



A n n u a l R e p o r t

2 0 0 2



Financial Calendar

1. Quarter Report 2003	5 May 2003
General Meeting	28 May 2003
2. Quarter Report 2003	28 August 2003
3. Quarter Report 2003	23 October 2003
4. Quarter Report 2003/	19 February 2003

Annual Report and Annual Accounts

Contents

Highlights of 2002	3
Company Profile	4
Key Figures and Financial Ratios	5

Annual Report and Annual Accounts

Directors' Report	6
Profit and Loss Account	10
Balance Sheet	11
Cash Flow Analysis	12
Notes	13
Auditor's Report	22
Corporate Structure	23
Product Areas	24

The turnover

for the Hjellegjerde Group amounted to a total of NOK 430.2 million against NOK 399.9 million in 2002.

The consolidated operating profit

The consolidated operating profit for the year amounted to a NOK 2.8 million against minus NOK 6.1 million for the prior year, an improvement of NOK 8.9 million. The operating margin was 0.7% against 1.5% in 2001.

Profit before tax for 2002 was minus NOK 12.5 million against minus NOK 18.4 million for the prior year.

Reorganisation

The reorganisational work designed to turn around the negative trend in profits has had the highest priority throughout the year 2002. The year's profits have been affected by internal improvements as well as worsened external framework conditions as a consequence of the strong krone, high interest rates, uncertainty in the international economy and stronger competition in the furniture markets, both at home and abroad. Expenses incurred as a result of the reorganisational efforts are being expensed on a running basis.

Organisational and structural changes

The company has implemented a number of structural changes throughout the year. Significant staff reductions have been carried out during the year in order to increase efficiency and specialise our production mechanism. A new subsidiary for the production of recliners and sofas was established in Lithuania. The stitching unit, Hjellegjerde Grodås, was wound up as at 31 December 2002 and production of the Scansit® product line will be conducted in Thailand and not be split as previously between Norway and Thailand. The majority interest in the wood product component manufacturer Hove D.K. Co. Ltd. was sold in June 2002.

In February 2003, the board hired Eldar Eilertsen (55) as the new Managing Director of Hjellegjerde ASA. Eilertsen has a degree in business administration and possesses extensive management experience, including as the Managing Director of Koppernæs AS and the Group Managing Director for the ODIM Group. His latest position was as the Marketing Director for Kleven Maritime AS.

A new and more results-oriented organisational chart has been implemented. (see page 23)

New strategic plan

The new strategic plan is preconditioned upon the extensive exploitation of the growth potential in the company's internationally oriented product lines – Northern Comfort®, Modi® and Scansit®.

The Hjellegjerde® Collection (sofas and recliners) will be concentrated on and developed for the Nordic markets.

The building up of permanent brand names and product concepts for these product lines will be given a high priority, including new studio solutions and customer-adapted training programmes.

The board and the management will focus on improving and optimising the basis for efficient and profitable operation by the phasing out of unprofitable products, reducing the number of variants and basic models, making capacity adjustments and specialising the Group's operating units. Hjellegjerde will continue with four specialised production units: in Sykkylven for the Northern Comfort® product line, in Stordal for Modi® and a specialised department for laminates, in Lithuania for the Hjellegjerde® Collection – sofas and related chairs adapted to the Scandinavian markets – and in Thailand for the Scansit® Collection.

Market focusing

and preparation of a clearer market profile have priority. The building up of brand names and product concepts for these product lines

- Northern Comfort®
- Modi®
- Scansit®
- Hjellegjerde®

will be given a high priority, including through the outplacement of new studio solutions and customer-adapted training programmes.

The company wishes to thank all its **employees** for an enormous contribution and commitment to the company during the turbulent year that has passed. Without its talented and motivated employees, Hjellegjerde would not be in a position to meet the challenges of the future in the furniture market, where an ability to continually adjust and improve is more necessary than ever before.



Mission

Hjellegerde's mission is to meet the quality-conscious requirements of discerning interior design customers for functional, comfortable and properly designed furniture for seating on the international market. The product content shall be based on holistic and conceptual solutions that are perceived as additional value for the customer.

The building up of permanent brand names and product concepts for these product lines will be given a high priority, including new studio solutions and customer-adapted training programmes.

The expertise in strategic marketing and product development will be focused and localised at the company's head office in Sykkylven, however with product development competence locally where deemed necessary.

Hjellegerde will conduct the production of furniture based on knowledge, technology and the local network in Sunnmøre. Hjellegerde will operate four specialised production units: in Sykkylven for the Northern Comfort® product line, in Stordal for Modi® and a specialised department for laminates, in Lithuania for the Hjellegerde® Collection – sofas and related chairs adapted to the Scandinavian markets – and in Thailand for the Scansit® Collection.

The organisation and the working methods are to be decentralised and involving. Furthermore, the company is to be developed based on flexibility, quality and zest.

Hjellegerde's direct customers will be furniture dealers. A high level of knowledge concerning the market will be attained at the dealer level. The Group's production units will also be able to act as sub-suppliers of components to other production companies.

The Company

Hjellegerde started up its business in 1941. Today, Hjellegerde is a leading quality producer of upholstered furniture. Hjellegerde supplies lounge chairs and lounge suites to both the domestic and foreign furniture markets. In 1998, the company took over the company Hove Møbler AS in Stordal with the accompanying activity in Asia. In 2000, Hjellegerde expanded its activities in Asia and established a new factory in Thailand for the production of lounge chairs. The factory had its first full year of operation in 2001. At the end of 2001, Hjellegerde purchased the companies Modi Skandinavia AS in Stordal and Tynes Møbler AS in Sykkylven. In 2002, Hjellegerde established a production unit in Lithuania for the production of recliners. The new subsidiary, UAB Hjellegerde Baltija, was fully operational beginning in July 2002.

The company's production units in Sykkylven, Stordal, Rayong and Panevezys have modern technology and competent employees at their disposal. Separate sales organisations have been established for the most important market areas – Scandinavia, Central Europe and the USA. Hjellegerde USA Inc. also functions as a warehouse and assembly unit for the North American market. Hjellegerde ASIA Co., Ltd. is responsible for serving and developing the Asian markets.

Two-thirds of the turnover goes to markets outside Norway.

The Business Activities

The business activities of Hjellegerde are divided into four product areas:

- Modi®
- Northern Comfort®
- Scansit®
- Hjellegerde®

Further information about the product areas, corporate structure and organisation is found on pages 23–27.

Financial Targets

Hjellegerde shall ensure returns to its owners via profitable operation and via securing earned assets.

The long-term financial targets are:

A return on total assets of 17%.
An operating margin of 10%.
Net pre-tax profit 8%.

A total asset turnover of 1.7x.
Liquid reserve equal to 10% of turnover.

Shareholder Policy

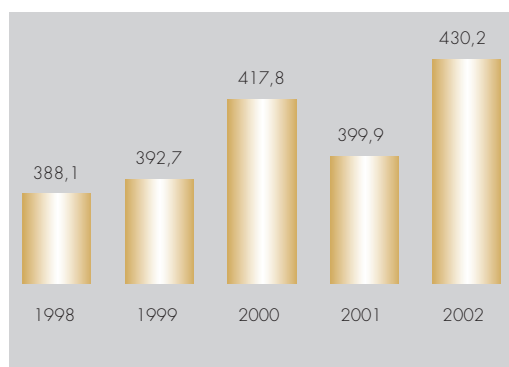
Hjellegerde's objective is to manage the shareholders' assets so that the return, measured as the sum total of dividend and share price increase, is competitive compared with alternative investments. A total of 25-30% of the profit after tax is to be distributed as dividends, however, with due consideration to the necessary level of investments and rate of growth.

Key Figures and Financial Ratios

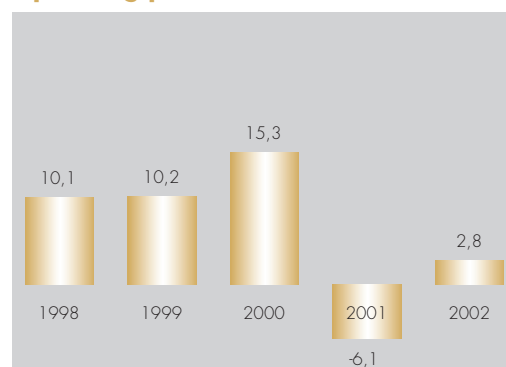
The Group

		2002	2001	2000	1999	1998
Turnover	MNOK	430,2	399,9	417,8	392,7	388,1
Export	MNOK	273,6	266,3	249,8	204,2	174,6
Operating profit	MNOK	2,8	-6,1	15,3	10,2	10,1
Operating margin		0,7 %	-1,5 %	3,7 %	2,6 %	2,6 %
Profit before tax	MNOK	-12,5	-18,4	5,3	10,6	5,0
Return on equity before tax	%	-9,3 %	-12,2 %	3,4 %	13,2 %	6,3 %
Profit margin (% of turnover)		-2,9 %	-4,6 %	1,3 %	2,7 %	1,3 %
Equity capital	MNOK	123,7	143,9	157,7	160,7	157,9
Equity ratio (% of total assets)		41,2 %	39,2 %	43,4 %	48,9 %	49,2 %
Number of employees 31.12		526	717	736	659	669
Number of man-years		449	613	634	579	588
Investments	MNOK	9,3	12,7	18,3	18,9	10,4
Depreciation	MNOK	16,6	15,6	13,3	13,4	12,7
Number of shareholders		1020	1061	1065	1123	1170

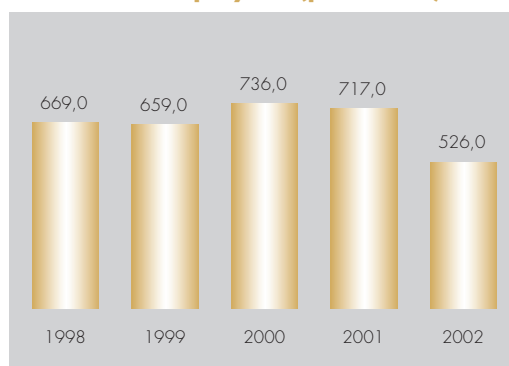
Turnover



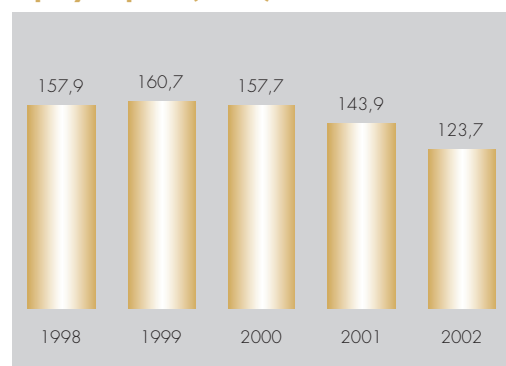
Operating profit



Number of employees (per 31.12)



Equity capital (book)



Directors' Report

The reorganisational work designed to turn around the negative trend in profits has had the highest priority throughout the year 2002.

The board and administration have carried out a process during the latter part of 2002 which was concluded in the fourth quarter with a revised strategic plan and decisions to focus the company further.

In the future, the company will focus to a greater extent on its good position internationally and cultivate its competitive advantages related both to the product concepts as well as to the production and logistics solutions. This new strategy plan is predicated upon the extensive exploitation of the growth potential in the company's internationally oriented product lines – Northern Comfort®, Modi® and Scansit®.

The Hjellegjerde® Collection (sofas and recliners) will be concentrated on and developed for the Nordic markets.

The building up of permanent brand names and product concepts for these product lines will be given a high priority, including new studio solutions and customer-adapted training programmes.

The expertise in strategic marketing and product development will be focused and localised at the company's head office in Sykkylven, however with product development competence locally where deemed necessary.

The year 2002 has been marked by sweeping changes in the production structure of the Group, in part due to decisions made in 2001 as well as to adjustments to the strategic direction decided upon by the board.

In December 2001, Hjellegjerde purchased Modi Skandinavia AS and Tynes Møbler AS. The activities in these companies were fully integrated into the Hjellegjerde Group during the first and second quarters. The Sitwell® Collection of Tynes Møbler AS was rounded out with Hjellegjerde's senior products and their production transferred to Hjellegjerde's production unit in Sykkylven. The production facilities of Tynes Møbler were sold in September. During the fourth quarter, the company entered into an agreement with

Contract Møbler AS on the sale of the Sitwell® Collection. Transfer of the activity took place 1 January 2003.

All essential aspects of the activities of Modi Skandinavia AS have been continued during 2002. The company will become the Group's specialised unit for the production of the Modi® Collection. A focused Modi® Collection represents an innovative and attractive design that will be integrated in the Hjellegjerde total rest concept.

In order to improve the earnings and the ability to compete with the Relaxer product line, it was decided during the first quarter that production of these product Group would be moved from the Norwegian subsidiary of Hove Møbler AS to the newly established subsidiary in Lithuania (UAB Hjellegjerde Baltija). The move was carried out as planned with production starting in June. The company has achieved its goals and at the end of the year was already making a positive contribution to the creation of value within the Group.

Production of the Scansit® product group has up to now been divided between production in Norway at Hove Møbler AS and Hjellegjerde's production unit in Thailand. As an element of the company's strategy of concentrating its activities and specialising its factory facilities, the board decided in October to transfer the Scansit production at Hove Møbler AS in Stordal to Hjellegjerde ASIA Co. Ltd. in Thailand. The move will be carried out during the first quarter of 2003 and will encompass all Norwegian production, excepting customer-specific orders for the Scandinavian markets which are more easily and rapidly executed via the production unit in Sykkylven.

Hove Møbler AS will be cultivated into a competency centre for the development and production of laminates – first and foremost for use in the Hjellegjerde Group's own product groups, but also as a quality supplier to other manufacturers.

Activity at the Group's stitching division in Hornindal was discontinued on 31 December 2002. In June, Hjellegjerde ASA entered into an agreement on the sale of all its

shares (60%) of Hove D.K. Co., Ltd. in Bangkok, Thailand. Hove D.K. was a supplier of Scansit components to the company's production units in both Norway and Thailand, as well as being a contract furniture supplier in the Asian market. Hjellegjerde will concentrate its management-related resources around one unit in Thailand and has in conjunction with its sale of Hove D.K. Co., Ltd. increased its ownership interest in Hjellegjerde ASIA Co., Ltd. to 100%. Hove D.K. will in the future continue to be a supplier of wood components to Hjellegjerde ASIA Co. Ltd.

All these changes in the production structure were carried out in order to specialise and cultivate the production units. Hjellegjerde will carry on the operation of four specialised production units:

1. In Sykkylven for the Northern Comfort® product line.
2. In Stordal for Modi® and a specialised division for laminates.
3. In Lithuania for the Hjellegjerde® Collection – sofas and related chairs adapted for the Scandinavian markets.
4. In Thailand for the Scansit® Collection.

The change in the production structure has led to a significant reduction in the staff, a total of 164 man-years. In the Norwegian companies, the staff was reduced by 100 man-years from 378 man-years at the start of the year to 278 as at 31 December 2002. The staff in the foreign companies were reduced by 64 man-years from 235 man-years at the start of the year to 171 as at 31 December 2002, principally as a consequence of Hove D.K. Co. Ltd. leaving the Group (123 man-years) and UAB Hjellegjerde Baltija being added with 60 employees.

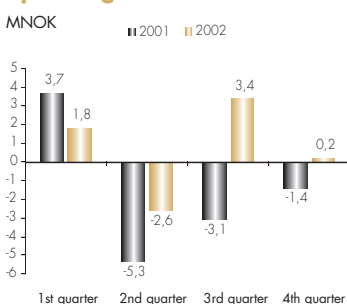
Based upon a weaker trend in volume than had been expected at the start of the year, a significant reduction was carried out in the number of products and product variants. Hjellegjerde's product line now presents itself as being more compact and structured. This will simplify the work in the future towards more specialised and conceptualised product lines.

Development in Profit

The consolidated operating profit amounted to NOK 2.8 million in 2002 against minus NOK 6.1 million in 2001. The operating margin was 0.7% against minus 1.5% in 2001. Net financial costs amounted to NOK 15.3 million against NOK 12.3 million in 2001, making the profit before tax a minus NOK 12.5 million in 2002 against minus NOK 18.4 million in 2001.

The company's profitability is not satisfactory. Various measures have been implemented throughout the year in order to turn around the negative trend in results.

Operating result



Profits have been affected by internal improvements as well as worsened external framework conditions as a consequence of the strong krone, high interest rates, uncertainty in the international economy and stronger competition in the furniture markets, both at home and abroad. Expenses incurred as a result of the reorganisational efforts are being expensed on a running basis.

The Group's cost of sales as a percentage of turnover for 2002 increased to 42.1% from 40.3% in 2001. The Group's cost of sales is increasing as a consequence of the integration of Modi and Tynes with the associated redirection in the sales mix towards lounge chairs and products with a relatively higher share of components.

The Group's payroll costs are trending in a positive direction as a consequence of the reorganisation of the production mechanism. The payroll costs were reduced by 1.7 percentagepoints, from 28.5% in 2001 to 26.8% in 2002.

Other operating costs have trended in a positive manner. The share of other operating costs was reduced by 2.2

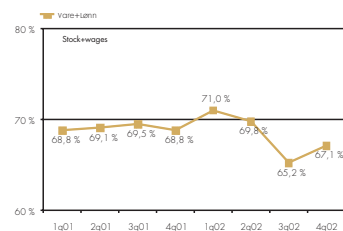
percentagepoints, from 28.8% in 2001 to 26.6% in 2002. The positive trend is reinforced when regard is paid to the expenses of the international efforts, an increased export volume and that the reorganisation and integration expenses incurred throughout the year have been expensed on a running basis.

The increase in financial expenses is due to a higher average degree of debt after the acquisitions of Modi and Tynes as well as a generally higher level of interest.

Development in the Quarters of the Year

After a first quarter with positive operating results, the company reported negative operating results for the second quarter. The main reasons were a weakness in volume, overcapacity, expenses of commenced restructuring activities and continued relatively high operating expenses as a consequence of an increased volume of exports and the company's international efforts. The effects of the different restructuring measures and the reductions in staff only first became visible during the course of the second half-year.

A graphical presentation of the total expenses for stocks and wages per quarter illustrates the underlying positive trend in the company's earnings for 2002.



Development in the Balance Sheet

The consolidated balance sheet for the Group has shown a positive trend, and has been reduced by NOK 66.5 million from NOK 366.6 million at the start of the year to NOK 300.1 million at the end of the year.

Outstanding trade debts have been reduced by NOK 12.4 million since the start of the year. Also, stocks in trade were reduced by NOK 22.4 million. Short-term debt was reduced by NOK 32.8 million, whereas interest-bearing debt was reduced by

NOK 11.4 million to NOK 136.3 million at the end of the year. The liquidity has been satisfactory throughout large parts of 2002, and the liquidity reserves amounted to NOK 22.4 million at the year-end (including unused drawing rights). NOK 6.7 million of the long-term debt falls due for payment in the course of 2003. The short-term interest-bearing debt consists primarily of the use of drawing rights with our principal banker.

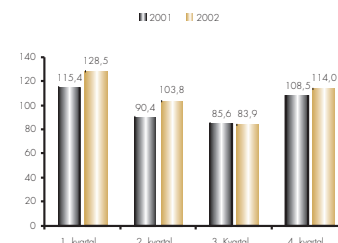
The Group's equity capital amounts to NOK 123.7 million. This is equivalent to an equity ratio of 41.2%. As regards the relation between market capitalisation and the equity on the books, see note 6.

Work with reducing the company's tied-up capital has been central in 2002. Assets that are not regarded as being necessary to operate the company's core activities have been sold.

Market Development

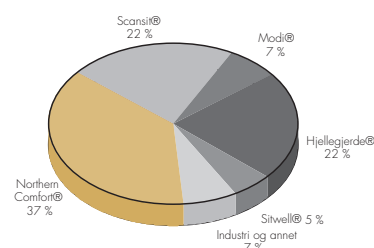
The Group's turnover in 2002 amounted to NOK 430.2 million against NOK 399.9 million in 2001 (7.6%).

Turnover



The export share was 63.6% against 66.6% in 2001. The reduction in the export share is a result of the integration of the Sitwell® and Modi® Collections. Tynes Møbler AS and Modi Skandinavia AS have focused to a greater extent on the Norwegian market.

Turnover for the Group's internationally oriented areas of effort – Northern Comfort®, Scansit® and Modi® – is showing a positive trend in most



markets. The product groups are increasing in their relative significance to Hjellegjerde and now account for two-thirds of the turnover.

In contrast, the Nordic markets have exhibited a somewhat weaker trend throughout 2002. The product groups that dominate the Scandinavian markets – sofas, recliners and Sitwell® – have declining sales in comparison with the prior year.

Competitive Situation

Internationally, the competitive situation in the company's market segments has continually become sharper in recent years. Hjellegjerde has nevertheless maintained and enhanced its position in the most important markets within its segments. The Board of Directors is of the opinion that Hjellegjerde's position and possibilities internationally are good. Hjellegjerde has unique competitive advantages attached to both its internationally directed product concepts as well as its production and logistical solutions.

The competition on the Norwegian market has been difficult and Hjellegjerde has shown a decline during the past year.

Staff and Working Conditions

As at the end of the year, the Hjellegjerde Group had 526 employees, equivalent to 449 man-years. At the same point in time last year, the figures were 717 employees and 613 man-years – a reduction of 191 employees.

The decrease in the number of employees and man-years is primarily due to the adjustment and reorganisation work that has been carried out on the production mechanism through all of 2002.

Hjellegjerde will pursue an active staff policy to ensure access to qualified employees. The intention of the company is to ensure the right conditions for providing its employees with interesting tasks and opportunities for vocational and personal development. This is necessary to ensure that a loyal workforce is maintained and to ensure that Hjellegjerde will continue to be regarded as being an attractive, secure employer.

Health, Safety and Environmental Work

Continuous work is being carried on to improve routines attached to internal control of health, environment and safety. The companies in the Group give high priority to the health and safety work and to the internal and external environmental protection work. Own committees have been set up to carry out considerable work in this field. The Norwegian production companies are attached to the Occupational Health Service.

The co-operation with the employees' organisations has been constructive and has contributed positively during a turbulent year. The process of comprehensive restructuring has created uncertainty and consequences for many of the Group's employees. Since the most significant structural changes has now been carried out and the new structure has become familiar and been placed into operation, the board regards the general working environment as satisfactory. The physical working environment must be characterised as good.

The rate of absence due to illness in the Group's Norwegian units was 9.5% in 2002 against 7.5% the prior year. The units in the Group have continuous follow-up on absence due to illness and have introduced measures to reduce both short-term and long-term absence due to illness. Individual handling and follow-up will be the single most important measure going forward.

No cases of damage to equipment or major personal injuries have been sustained or reported during the year.

Hjellegjerde is to be an environmentally friendly company that is committed to the recycling of waste and use of environmentally friendly materials. The products are primarily made of and with natural materials and processes such that the degree of pollution during and after production is minimal. The companies in the Group handle production waste in accordance with existing regulations and in an environmentally friendly and secure manner.

Shareholders

Hjellegjerde ASA has been listed on the Oslo Stock Exchange since October 1997 and at the end of the

year had 1020 shareholders and 4,655,100 shares outstanding. The 20 largest shareholders had an ownership interest of 65% of the shares as at the year-end.

Due to the loss for the year, the board will propose at the General Meeting on 28th May 2003 that dividends not be paid for the 2002 financial year.

A list of the company's largest shareholders and the number of shares owned by members of the Board of Directors as at 31 December 2002 are shown in note 13.

Going Concern

The annual report and accounts have been presented based on a going concern assumption. The assumption is based on profit forecasts for the year 2003 and the Group's long-term strategic forecasts for the years to come.

Allocation of the Profit for the Year

The profit for 2002 in Hjellegjerde ASA has been allocated as follows (TNOK):

Profit before tax	(668)
Tax cost	(186)
Profit for the year	(482)

The profit for the year will be allocated to other reserves.

Group contribution made amounted to NOK 11 394 (after tax).

Prospects

The company has carried out a number of structural changes during 2002.

In February 2003, the board hired Eldar Eilertsen (55) as the new Managing Director of Hjellegjerde ASA. Eilertsen has a degree in business administration and possesses extensive management experience, including as the Managing Director of Koppernæs AS and the Group Managing Director for the ODIM Group. His latest position was as the Marketing Director for Kleven Maritime AS.

Hjellegjerde will continue with four specialised production units: in Sykkylven for the Northern Comfort® product line, in Stordal for Modi® and a specialised department for laminates, in Lithuania for the Hjellegjerde® Collection – sofas and related chairs

Directors' Report

adapted to the Scandinavian markets – and in Thailand for the Scansit® Collection.

The board and the management will focus on improving and optimising the basis for efficient and profitable operation by the phasing out of unprofitable products, reducing the number of variants and basic models, making capacity adjustments and specialising the Group's operating units.

Market-related focusing and the preparation of a clearer market profile for four priority product lines:

Northern Comfort®
Modi®
Scansit®
Hjellegjerde®

The building up of brand names and product concepts for the four priority product groups will be given a high priority. The market concepts will be reinforced, including through the outplacement of new studio solutions and customer-adapted training programmes.

A new and more results-oriented organisational chart has been implemented (see also page 23). The Group's corporate structure and organisation have been divided up into 2 results areas;

i) The international results area with 4 main markets (Germany, France, the UK and the US). The international results area will be the developer of

Hjellegjerde's lounge chair and functional sofa concept. (Northern Comfort®, Modi®, Scansit®)

ii) The Scandinavian results area, which owns the Hjellegjerde® Collection (sofas and related chairs) with Scandinavia as its area of focus.

The company's product development function will be centralised and will clearly have a market orientation in its development of products and concepts. Products and the product concepts will be differentiated in relation to the competition by the use of tangible comfort, design and functional elements. Products and components must be adapted to the Group's production mechanism so that production can take place rationally at the lowest possible unit cost. Products and concepts must to the greatest possible extent be produced by using standard components. The number of standard components must be limited as much as possible.

The organisational and management development work will be given priority in the years to come. Creating effective working methods and an effective management structure and further developing competent managers will be priority tasks for the company. Core areas for the development of competence are international market management, brand name

building, design and product development, logistics and IT, as well as world class manufacturing.

In order to ensure the requisite financial freedom to act as well as to reduce the total debt of the company, the work with reducing the company's tied-up capital continued through a further reduction of stock in trade and trade debts. Investments oriented towards the market, brand and product concepts will be prioritised for released and possibly new capital.

On-going reorganisation will primarily be carried out during the first half of 2003.

The board expects that the company's results will continue to develop in a positive direction.

In the opinion of the Board of Directors, the annual accounts and the annual report contain all the information that is required in order to evaluate the result and financial position of the company and the Group. Except for the above points no events have occurred after the end of the accounting year that, in the opinion of the Board of Directors, are of importance to the evaluation of the company and the Group.

Sykkylven, 31.12.02 / 24.03.03



Svein Tømmerdal
Svein Tømmerdal
Chairman of the Board



Eldar Eilertsen
Eldar Eilertsen
Managing Director



Trine Garshol
Trine Garshol
Employee Director



Rolf Hjellegjerde
Rolf Hjellegjerde



Monica Håvik
Monica Håvik
Employee Director



Rolf Wedding
Rolf Wedding

Profit and Loss Account

(All figures in TNOK)

HJELLEGJERDE ASA			THE GROUP	
2002	2001	note	2002	2001
-	-			
20 893	15 520			
20 893	15 520			
-	-			
3 762	4 626			
9 048	8 871			
2 566	3 144			
15 376	16 641			
5 517	(1 121)			
-	4 945			
15 092	-			
-	4 415			
6 646	2 077			
12 000	-			
592	488			
11 313	6 470			
4 018	1 586			
(6 185)	2 893			
(668)	1 773			
(186)	343			
(482)	1 430			
-	-			
(482)	1 430			


HJELLEGJERDE ASA			THE GROUP	
2002	2001		2002	2001
(0,1)	0,3	Earnings per share	(NOK) (1,9)	(2,5)
4 655 100	4 655 100	Average number of shares issued	4 655 100	4 655 100
-	-	Dividend	(TNOK) -	-
11 394	4 209	Group contribution	(TNOK)	
(482)	1 430	Transferred to other equity capital	(TNOK)	

Balance Sheet

(All figures in TNOK)

HJELLEGJERDE ASA			THE GROUP		
31.12.02	31.12.01		31.12.02	31.12.01	
ASSETS					
Capital assets					
-	-	Deferred tax advantage	11	12 442	8 400
-	-	Total intangible assets		12 442	8 400
47 937	51 800	Land, buildings and other real property	6	98 525	123 340
18 884	19 060	Plant and machinery	6	31 492	34 793
5 193	6 378	Operating equipment, fixtures, tools, office machinery	6	11 450	12 045
72 014	77 239	Total fixed assets		141 467	170 179
-	-	Investments in subsidiaries	7	-	-
61 930	61 565	Loans to companies of the same group	10	-	-
47 849	39 847	Investments in shares and units	8	2 131	888
2 050	808	Net pension funds	4	-	-
2 604	2 815	Total financial capital assets		2 131	888
114 433	105 035	TOTAL CAPITAL ASSETS		156 040	179 467
186 447	182 273				
Current assets					
-	-	Total stocks	3	58 170	80 546
-	-	Trade debtors		61 502	73 874
6 652	10 375	Other debtors	10	8 130	7 917
6 652	10 375	Total accounts receivable		69 632	81 791
57 849	37 078	Cash and cash equivalents		16 269	24 847
64 501	47 453	TOTAL CURRENT ASSETS		144 071	187 183
250 948	229 726	TOTAL ASSETS		300 111	366 650
EQUITY CAPITAL AND LIABILITIES					
Equity capital					
46 551	46 551	Share capital	13	46 551	46 551
55 966	55 966	Share premium reserve		65 678	65 678
102 517	102 517	Total contributed equity capital		112 229	112 229
26 844	27 327	Other reserves		11 446	25 549
26 844	27 327	Total retained earnings		11 446	25 549
-	-	Minority interests		-	6 093
129 362	129 844	TOTAL EQUITY CAPITAL	12	123 676	143 871
Liabilities					
-	-	Pension liabilities	4	1 073	1 288
3 890	8 507	Deferred tax	11	-	3 515
-	-	Other provisions and commitments		2 456	5 606
3 890	8 507	Total provisions and commitments		3 529	10 409
90 093	83 089	Debt to credit institutions	9	92 399	98 511
90 093	83 089	Total long-term debt		92 399	98 511
-	-	Debt to credit institutions		43 921	49 222
-	830	Trade creditors	9	12 397	25 950
-	-	Tax payable	11	283	943
2 420	288	Due public contributions		4 870	8 722
15 825	5 846	Group contribution		-	-
9 358	1 322	Other short-term debt		19 036	29 022
27 603	8 286	Total short-term debt		80 507	113 858
121 586	99 883	TOTAL LIABILITIES		176 435	222 779
250 948	229 726	TOTAL EQUITY CAPITAL AND LIABILITIES		300 111	366 650

Sykkylven, 31.12.02 / 24.03.03


Svein Tammerdal
Chairman of the Board


Eldar Eilertsen
Managing Director


Trine Garshol
Employee Director


Rolf Hjellegjerde


Monica Håvik
Employee Director


Roar Wedding

Cash Flow Analysis

(All figures in TNOK)

HJELLEGJERDE ASA			KONSERNET	
2002	2001		2002	2001
		Cash Flow from operations		
(668)	1 773	Profit before tax	(12 506)	(18 365)
-	(231)	Tax paid for the period	(220)	(3 037)
(5 393)	-	Gain on sale of fixed assets	(709)	-
9 048	8 871	Ordinary depreciation	16 554	15 607
12 000	-	Write-down of fixed assets	-	-
-	(1 374)	Difference between expenditure entered and payments made on pension schemes	(215)	(176)
-	-	Change in stocks	22 375	402
-	-	Change in debtors	12 371	4 463
(830)	830	Change in creditors	(13 553)	3 793
5 889	2 305	Change in other accruals	(17 201)	4 917
20 046	12 174	Net liquidity change from operations	6 896	7 605
		Cash Flow from investments		
2 724	245	Payments received from sale of fixed assets	11 898	740
(4 628)	(1 148)	Payments made on purchase of fixed assets	(9 299)	(8 426)
5 635	-	Net liquidity change from purchase/sale of subsidiaries	(5 417)	-
(4 165)	-	Payments made on purchase of shares in other companies	(1 243)	-
(433)	(903)	Net liquidity change from investments	(4 061)	(7 686)
		Cash Flow from financing		
16 000	-	Payments received from long-term debt raised	16 000	8 599
(8 996)	(5 945)	Payments made on repayment of long-term debt	(22 113)	(12 974)
-	-	Net change in overdraft facility	(5 301)	9 083
(5 846)	(8 319)	Payments of group contribution	-	-
1 158	(14 264)	Net liquidity change from financing	(11 414)	4 708
20 771	(2 993)	Net change in cash and cash equivalents	(8 578)	4 627
37 078	40 071	Cash and cash equivalents 01.01.	24 847	20 220
57 849	37 078	Cash and cash equivalents 31.12.	16 269	24 847

NOTE 1 Accounting principles

The annual accounts have been prepared in conformance with the 1998 Company Accounts Act and generally accepted accounting policies.

CONSOLIDATION

The consolidated accounts comprise the parent company and the companies in which Hjellegjerde ASA owns more than 50% of the shares directly or indirectly or has a significant influence in the subsidiary.

This applies to the following companies and ownership interests:

Hjellegjerde ASIA Co., Ltd.	100 %
Hjellegjerde Contract AS	100 %
Hjellegjerde Europe GmbH	100 %
Hjellegjerde France SARL	100 %
Hjellegjerde Grodås AS	100 %
Hjellegjerde Møbler AS	100 %
Hjellegjerde Rauma AS	100 %
Hjellegjerde USA Inc.	100 %
Hove Møbler AS	100 %
Isfjorden Industribygg AS	100 %
Modi Scandinavia AS	100 %

Hove D.K. Co. Ltd. left the Group after Hjellegjerde ASA entered into an agreement on the sale of its shares (60%) to a consortium of minority shareholders. The shares were sold for NOK 5.6 million and resulted in a loss on a consolidated basis of NOK 2.1 million.

In connection with the consolidation of foreign companies, the profit and loss accounts have been translated into Norwegian kroner at an average exchange rate for the accounting period, whereas the balance sheet figures have been translated at the exchange rate as at the balance sheet date.

Translation differences are entered directly against the equity capital. The same applies to the effect of exchange rate changes on loans in subsidiaries' reporting currency, which have been raised to hedge the balance sheet value of the Group's investments in the subsidiaries. All significant intragroup transactions and accounts have been eliminated.

**PROFIT AND BALANCE SHEET
Operating income**

The entry of revenues for the sale of goods occurs at the point in time of delivery. The consolidated accounts

include the net gain/loss on forward contracts as sales income, as the company regards this as a method to secure payments of sales income from foreign customers. Discounts, bonuses and cash discounts have been deducted from the sales income.

Provisions for guarantees for goods supplied amount to NOK 3.6 million.

Foreign currencies

Financial items in foreign currencies have been valued at the exchange rate at the end of the financial year. Long-term debts in foreign currencies that are used for the financing of foreign subsidiaries, and which reduce the currency risks associated with these investments, will be entered at the exchange rate on the date of the balance sheet. In the consolidated accounts, the difference in the exchange rate on this debt will be posted directly against the equity capital as a conversion difference, whereas exchange rate differences in the company accounts are accounted for on the profit and loss statement.

Trade debtors

Trade debtors and other debtors have been booked at nominal amount less estimated loss. Provisions for bad debts have been made.

Stocks

Stocks have been valued at the lower of original cost/manufacturing cost and estimated sales value less sales costs. Manufacturing cost comprises direct materials and direct pay plus ordinary indirect costs in the Manufacturing Departments. A deduction has been made for dead stocks.

Fixed assets

Fixed assets have been entered under assets in the balance sheet at original acquisition cost plus prior year write-ups less accumulated depreciation. Ordinary depreciation has been calculated on a straight-line basis over the useful life of the fixed assets.

Shares in subsidiaries is treated according to the cost-method in Hjellegjerde ASA's accounts.

Pension liabilities

Pension expenses and pension liabilities are computed in accordance with

a linear accrual of benefits subject to conditions concerning the discount rate, future wage adjustments, pensions/benefits from the National Insurance scheme, future returns on pension funds as well as actuarial conditions concerning mortality, voluntary resignation, etc.

Pension funds are valued at actual value and deducted in net pension obligations on the balance sheet. Changes to the liability which are due to changes in pension plans are distributed over the presumed remaining benefit accrual period. Changes in the liability and the pension funds which are due to changes in and deviations from the computational assumptions (estimate changes) are distributed over the presumed average remaining benefit accrual period if the deviation at the beginning of the year exceeds 10% of the largest of gross pension liabilities and pension funds.

With the accounting-related treatment of pensions, the linear benefit accrual profile and expected ending wage are used as the basis. Changes to the plan are amortised over the expected remaining benefit accrual period. The same is the case for estimate deviations to the extent that they exceeded 10% of the largest of the pension liabilities and the pension funds (corridor).

Tax cost and deferred tax

The tax cost in the profit and loss account comprises both tax payable and change in deferred tax for the period. Deferred tax is computed at 28% based on the temporary differences which exist between accounting-related and tax-related valuations, as well as tax-related losses to be carried forward at the end of the financial year. Temporary tax-increasing and tax-reducing differences which are reversed or can be reversed during the same period are offset. Net deferred tax benefits are capitalised to the extent that it is probable that such can be beneficial.

Other notes

The information provided in the notes concerns Group figures unless otherwise stated.

NOTE 2 Sales income

TNOK	Hjellegerde ASA		The Hjellegerde Group	
	2002	2001	2002	2001
Geographical distribution				
Norway	0	0	159 121	131 629
The rest of the Scandinavian countries	0	0	35 703	35 355
Germany, Austria, the Netherlands, Switzerland and Italy	0	0	121 327	120 404
France, Belgium and Spain	0	0	45 623	37 176
USA	0	0	50 773	58 954
Asia and other	0	0	17 663	16 404
Total	0	0	430 209	399 922

NOTE 3 Stocks

TNOK	Hjellegerde ASA		The Hjellegerde Group	
	2002	2001	2002	2001
Stocks of raw materials	0	0	34 474	40 480
Stocks of work in progress	0	0	9 751	14 503
Stocks of own-manufactured finished goods	0	0	12 707	25 116
Commodities and advance payments, suppliers	0	0	1 238	447
Total	0	0	58 170	80 546

Raw materials have been valued at the lower of original cost and estimated sales value less sales costs. Work in progress and finished goods have been valued at manufacturing cost. A deduction has been made for dead stocks.

NOTE 4 Payroll costs and social costs

Payroll costs and other staff costs consist of costs attached directly to remuneration of employees and shop stewards, costs attached to pensions for both present and former employees and public contributions attached to employment. The costs for the Group consist of the following:

TNOK	2002	2001
Pay and holiday pay	100 350	98 283
Employers' contributions	12 219	12 128
Social costs	2 257	2 802
Pension costs	471	622
Total	115 297	113 835

The Group's pension schemes comprise the following:

- A Norwegian employees in the Group are covered by a Contractual Pension Scheme (AFP). The pension scheme has been treated as a payment plan, and the cost for the year, NOK 470,855.00, has been calculated by an independent actuary. The level of the payment is the contract's minimum from 62-67 years.
- B Employees in the subsidiary Hove Møbler AS are covered by a collective pension insurance scheme.
- C Hjellegerde ASA has securities-financed pension liabilities for 5 persons. These schemes are covered by insurance. The pension insurance is overfinanced. The overfinancing has been valued, and it has been assumed in the accounts that it will be possible to utilise all overfinancing due to the continuous development that takes place in the Group's activities and organisation.

The assumptions on which the actuarial calculations have been based are as follows:

	2002	2001
Discount rate	7,0 %	7,0 %
Anticipated yield	8,0 %	8,0 %
Wage increases	3,0 %	3,0 %
Inflation	3,0 %	3,0 %
Yearly adjustment	2,5 %	2,5 %
AFP utilisation rate	30,0 %	30,0 %

Composition of pension costs for the year (Group)	2002	2001
Current value of pension earned for the year	872	686
Interest cost of incurred pension liability	634	649
Estimated return on pension funds	(788)	(797)
Employers' contributions entered as expenditure	31	97
Amortisation of estimation change	(279)	(12)
Pension costs for the year	471	622

Balance sheet entries	2002	2001
Estimated value of incurred pension liability	10 285	10 979
Estimated value of pension funds	10 574	10 824
Net pension liabilities entered in the balance sheet	(289)	155
Estimate changes and employers' contributions	1 362	1 133
Net pension liabilities group	1 073	1 288

In addition to the pension insurance policies, there is also a conditional agreement on early retirement benefits for up to two years for three employees in the Group. The agreements can only be triggered by the Group, and the total liability under these agreements may amount to a maximum of NOK 0.7 million per person. The Managing Director has no agreement concerning early retirement benefits.

NOTE 5 Other operating costs

TNOK	Hjellegjerde ASA		The Hjellegjerde Group	
	2002	2001	2002	2001
Freight	-	-	22 410	20 864
Sales costs and administrative expenses	-	-	12 008	11 165
Travel and transport	571	826	6 124	6 286
Commissions	-	-	25 797	25 381
Marketing costs	-	-	22 268	24 501
Ascertained losses	-	-	1 034	761
Insurance	591	828	1 088	1 907
Operating costs, production	-	-	14 583	14 413
Other operating costs	1 404	1 490	9 351	10 091
Total	2 566	3 144	114 663	115 369

NOTE 6 Fixed assets

Hjellegjerde ASA

Fixed assets	Land, buildings a. o. real property	Machinery and fixtures	Total fixed assets
Original cost as at 01.01.	84 652	69 841	154 493
Additions, fixed assets purchased	-	4 628	4 628
Disposals, fixed assets sold	954	354	1 308
Original cost 31.12.	83 698	74 115	157 813
Accumulated depreciation 31.12.	35 761	50 038	85 799
Accumulated write-downs 31.12.	-	-	-
Reversed write-downs 31.12.	-	-	-
Book value as at 31.12.	47 937	24 077	72 014
Depreciation for the year	3 108	5 940	9 048
Depreciation for the year	-	-	-

The company has the following properties of significant value:

Type of property	Area m ²	Book value
Production, warehouse and administrative buildings	25 650	46 312
Sites	24 000	1 625

The properties have been leased in their entirety to the subsidiary Hjellegjerde Møbler AS.

The company uses straight-line depreciation for all fixed assets.

The useful life of the fixed assets has been estimated at the following:

- Buildings 25–35 years
- Machinery and fixtures 8–12 years
- Sites and dwellings -

The Group

Fixed assets	Land, buildings a. o. real property	Machinery and fixtures	Total fixed assets
Original cost as at 01.01.	172 271	125 772	298 043
Additions, fixed assets purchased	280	9 019	9 299
Disposals, fixed assets sold	(18 278)	(3 228)	(21 506)
Original cost 31.12.	154 273	131 563	285 836
Accumulated depreciation 31.12.	55 748	88 621	144 369
Accumulated write-downs 31.12.	-	-	-
Reversed write-downs 31.12.	-	-	-
Book value as at 31.12.	98 525	42 942	141 467
Depreciation for the year	5 862	10 692	16 554
Write-downs for the year	-	-	-

Both the parent company and the Group use straight-line depreciation for all fixed assets.

Type of property	Location	Area, m ²	Book value
Production, warehouse and administrative buildings	Sykkylven, NO	25 650	46 312
Sites	Sykkylven, NO	24 000	1 625
Production, warehouse and administrative buildings	Stordal, NO	9 280	22 182
Dwellings	Stordal, NO	360	2 296
Sites	Stordal, NO	17 283	150
Production, warehouse and administrative buildings	Grodås, NO	480	322
Sites	Grodås, NO	3 002	74
Production, warehouse and administrative buildings	CA, US	2 320	7 533
Warehouse and administrative buildings	Bad.Wurt., DE	1 328	4 901
Sites	Bad.Wurt., DE	2 000	1 244
Production, warehouse and administrative buildings	Bankok, TH	4 965	7 996
Sites	Bankok, TH	2 645	3 890

Both the parent company and the Group use straight-line depreciation for all fixed assets. The useful life for the fixed assets has been estimated at the following:

- Buildings 25–35 years
- Machinery and fixtures 8–12 years
- Sites and dwellings –

Hjellegjerde ASIA Co., Ltd has the first rights to purchase an adjoining piece of land of approx. 12,500 m² in the event that its owner wishes to sell it.

The interim accounting standard on write-downs of financial assets have been used for the 2002 fiscal year. Two of the indicators in the standard are relevant for the Hjellegjerde Group as at 31.12.02. The company's market capitalisation is significantly lower than the equity on the balance sheet and a number of structural changes have been performed to the production apparatus during the year.

Assessments, cash flow estimates and computations have been performed in accordance with the standard and do not dictate any obligation to perform a write-down. The cash flow estimates are based on the budget for 2003 and the strategic plan for the period 2003–2005 in which is based upon the Group attaining significantly improved results and cash flow.

NOTE 7 Subsidiaries, affiliated companies, etc.

Subsidiaries :	Registered office	Ownership interest	Voting share	Value in balance sheet
Hjellegjerde Møbler AS	Sykkylven	100 %	100 %	12 540
Hjellegjerde Grodås AS	Grodås	100 %	100 %	519
Hjellegjerde Contract AS	Sykkylven	100 %	100 %	160
Hjellegjerde Skandinavia AS	Sykkylven	100 %	100 %	11 182
Modi Skandinavia AS	Stordal	100 %	100 %	7 197
Hjellegjerde Europe GmbH	Möckmühl	100 %	100 %	1 826
Hjellegjerde USA Inc	Corona	100 %	100 %	4 098
Hjellegjerde France	Paris	100 %	100 %	63
Isfjorden Industribygge AS	Rauma	100 %	100 %	1 444
Hjellegjerde Rauma AS	Rauma	100 %	100 %	111
Hove Møbler AS	Stordal	100 %	100 %	12 449
Hjellegjerde ASIA Co., Ltd.	Bangkok	100 %	100 %	8 102
Hjellegjerde Baltija UAB	Panevezys	100 %	100 %	2 299
Total				61 930

Hjellegjerde ASA purchased 100% of the shares of Tynes Møbler AS on 12.12.01. Tynes Møbler AS was merged with Hjellegjerde Møbler AS effective for both tax and accounting purposes beginning on 01.01.02.

In June 2002, Hjellegjerde ASA established a wholly owned subsidiary in Panevezys, Lithuania, UAB Hjellegjerde Baltija.

In June, Hjellegjerde ASA entered into an agreement on the sale of all its shares (60%) of Hove D.K. Co., Ltd. in Bangkok Thailand. Of the total operating income of NOK 20,893,161 for Hjellegjerde ASA, NOK 3,474,098 comprises the profit on the sale of the shares of Hove D.K. Co. Ltd.

The value entered on the books for the shares of Hjellegjerde Møbler AS comprises NOK 24,540,000 after the receipt of a contribution from the Group and prior to write-downs. Two years with a significant loss, primarily as a consequence of joint Group expenses, have caused the need for a write-down. The write-down was performed for NOK 12,000,000 in Hjellegjerde ASA.

NOTE 8 Shares and units in other companies

TNOK Company	The company's tot. share cap.	Number	Nominal value	Value in balance sheet
Kompetansebygg		andel	90	90
Sykkylven Godsterminal	864	30	30	30
Sykkylven Hotellinvest	461	400	20	20
Miljøkvalitet	143	10	40	40
Møbeltek	660	50	50	50
HK Lamtec (M) Snd		-	578	578
Scan Industrier		1 000 000	1 025	1 025
Møre Biovarme		20	202	202
Møbel-Online Norge		1 350	14	15
Total			2 048	2 050

NOTE 9 Interest-bearing debt

TNOK	Hjellegjerde ASA		The Hjellegjerde Group	
	2002	2001	2002	2001
Long-term interest-bearing debt				
Debts to credit institutions/mortgages	90 093	83 089	92 399	98 511
Short-term interest-bearing debt				
Debts to credit institutions (overdraft facility)	-	-	43 921	49 222
Total interest-bearing debt 31.12	90 093	83 089	136 320	147 733

Mortgage debt

Short-term debts to credit institutions (mortgages)	-	-	43 921	49 222
Long-term debts to credit institutions	90 093	83 089	92 399	98 511
Total mortgage debt 31.12.	90 093	83 089	136 320	147 733

Book values of mortgaged properties

Fixed assets	72 014	77 239	133 184	159 939
Stocks	-	-	48 734	61 656
Trade debtors	-	-	55 314	66 199
Total 31.12.	72 014	77 239	237 232	287 794

The company has established a Group account agreement with a credit institution for parts of the Group's companies. The limit on this group overdraft credit facility is NOK 50 million in total. The companies in the Group are jointly and severally liable for the proper fulfilment of all obligations which might arise under the different loan agreements or the Group account agreement.

Due date structure for long-term debt

	Hjellegjerde ASA	The Group
2003	6 010	6 710
2004	6 010	6 710
2005	6 010	6 010
2006	6 010	6 010
2007	6 010	6 010
After 2007	60 043	60 949
Total	90 043	92 399

The loan portfolio is a combination of annuity loans and serial loans as well as loans without a contractually agreed instalment profile. In terms of foreign exchange, the loan portfolio has also been put together to balance other foreign exchange exposure in the company's balance sheet (see also notes 1 and 12). The interest rate on loans is primarily a variable rate of interest and is fixed at the interbank interest rate per currency + margin.

NOTE 10 Accounts with companies of the same group and affiliated companies

TNOK	Subsidiaries		Affiliated companies	
	2002	2001	2002	2001
Accounts receivable				
Trade debtors	-	-	-	-
Other receivables	6 652	10 375	-	-
Loans to companies of the same group	47 849	39 847	-	-
Total	54 501	50 222	-	-
Debt				
Trade creditors	-	-	-	-
Other short-term debt	15 825	5 846	-	-
Annen kortsiktig gjeld	8 021	1 322	-	-
Total	23 846	7 168	-	-

NOTE 11 Tax cost

TNOK	Hjellegjerde ASA	
	2002	2001
Accounting profit before tax	(668)	1 773
Write-down financial assets	12 000	-
Tax at source	-	-81
Change in permanent differences	5	73
Change in temporary differences	4 487	4 909
Aggregated dividends from abroad	-	231
Total tax basis prior to Group contribution	15 825	6 905
Group contribution	(15 825)	(5 846)
Total tax basis	0	1 059

Deferred tax has been computed on the basis of the temporary variances between accounting values and tax values that exist at the end of the accounting year. Positive and negative temporary variances that are reversed or can be reversed in the same period have been equalised and entered net.

	Hjellegjerde ASA		The Hjellegjerde Group	
	31.12.02	01.01.02	31.12.02	01.01.02
Accounts receivable	-	-	(539)	(1 047)
Stocks	-	-	(1 830)	(188)
Guarantee provisions	-	-	(3 000)	(3 600)
Fixed assets	22 830	26 973	37 797	45 112
Shares	(12 078)	(78)	(12 678)	(83)
Gain/loss account	536	671	2 835	1 243
Tax-related result position to be carried forward	-	-	(67 456)	(58 550)
Pension premium fund	2 604	2 815	2 604	2 815
AFP liability	-	-	(3 677)	(3 059)
Translation differences	-	-	1 508	(88)
Total basis for deferred tax	13 893	30 381	(44 436)	(17 445)
Rate of tax	28 %	28 %	28 %	28 %
Deferred tax	3 890	8 507	(12 442)	(4 885)

Tax costs in the accounts consist of the following items:

	Hjellegjerde ASA		The Hjellegjerde Group	
	2002	2001	2002	2001
Tax payable on group contribution/tax payable	4 431	1 933	3 417	1 775
Credit deduction from Norwegian tax	-	(296)	-	(296)
Change in deferred tax	(4 617)	(1 375)	(7 558)	(14 193)
Tax at source paid	-	81	-	81
Tax on eliminations	-	-	424	322
Change in deferred tax, new Group company	-	-	-	5 377
Total tax cost	(186)	343	(3 717)	(6 934)

NOTE 12 Equity capital

	Hjellegjerde ASA	The Group
Equity capital as at 01.01.02	129 844	143 871
Allocated dividend	-	-
Minority reduction, Hove D.K. Co. Ltd.	-	(5 861)
Translation differences	-	(5 544)
Profit for the year	(482)	(8 790)
Equity capital as at 31.12.02	129 362	123 676

In the consolidation of foreign companies, the profit and loss statements are converted to Norwegian kroner using the average exchange rate for the accounting period, whereas the balance sheet figures are converted as per the exchange rate on the date of the balance sheet. Translation differences are booked directly against the equity capital. The same applies for the effect of currency changes to loans in the reporting currencies of subsidiaries which are taken out in order to ensure the balance sheet value of the Group's investments in its subsidiaries.

NOTE 13 Share capital and shareholder information

The company is listed on the Oslo Stock Exchange. The share capital consists of 4,655,100 shares at a nominal value of NOK 10.

List of the 20 largest shareholders as at 31.12.02:

	Shares	Ownership interest	Voting share
Sydvestor Vekst As	465 510	10,0 %	10,0 %
L. Sunde As ¹⁾	271 100	5,8 %	5,8 %
Tine Pensjonskasse	250 100	5,4 %	5,4 %
Hjellegjerde Norvall	235 604	5,1 %	5,1 %
Hove Einar J. ²⁾	207 000	4,4 %	4,4 %
Hjellegjerde Otto Helge	198 269	4,3 %	4,3 %
Pro Finans As	194 820	4,2 %	4,2 %
Hjellegjerde Rolf	185 019	4,0 %	4,0 %
Porolon As ¹⁾	146 000	3,1 %	3,1 %
Aannø As	132 900	2,9 %	2,9 %
Hjellegjerde Ole Kristian	125 861	2,7 %	2,7 %
Stokke Gruppen As	120 900	2,6 %	2,6 %
Dalseth Invest As	100 600	2,2 %	2,2 %
Hove Vision As ²⁾	68 000	1,5 %	1,5 %
Hjellegjerde Oddvar	64 309	1,4 %	1,4 %
Klæbu Sparebank	62 000	1,3 %	1,3 %
Helland Eiendom A/S	55 500	1,2 %	1,2 %
Gjensidige Nor Spare Kap.M.Konsernpost	50 000	1,1 %	1,1 %
Ulstein Re Sa C/O Sydvestor Asa	48 000	1,0 %	1,0 %
Hjellegjerde Kenneth	46 500	1,0 %	1,0 %
Total	3 027 992	65,0 %	65,0 %
Other	1 627 108	35,0 %	35,0 %
Total number of shares	4 655 100	100,0 %	100,0 %

1) The companies are owned and/or controlled by Mr. Leif Sunde, total shareholding 383 000 shares (8,2%).

2) The shareholding is owned and/or controlled by Mr. Einar J. Hove, total shareholding 262 578 shares (5,6%).

Shares owned by the Managing Director and members of the Board of Directors and their connected persons as at 31.12.02:

	Shares	Ownership interest	Voting share
Perry Hjellegjerde, Man. Dir. per 31.12.02	77 036	1,7 %	1,7 %
Roar Wedding, Director	17 000	0,4 %	0,4 %
Monica Håvik, employee repr.	100	0,0 %	0,0 %

Ownership statistics divided by range as at 31.12.02

No of shares	Shareholders		Shares	
	Number	%	Number	%
1 - 100	303	29,7 %	28 995	0,6 %
101-500	306	30,0 %	102 322	2,2 %
501-1 000	170	16,7 %	146 861	3,2 %
1 001-5 000	157	15,4 %	375 671	8,7 %
5 001-10 000	26	2,5 %	204 200	4,3 %
10 001-100 000	45	4,4 %	1 163 368	27,5 %
over 100 000	13	1,3 %	2 633 683	53,5 %
Total	1 020	100,0 %	4 655 100	100,0 %

NOTE 14 Number of employees

Hjellegjerde ASA had 6 employees at the end of 2002. The development in the number of employees in the Group for the past 5 years has been as follows:

As at 31.12.	No. of employees	No. of man-years
1997	404	344
1998	669	588
1999	659	579
2000	736	634
2001	717	613
2002	526	449

The figures for 2001 include employees from the acquired companies of Modi Skandinavia AS and Tynes Møbler AS, which collectively accounted for 94 employees and 74 man-years respectively. The purchase agreement was signed on 12 December 2001.

NOTE 15 Remuneration to executives, etc.

	General Manager	The Board of Directors
Salary	736 481	281 250
Pension expenses	-	-
Other remuneration	-	-
Fees expensed for auditors:	Hjellegjerde ASA	The Group
Audit*	185 580	669 683
Other services	96 164	184 568

* includes consultancy services on routines, valuations and consolidation.

In February 2003, the board hired Eldar Eilertsen (55) as the new Managing Director of Hjellegjerde ASA. The compensation to the manager shown above applies to the retiring Managing Director Perry Hjellegjerde. The board of Hjellegjerde ASA and Perry Hjellegjerde have jointly found it to be appropriate that the head position of the group be relinquished to a new group manager. Perry Hjellegjerde with his extensive expertise remains however very important to the company in the time ahead, and this can best be utilised by Hjellegjerde ASA purchasing services from Perry Hjellegjerde on a consulting basis within defined areas that correspond to the company's needs and Perry Hjellegjerde's core competencies. Hjellegjerde ASA is by agreement obligated to a yearly purchasing framework of at least NOK 1 million over a period encompassing the next 3 years. The new Managing Director has no agreement concerning early retirement benefits.

NOTE 16 Leasing agreements

The Group has current leasing agreements for vehicles and a central computer. The rental entered as expenditure for 2002 is NOK 1,319,580. As at the year-end, this is equivalent to a monthly rental of NOK 114,905.

UAB Hjellegjerde Baltija leases 3340 square meters from UAB Siva Scan Investment up until 1 June 2007. Hjellegjerde ASA is guaranteeing for up to 3 years hire under the lease agreement. Total obligation under the guarantee is approximately 4,5 mill. kr.

Modi Skandinavia AS has entered into a lease agreement with Pedro Eiendom AS for an annual hire of approx. 1,3 mill. kr. Date of expiry is 31 December 2004.

NOTE 17 Risks and exposure

The company uses various financial instruments in connection with its financial risk management. The exposure attached to balance sheet items denominated in foreign currency is hedged by a continuous adjustment of the currency distribution of the loan portfolio. Interest rate risk occurs in the short term and the medium term as a result of variable interest rate on parts of the company's debt.

The currency exposure attached to the Group's operations is hedged continuously by forward cover of expected net cash flows in currencies attached to conditions related to operations, however, only for a limited time span and only to the extent to which it is regarded as certain that these expected cash flows will be realised. More than 60% of the Group's income is in foreign currency, whereas more than 60% of the purchases are made in Norwegian kroner. Even though the company uses short-term hedging of the currency risk and has the possibility of making price adjustments, its competitiveness and consequently the profitability are likely to be negatively affected if the exchange rate of the Norwegian krone increases considerably and permanently in relation to foreign currencies.

The operational risk is regarded as relatively limited. The greatest operational risk is attached to the occurrence of disasters and fire in our own units and at our principal sub-suppliers. Risk analyses and plans of action are implemented to reduce this risk to a minimum. In terms of market position, the company is dependent on the development on its principal markets. The customer structure is relatively fragmented. With relatively large overheads, earnings are relatively volume-dependent.

Product risk and claims for damages are covered by means of insurance schemes in addition to accounting provisions.

NOTE 18 Single transactions

In June, Hjellegjerde ASA entered into an agreement on the sale of all its shares (60%) of Hove D.K. Co., Ltd. in Bangkok Thailand. Hove D.K. was a supplier of Scansit components to the company's production units in both Norway and Thailand, as well as a supplier of contract furniture to the Asian market. Hjellegjerde wishes to concentrate its management-related resources on one unit in Thailand and has in connection with the sale of Hove D.K. Co., Ltd. increased its ownership interest in Hjellegjerde ASIA Co., Ltd. to 100%. Hove D.K. will continue in the future as a supplier of wood product components to Hjellegjerde ASIA Co. Ltd. (see notes 1 and 7).

The production facilities of Tynes Møbler AS were vacated during the second quarter and a contract was later entered into with the Municipality of Sykkylven to take them over for NOK 5.5 million. The transfer was carried out during the third quarter with a profit of approx. NOK 1.8 million.

After the shutting down of Tynes Møbler AS, a negative goodwill entry on the balance sheet as at 31.12.2001 (NOK 4.2 million) was booked as income during the course of 2002. Negative goodwill as at 31.12.2001 after the purchase of Modi Skandinavia As (NOK 1.4 million) will be entered as revenue over 3 years.

After the shutting down of the unit in the Municipality of Rauma in 2001, the production facilities in Isfjorden were sold during the second quarter of 2002 for a loss of NOK 1.1 million.

PRICEWATERHOUSECOOPERS

PricewaterhouseCoopers DA
 Sandgt. 12
 6008 Ålesund
 Telephone: 70 23 08 00
 Telefax: 70 23 08 99

To the Annual Shareholders Meeting of Hjellegjerde ASA

Auditor's report for 2002

We have audited the annual financial statements of Hjellegjerde ASA as of 31 December 2002, showing a loss of NOK 482.066 for the parent company and a loss NOK 9.301.574 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 coverage of the loss. 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 December 31, 2002, 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 coverage of the loss are consistent with the financial statements and comply with the law and regulations.

Ålesund, March 24, 2003

PricewaterhouseCoopers DA

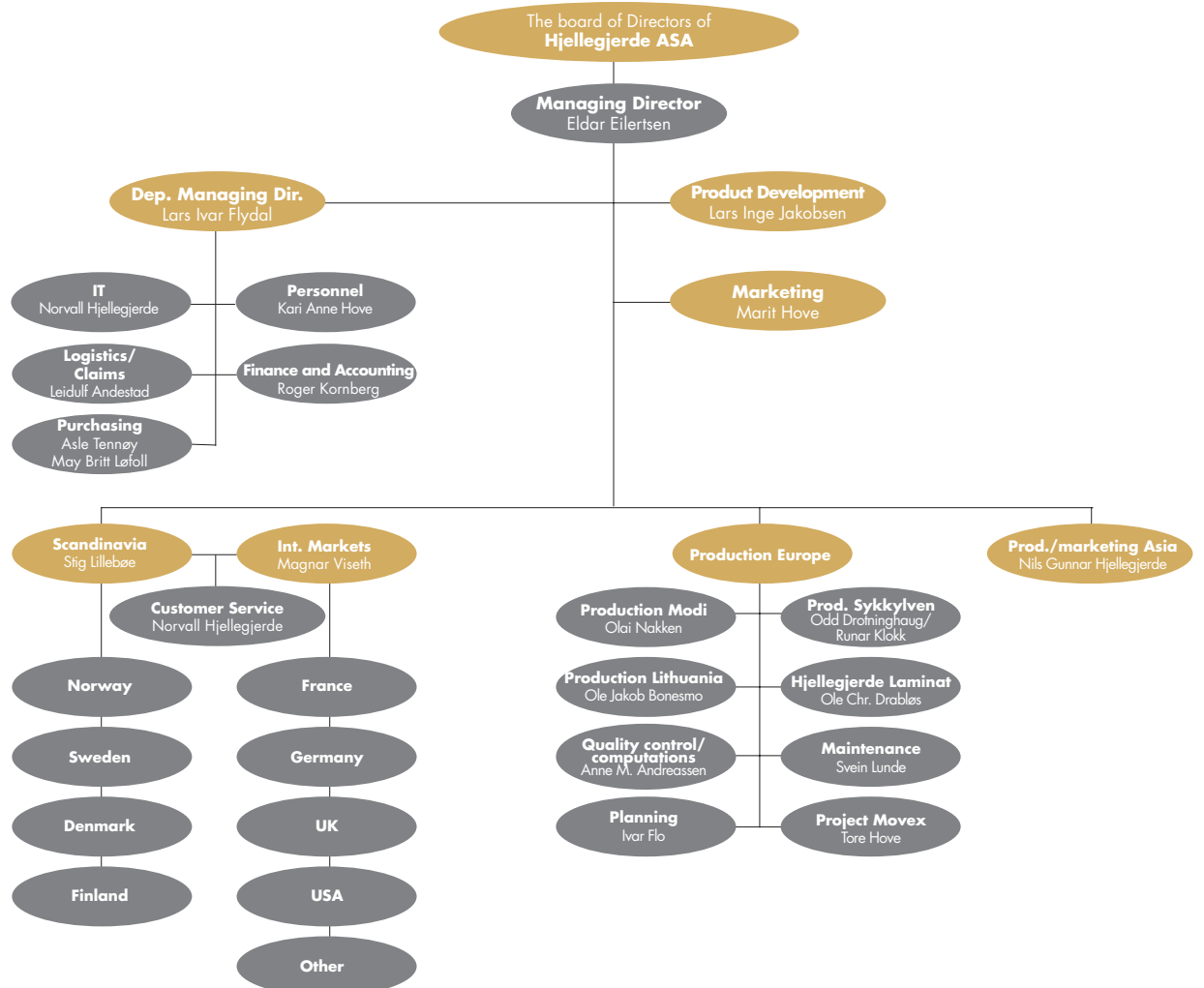
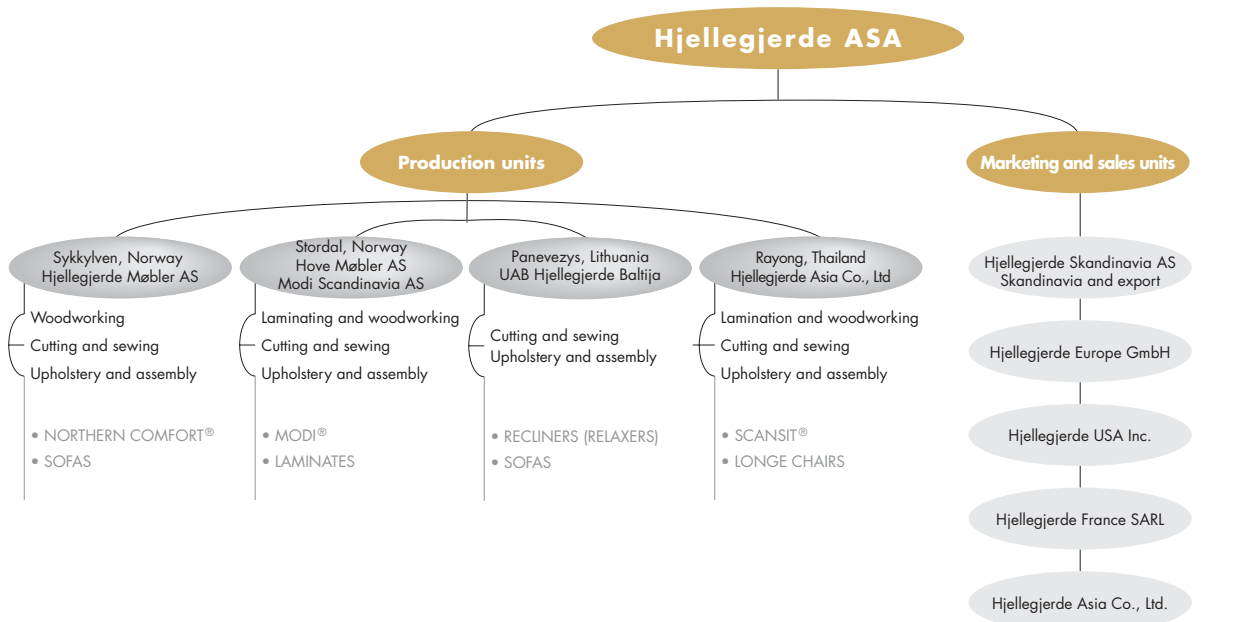
Per Kåre Furnes

State Authorised Public Accountant (Norway)

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

Office: Oslo Arendal Bergen Drammen Fredrikstad Trondheim Hamar Kristiansund Mandal Mo i Rana Sarveget Trondheim Trondheim Ålesund
 PricewaterhouseCoopers refers to the member firms of the worldwide PricewaterhouseCoopers organization
 Member of Deloitte Touche Tohmatsu Limited
 www.pwcglobal.com

Corporate Structure and Organisational Chart





MODI[®]
BY HUELLEGJERDE

MODI is our design series specially adapted for the innovative members of the public. The collection of lounge chairs has been designed by well-known furniture designers. Aesthetic forms, unique functions and advanced use of materials gives you «a different state of rest».

Body-accommodated movement is a key concept for the Modi collection. By this we mean that the chair must follow and support the body's natural patterns of movement. You will experience a high level of functionality and comfort.

a different state of resting



Lounge chairs and accompanying reclining sofas aimed at the more design and quality-conscious customer segment are marketed as Northern Comfort®.

Northern Comfort® is a family of furniture that was developed for the modern lifestyle. The models consist of families of sofas and chairs in the same design implementation, but with different options for the choice of the underlying frame for the chairs. The chairs are available in two different sizes.

The Northern Comfort® collection includes models from the mid-price range to more exclusive chairs in the upper price range.





Hjellegerde

Hjellegerde has sofas ranging from modern and generously upholstered furniture to more classic and timeless models.

The sofa groups are to a large extent presented as product concepts with easily identifiable segment classifications. Quality, comfort and Scandinavian character are emphasised in the development of the products. The collection also contains chairs and Relaxers in a design adapted to the sofas. By offering a broad range of choices, Hjellegerde is able to accommodate individual needs and desires.



The Scansit® lounge chairs and reclining sofas cater to the more price-conscious public and are to be seen as «value for money».

The Scansit® products offer advanced functions that ensure optimal rest.





HJELLEGJERDE ASA

N-6230 Sykkylven, Norway
Telephone: (+47) 70 25 55 00
Fax: (+47) 70 25 55 09

E-mail:

office@hjellegjerde.com

Internet:

www.hjellegjerde.com
www.northern-comfort.com
www.scansit.net

No.: 912 685 144

The company's shares are registered at the Norwegian Registry of Securities with security number ISIN NO 0003086902.

The registrar is Nordea Bank Norge AS, Securities Services, P.O. Box 1166, Sentrum, N-0107 OSLO, Norway

DIRECT E-MAIL ADDRESSES

Customer Service:

office@hjellegjerde.com

Managing Director:

eldar.eilertsen@hjellegjerde.com

Deputy Managing Director:

lars.ivar.flydal@hjellegjerde.com

Inv. Rel., Finance and Accounting:

roger.kornberg@hjellegjerde.com