finnish majority shareholders in the Moelven Group regarding a new shareholders' agreement for Moelven Industrier ASA.

Finnforest Sverige AB is integrated into Moelven.

Moelven Modular Buildings enters into a major contract with Statoil for the pro-

duction and delivery of modules in connection with the development of the Snøhvit gas field.

2003

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 in Denmark.

The world's longest wooden bridge is opened at Flisa, Norway. The bridge is built using glue laminated wooden beams delivered by Moelven.

Key financial figures

MOELVEN INDUSTRIER – THE GROUP

Amounts in NOK millions	Explanation	2004	2003	2002	2001	2000
PROFIT AND LOSS						
Operating revenues		5 773	4 864	4 618	4 517	4 746
Depreciation and write-downs		178	146	147	161	160
Operating profit		70	101	139	93	223
Net interest and financial items		-54	-36	-40	-54	-63
Operating result before tax		17	64	99	39	160
BALANCE						
Investments in fixed assets	A	199	189	119	105	77
Total capital		2 884	2 364	2 140	2 393	2 345
Total equity		1053	923	919	879	879
Net interest-bearing debt		872	624	498	773	719
Capital employed	B	1 943	1 593	1 454	1 698	1 644
EARNINGS/PROFITABILITY						
Net operating margin	C	1.2 %	2.1 %	3.0 %	2.1 %	4.7 %
Gross operating margin	D	4.3 %	5.1 %	6.2 %	5.6 %	8.1 %
Return on equity	E	-0.3 %	3.5 %	7.9 %	3.0 %	15.9 %
Return on capital employed	F	3.7 %	6.8 %	9.1 %	5.7 %	15.3 %
Interest cover	G	1.2	2.4	3.0	1.6	3.0
CAPITAL						
Equity ratio	H	36.5 %	39.1 %	42.9 %	36.7 %	37.5 %
Capital turnover rate	I	2.2	2.2	2.0	1.9	2.2
LIQUIDITY						
Current ratio	J	1.98	1.92	1.79	1.98	1.90
Quick ratio	K	0.89	0.91	0.76	0.91	0.84
Cash flow from operating result (NOK millions)	L	178.3	227.7	237.9	194.8	250.7
SHARES						
Earnings per share in NOK	M	-0.02	0.28	0.64	0.23	1.16
Average number of shares (millions)		126.8	116.0	116.0	115.4	116.8
Cash flow per share in NOK	N	1.41	1.96	2.05	1.69	2.15
Tax value in NOK at 31 December	O	5.20	6.16	4.13	11.0	7.7
RISK-amount in NOK at 1 January	P	-0.11	-0.16	-0.12	-0.21	-0.11
Dividend in NOK per share	Q	0.15	0.15	0.25	0.25	0.35
PERSONNEL						
Number of employees at 31 December		3 191	2 853	3 120	3 149	3 046
Average number of employees		3 022	2 987	3 135	3 057	3 136

A Capitalised investments less investments due to acquisition of other companies

B Equity + interest-bearing debt

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 $\frac{\text{Operating result before tax} - \text{taxes payable} + \text{depreciations and corrections regarding other non liquid items}}{\text{Operating result before tax} - \text{taxes payable} + \text{depreciations and corrections regarding other non liquid items}}$

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 2000 – 2001

P Overall RISK for Group
Estimated RISK at 1 January 2005 is NOK -0.15

Q Dividend proposal – 2004

Profit and loss account

MOELVEN INDUSTRIER – THE GROUP

Amounts in NOK millions	Note	2004	2003	2002
Revenue		5 720.2	4 838.4	4 576.6
Other operating income		53.0	25.7	41.8
Operating revenues	2, 3, 20	5 773.2	4 864.1	4 618.4
Raw materials and consumables used	4	3 676.1	3 060.5	2 731.2
Change in stock of work in progress, finished goods and projects		-15.3	-39.8	41.5
Payroll expenses	17	1 211.3	1 070.9	1 040.6
Depreciation on fixed assets and intangible assets	14, 16	177.5	146.1	147.4
Other operating expenses		646.8	525.8	518.3
Operating expenses		5 702.9	4 763.5	4 479.0
Operating profit		70.3	100.6	139.4
Income from associates	19	-3.7	-5.9	-0.4
Other interest income		2.9	2.2	4.7
Other financial income		7.6	12.5	4.5
Other interest expenses		-52.5	-41.6	-45.3
Other financial expenses		-8.0	-3.3	-3.8
Financial income/financial expenses		-53.7	-36.1	-40.3
Operating result before tax		16.6	64.5	99.1
Tax on ordinary result	5, 6	19.0	32.3	27.7
Operating result		-2.5	32.2	71.4
Minority interests	20	0.7	-0.3	2.8
Net profit for the year		-1.8	31.9	74.2
Profit per share		-0.02	0.28	0.64
Average number of shares		126 778 028	115 954 584	115 953 313

New international accounting standards (IFRS)

As of 1 January 2005, all publicly traded companies in Norway are obliged to publicise accounts prepared in accordance with IFRS (International Financial Reporting Standards).

Since the shares in Moelven Industrier ASA are not publicly traded, the company is not obliged to prepare accounts pursuant to IFRS. Specific accounting details will, however, be reported for the company, in order to show what effects such reporting would have. As a result, comparative figures have been prepared in accordance with IFRS as of 1 January 2004. For the Moelven Group, the largest differences will be in calculating pension commitments and reporting financial instruments. Allocated dividends will also have an effect, in that according to IFRS this should be reported as equity up until the time a formal decision regarding the dividend is made. Pension commitments result in a one-off effect that will reduce equity by NOK 55 million, while the effect on financial instruments will vary in relation to the market assessment at the time of the reporting. As of 1 January 2004, the effect on equity from the market assessment of financial instruments totalled NOK 4.6 million, and refers primarily to the use of interest instruments used to eliminate the risk of rate fluctuations on long-term financing.

Effects of reporting according to IFRS

Amounts in NOK million	1 Jan. 2005 IFRS	Effect IFRS	1 Jan. 2005 NGAAP	1 Jan. 2004 IFRS
Profit and loss account				
Operating revenues	5 773.2		5 773.2	
Operating profit	70.3		70.3	
Net financial items	-57.5	-3.8	-53.7	
Pre-tax profit/loss	12.8	-3.8	16.6	
Taxes	17.9	-1.1	19.0	
Ordinary profit/loss	-5.1	-2.7	-2.5	
Balance sheet				
Deferred tax asset	0.0		0.0	39.6
Net pension funds	24.6	-36.2	60.8	31.2
Other receivables	148.0	9.5	138.5	119.2
Total assets	2 857.5	-26.7	2 884.2	2 353.0
Equity	1 010.6	-42.8	1 053.4	881.9
Pension liabilities	116.1	40.0	76.1	107.6
Deferred tax	15.1	-24.2	39.3	0.0
Dividends payable	0.0	-19.4	19.4	0.0
Other short-term liabilities	295.7	19.7	276.0	253.0
Total equity and liabilities	2 857.5	-26.7	2 884.2	2 353.0

IFRS figures have not been audited.

Balance sheet at 31 December

MOELVEN INDUSTRIER – THE GROUP

Amounts in NOK millions	Note	2004	2003	2002
ASSETS				
Deferred tax asset	6	0.0	16.5	15.4
Goodwill	14	8.0	12.7	17.3
Other intangible assets		1.6		
Total intangible fixed assets		9.6	29.2	32.7
Land		64.6	47.2	43.6
Buildings and other real property		380.2	337.2	295.6
Machinery and plant		627.2	408.2	411.1
Fixtures and fittings, tools, office machinery etc.		65.6	68.3	53.2
Total tangible assets	15, 16	1 137.6	860.9	803.5
Investments in associated companies	19	20.7	19.9	20.7
Investments in shares	18	22.4	25.0	24.8
Bonds and other receivables	7	12.7	13.1	15.7
Net pension funds	17	60.8	67.4	91.1
Total financial fixed assets		116.6	125.4	152.3
Total fixed assets		1 263.8	1 015.5	988.5
Stocks	8	908.3	708.2	665.0
Accounts receivable	7	556.1	477.4	353.8
Other debtors	7	138.5	116.6	95.5
Total debtors		694.6	594.0	449.3
Bank, deposits, cash in hand, etc.	10, 11	17.5	45.8	37.4
Total current assets		1 620.4	1 348.0	1 151.7
Total assets	20	2 884.2	2 363.5	2 140.2
EQUITY AND LIABILITIES				
Share capital		647.7	595.2	595.2
Own shares		0.0	-15.4	-15.4
Share premium reserve		180.7	67.1	67.1
Total paid-in capital		828.4	646.9	646.9
Other equity		213.2	264.0	268.2
Minority interests	20	11.8	12.6	3.4
Total equity	21	1 053.4	923.5	918.5
Pension liabilities	17	76.1	67.6	56.2
Deferred tax	6	39.3		
Other provisions	9	6.2	8.9	17.4
Total provisions		121.6	76.5	73.6
Liabilities to financial institutions	10	865.2	646.1	493.5
Other long-term liabilities	9	25.4	16.0	11.3
Total long-term liabilities		890.6	662.1	504.8
Liabilities to financial institutions	10	24.7	23.5	42.0
Trade creditors		340.0	290.8	277.0
Tax payable	5	4.1	0.5	5.0
Public duties payable		154.4	124.8	101.9
Dividends		19.4	17.9	29.8
Other short-term liabilities	9	276.0	243.9	187.6
Total short-term liabilities		818.6	701.4	643.3
Total liabilities		1 830.8	1 440.0	1 221.7
Total equity and liabilities	20	2 884.2	2 363.5	2 140.2
Mortgages	13	52.7	46.2	86.7
Guarantees	12	96.7	69.2	19.6

2 February 2005
Moelven Industrier ASA



Runar Lillandt
Chairman



Ari Martonen



Antti Oksanen



Arimo Uusitalo



Iver Melby



Even Mengshoel



Torstein A. Opdahl



Arne Røde



Leif H. Kristensen
(permanent alternate)



Bo B. Borgström
CEO

Cash flow statement

MOELVEN INDUSTRIER – THE GROUP

Amounts in NOK millions	Note	2004	2003	2002
CASH FLOW FROM OPERATIONS				
Operating result before tax		16.6	64.5	99.1
Tax paid	5	-0.5	-5.0	-6.0
Ordinary depreciations	16	177.5	146.1	147.4
Gain/loss from the sale of fixed assets		-15.1	-9.6	-11.8
Restructuring costs		-18.9	7.0	-4.0
Pension costs, provided for but not paid / pension funds taken to income but not paid in	17	15.0	18.8	12.8
Income from associates	19	3.7	5.9	0.4
Changes in current assets excl. liquid funds and deposits		-25.9	-154.8	176.9
Changes in current liabilities excl. loans		-85.9	43.6	-9.7
Net cash flow from operations		66.5	116.5	405.1
CASH FLOW FROM INVESTMENTS				
Payments to purchase fixed assets excl. acquisitions	15	-201.7	-188.8	-119.4
Net cashflow from acquisition / sale of subsidiaries		-21.5	-13.0	4.1
Sale of fixed assets	15	37.0	20.9	26.0
Long-term investments, financial		5.4	4.2	-21.5
Net cash flow from investments		-180.8	-176.7	-110.8
CASH FLOW FROM FINANCING				
Changes in short-term liabilities and overdrafts		-33.6	-16.3	-33.4
Liquid share of income from associates		2.2	0.0	0.0
Changes in long-term debt		-19.9	114.0	-240.7
Issue of equity		156.3	0.0	0.0
Payment of dividends and purchase/sale of own shares		-19.0	-29.1	-29.1
Net cash flow from financing		86.0	68.6	-303.2
LIQUID FUNDS				
Net change in liquid funds during the year		-28.3	8.4	-8.9
Liquid funds at 1 January		45.8	37.4	46.3
Liquid funds at 31 December	10	17.5	45.8	37.4
AVAILABLE LIQUID FUNDS				
Liquid funds at 31 December		17.5	45.8	37.4
Unutilised credit facilities at 31 December		889.8	630.8	733.8
Restricted deposits		0.9	0.4	1.8
Available liquid funds at 31 December		906.4	676.2	769.4
Additional information in connection with acquisition/sale of subsidiaries				
<i>Additions</i>				
Fixed assets		294.8	20.0	5.1
Current assets		274.0	36.7	-0.1
Liquid funds		32.5	0.6	0.3
Total equity		186.4	-0.3	1.0
Interest-bearing debt		248.0	44.3	-5.5
Non interest-bearing debt		166.9	13.3	-0.4
Total balance from acquisitions		601.3	57.3	-4.9

2004: Acquisition of Are Group and Mobilaram AB.

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.

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 unrestricted 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

Any gains or losses as a result of premature termination of long-term, fixed-rate 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. Major construction contracts are entered into the accounts in line with the issuance of periodic partial invoices, so that the income is entered into the accounts in step with the completion of the project. 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 utilisable as a result of the 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 Elektro AS acquires Mesna Installasjon AS as of 1 January 2005. The company provides electrical services and follows up already installed electrical installations. In 2004, the company, which is based in Lillehammer, had NOK 30 million in turnover and 25 employees.

Events in 2004

- In 2004, one of the glulam factories in Moelven Limtre AS was sold to the recently established Moelven MassivTre AS, in which Moelven has an ownership interest totalling 47%. The other owners are Viken Skogeierforening (47%) and Krødsherad Kommune (6%). The company's new product, solid wood elements, is a further development of the traditional glulam production process and may be used for floors, ceilings, walls, balconies, etc. This product should help increase the ability of wood-based construction materials to compete with other building materials such as steel and concrete. The company has 13 employees and aims at achieving NOK 15 million in turnover the first year of operations.
- Moelven Industrier AB agreed to purchase Mobilorum AB in Värmland. The company that produces temporary and permanent buildings for the Scandinavian contracting and construction market has operations at two production sites. Combined, the companies have a total of SEK 150 million in turnover and 150 employees. The competition authorities have approved the transaction.
- Moelven Industrier ASA used the authority given to it by the board to carry out a private placing of shares toward current shareholders as payment for the Are transaction. The transaction has been approved by the competition authorities. The new shares were issued with the same rights and obligations as existing shares in Moelven. The issuance of new shares took place at a rate of NOK 11.25. The face value of the shares is NOK 5. The direct placing was fully subscribed with the issuance of 10 500 000 new shares, generating a total of NOK 118 million (sale and premium). In the same connection, a decision was made to sell a block of the company's holdings of own shares. In all, the Group gained NOK 120.7 million in new equity through the direct placing and sale of own shares. Pro forma figures for Moelven – as if Are had been part of the Moelven Group for the years 2003 and 2002 (figures have not been audited) – are as follows:

Amounts in NOK millions	2004	2003	2002
Operating revenues	5 773	5 564	5 239
Write-offs and depreciation	178	177	179
Operating profit	70	128	177
Net operating margin in per cent	1.2	2.3	3.4
No. of employees	3 191	3 150	3 420

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 Wärmaland 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.

2

OPERATING REVENUES

In "Group operating revenues", deliveries and services between group companies totalling NOK 2 349 millions (NOK 1 755 millions in 2003) 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		
	2004	2003	2002	2004	2003	2002	2004	2003	2002	2004	2003	2002
Operating revenues	5 773.2	4 864.1	4 618.4	4 560.0	3 554.3	3 380.8	1 253.5	1 340.7	1 241.5	-40.3	-30.9	-3.9
Depreciations and write-downs	177.5	146.1	147.4	145.5	114.2	116.4	19.3	23.2	22.9	12.7	8.7	8.1
Operating profit	70.3	100.6	139.4	78.2	93.2	129.1	29.9	37	41.7	-37.8	-29.6	-31.4
Financial items	-53.7	-36.1	-40.2	-40.6	-40.9	-32.9	2.1	4.9	8.2	-15.2	-0.1	-15.5
Operating result before tax	16.6	64.5	99.1	37.6	52.3	96.2	32	41.9	49.9	-53.0	-29.7	-47.0
Gross operating margin	1.2	2.1	3.0	1.7	2.6	3.8	2.4	2.8	3.4	-	-	-
Cash flow from operations	247.8	246.7	286.0	223.7	207.4	245.5	49.2	60.2	64.6	-25.1	-20.9	-23.3
Total capital	2 884.2	2 363.5	2 140.2	2 636.1	2 054.4	2 281.0	617.8	606.0	612.8	-369.7	-296.9	-753.6
Interest bearing debt	890.0	669.6	535.5	796.1	613.5	508.7	45.8	29	36.2	48.1	27.1	-9.4
Interest free debt	940.8	770.4	686.2	756.1	621.4	677.7	269.2	279.4	203.7	-84.5	-130.4	-195.2
Equity ratio (%)	36.5	38.9	42.9	41.1	39.9	48.0	49.0	48.9	52.0	-	-	-
Investments	199.0	188.8	119.4	184.0	160.0	104.3	15.0	6.7	10.0	-	22.1	5.1
Number of employees	3 191	2 853	3 120	2 047	1 807	1 937	1 090	988	1 123	54	58	60

3.2 – Operating revenues by geographical markets

Amounts in NOK millions	Group			Timber Group			Building Group			Others incl. eliminations		
	2004	2003	2002	2004	2003	2002	2004	2003	2002	2004	2003	2002
Scandinavia	4 618	3 772	3 435	3 509	2 483	2 201	1 208	1 320	1 239	-99	-31	-5
Euro-countries	549	470	867	549	469	653		1	2			212
Rest of Europe	367	333	66	352	313	277	15	20	1			
Japan	144	161	147	144	161	147						
Rest of the world	95	128	103	95	128	103						
Total	5 773	4 864	4 618	4 649	3 554	3 381	1 224	1 341	1 242	-99	-31	207

3.3 – Distribution of operating revenues by producing country

Amounts in NOK millions	Group			Timber Group			Building Group			Others incl. eliminations		
	2004	2003	2002	2004	2003	2002	2004	2003	2002	2004	2003	2002
Norway	2 898	2 689	2 712	2 220	1 812	1 911	746	899	798	-69	-22	3
Sweden	2 876	2 035	1 795	2 429	1 602	1 359	478	442	444	-31	-9	-8
Denmark		140			140							
Germany			111			111						
Total	5 773	4 864	4 618	4 649	3 554	3 381	1 224	1 341	1 242	-99	-31	-5

3.4 – No. of employees per business area

	Group			Timber Group			Building Group			Others incl. eliminations		
	2004	2003	2002	2004	2003	2002	2004	2003	2002	2004	2003	2002
Norway	1 706	1 686	1 838	987	1 027	1 096	598	611	698	45	48	44
Sweden	1 466	1 147	1 181	1 041	763	747	492	377	425	9	7	9
Denmark	17	17		17	17							
England and others	2	3	101	2		94					3	7
Total	3 191	2 853	3 120	2 047	1 807	1 937	1 090	988	1 123	54	58	60

3.5 – Distribution of accounts receivables and stock by business area

Amounts in NOK millions	Group			Timber Group			Building Group			Others incl. eliminations		
	2004	2003	2002	2004	2003	2002	2004	2003	2002	2004	2003	2002
Accounts receivables	556.1	477.4	353.8	362.0	314.1	284.3	202.0	171.2	97.6	-8.1	-7.9	-28.1
Raw materials and purchased goods	908.3	708.2	665.0	834.0	646.7	579.7	74.2	61.4	83.3	0.1	0.1	2.0
Gross operating capital	1 464.4	1 185.6	1 018.8	1 196.0	960.8	864.0	276.2	232.6	180.9	-8.0	-7.8	-26.1
As per cent of operating revenues	25	24	22	26	27	26	22	17	15	-	-	-
Trade creditors	340.0	290.8	277.0	271.9	213.9	209.9	71.5	80.9	70.7	-3.4	-4.0	-3.6
Net operating capital	1 124.4	894.8	741.8	924.1	746.9	654.1	204.7	151.7	110.2	-4.6	-3.8	-22.5
As per cent of operating revenues	19	18	16	20	21	19	16	11	9	-	-	-

4

COST OF GOODS SOLD

Amounts in NOK millions	2004	2003	2002
Purchase of raw materials, semi-finished goods for resale and services, incl. increased provision for warranty and service commitments	3 448.4	2 765.0	2 462.6
Transport costs of goods sold	300.9	257.4	244.1
Changes in stocks of raw materials and purchases	-73.2	38.1	24.5
Cost of goods sold	3 676.1	3 060.5	2 731.2

5

TAXATION

Amounts in NOK millions	2004	2003	2002
Operating result before tax	16.6	64.5	99.1
Nominal tax in Norway 28 per cent	4.6	18.0	27.7
Re-consideration of deferred tax asset	13.0	14.3	0.0
Net tax effect of tax exempt items and effect of other tax rates abroad	1.4	0.0	0.0
Tax	19.0	32.3	27.7
<i>Taxes consist of payable taxes in</i>			
Norway	3.4	0.5	4.9
Sweden	0.6	0.0	0.0
Denmark	1.4	0.0	0.1
Total taxes payable	5.4	0.5	5.0
Changes in deferred tax	13.6	31.8	22.7
Total taxes	19.0	32.3	27.7

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	2004	2003	2002
Temporary differences			
Provision for receivables	-0.7	-0.9	-2.3
Provision for stocks	13.3	6.7	13.7
Cost provisions according to generally accepted accounting principles	-4.5	-2.4	-3.5
Other short-term temporary differences	0.4	-2.4	1.5
Subtotal short-term differences	8.5	1.0	9.3
Temporary differences			
Accumulated excess tax depreciation	44.1	6.1	-4.1
Gain/loss account	4.9	7.5	8.0
Pension funds	17.0	18.3	25.5
Pension liabilities	-19.9	-17.0	-15.5
Other long-term items	8.4	-25.9	-20.3
Subtotal long-term items	54.5	-11.0	-6.3
Accommodated tax carry-forwards	-23.7	0.0	-3.0
Tax reducing differences (-), tax increasing differences (+)	39.3	-10.0	3.0
Deferred tax liability	39.3	0.0	0.0

6.2 – Deferred tax asset

Amounts in NOK millions	2004	2003	2002
Non-accommodated negative differences	0.0	10.0	0.0
Non-accommodated carry-forwards	0.0	19.6	28.8
Deferred tax asset	0.0	29.6	28.8
Deferred tax asset capitalised in the accounts	0.0	16.5	15.4

6.3 – Deferred tax benefit from deficits carried forward

Amounts in NOK millions	2004	2003	2002
Norway	2.8	1.9	9.3
Sweden	20.9	17.7	22.5
Denmark and others	0.0	0.0	0.0
Deferred tax benefit from deficits carried forward	23.7	19.6	31.8

For the Group's Norwegian companies, the deficits have been carried forward in their entirety for the time period 1995-2004, and the timeframe in which the carry-forward opportunity expires is from 2005-2014. The tax-related deficit carried forward in the Group's Swedish companies may be offset against profit and used within the group. A tax deficit in Sweden may be carried forward for an unlimited period of time.

OTHER RECEIVABLES

7.1 – Short-term items

Amounts in NOK millions	2004	2003	2002
Accounts receivables			
Accounts receivables, gross	560.5	483.8	357.2
Provision against losses	-4.4	-6.4	-3.4
Accounts receivables, net	556.1	477.4	353.8
This year's recorded losses	4.9	1.4	4.4
Changes in provision for loss	-2.0	3.0	-1.5
Losses on accounts receivables	2.9	4.4	2.9

Other debtors

Receivables from employees	3.1	3.6	5.1
VAT credit	72.6	47.1	27.7
Receivables regarding write-back of SPP pension funds	2.0	2.8	4.4
Other receivables	60.8	63.1	58.3
Total other debtors	138.5	116.6	95.5

Other receivables consists of accruals, prepayments and other items related to operations. Approx 55 per cent (50 in 2003) of the Group's operating revenues are covered by credit insurance.

7.2 – Long term items

Of the total amount of bonds and other receivables totalling NOK 12.7 millions in 2004 (13.1 in 2003) NOK 0.9 millions (1.2 in 2003) is bonds and security and NOK 4.0 millions (4.0 in 2003) is receivables from SIVA Moelv Næringspark AS. Long-term receivable of refund pension fees in Sweden amounts to NOK 3.6 millions (3.8 in 2003).

STOCK AND ORDERS

Amounts in NOK millions	2004	2003	2002
Raw materials and purchased semi-finished goods	275.9	203.6	231.3
Work in progress	142.4	105.4	121.4
Finished goods	460.4	380	275.5
Orders	21.6	16.4	35.1
Prepayments to suppliers	8.0	2.8	1.7
Total stocks and orders	908.3	708.2	665

Specification of projects

Own projects 31 December	0	0	0
Contracts at 31 December	496.3	183.9	100
Payments on account/part invoiced	-474.7	-167.5	-64.9
Total projects – net	21.6	16.4	35.1

OTHER LIABILITIES

9.1 – Short-term liabilities

Other short-term liabilities of NOK 276.0 millions (243.9 in 2003) essentially consists of accruals and provisions related to the operation of the Group's more than 40 operating units. Included in the figures are holiday allowances totalling NOK 90.1 million, timber expenses totalling NOK 51.8 million and bonus provisions totalling NOK 14.3 million. Interest expenses totalling NOK 7.0 million have also been included.

9.2 – Long-term items

Other long-term liabilities of NOK 25.4 millions (16.0 in 2003) consist of a NOK 8.0 millions non-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 3.9 millions (4.9 in 2003).

LIQUID HOLDINGS AND DEBT

10.1 – Interest-bearing receivables and debt

Amounts in NOK millions	Average interest rate 2004	2004	2003	2002
Restricted bank deposits		0.0	4.5	1.8
Other bank deposits		17.5	41.3	35.6
Total bank deposits/receivables		17.5	45.8	37.4
Bank overdraft and other short term interest bearing debt		24.7	23.5	42.0
Long-term interest-bearing debt				
NOK	6.95 %	37.1	93.6	87.2
SEK	3.69 %	811.5	552.5	391.2
DKK	3.06 %	16.6	0.0	0.0
EUR		0.0	0.0	15.1
Total long-term interest-bearing debt		865.2	646.1	493.5
Net interest-bearing debt		872.3	623.8	498.1

10.2 – Repayment plans on long-term loans

Amounts in NOK millions	2004	2003	2002
Long-term debt falling due within			
1 year	119.8	83.0	128.6
2 years	12.8	108.6	156.4
3 years	100.3	2.5	143.6
4 years	280.9	0.0	2.4
5 years	314.1	417.0	0.0
6 years and more	37.4	35.0	62.5
Total	865.3	646.1	493.5

10.3 – Interest adjustment

Amounts in NOK millions – according to currency

	NOK	SEK
Interest adjustment for the following years		
2005	51.9	25.3
2006	0.0	2.4
2007	0.0	45.7
2008	0.0	251.1
2009	0.0	137.0
2010	0.0	0.0
2011	0.0	0.0
Total	51.9	461.5

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	2004	2003	2002
at 31 December	1 296.5	983.6	929.6
in 1 year	1 263.9	936.1	801.5
in 2 years	1 150.3	807.5	598.6
in 3 years	1 038.9	785.0	491.0
in 4 years	617.6	765.0	388.5
in 5 years	35.0	435.0	368.2
in 6 years or more	35.0	35.0	38.0

Short-term financing

In addition to the long-term liquidity situation, the Group has loan arrangements that are renewed every year. As of 31 December 2004 these were NOK 100 million, SEK 100 million, EUR 4 million, DKK 40 million and GBP 0.5 million. By including the Are Group and Mobilarum's loan arrangements of SEK 105.4 million and NOK 6 million, the total available short-term financing is NOK 376.6 million. The Group has long-term loan arrangements that cover the net interest-bearing debt at the end of the year and up until 2008. As a result of the acquisition of the Are Group and Mobilarum, as well as normal seasonal variations, the Group's net interest-bearing debt at its peak in autumn 2004 was NOK 1 150 million. The long-term loan arrangements are assumed to cover the liquidity needs in the coming three years, assuming a steady 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.

12

GUARANTEES

Amounts in NOK millions	2004	2003	2002
Loan guarantees/financial guarantees	94.2	69.0	19.3
Surety and prepayment guarantees	2.4	0.0	0.0
Joint guarantees other companies	0.1	0.2	0.3
Total	96.7	69.2	19.6

13

MORTGAGES – SECURED LOANS

13.1 – Loans with security in assets

Amounts in NOK millions	2004	2003	2002
Bank overdraft	12.8	0.0	0.0
Long-term loans	39.9	46.2	86.7
Total	52.7	46.2	86.7

13.2 – Book value of pledged assets

Amounts in NOK millions	2004	2003	2002
Other receivables and prepayments	93.0	5.9	60.3
Stocks	145.9	31.2	53.9
Machinery, installations	102.3	28.0	49.3
Buildings	56.8	29.4	80.1
Land	7.2	0.5	3.5
Shares	8.0	10.1	10.1
Total	413.2	105.1	257.2

15

INVESTMENTS IN AND SALE OF FIXED ASSETS

Amounts in NOK millions	2004		2003		2002		2001		2000	
	Invest.	Sale	Invest.	Sale	Invest.	Sale	Invest.	Sale	Invest.	Sale
Fixtures and fittings	13.9	2.6	21.6	1.2	21.5	1.4	28.2	0.4	26.1	2.3
Machines and plant	352.5	25.7	122.8	61.0	118.9	20.3	70.2	8.3	181.4	27.1
Buildings and other property	107.3	30.8	62.9	3.1	29.5	18.7	50.6	8.8	58.0	30.9
Land	20.1	2.0	1.5	6.2	0.2	0.7	2.2	0.0	15.8	0.5
Total	493.8	61.1	208.8	71.5	170.1	41.1	151.2	17.5	281.3	60.8

2004: Investments include additions from the acquisition of Are Group and Mobilaram AB amounting to NOK 294.8 millions.

2003: Investments include 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: Investments include NOK 50.6 millions as a reclassification of assets related to the acquisition of Forestia AS in 2000.

14

FINANCIAL GOODWILL IN CONNECTIONS WITH ACQUISITION OF SUBSIDIARIES

Amounts in NOK millions	2004	2003	2002
Companies in the Timber Group	26.9	26.9	25.3
Depreciation for the year	-2.9	-2.3	-2.3
Accumulated depreciation	-19.5	-16.6	-14.3
Subtotal Timber Group	7.4	10.3	12.6
Companies in the Building Group	16.8	15.0	15.0
Additions/disposal from acquisition/sale in the System Interior Division	-0.4	0.0	1.8
Depreciation for the year	-1.4	-2.3	-2.6
Accumulated depreciation	-15.8	-14.4	-12.1
Subtotal Building Group	0.6	2.4	4.7
Total capitalised goodwill	8.0	12.7	17.3
Depreciation for the year	-4.3	-4.6	-4.9
Accumulated depreciation	-35.3	-31.0	-26.4
Total for the Group	8.0	12.7	17.3

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.

2001: 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: Investments include additions amounting to NOK 194.6 millions from the acquisition of the timber industry activities of Forestia AS. Additions from the acquisition of Hulåns Snickeri 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.

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	558.0	49.5	1 078.3	109.2	1 795.0
Additions 2004	107.3	20.1	352.5	13.9	493.8
Value at disposal	40.7	0.4	37.2	2.9	81.2
Acquisition value at 31 December	624.6	69.2	1 393.6	120.2	2 207.6
Acc. ord. depreciation at 1 January	232.0	4.6	681.4	43.2	961.2
Disposals acc. depreciation	28.1	-	32.9	2.7	63.7
Depreciation current year¹⁾	40.5	-	117.9	14.1	172.5
Acc. ordinary depreciation at 31 December	244.4	4.6	766.4	54.6	1 070.0
Net book value at 1 January	326.0	44.9	396.9	66.0	833.8
Net book value at 31 December	380.2	64.6	627.2	65.6	1 137.6
Ordinary depreciation rates in per cent	5-7	0	7-15	15-20	

1) Depreciations for the year in accordance with the profit and loss account includes depreciation on fixed assets of NOK 172.5 millions, and depreciation on intangible assets of NOK 5.0 millions.

16.2 – Annual operating leasing costs

Amounts in NOK millions	2004	2003	2002
Vehicles	11.2	7.2	6.1
Machines and equipment	2.2	2.3	5.0
Buildings and property	0.0	1.0	0.8
Total	13.4	10.5	11.9

17

WAGES AND PENSION COSTS/PENSION LIABILITIES

17.1 – Payroll expenses

Amounts in NOK millions	2004	2003	2002
Wages and salaries	888.9	814.7	801.3
Employer's national insurance contribution and social expenses	281.2	228.1	217.0
Other social costs and benefits ¹⁾	41.2	28.1	22.3
Total	1 211.3	1 070.9	1 040.6

1) The difference between pension costs above and in Note 17.2 is primarily due to costs re. the Swedish companies.

17.2 – Pension costs

Amounts in NOK millions	2004	2003	2002
Earnings for the year	17.4	14.3	15.9
Interest cost on pension liabilities	17.3	16	14.1
Pension costs (gross)	34.7	30.3	30.0
Expected return on pension assets	-16.2	-17.9	-17.8
Changes in estimates	10.4	5.8	0.7
Deferred employers' national insurance contributions	2.0	0.6	0.0
Pension costs (net), insured and uninsured plans	30.9	18.8	12.9
Pension costs for contractual pensions (AFP)	12.0	6.6	6.8

17.3 – Pension liabilities

Amounts in NOK millions	2004	2003	2002
Balance at 1 January			
Accumulated earnings	234.5	194.9	179.5
Pension based on future salary increases	37.6	29.6	27.4
Pension liabilities (gross)	272.1	224.5	206.9
Pension funds	-279.0	-259.5	-241.2
Correction of opening balance, uninsured employers' national insurance contributions	6.7	6.1	0.0
Pension liabilities (net), surplus	-0.2	-28.9	-34.3
Balance at 31 December			
Pension liabilities (gross)	316.7	272.1	224.5
Pension funds (anticipated)	-248.6	-231.5	-244.5
Estimated change and variance, not charged	-61.0	-47.5	-15.0
Uninsured employers' national insurance contributions	8.2	6.7	0.0
Pension liabilities (net), surplus	15.3	-0.2	-35.0
Total net pension funds, permissible insured schemes	-60.8	-67.4	-91.1
Insured schemes not allowed to be offset by over-financed schemes	23.6	19.8	14.8
Pension liabilities, contractual pensions (AFP)	52.5	47.8	41.4
Total pension liabilities	76.1	67.6	56.2

The Group's total pension commitments (TBO) for insured schemes is estimated to be NOK 321 millions at the end of the year 2004 (NOK 287 millions in 2003). 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.

Insured schemes

Pension funds are larger than pension liabilities for some of the Group's insured schemes. Surplus is assessed to be viable as a result of the 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 with a total time of earnings of 30 years.

Uninsured schemes

Uninsured schemes are primarily related to contractual pensions and calculated in accordance with Norwegian Accounting Standards regarding pension costs. 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. Pension schemes in the Group's foreign companies are grouped into separate benefit schemes.

17.4 – Financial assumptions

	2004	2003	2002
Return on pension funds	7.0 %	7.5 %	8.0 %
Discount rate	6.0 %	6.5 %	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 1 934 people (1 922 in 2003) for the insured schemes, of whom 1 570 are active and 364 are pensioners. The pension liabilities in connection with contractual pensions encompass a total of 1 801 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 another 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. This also explains the increase in the charged estimated variance and the significantly higher figures for non-charged estimated variance in the opening balance.

18

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. 2004
Forestia Plater AS	9.9	100	99	10	8 000
Vamo AS ¹⁾	45.0	100	4 500	45	45
Moelven Elementbygg AS ¹⁾	66.7	600	4 000	400	46
Mjøskompetanse AS	15.4	130	2	20	20
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
Støren Trelast AS	18.8	6 600	12 400	1 240	1 100
Others					500
Total Moelven Industrier ASA					18 711
Bäckebrons Sågverk AB	11.0	SEK 4 100	4 500	SEK 450	503
Arbo Wood AB	4.1	SEK 1 220	50 000	SEK 50	8
SB Sågbränsle AB	70.0	SEK 112	784	SEK 40	38
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	30.1	SEK 400	1205	SEK 120	139
Transportfellesskapet 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
Naturbränsle Mellansverige AB (NMAB)	10.7	SEK 1 405	1 500	SEK 150	127
Jures Medis AB	15.0	LT 6 033	180 982	LT 905	943
Svenskt Limträ AB	33.0	SEK 100	333	SEK 33	30
Moelven MassivTre AS ¹⁾	47.2	21 200	10 000	10 000	10 000
Others					46
Total others					22 556
Total					41 267

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
Moelven MassivTre AS	10 000
Total for the Group	22 376

19

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

Amounts in NOK 1 000	Share of ownership	Value at 1 Jan. 2004	Balance: Additions/Disp.	Value at 31 Dec. 2004	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	49.0	-667	667	0	-3 014
ANS Land Sag Eiendom	30.0	1 399	147	1 546	131
Nye Land Sag AS	30.0	2 377	-50	2 327	57
Weda Skog AB	50.0	7 300	-	7 300	-
Moelven MassivTre AS	47.2	0	9 140	9 140	-860
Total for the Group		10 791	9 892	20 683	-3 697

COMPANIES TREATED AS SUBSIDIARIES, WITH MINORITY OWNERSHIP SHARES

The Group accounts for 2004 include the following companies with minority interests

Moelven Telemarksbruket AS	49.0 % (49.0 % in 2003)
Moelven Laminated Timber Str. Ltd	7.5 % (7.5 % in 2003)
Moelven Skog AB	20.0 % (0.0 % in 2003)

The companies' relative share in NOK millions of key parts of the Group's result and balance sheet for 2004;

Profit and loss item	2004	2003	2002	Balance sheet items	2004	2003	2002
Operating revenues	58.3	18.0	41.4	Equity	11.8	12.6	3.4
Net profit for the year	-0.7	0.3	-2.8	Total capital	41.8	22.0	19.2

EQUITY

21.1 – Changes in equity

Amounts in NOK millions	Share capital	Share premium reserve	Own shares	Other equity	Minority interest	Profit/loss	Total equity
Balance at 31 December 2003	595.2	67.1	-15.4	264.0	12.6		923.5
Net profit						-1.8	-1.8
Allocation of net profit				-1.8		1.8	0.0
Issue of equity	52.5	65.6		-0.2			117.9
Regroupment		33.9		-33.9			0.0
Sale of own shares		14.1	15.4	8.8			38.3
Foreign currency translation				-5.0			-5.0
Provision for dividend				-20.5			-20.5
Change of category, tangible assets				1.0			1.0
Minority interests				0.8	-0.8		0.0
Balance at 31 December 2004	647.7	180.7	0.0	213.2	11.8	0.0	1053.4

21.2 – Own shares/authority to issue new shares

The Board has currently no authority to purchase own shares.

Moelven Industrier ASA incl. subsidiaries owned at 31 December 2004 a total of 1 100 own shares.

21.3 – The largest shareholders at 2 February 2005

No. of shares	129 542 384	No. of own shares	NOK 5,-
Face value	1 100	No. of voting shares	647 711 920
Share capital	129 541 284	Average no. of shares	126 778 028

Cont. note

Shareholder		No. of shares	Percentage of voting shares
Finnforest Abp	Finland	66 066 616	51.00 %
Metsäliitto Osuuskunta	Finland	18 334 532	14.15 %
Glommen Fond AS	Norway	22 662 374	17.49 %
Mjøsen Skogeierforening	Norway	11 941 435	9.22 %
Agder-Telemark Skogeierforening	Norway	5 829 407	4.50 %
Haldenvassdragets Skogeierforening	Norway	3 886 271	3.00 %
Otterdal AS	Norway	339 102	0.26 %
Norges Skogeierforbund	Norway	109 090	0.08 %
Betsi Håkon	Norway	30 000	0.02 %
Forberg Engly Marialf	Norway	13 665	0.01 %
Fintling Bjørn	Sweden	12 000	0.01 %
Sundkvist Yvonne	Sweden	11 000	0.01 %
Eptech Eiendom AS	Norway	10 000	0.01 %
Largest shareholders		129 245 492	99.77 %
Other 976 shareholders		295 792	0.23 %
Total		129 541 284	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
Per 1 January 1994	0
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	-0.11
Per 1 January 2005 (estimated)	-0.15

21.4 – Shareholders' agreement and close association

Shareholders' agreement

In June 2004, Agder-Telemark Skogeierforening (with subsidiaries) and Haldenvassdragets Skogeierforening purchased 4.8% and 3.0%, respectively, of the shares in Moelven Industrier ASA. Glommen Skogeierforening and Mjøsen Skogeierforening increased their ownership interests to 17.5% and 9.2%, respectively. While the Group gained a broader Norwegian ownership base, Metsäliitto Osuuskunta (with subsidiary Finnforest Abp) maintains its majority position at 65.2%.

The share capital at Moelven Industrier ASA consists of 129,542,384 shares with a face value of NOK 5 and a single share category. In all, the shares are distributed among approx. 990 shareholders, while the 6 largest owners control a total of 99.7%. A shareholders' agreement has been entered into between Metsäliitto Osuuskunta/ Finnforest Abp (100% owned by Metsäliitto), Glommen Fond AS (95% owned by Glommen Skogeierforening AS), and Mjøsen Skogeierforening in 2002. The shareholders' agreement has sections regulating representation in the corporate assembly and on the board, decision-making rules on certain issues and transfer of shares. In connection with the purchase of shares in Moelven Industrier ASA in 2004 by Agder-Telemark Skogeierforening and Haldenvassdragets Skogeierforening, these companies have also signed on to the shareholders' agreement from 2002.

Close association

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.

In some of the Group's business areas, transactions are carried out with the owners. This applies, for example, to the purchase of timber, where Norwegian forest owners are suppliers. Moelven's marketing apparatus in Scandinavia is also used to promote Finnforest products in the Scandinavian market, while Moelven in some contexts makes use of Finnforest's marketing network in Europe. Transactions involving interest rates and foreign exchange are also made with the Metsä Group Financial Services Oy. All transactions and collaboration between individual shareholders and Moelven must take place at an "arm's length", and if other companies can offer better prices and/or terms, then these are to be preferred. The shareholder's agreement also specifies that the Moelven trademark shall be maintained.

21.5 – Shares in Moelven Industrier ASA – owned by members of the

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	
Heikki Asunmaa		Ari Martonen (vice chairman)		(President and CEO until 2 February 2005)	
Mikael Aminoff		Arimo Uusitalo		Ole Salvén	
Eero Kytölä		Antti Oksanen		(President and CEO from 2 February 2005)	
Helge Urstrømmen		Torstein Opdahl		Anders L. Fossum	100
Børre Rogstadkjernet		Even Mengshoel		Dag E. Sand	200
Halvard Sæther		Iver Melby ^{*)}		Reidar Mo	200
Harald Sjuve		Arne Rødø ^{*)}		Hans Rindal	200
Harald Lokkesveen ^{*)}	100			Rolv A. Amdal	200
John G. Lund ^{*)}		Alternate, attending all meetings			
Odd Henning Kalager ^{*)}		Leif H. Kristensen ^{*)}			
Per W. Gunro ^{*)}					
		Alternates			
Alternates		Ilkka Silvanto			
Martti Asunta		Martin Lillandt			
Juha Mäntylä		Ole Theodor Holth			
Martinus Bækken		Nils Arne Vasaasen			
Hans T. Kiær					
Kåre Kastbakken ^{*)}					
Ove Skotland ^{*)}					

*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 of Forestia AS	132.0	595.2	26 400 000	119 042 384
2004	Placement for acquisition of Are Group	52.5	647.7	10 500 000	129 542 384

Face value per share NOK 5,-

Profit and loss account

MOELVEN INDUSTRIER ASA¹⁾

Amounts in NOK millions	Note	2004	2003	2002
Operating revenues	1	132.5	35.7	33.7
Payroll expenses	8	32.7	19.7	19.6
Depreciations and write-downs	7	11.1	3.8	3.3
Other operating expenses		57.2	79.0	67.7
Operating expenses		101.0	102.5	90.6
Operating profit		31.5	-66.8	-56.9
Income from subsidiaries ²⁾		64.3	51.6	77.4
Income from associates	13	0.0	0.0	0.0
Interest income from group companies		57.3	58.4	0.0
Other interest income		0.9	1.2	1.1
Other financial income		7.9	13.5	0.0
Other interest received and financial income		-7.4	-20.6	-17.1
Other interest expenses		-41.5	-34.4	-4.0
Other financial expenses		-6.7	-2.0	-0.3
Financial income/financial expenses		74.8	67.7	57.1
Operating result before tax		106.3	0.9	0.2
Tax on ordinary result	2.3	23.4	-5.1	15.0
Operating result		82.9	6.0	-14.8
Net profit for the year		82.9	6.0	-14.8
The Board's proposal for allocation of net profit and capital transfer				
Provision for dividends, NOK 0.15 per share		-19.4	-17.9	-29.8
Other equity		-63.5	11.9	44.6
Total	14	-82.9	-6.0	14.8

1) On 1 January 2004, the subsidiaries Moelven Treindustri AS and Moelven Service AS merged with Moelven Industrier ASA.

The comparative profit and loss account and balance sheet figures for 2003 and 2002 have not been restated.

2) Including group contributions.

Balance sheet at 31 December

MOELVEN INDUSTRIER ASA

Amounts in NOK millions	Not	2004	2003	2002
ASSETS				
Deferred tax asset	3	0.0	38.6	33.0
Land	7	3.7	3.7	3.7
Buildings and other real property	7	12.7	20.1	21.5
Machinery and plant	7	1.4	1.3	0.6
Fixtures and fittings, tools, office machinery etc.	7	44.3	0.3	0.5
Total tangible fixed assets		62.1	25.4	26.3
Investments in subsidiaries	11	954.1	930.8	1 153.7
Investments in associates	13	0.3	0.3	0.3
Loan to group companies	9	1 087.2	873.5	
Investments in shares	12	18.7	28.4	19.2
Bonds and other receivables	4	4.0	6.7	7.6
Net pension funds	8	33.1	34.7	57.3
Total financial fixed assets		2 097.4	1 976.2	1 348.8
Total fixed assets		2 159.5	2 040.2	1 408.1
Accounts receivable		1.1	0.4	0.1
Receivables from group companies		2.6	2.1	0.1
Loans to group companies		92.2	108.4	112.8
Other receivables		6.8	1.8	0.5
Total receivables		102.7	10.9	2.8
Bank deposits, cash in hand		0.3	0.1	0.9
Total current assets		103.0	11.0	3.7
Total assets		2 262.5	2 051.2	1 411.8
EQUITY AND LIABILITIES				
Share capital		647.7	595.2	595.2
Own shares		0.0	-15.4	-15.4
Share premium reserve		180.7	67.1	67.1
Total paid-in capital		828.4	646.9	646.9
Other equity		291.7	106.0	123.5
Total equity	14	1 120.1	752.9	770.4
Pension liabilities	8	12.9	9.3	7.7
Deferred tax	3	19.1		
Total provisions		32.0	9.3	7.7
Debt to credit institutions	10	781.3	594.4	39.7
Long-term, non interest-bearing debt to group companies		0.0	227.5	227.5
Long-term, interest-bearing debt to group companies		24.0	0.0	189.7
Other long-term liabilities		10.6	10.6	10.8
Total long-term liabilities		815.9	832.5	467.7
Bank overdraft within the group account system		217.5	354.8	68.5
Trade creditors		4.0	2.1	0.9
Accounts payable to group companies		2.6	4.7	29.0
Short-term, non interest-bearing debt to group companies		24.9	52.5	26.3
Public duties payable		2.0	1.8	1.5
Dividends		19.4	17.9	29.8
Other short-term debt	5	24.1	22.7	10.0
Total current liabilities		294.5	456.5	166.0
Total liabilities		1 142.4	1 298.3	641.4
Total equity and liabilities		2 262.5	2 051.2	1 411.8
Mortgages		0.0	0.0	0.0
Guarantee	6	253.4	236.3	651.2
Number of shares (face value per share NOK 5.-)	14	129 542 384	119 042 384	119 042 384

Cash flow statement

MOELVEN INDUSTRIER ASA

Amounts in NOK millions	Not	2004	2003	2002
CASH FLOW FROM OPERATIONS				
Operating result before tax		106.3	0.9	0.2
Write-down of long-term receivables		3.3	0.0	0.0
Ordinary depreciation	7	11.1	3.8	3.3
Reverse write-down of shares in subsidiaries		-76.0	6.0	0.0
Gain/loss from sale of fixed assets		8.9	43.0	34.4
Paid, but not charged, pension premium		5.7	-1.5	0.3
Change in current assets, excl. liquid funds and deposits		-6.2	-3.6	4.5
Change in current liabilities, excl. loans		-1.6	-10.1	29.8
Net cash flow from operations		51.5	38.5	72.5
CASH FLOW FROM INVESTMENTS				
Payments to purchase fixed assets excl. acquisitions		-4.3	-2.9	-5.3
Net cash expenditure for purchase of subsidiaries		-197.9	58.5	-22.8
Sale of fixed assets		4.4	0.0	3.5
Refund of excess paid pension premium		0.0	25.0	0.0
Long-term investments, financial		-212.4	-872.9	-23.2
Changes in long-term financing stemming from merger between parent and subsidiary companies		260.7	116.4	0.0
Short-term lending		16.2	-4.5	0.0
Cash flow from investments		-133.3	-680.4	-47.8
CASH FLOW FROM FINANCING				
Changes in short-term borrowings and overdraft		-164.9	286.3	4.9
Changes in long-term debt		32.3	383.8	-0.7
Net effect from merging subsidiaries		77.1	0.0	0.0
Issue of equity		118.3	0.0	0.0
Payment of dividends		-19.0	-29.0	-29.0
Purchase/sale of own shares		38.2	0.0	0.0
Net cash flow from financing		82.0	641.1	-24.8
LIQUID FUNDS				
Net change in liquid funds during the year		0.2	-0.8	-0.1
Liquid funds at 1 January		0.1	0.9	1.0
Liquid funds at 31 December		0.3	0.1	0.9

Notes

MOELVEN INDUSTRIER ASA

1

OTHER OPERATING REVENUES

Amounts in NOK millions	2004	2003	2002
Net gain from sale of fixed assets	0.8	0.0	0.3
Net gain from sale of securities	0.6	0.0	0.3
Reverse write down of shares in subsidiaries	76.0	0.0	0.0
Subsidiaries' share of joint expenses	22.4	26.9	25.9
IT-services	20.2	0.0	0.0
Income from rentals – external	1.8	1.5	1.4
Income from rentals – internal	2.6	3.2	4.3
Other	8.1	4.1	1.5
Total other operating revenues	132.5	35.7	33.7

2

TAXES

Amounts in NOK millions	2004	2003	2002
Operating result before tax	106.3	0.9	0.2
28 per cent tax	29.8	-0.3	0.0
Tax effect of tax exempt items	-18.2	-1.9	6.4
Tax effect of differences not affecting tax payable	25.6	0.0	0.0
Correction of previous years	-13.8	-2.9	8.6
Total taxes	23.4	-5.1	15.0
<i>Taxes consist of</i>			
Tax payable	1.6	0.1	0.0
Change in deferred tax	21.8	-5.2	15.0
Total taxes	23.4	-5.1	15.0

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	2004	2003	2002
<i>Short-term temporary differences</i>			
Provision for receivables	0.0	-13.7	-14.8
Cost provisions according to generally accepted accounting principles	-2.7	-3.1	-1.7
Subtotal short-term temporary differences	-2.7	-16.8	-16.5
<i>Long-term temporary differences</i>			
Accumulated excess tax depreciation	10.8	-5.9	-5.5
Gain/loss account	3.1	0.5	0.6
Pension funds	9.3	9.7	16.1
Pension liabilities	-3.6	-2.6	-2.2
Other long-term items	2.2	-23.5	-21.1
Subtotal long-term items	21.8	-21.8	-12.1
Tax reducing differences (-), tax increasing differences (+)	19.1	-38.6	-28.6
Deferred tax liabilities	19.1	0.0	0.0

3.2 – Deferred tax asset

Amounts in NOK millions	2004	2003	2002
Non-accommodated tax reducing differences	0.0	38.6	28.6
Non-accommodated carry forwards	0.0	0.0	4.4
Deferred tax asset	0.0	38.6	33.0

4

RECEIVABLES – BONDS AND OTHER RECEIVABLES, LONG TERM

Other receivables, totally NOK 4.0 millions includes NOK 4.0 millions in loan to SIVA Moelv Næringspark AS (4.0 in 2003), loans to employees NOK 0.0 million (0.1 in 2003) and loan to Aicher GmbH NOK 0.0 million (2.5 in 2003).

5

OTHER SHORT-TERM LIABILITIES

This post consists in large part of accrued expenses.

6

GUARANTEES/-COMMITMENTS

Amounts in NOK millions	2004	2003	2002
Loans guarantees/financial guarantees	123.2	104.6	519.8
Surety and repayment guarantees	98.5	102.4	100.7
Guarantees for employee tax deductions	31.7	29.3	30.7
Total	253.4	236.3	651.2

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	Machinery and plant	Fixtures and fittings, tools etc.	Total
Amounts in NOK millions	Land				
Acquisition value 1 January	3.7	53.7	3.0	64.3	124.7
Additions	0.0	0.2	1.2	3.9	5.3
Value at disposal	0.0	4.9	0.5	4.0	9.4
Acquisition value 31 December	3.7	49.0	3.7	64.2	120.6
Accumulated ordinary depreciations 1 January	0.0	33.6	1.7	15.8	51.1
Disposals accumulated depreciation	0.0	0.3	-0.2	3.6	3.7
Depreciations current year	0.0	3.0	0.4	7.7	11.1
Accumulated ordinary depreciations 31 December	0.0	36.3	2.3	19.9	58.5
Net book value 1 January	3.7	20.1	1.3	48.5	73.6
Net book value 31 December	3.7	12.7	1.4	44.3	62.1
Ordinary depreciation rates in per cent	-	2.5-10	10	20	-

Acquisition value and accumulated ordinary depreciations at 1 January includes merged subsidiaries.

8

WAGES, SALARIES AND PENSION COSTS/PENSION LIABILITIES

8.1 – Payroll expenses

Amounts in NOK millions	2004	2003	2002
Wages	20.5	14.7	13.2
Employer's national insurance contribution	3.2	3.0	2.4
Pension costs	8.3	1.8	2.9
Other contributions/other personnell costs, incl. amount charged to subsidiaries	0.7	0.2	1.1
Total	32.7	19.7	19.6

8.2 – Pension costs

Amounts in NOK millions	2004	2003	2002
Earnings for the year	2.9	2.3	1.9
Interest cost on pension liabilities	3.2	2.9	2.4
Pension costs (gross)	6.1	5.2	4.3
Expected return on pension funds	-3.9	-5.5	-5.1
Changes in estimates and deviation	5.1	1.5	3.7
Deferred employer's national insurance contributions	0.5	0.2	
Pension costs (net), insured and uninsured plans	7.8	1.4	2.9

8.3 – Pension liabilities

Amounts in NOK millions	2004	2003	2002
Balance at 1 January			
Accumulated earnings	26.8	21.6	31.5
Pensions based on future salary increases	3.0	2.3	2.7
Pension liabilities (gross)	29.8	23.9	34.2
Pension funds	-56.4	-73.6	-84.3
Uninsured employers' national insurance contributions	1.2	1.0	
Pension liabilities (net), surplus	-25.4	-48.7	-50.1
Balance at 31 December			
Pension liabilities (gross)	58.1	49.2	37.5
Pension funds (anticipated)	-59.1	-54.3	-69.4
Estimated change and variance, not charged	-20.9	-21.5	-17.7
Uninsured employers' national insurance contributions	1.7	1.2	
Pension liabilities (net), surplus	-20.2	-25.4	-49.6
Total net pensin funds, permissible insured schemes	-33.1	-34.7	-57.3
Insured schemes not allowed to be offset by over-financed schemes	12.9	9.3	7.7

The company's total pension liabilities (TBO) for insured schemes are estimated at NOK 72.3 millions at the end of 2004. 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 the 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

	2004	2003	2002
Return on pension funds	7.0 %	7.5 %	8.0 %
Discount rate	6.0 %	6.5 %	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 158 people, of whom 81 are active and 77 are pensioners. 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.

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. To assist the subsidiaries in connection with the assessment of risk regarding the purchase and sale of foreign exchange, and within the framework

defined by the Board, specific foreign currency positions may be used for internal exchanges. 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

Amounts in NOK millions	Type			Credit			Remaining term in months		
	2004	2003	2002	2004	2003	2002	2004	2003	2002
Drawing rights	-	252.4	363.8	-	139.0	-	-	-	24.0
Drawing rights	390.0	410.0	430.0	182.6	328.0	39.7	40.5	52.5	64.5
Drawing rights	400.0	400.0	-	159.8	-	-	48.0	60.0	-
Drawing rights	50.0	-	-	16.6	-	-	57.0	-	-
Term loan	102.7	127.4	129.2	102.7	127.4	-	5.0	17.0	29.0
Term loan	319.6	324.4	-	319.6	-	-	48.0	60.0	-
Total	1 262.3	1 514.2	923.0	781.3	594.4	39.7			

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. 2004
Moelven Industrier ASA owns					
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	2 000	20 000	20 006
Moelven Våler AS	100.0	48 000	4 800	48 000	48 006
Moelven Soknabruket AS	100.0	30 000	3 000	30 000	32 511
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	35 505
Moelven Hen AS	100.0	10 000	1 000	10 000	5 005
Moelven Romedal AS	100.0	10 000	1 000	10 000	10 005
Moelven Eidsvoll AS	100.0	8 500	850	8 500	18 500
Moelven Treinteriør AS	100.0	3 500	3 500	3 500	8 482
Moelven Byggfinansiering AS	100.0	1 000	100	1 000	6 200
Moelven Byggindustri AS	100.0	40 000	4 000	40 000	95 000
Moelven ByggModul AS	100.0	31 688	158 440	31 688	85 299
Moelven Portefølje AS	100.0	100	100	100	11 829
Moelven Elektro AS	100.0	12 000	40 000	8 000	12 000
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 197 046	19 704 581	SEK 197 046	241 406
Moelven Danmark A/S	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
Moelven Are AS	100.0	300	3 000	300	50 116
Total Moelven Industrier ASA					954 059
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	45 655
Moelven List AB	100.0	SEK 5 500	55 000	SEK 5 500	20 119
Moelven ByggModul AB	100.0	SEK 50 000	5 000	SEK 50 000	9 131
Moelven Norsälven AB	100.0	SEK 3 500	35 000	SEK 3 500	51 134
Moelven Ransbysågen AB	100.0	SEK 1 000	10 000	SEK 1 000	15 523
Moelven Värmlands Trä AB	100.0	SEK 3 000	3 000	SEK 3 000	30 041
Moelven Component AB	100.0	SEK 2 580	25 800	SEK 2 580	7 119
UJ-Trading AB	100.0	SEK 1 500	15 000	SEK 1 500	8 218
Lerans Såg AB	100.0	SEK 1 000	10 000	SEK 1 000	1 278
Skåre Kontorshotell AB	100.0	SEK 100	1 000	SEK 100	662
Moelven Wood AB	100.0	SEK 9 000	90 000	SEK 9 000	9 165
Modulpoolen i Sandsjöfors AB	100.0	SEK 100	1 000	SEK 100	29 822
Moelven Notnäs Wood AB	100.0	SEK 3 800	38 000	SEK 3 800	14 062
Plyfa Göteborg AB	100.0	SEK 250	100	SEK 250	548
Moelven Valåsen Wood AB	100.0	SEK 20 100	201 000	SEK 20 100	19 528
Moelven Valåsen AB	100.0	SEK 50 000	500 000	SEK 50 000	162 532
Moelven Dalaträ AB	100.0	SEK 20 000	200 000	SEK 20 000	73 048
Eurowand AB	100.0	SEK 40 000	40 000	SEK 40 000	55 334
Areco Holding Sweden AB	100.0	SEK 200	2 200	SEK 200	162 756
Mobilarum AB	100.0	SEK 100	1 000	SEK 100	22 113
Total Moelven Industrier AB					737 788

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. 2004
Edane Skogs AB owns					
Moelven Edanesågen AB	100.0	SEK 400	4 000	SEK 400	3 585
Total Edane Skogs AB					3 585
Areco Holding Sweden AB owns					
Moelven Nössemark Trä AB	100.0	SEK 300	3 000	SEK 300	10 254
Moelven Årjäng Såg AB	100.0	SEK 300	3 000	SEK 300	274
Moelven Tom Heurlin AB	100.0	SEK 1 500	1 500	SEK 1 500	25 914
Moelven Skog AB	80.0	SEK 3 200	400	SEK 3 200	3 652
Edane Skogs AB	100.0	SEK 100	1 000	SEK 100	33 030
Total Areco Holding Sweden AB					73 124
Mobilarum AB owns					
Moelven ByggModul Kil AB	100.0	SEK 1 000	10 000	SEK 1 000	3 105
Moelven ByggModul Torsby AB	100.0	SEK 630	9 000	SEK 630	1 096
Mobilarum Rental AB	100.0	SEK 2 000	20 000	SEK 2 000	2 032
Total Mobilarum AB					6 233
Moelven Byggindustri AS owns					
Nordia AS	100.0	22 000	2 200	22 000	52 710
Nordia Entreprise AS	100.0	232	232	232	4 150
Total Moelven Byggindustri AS					56 860
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 0	0
Total Mocon Holding AS					85 028
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	457
Moelven Byggfinansiering AB	100.0	SEK 275	2 750	SEK 275	251
Total Modulpoolen i Sandsjöfors AB					708
Moelven ByggModul AS owns					
Moelven ByggModul Kirkenes AS	70.2	200	20	200	5 000
Total Moelven ByggModul AS					5 000
Moelven Portefølje AS owns					
OOO Moelven Nor East	100.0	RUR 675	67	RUR 675	1
Total Moelven Portefølje AS					1

12

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. 2004
Aicher GmbH	49.0	EUR 435	49 000	EUR 370	0
Forestia Plater AS	9.9	100 000	99	9 900	8 000
Vamo AS	45.0	100	4 500	45	45
Moelven Elementbygg AS	66.7	600	4 000	400	46
Mjøskompetanse AS	15.4	130	2	20	20
SIVA Moelv Næringspark AS	40.0	20 000	8 000	8 000	8 000
Såkkorninvest AS	3.0	33 333	2 500	1 000	1 000
Støren Trelast AS	18.8	6 600	12 400	1 240	1 100
Others					500
Total Moelven Industrier ASA					18 711

13

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

Amounts in NOK 1 000	Share of ownership	Value at 1 Jan. 2004	Balance: Additions/Disp.	Value at 31 Dec. 2004	Share of profit
Vamo KS ¹⁾	40.5	49	-12	37	-12
Moelven Elementbygg KS	60.0	230	-	230	-
Total		279	-12	267	-12

1) Vamo KS has granted a loan to Moelven Industrier ASA amounting to NOK 0.7 million at 31 December 2004 (0.7 in 2003).

14

EQUITY

Amounts in NOK millions	Share capital	Share premium reserve	Own shares	Other equity	Net profit	Total
Balance at 1 January 2004	595.2	67.1	-15.4	106.0		752.9
Equity from merger of subsidiary		33.9		79.5		113.4
Correction deferred employers' national insurance contributions				35.2		35.2
Net profit					82.9	82.9
Allocation of net profit				63.5	-63.5	0.0
Issue of equity	52.5	65.6		-0.2		117.9
Sale of own shares		14.1	15.4	8.8		38.3
Provision for dividend					-19.4	-19.4
Payment of non-provision for dividends 2003				-1.1		-1.1
Balance at 31 December 2004	647.7	180.7	0.0	291.7	0.0	1 120.1

15

NUMBER OF EMPLOYEES

Average number of employees in 2004 was 46 (25 in 2003).

16

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

Amounts i NOK 1 000, paid during the year	2004	2003	2002
Auditor's fee	325.0	290.0	320.0
Consultancy fees to auditors for other services	273.0	552.7	114.4
Remuneration of board members	850.0	845.0	1 070.0
Remuniation of corporate assembly members	185.0	170.0	332.0
Salary to President and CEO	2 025.2	1 843.5	778.1
Other benefits to President and CEO	128.1	168.4	64.0
Salary to previous President and CEO	0.0	0.0	1 560.5
Other benefits to previous President and CEO	0.0	0.0	726.9

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

In 2004, the Auditor's fee for the Group as a whole amounted to NOK 3.9 millions (NOK 3.5 millions in 2003).

Auditor's report for 2004

We have audited the annual financial statements of Moelven Industrier ASA as of 31 December 2004, showing a profit of NOK 82.874.800 for the parent company and a loss NOK 1.755.000 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 2004, 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, 2 February 2005

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

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

Statement by the Corporate assembly

At a meeting on 2 February 2005, the Corporate Assembly considered the report of the Board of Directors and Managing Director and proposals for the annual accounts 2004 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 2004 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.

2 February 2005



Jaakko Punkari
Chairman of the Corporate Assembly

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Photo: Chris Harrison, Egil Bjerke, Pål Rødahl,
Anne Bergsengene, SK-foto/Seppo Kaksonen and
Ketil Jacobsen.
Cover: World's longest wooden bridge across
the Glomma river at Flisa, Norway. Moelven Limtre AS
delivered the bridge construction, based on
timber from Moelven Timber sawmills.
Photo: SK-foto/Seppo Kaksonen

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