

Annual Report 2006

Quality rooms



MOEVEN®

Mission – Vision – Values

MOELVEN'S BRAND PLATFORM

Mission: Supplying quality rooms

Vision: The natural choice for people building and living Scandinavian style

Values:

• **Sustainable**

Moelven respects people and the environment. The company's business is based on renewable resources. Sustainability and long-term planning have become the company's competitive advantages. Environmental responsibilities are a priority area.

• **Reliable**

Moelven is a reliable business partner. We deliver quality goods at the agreed upon time. A strong focus is put on openness and honesty - being able to admit mistakes and shortcomings is a solid basis for positive change and credibility.

• **Seek opportunities**

Moelven seeks solutions. The Group has the skills and resources to be the industrial leader when it comes to product development and innovation. Moelven has always been a company that has stayed at the cutting edge of technological developments and takes advantage of the opportunities offered by changing times and trends.

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MAIN FIGURES FOR FIVE YEARS

Amounts in NOK mill.	2006	2005	2004	2003	2002
THE GROUP					
Operating revenues	6 692,4	6 004,9	5 773,2	4 864,1	4 618,4
Operating profit	373,2	158,6	70,3	100,6	139,4
No. of employees	3 210	3 159	3 191	2 853	3 120
TIMBER					
Operating revenues	2 583,6	2 355,4	2 619,3	2 398,1	2 360,1
Operating profit	161,4	55,2	33,0	92,3	93,6
WOOD					
Operating revenues	2 530,0	2 268,7	2 064,1	1 363,0	1 273,8
Operating profit	118,3	62,2	29,6	-0,6	40,6
BUILDING SYSTEMS					
Operating revenues	1 937,5	1 770,1	1 630,0	1 726,2	1 607,3
Operating profit	121,8	75,9	44,9	38,5	36,6

Comments by the CEO

The past year has been an excellent year for Moelven. Sales activity increased and profits reached record heights. Among the external factors that helped make the year such a success were the high demand for many of our products in all the Scandinavian countries and a stable supply of raw materials for the sawmills in most regions. Many years of consolidation without any larger acquisitions or liquidations has been positive for the company, and has allowed the company to implement many minor, but in sum, critical changes that contribute to improving the Group's competitiveness. All the employees have contributed to last year's positive and uplifting results, as each of the Group's 39 business units posted a profit.



difficult to think of Moelven as anything else than a Scandinavian group with activities spanning several countries.

After five years with a Finnish majority shareholder, 2006 was a year which gave Moelven new owners and a fresh start as a company no longer being part of a separate group. The past few years with a non-Scandinavian owner operating in the same field has given the company a chance to address a wide range of issues about operational and management policies and principles. Resolving these issues has been a healthy exercise for Moelven. While the outcome has involved some beneficial changes, there has also been resurgent confidence in many earlier policies and traditions that we believe will remain as competitive advantages also in the years to come.

Moelven now has long-term owners who are not operating in the same field, but in related industries, either as suppliers of timber or as producers of energy. The new owners have expressed a commitment to allow Moelven to develop as an independent company in order to maintain strong relations with customers, and that this strategy is the best basis for solid, long-term business relationships and a profitable return on investments.

This means that Moelven will continue to operate production facilities in several Scandinavian countries and that this cross-border trend will sooner increase than decrease. Also, since Moelven has exceeded the minimum critical size, growth for the sake of growth is no longer an objective. The company will continue, however, to take advantage of opportunities increasing its size where this will contribute to higher earnings.

The three Scandinavian countries will continue to be the company's primary markets, but not be limited to these. But it is naive to think that profitability increases with the distance to the customers. Consequently, we will continue to build our international reach on the basis of solid competitiveness at home.

Hans Rindal
President and CEO

Investments in training and new equipment in 2006 increased compared to earlier years. An investment programme that is scheduled to be completed by the end of 2008 is well under way and will help solidify Moelven's position as a leading player in Scandinavia in our field.

In 2007 Moelven will celebrate 25 years as a major Norwegian-Swedish industrial group, going back to the acquisition of Töreboda Limträ in 1982. In the course of these years, activities outside of Norway have increased, and production is now equally distributed between Sweden and Norway. The total sales is divided as follows: 40% in Norway, 30% in Sweden, 10% in Denmark and the remaining 20% primarily in Western Europe. The fact that there are geographical borders is something we in Moelven have chosen to "ignore". The activity level has nonetheless become so extensive that it is

Events 2006



In the autumn 2006, the majority owner at the time, the Finnish Group Metsäliitto Andelslag, made public their intention to sell their 65% holding of Moelven shares. On 14 December 2006, Eidsiva Vekst AS and the forestry cooperatives Glommen Skog BA, Mjøsen Skog BA, Havass Skog BA, AT Skog BA and Viken Skog BA signed an agreement with Metsäliitto.



In 2006, the Norwegian Agency for Quality of Education in Norway (NOKUT) approved the Wood-working Industry's Business School (also called the Moelven School) as a national trade school institution.



In 2006, the new grading line at Moelven Valåsen was installed and ready for production. The investment of more than 50 millions NOK has turned Moelven's biggest sawmill into an even more modern and flexible "hi-speed" sawmill enabled to adapt its products to the customers' continuously increasing demands.



Mr. Hans Rindal became new President/CEO of Moelven Industrier ASA as of 1 January 2006.



In the summer 2006, Moelven accepted the challenge made by the Minister of Finance Kristin Halvorsen and decided to gradually replace all of the Group's company cars in Norway and Sweden with cars running on bioethanol. In the car: Administration Manager Oddvar Ertsås of Moelven Industrier ASA.



Moelven Wood was voted "Supplier of the Year" at the Nordeks trade fair for merchant builders' in Hamar, February 2006.

The Moelven Group

Moelven's business concept is to supply quality rooms. The company supplies renewable resources, primarily wood, which is ideally suited for building rooms, in the widest sense of the term. The quality rooms Moelven supplies may be work rooms in offices, suites in hotels, classrooms in schools, play rooms in day-care facilities, bedrooms in apartments or open air rooms in gardens.

Supplying building materials is not in itself sufficient to be the basis of a sustainable industry over the long term. Moelven is therefore committed to take one further step and supply quality rooms to people. Providing quality rooms is a promise Moelven now gives to its customers, assured through the application of high-quality materials, modern production techniques and equipment, a high degree of processing, well planned logistics and distribution, superior expertise, qualified advisors and innovative product development.

Making quality rooms is now successfully achieved by using wood-based materials, and this is why Moelven purchases logs as the raw material for their products.

DEVELOPING A SCANDINAVIAN BUILDING STYLE

The Moelven Group has a long-term goal of being the natural choice for people who wish to build and live Scandinavian. This means not only that Moelven must be a market leader in wood-based building products and associated services in Norway, Sweden and Denmark, but must also stay a step ahead in developing a Scandinavian building style.

The group is organised into three divisions: Timber, Wood and Building Systems, which are oriented toward industrial and commercial customers as well as the project market in Scandinavia and the rest of Europe. The Group consists of 45 business units in Norway, Sweden and Denmark. In all, the Group employs around 3200 persons, of which 1700 are in Norway, 1500 in Sweden, 20 in Denmark and three in England. Moelven has an annual turnover of approximately NOK 6.5 billion.

OWNERS

In the autumn of 2006, the majority shareholder, the Finnish Metsäliitto Andelslag, made public their intention to sell their

65,2% shares in Moelven. On 14 December 2006, Eidsiva Vekst AS and the forestry cooperatives Glommen Skog BA, Mjøsen Skog BA, Havass Skog BA, AT Skog BA and Viken Skog BA entered into an agreement with Metsäliitto in which Eidsiva Vekst AS would purchase 39,6%, and the cooperatives 25,6% of the Moelven shares. The forestry owners thereby increased their shareholdings in Moelven Industrier ASA after the transaction to 60%. The remaining 0.3% shares are in the hands of private investors.

MOELVEN IN BRIEF

The sawmills in the Timber division supply sawn wood to companies in Scandinavia and the rest of Europe. These companies in turn use the products in their production operations, and for chipping and shaving products used in the paper and pulp, particle board and bioenergy industries. The most important end products are wood for building, interior systems and packaging. The current Production volume is 1.5 million cubic metres of sawn wood and 1.0 million cubic meters of cellulose chippings. Raw materials represent a large share of the total production cost, and the division's production units are working hard to maximise the financial output generated from each individual log.

The processing companies in the Wood division supply the retail chains in Scandinavia with a wide range of building and interior products totalling some 706,000 cubic metres a year. In order to remain a competitive supplier, it is critical to have a fast and efficient distribution system that can deliver customers the right product at the right time from a wide-ranging product assortment. Product innovation with regard to user friendliness and ready-to-use properties are important competitive factors for Wood.

The companies in the Building Systems division supply flexible interior layouts for interior walls, module construction and load-bearing glulam structures for projects and contractors mainly in Norway and Sweden. The division is heavily committed to further improve concepts and systems together with customers and experts in the fields of architecture, design and construction. The goal is to further increase the range of application areas by using industrialised systems to gain market shares from more traditional building approaches and solutions.

In the past few years the group has grown both through organic development and strategic acquisitions. In the time ahead Moelven will continue to concentrate on the core business: supplying quality rooms. The aim is to deliver as many of the wood-based building products with as high degree of processing as possible.



I imagine myself being a highly critical consumer when I develop new products, says Mr. Jo Vesterlid, chief architect at Moelven ByggModul AS.



Delivery by Moelven Nordia AS for Hydro's conference centre in Bergen.

NETWORK ORGANISATION

Moelven's organisation is characterised by a flat, network oriented and decentralised management culture. The 45 business units in Moelven's three divisions are all accountable for their own financial results, and each business unit is an independent part of a larger and coordinated network. This organisational form has been chosen in order to provide the group with both stability and a competitive edge – all based on a complete range of building products.

The decentralised organisational structure increases both the effectiveness and degree of employee commitment, as well as reducing the need for central administrative resources.

Closeness to the market and the production facilities helps the business unit maintain a high focus on the results, as well as a respect for colleagues on all levels and openness within the entire organisation.

While the network organisation – with short lines of decision-making – creates a flexible production system that can be adapted to the local market's varying needs, the business units can support each other in the day-to-day competitive operation. Since the group has businesses throughout the total value chain, from harvesting logs to finished wood-based building products, expertise and know-how flows freely throughout the entire company. Teamwork and know-how are thereby maximised for the benefit of all the companies in the Group.

CUSTOMERS AND MARKET

Moelven's main market is Scandinavia, which accounts for 80 per cent of sales. The products are designed for customers in three mega segments: the processing industry, the retail sector and the construction industry. In Scandinavia, Moelven is a

full-range supplier of wood-based building products and associated services.

Approximately 85 per cent of the group's products and services are used for new-builds and rehabilitation of housing and commercial properties. An increasingly important part of the business is the sale of raw materials for bioenergy applications, as well as for the production of pulp, paper and particleboards. The Group also supplies wood products for the furniture and packaging industries, and to the interior layout industry.

Although the three divisions are dissimilar in nature, all three have most of their customers in the building and property markets – directly through contractors and builders' merchants or indirectly through companies serving the building trade. The Group's focus on one sector allows for the development of a high level of expertise regarding market conditions, and the flat organisation allows for a wide-reaching contact network in relation to customers. Both of these strategic management policies help Moelven quickly identify and track current market needs and to adapt to changes over time.

DISTRIBUTION

For all the business units in Moelven, smooth and efficient distribution systems are an important competitive factor. It is increasingly important for customers to avoid keeping large stocks of goods, and for Moelven it is important to be sensitive to the customer's delivery needs.

The major customer group for the Wood division is the retail customers throughout Scandinavia, and distribution is therefore built up around customer centres and distribution centres in Sweden, Norway and Denmark. All of these centres coordinate sales and the flow of goods from Moelven's pro-

duction units. The Moelven Group's aim is to become a full-range supplier who can make sure customers receive all the wood-based products they need at all times.

Distribution is also a critical topic for the production plants in the Timber division. Due to a central coordinating service within Moelven, a rational distribution system is in place for customers who through this can obtain all the necessary wood-based materials they need from one and the same source, regardless of the originating Moelven division.

Most of the sales in Building Systems involve installation services, which in turn includes the proper delivery of any and all products to the building site – part of the division's commitment to its customers. One important exception is the delivery of standard glulam beams which are sold via builders' merchants in Norway and Sweden. Two different models of delivery have been developed for this product. In Norway, the glulam unit operates an extensive network of delivery routes, while in Sweden, Moelven Töreboda AB takes advantage of a joint distribution system together with Moelven Wood AB.

SERVICES-INTENSIVE INDUSTRIAL PRODUCTION

Even though the high level of processing contained in many of Moelven's industrial products is a tremendous benefit to customers, such a high level of industrialisation demands high focus on staff expertise and the efficient use of raw materials and production techniques. The Group's businesses are constantly in search of new industrial processes and concepts that can challenge or complement traditional approaches to building. The aim is that products and services from Moelven shall make any job easier for the customer at all levels, from delivery to use.

Operating revenues NOK millions



PRODUCT DEVELOPMENT

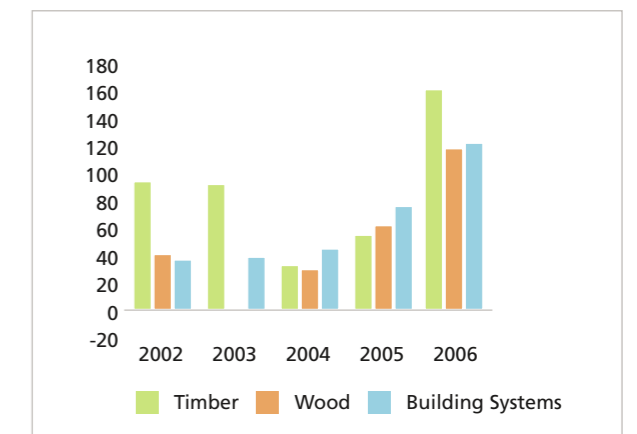
The Moelven Group was founded more than a century ago, based on the production of wooden wheels for horse-drawn carriages. The wooden wheels was a product adapted to the needs of the time, and became a tremendous success. Since that time, the Group has continuously strived to develop new products adapted to current and future needs. One example is one of the first products, "The Moelven House on Wheels", which has been further developed into today's module-based building systems.

Other examples of technical innovations are fire-retardant wood that opens up entirely new areas of application for wood-based solutions, and a heavy-metal free impregnation treatment that prevents rot without being hazardous to the environment. The basic elements in Moelven's business strategy are to continue to discover new application areas, develop new products, further improve existing products and develop new services that make it easier and more attractive for customers to choose Moelven.

Innovation of products and production techniques will be critical for boosting Moelven's competitiveness and business development in the future. By working closely with customers, end-users, architects and researchers, Moelven is finding new areas of application in which environmental, functional, architectural and design considerations are addressed.

In 2006, Moelven established the company Moelven Utvikling AS in order to focus upon the company's innovation efforts. Moelven owns 70% of the company, and SIVA – The Industrial Development Corporation of Norway owns 30%. The company is a so-called "industry incubator" that helps develop ideas that can be the basis for profitable, viable companies. Ideas related to the industrial use of forestry resources are given priority, while other ideas are also welcome.

Operating profit NOK millions



The company's objective is to help establish at least ten new promising viable companies within the next 5 years.

ENVIRONMENT

Environmental responsibility has become an increasingly important topic from a social perspective. Moelven's business has been based on the processing and use of wood, which is a completely recyclable natural resource. Wood is also an extremely efficient natural agent that binds the greenhouse gas carbon dioxide.

Most of Moelven's products have a high degree of wood content. The Group thus offers a renewable and environmentally sound alternative to other building materials and systems in areas such as bridge building, interior systems, housing and modules. The use of wood as a building material can contribute to reduce the climate change. The most important arguments for increasing the use of wood are that it can be recycled and that it serves to bind greenhouse gases. Wood products can also be used for energy recycling and as an alternative to fossil fuels that emit carbon dioxide. The increased use of wood also stimulates additional tree planting, which in turn results in new trees that can bind more carbon.

By using the entire log and putting beams and planks on equal level with chippings and shavings throughout the value chain, the Moelven Group ensures a responsible resource use in which the entire log is used.

Transport is a necessary evil that on a global scale strongly contributes to global warming. For this reason, all transport of both raw materials and products must take place as efficiently as possible. Moelven is putting great effort into using local raw materials whenever possible and to supply local markets and customers with the wood products they need.

THE EMPLOYEES

Moelven aims at giving opportunities to their employees who have the drive to succeed. This human resource policy reflects the Group's fundamental view of the employees and the relationship between the employees and the Group. The human resource policy is as important as the Group's vision. Qualified

employees are needed for industrial production, and Moelven is striving to recruit enough skilled workers on all levels and in all areas, from production and management to marketing and sales.

During the entire employment period, from recruitment and the first day at work until the last day before retirement, Moelven is working hard to motivate and further develop each and every employee. Skilled workers who are keen to develop their own skills as well as tomorrow's products and services are critical if the company is to maintain an efficient and profitable industrial production process in the years ahead. The Group has therefore initiated several development programmes for employees at various levels. Moelven is also working actively to reduce the rate of sick leave, and has introduced a reward system for business units that achieve low sick leave and high operating margins.

Moelven employees are known for their commitment to sustainability, reliability and seeking opportunities. All three factors are core values in Moelven's business culture.



Moelven Limtre AS supplied glulam structures to the new Svalbard research park in Longyearbyen

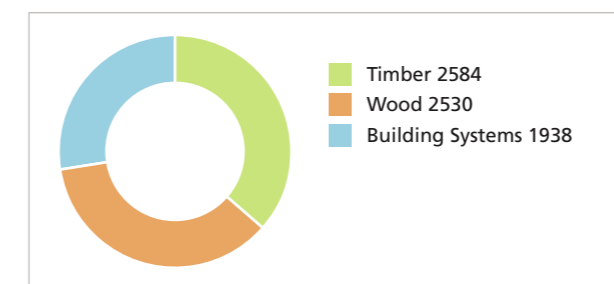
Divisions	Products and services	Operating revenues NOK mill.	Employees at 31.12.06
Timber	Sawn timber and wood chips	2 584	825
Wood	Wood based building materials	2 530	872
Building Systems	Building systems	1 938	1 435
- Laminated Timber	Load bearing support structures	425	263
- Modular Buildings	Flexible module-based buildings	941	733
- System Interiors	System Interiors for commercial buildings	594	439

Estimated change in Operating Profit and Profit per Share for one per cent change in price

Factor	Operating Profit NOK mill	Division	NOK per share
Price of log raw material	13	Timber	0,10
Price of sawn timber, spruce	9	Timber	0,07
Price of sawn timber, fir	9	Timber	0,07
Price for chips, pulp/paper	3	Timber/Wood	0,02
Price of log raw material	5	Wood	0,04
Price of planed wood in Scandinavia	10	Wood	0,08
Price of std. dimension laminated timber	2	Building Systems	0,02
Building Modules	8	Building Systems	0,06
System Interiors	5	Building Systems	0,04
Permanent change of EUR – NOK/SEK	6	Group	0,05

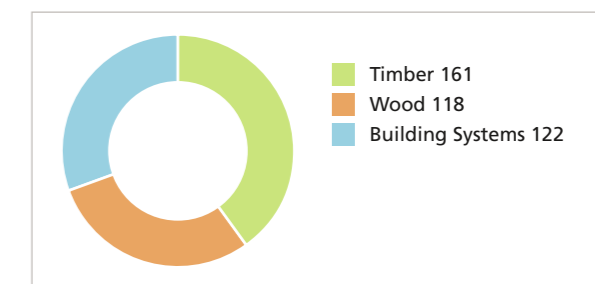
Operating revenues per division

NOK millions 2006



Operating profit per division

NOK millions 2006

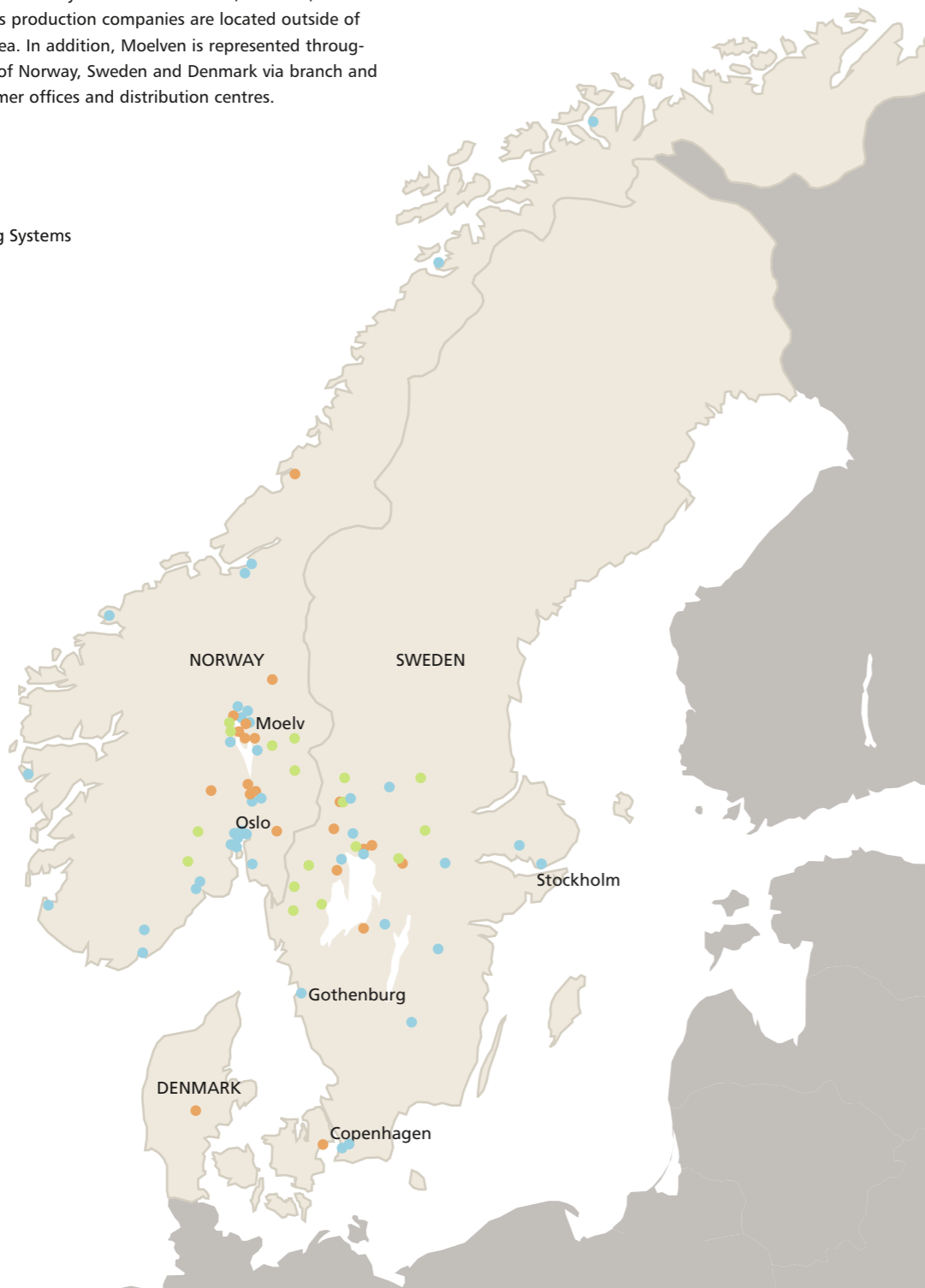


Moelven Industrier ASA					
Raw materials supply, Fibres and Bio energy • Finance and insurance • Human Relations • ICT and Real Estate • Research and Innovation					
Timber		Wood		Building Systems	
Moelven Dalatrå AB	Moelven Ransbysågen AB	Moelven Wood AS Moelven Wood AB Moelven Danmark A/S	Moelven List AB	Moelven Limtre AS	Moelven ByggModul AS
Moelven Loten AS	Moelven Telemarksbruket AS (51,0 %)		Moelven Notnås Wood AB	Moelven Tøreboda AB	Moelven ByggModul AB
Moelven Mjosbruket AS	Moelven Tom Heurlin AB	Moelven Are AS	Moelven Soknabruket AS	Moelven Laminated Timber Structures Ltd.	Moelven Nordia AS
Moelven Norsälven AB	Moelven Väler AS	Moelven Component AB	Moelven Treinterior AS	Moelven Eurowand AB	Moelven Nordia Prosjekt AS
Moelven Notnås AB	Moelven Årjäng Såg AB	Moelven Edanesågen AB	Moelven Valåsen Wood AB	Moelven Elektro AS	
Moelven Numedal AS	Moelven Valåsen AB	Moelven Eidsvoll AS	Moelven Van Severen AS	Mesna Installasjon AS	
Moelven Nössemark Trå AB	UJ-Trading AB	Moelven Eidsvoll AS	Moelven Värmlands Trå AB		
		Moelven Langmoen AS	Moelven Østerdalsbruket AS		

Location

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

- Timber
- Wood
- Building Systems



Main Figures for Five Years

Amounts in NOK mill.	2006	2005	2004	2003	2002
THE GROUP					
Operating revenues	6 692,4	6 004,9	5 773,2	4 864,1	4 618,4
Depreciation & write-downs	177,6	178,0	177,5	146,1	147,4
Operating profit	373,2	158,6	70,3	100,6	139,4
Financial items	-36,8	-45,6	-53,7	-36,1	-40,3
Operating result before tax	336,4	113,0	16,6	64,5	99,1
Total capital	3 071,6	2 964,1	2 884,2	2 363,5	2 140,2
Equity ratio	42,3	36,3	36,5	39,1	42,9
Net operating margin in per cent	5,6	2,6	1,2	2,1	3,0
Cash flow from operating profit	550,8	336,6	247,8	246,7	286,8
Investments	245	112	199	189	119
No. of employees	3 210	3 159	3 191	2 853	3 120

<i>Proforma Moelven Group incl. Are-gruppen in 2002-03</i>					
Operating revenues	6 692	6 005	5 773	5564	5239
Depreciation & write-downs	178	178	178	177	179
Operating profit	373	159	70	128	177
Net operating margin in per cent	5,6	2,6	1,2	2,3	3,4
No. of employees	3 210	3 159	3 191	3150	3420

TIMBER					
Operating revenues	2 583,6	2 355,4	2 619,3	2 398,1	2 360,1
Depreciation & write-downs	67,4	66,2	78	74,3	77,5
Operating profit	161,4	55,2	33	92,3	93,6
Financial items	-9,9	-11,2	-17,7	-17,7	-23,2
Operating result before tax	151,5	44,0	15,3	74,6	70,4
Total capital	1 407,0	1 288,6	1 448,5	1 258,3	1 230,2
Net operating margin in per cent	6,2	2,3	1,3	3,8	4,0
Cash flow from operating profit	228,8	121,4	111	166,6	171,1
Investments	121	53	107	123	74
No. of employees	825	846	1 019	979	1 006

WOOD					
Operating revenues	2 530,0	2 268,7	2 064,1	1 363,0	1 273,8
Depreciation & write-downs	58,4	57,9	54,2	25,8	25,0
Operating profit	118,3	62,2	29,6	-0,6	40,6
Financial items	-14,0	-14,7	-18,0	-11,2	-10,6
Operating result before tax	104,3	47,5	11,6	-11,8	30,0
Total capital	1 378,1	1 253,6	1 059,2	631,8	531,4
Net operating margin in per cent	4,7	2,7	1,4	0,0	3,2
Cash flow from operating profit	176,7	120,1	83,8	25,2	65,6
Investments	78	33	70	41	18
No. of employees	872	855	784	577	628

Amounts in NOK mill.	2006	2005	2004	2003	2002
BUILDING SYSTEMS					
Operating revenues	1 937,5	1 770,1	1 630,0	1 726,2	1 607,3
Depreciation & write-downs	31,2	30,2	32,7	37,2	36,7
Operating profit	121,8	75,9	44,9	38,5	36,6
Financial items	1,1	-4,3	-2,2	-1,2	-2,6
Operating result before tax	122,9	71,6	42,7	37,3	34,0
Total capital	1035,9	897,7	801,2	790,4	786,4
Net operating margin in per cent	6,3	4,3	2,8	2,2	2,3
Cash flow from operating profit	153	106,1	77,6	75,7	73,3
Investments	44	22	22	17	23
No. of employees	1435	1381	1334	1239	1426

Laminated Timber					
Operating revenues	424,9	402,0	387,2	386,1	364,6
Depreciation & write-downs	13,1	11,6	13,3	14,1	13,9
Operating profit	25,4	20,0	15,6	1,5	-5,1
Net operating margin in per cent	6,0	5,0	4,0	0,4	-1,4
Investments	23	13	7	10	13
No. of employees	263	259	244	251	303

Modular Buildings					
Operating revenues	940,5	886,3	736,5	762,9	655,8
Depreciation & write-downs	13,3	13,3	12,3	13,9	12,9
Operating profit	41,6	23,8	7,1	15,7	10,3
Net operating margin in per cent	4,4	2,7	1,0	2,1	1,6
Investments	19	8	14	4	7
No. of employees	733	669	633	469	534

System Interiors					
Operating revenues	593,6	496,7	520,4	579,8	586,9
Depreciation & write-downs	4,8	5,3	7,0	9,2	9,9
Operating profit	54,8	32,1	22,2	21,3	31,4
Net operating margin in per cent	9,2	6,5	4,3	3,7	5,4
Investments	2	1	1	3	3
No. of employees	439	453	457	519	589

OTHER BUSINESSES					
Operating revenues	171,7	167,1	69,8	46,7	89,3
Depreciation & write-downs	19,7	17,6	12,6	8,8	8,2
Operating profit	-28,3	-34,7	-37,2	-29,6	-31,4
Financial items	-14,0	-15,4	-15,8	-6,0	-3,9
Operating result before tax	-42,3	-50,1	-53,0	-35,6	-35,3
Cash flow from operating profit	-8,6	-17,1	-24,6	-20,8	-23,2
No. of employees	78	77	54	58	60

Group Executive Board



Hans Rindal
 Date of birth: 1962
 Current position: President and CEO of Moelven
 Education: M. Sc. Economics and Business Administration, Norwegian School of Economics and Business Administration, Bergen
 Employed since: 1995
 No. of Moelven shares: 400



Reidar Mo
 Date of birth: 1943
 Current position: Managing director of Moelven Byggsystemer AS
 Education: Engineering Degree and Business Administration, Norwegian School of Management (BI)
 Employed since: 1989
 No. of Moelven shares: 200



Johan Padel
 Date of birth: 1966
 Current position: Current Managing director of Moelven Timber AS
 Education: Marketing of wood products, Business Administration, University of Stockholm, Economics and Trade, Örebro College
 Employed since: 2005
 No. of Moelven shares: 0



Dag E. Sand
 Date of birth: 1945
 Current position: Managing director of Moelven Wood Scandinavia
 Education: Degree in forestry, wood and marketing
 Employed since: 1994
 No. of Moelven shares: 200

Group Shared Services



Morten Kristiansen
 Date of birth: 1958
 Current position: Director of Moelven Virke AS
 Education: Gjøvik School of Engineering Business Administration, Norwegian School of Management (BI)
 Employed since: 2000
 No. of Moelven shares: 0



Morten Sveiverud
 Date of birth: 1958
 Current position: Director of Finance
 Education: Business Administration, Regional College
 Employed since: 1988
 No. of Moelven shares: 200



Kristin Vitsø Bjørnstad
 Date of birth: 1961
 Current position: Director of Public Relations/Human Resources
 Education: Landscape Architect, NLH
 Employed since: 2006
 No. of Moelven shares: 0



Svend Strand
 Date of birth: 1943
 Current position: Director of IT/Properties
 Education: Degree in Engineering, M.Sc., Heriot Watt University Edinburgh
 Employed since: 1994
 No. of Moelven shares: 0



Åge Holmestad
 Date of birth: 1947
 Current position: Innovation
 Education: Degree in Engineering, M.Sc., Norwegian University of Science and Technology
 Employed since: 1979
 No. of Moelven shares: 0

THE CORPORATE ASSEMBLY

Jaakko Punkari, Chairman	Metsäliitto
Heikki Asunmaa	Metsäliitto
Martti Asunta	Metsäliitto
Mikael Aminoff	Metsäliitto
Borre Rogstadkjærnet	Glommen Skog BA
Kjersti Solberg	Mjøsen Skog BA
Lars-Ole Gimming	Havass Skog BA
Christian Ramberg	AT Skog BA
Harald Løkkerveen	Moelven Treinteriør AS *)
Per W. Gunro	Moelven Nordia AS *)
Rolf Ellevold	Moelven Østerdalsbruket AS *)
Lars-Håkan Karlsson	Moelven Ransbysågen AB *)

ALTERNATES

Juha Mäntylä	Metsäliitto
Hannu A. Järvinen	Metsäliitto
Halvard Sæther	Mjøsen Skog BA
Helge Urstrømmen	Glommen Skog BA
Kristian Noer	Havass Skog BA
Knut Aas	AT Skog BA
Jonny Lindberg	Moelven Treinteriør AS *)
Jan Arve Sinnerud	Moelven Elektro AS *)

*) Employee representatives

SHARED SERVICES IN THE MOELVEN GROUP

This division is organised into five areas:

- Timber acquisitions/Fibre/Bioenergy
- Finance/Insurance
- Communication/Human Resources
- IT/Real Estate
- Innovation

This division supports Moelven's operative units and management on technical issues and operative questions relating to the functions.

Annual Report

HIGHLIGHTS

The Moelven Group experienced an eventful year in 2006 with record-high revenues and profits. Operating revenues increased from NOK 6 005 million in 2005 to NOK 6 692 million in 2006, and operating profit in 2006 totalled NOK 373.2 million, compared to 158.6 million in 2005. The positive profit trend is primarily due to favourable market conditions in all of the Group's business units – both in terms of sales and prices, and to the effect of the Group's long-term strategic business plan, which has put in place cost-cutting measures that will continue to have a positive impact on the bottom line for years to come.

In August 2006, Metsäliitto Andelslag made public their intention to sell their 65.2% ownership share in the Moelven Group, and on 14 December an agreement was signed regarding the sale of Moelven shares to Eidsiva Vekst AS and the forestry cooperatives Glommen Skog BA, Mjøsen Skog BA, Havass Skog BA, AT Skog BA and Viken Skog BA. Pursuant to the agreement, Eidsiva Vekst AS acquired 39.6% of the total Moelven shares and the forestry cooperatives acquired 25.6%. The new shareholders also signed a shareholders' agreement specifying that the Group shall continue to operate as an independent company with a long-term business perspective and a continued focus on Scandinavia as the main market. The agreement also contains terms regulating Board representation, strategic focus areas, share transfers, as well as other issues.

A number of important business relationships with various companies in the Metsäliitto Group were established subsequent to 1 May 2001 when Metsäliitto and Finnforest entered as majority owners. Among the relationships are contacts involving the internal trade of complementary products and the coordination of distribution channels. All transactions between the companies have taken place on competitive terms and will be continued as long as there is a mutually beneficial basis for such collaboration.

In the beginning of July, the Group's long-term credit facilities were refinanced. The new agreement is a multi-currency drawing arrangement with an overall limit of NOK 1 050 million over a five year period. The Group has thereby ensured satisfactory long-term financing through to the year 2011, assuming normal operating conditions.

Moelven Bioenergi AS was established in the autumn 2006. As of today, the company is owned 100% by Moelven, but in the future the Group intends to reduce its ownership share to 40%, with Eidsiva Vekst AS and Mjøsen Skog BA as the other owners. The aim of the investment is for the Moelven Group to be able to participate in promising developments in the field of bioenergy. The first phase calls for the building of a bioenergi facility in Brumunddal, which will serve as a pilot project for further possible expansion in the field.

OPERATING REVENUES AND PROFIT

The Group's operating revenues in 2006 increased to NOK 6 692 million, compared to NOK 6 005 million in 2005. The original budget had operating revenues at about the same level as in 2005. The increase is distributed across all three divisions and is due primarily to higher than expected demand and higher prices for the Group's products. The Timber division's sales increased as a result of an extremely high market demand, which was due to increased use of sawn wood in Europe combined with a somewhat reduced market supply. For the Wood division, the increase in sales is due to the high level of activity in the new-build and rehabilitation markets in all three Scandinavian countries. Moelven's market share has also gained somewhat in certain markets. For the Building Systems division, the commercial building market is the critical variable impacting on demand, and this market has had a high level of activity in 2006.

While the management expected operating profit in 2006 to be at similar level to that of 2005, operating profit actually increased from NOK 158.6 million in 2005 to NOK 373.2 million in 2006. The main reasons for the unanticipated high profits are favourable market developments and the simultaneous positive impact of cost-cutting measures.

For the Timber division, prices for sawn pine and spruce wood increased steadily throughout the year, while efficiency measures and long-term timber contracts ensured that the cost-level did not increase at a comparative rate.

For the Wood division, an increase in the Timber division's prices translated into an increase in the price for raw materials; however, increased market prices for the Wood division's finished products compensated for this increase. The increase in profit figures for the Wood division are due largely to the positive effects of efficiency measures which have both reduced costs and increased raw materials yield.

Substantial resources have been invested the past few years in the Building Systems division in restructuring the business in order to adapt operations to current market demand.

The companies in the division therefore had an excellent starting point to take advantage of favourable market developments while continuing to maintain tight control on expenses.

Net financial costs were reduced from NOK 42.2 million in 2005 to NOK 32.9 million in 2006. The decrease was due primarily to the Group having a lower net interest-bearing debt in 2006 than the year before. Even though interest rates rose in 2006, the Group's hedging strategies prevented this rise from having any negative impact on results. At the end of 2006, net interest-bearing debt was NOK 466.7 million, compared to NOK 750.5 million the year before. As more than 90% of the Group's debt is in Swedish crowns, the strengthening of SEK against NOK in 2006 had a negative impact on both the net interest-bearing debt and interest costs measured in Norwegian crowns.

Ordinary pre-tax profit increased from NOK 113.0 million in 2005 to NOK 336.4 million in 2006. Taxes in 2006 totalled NOK 96.9 million (45.7), of which NOK 67.2 million (48.0) is payable tax. Cash flow from profit and loss items increased from NOK 295.9 million in 2005 to NOK 480.6 million in 2006. The cash flow figure per share increased from 2.28 in 2005 to NOK 3.71 in 2006.

EQUITY, INVESTMENTS AND BALANCE SHEET

A strategic three-year investment programme was initiated in 2006. In addition to necessary upgrades and maintenance, various investment projects were initiated designed to adapt the Group's business units to the Group's long-term strategy emphasising efficiency, flexibility and market focus. Investments in 2006 totalled NOK 244.6 million, compared to NOK 111.6 million in 2005. The largest investments per division were SEK 55 million used in the Timber division for a new grading system at Valåsen, NOK 25 million in the Wood division to rebuild the Soknabruket plant into a combination production unit and NOK 12 million in the Building Systems division to expand capacity at the modular factory in Moelv. Overall assets at the end of 2006 totalled NOK 3 071.6 million, compared to NOK 2 964.1 in 2005. The higher figures are due to the more ambitious rate of investment, increased receivables and a strengthening of the Swedish crown. Approximately half of the Group's assets are registered in the accounts in Swedish crowns, and the exchange rate increase from 0.8505 at the end of 2005 to 0.9112 at the end of 2006 has added around NOK 100 million to the balance sheet figure.

Equity at the end of 2006 totalled NOK 1 233.7 million, which corresponds to an equity ratio of 40.2%. In 2005, total equity at the end of the year was NOK 1 076.4 million, corresponding to an equity ratio of 36.3%. If one were to convert the figures for the Group's Swedish subsidiaries to the same currency rate as in 2005, the equity ratio figure would be about 41.2%.

The annual accounts have been prepared under the assumption of continued business operations.

The Group's long-term financing is in the form of long-term drawing rights. Due to seasonal fluctuations during the year with respect to availability of raw materials and build-up of stock volume, the Group's overall debt varies from NOK 300 million to NOK 350 million –the lowest point being usually

during the fourth quarter and the highest point usually during the second quarter. Drawing rights provide the Group with the flexibility to adjust the debt amount appropriately through these fluctuations and is well suited for the Group's business operations.

Reducing the need for borrowed capital has been an area of focus for the Group for some time now, and despite the higher balance figure, the net interest-bearing debt has been reduced from NOK 750.5 million in 2005 to NOK 466.7 million at the end of 2006. Liquidity reserves totalled NOK 959.2 million as of 31.12.2006, compared to NOK 734.6 million the year before.

FINANCIAL RISK

The Moelven Group's profit and loss sheet is influenced by some external factors over which Moelven has very little control. The most important factors are prices for raw materials and finished products, energy prices, interest rates and exchange rates.

Moelven's sawmills process approximately 4 million solid cubic metres of sawn timber per year, and this is by far the largest single operating expense for the Group. Changes in the price of timber will therefore have a direct and major impact on profit margins. Negotiations involving timber prices normally take place once or twice a year. The cost of electrical power is another important variable that has a major impact on the Group's profitability, and approximately 0.2 TWh electrical power is purchased from the power exchange Nordpool annually. Any fluctuations in energy prices will also have a major impact on profitability.

The Group's net interest-bearing debt serves as a basis for the Group's risk exposure to interest rates. As the main part of the debt is in Swedish crowns, the interest rate in Sweden is the most important factor impacting on the Group's overall interest expenses.

Approximately 20% of the Group's sales take place outside of Scandinavia, and these sales also serve as a source of currency exposure. While raw materials and finished products are imported from both Sweden and Norway, the most important exchange rates are EUR-SEK, SEK-NOK and EUR-NOK. For a more detailed description of risk and exposure linked to external factors, see page 7.

In order to reduce the consequences for the Group of fluctuation in these variables, extensive use of fixed price contracts are entered into when it comes to raw materials, finished products and electrical power. Futures contracts are also used to reduce currency risk, while interest swap schemes are used to hedge against fluctuating interest rates on long-term debt.

As a result of the hedging strategies that are in place, changes to interest rates must be long-lasting for them to have any serious impact, and many operational adjustments are available to compensate for external short-term fluctuations.

Of the Group's total balance sheet figure, approximately half are linked to business activity in Sweden. The balance sheet figure is therefore seriously influenced by the exchange rate between Swedish and Norwegian crowns. Equity capital is to a large extent protected against currency fluctuations in that share investments in most of the Group's Swedish subsidiaries are financed in Swedish crowns. Total equity vulnerable



Svein E. Skorstad

Date of birth: 1948

Moelven Board: Chairman of the Board

Current position: Former CEO of COOP Norden, retiring shortly.

Education: Petroleum economics and Engineer

Elected to the Board: 2007

No. of Moelven shares: 0

to currency fluctuations at the end of 2006 totalled SEK 244 million (154). The Group has a policy to ensure that credit sales above a certain level must be ensured either in the form of guarantees or credit insurance. In practice, credit insurance is the most common form of security. A major share of the Group's credit sales are insured and the risk of loss on receivables is therefore minimal.

The Group's borrowed capital financing consists of long-term drawing rights with a limit of NOK 1 050 million that runs through to July 2011. The Group also has access to short-term lines of credit amounting to approximately NOK 300 million, which are renewed on an annual basis.

The Group has a centralised function for following up industrial insurance policies, and all of the companies in the Group are obligated to follow the Group's policy regarding insurance coverage. The policy provides guidelines for insurance coverage and preventive measures that must be in place, such as risk mapping and continuity plans. An assessment was carried out subsequent to the fire at the production plant Moelven Telemarksbruket AS in August. The findings were that the existing routines with respect to damage control worked satisfactorily according to plans with respect to both limiting damage to material and continued delivery ability.

The Group has an industrial insurance policy that insures the Group against financial losses exceeding NOK three million per incident.

BUSINESS DIVISIONS

The Moelven Group consists of a total of 39 production companies that are all independent, legal entities organised into the divisions Timber, Wood and Building Systems. All production takes place in Sweden and Norway. While overall production is distributed among the two countries, the Swedish plants in Timber and Wood sell a large part of their production output in Norway. The number of employees in the various countries are 1 686 in Norway, 1 501 in Sweden, 20 in Denmark and three in England.

Timber

The Timber division consists of 14 production units that produce sawn pine and spruce timber harvested from local sources. Eight of the units are located in Sweden and six in Norway. Annual production is approximately 1.4 million cubic

metres of sawn timber, in addition to chippings, shavings and bark for a total value of approximately NOK 280 million. About 65% of sales are to customers in Scandinavia.

The total number of employees is 825, of which 85 are female. In all, there are 274 employees in Norway and 551 in Sweden.

Operating revenues in 2006 increased from NOK 2 355 million in 2005 to NOK 2 584 million in 2006. The main reason for the increase is that high market demand generated both greater volume and higher prices for both pine and spruce products. The driving force behind the favourable market trend is the increasing popularity of sawn timber in Europe, combined with an overall reduction in supply of high-quality Nordic products in the European market.

Operating profit increased from NOK 55.2 million in 2005 to NOK 161.4 million in 2006. In addition to the favourable market trend, internal efficiency measures have contributed to the improved profit figures. The focus of the efficiency measures has been on cost reductions, market adaptation and improved yield from each log. Long-term contracts for timber combined with high stocks of raw materials at the start of the year has meant that raw material costs have not risen as fast as prices for finished products.

Wood

The Wood division consists of 14 production plants. Five of the plants are combi-facilities featuring both sawmill and planing mill capacities. While four of these plants produce only natural, untreated building timber, one of the plants also produces impregnated timber. The other companies are specialised production plants that produce moulding, flooring, indoor paneling, component elements, sawn wood and specially treated building materials. The overall aim is to offer wood products with as high a processing degree as possible to the construction market, and almost 80 per cent is sold through chains of builders' merchants. Industrial chippings worth a total of about NOK 120 million are also generated annually.

Approximately 93 per cent of the division's sales are in Scandinavia. The total number of employees is 872 persons, of which 110 are female. Of the overall number of employees, 561 are employed in Norwegian companies, 291 in Swedish companies and 20 in Danish companies.

Operating revenues increased from NOK 2 269 million in 2005 to NOK 2 530 million in 2006.

The rate of construction activity in Scandinavia has increased from 2005 to 2006 and is now at an extremely high level, which is the main reason for the overall increase in demand for Wood's products. At the same time, the market share for Wood in Sweden has increased during the year. Supply has not increased as rapidly as market demand, which has fuelled an increase in market prices. Even though the Wood division has operated with lower stocks than normal during parts of the year, the division has been successful in serving the market.

Operating profit increased from NOK 62.2 million in 2005 to NOK 118.3 million in 2006. The improvement is due not only to measures aimed at improving efficiency of processing and logistics, but also as a result of an increase in market prices for the division's finished products. The division purchases sawn wood from both the Timber division and external suppliers. Rising prices for sawn wood has had an impact on raw material costs in a negative direction, but this increase has been offset by an increase in market prices for finished products.

Building Systems

The Building Systems division consists of 11 production plants, divided into the business areas Laminated Timber, Building Modules and System Interiors. All of the businesses in this division supply flexible, tailored and cost-efficient construction and interior systems for project customers in Scandinavia. In addition to delivering bridges and load-bearing structures, the Laminated Timber business also sells considerable amounts of standard glulam beams via chains of builders' merchants. Approximately 96 per cent of the sales take place in Scandinavia. The division has 1 435 employees, of which 90 are female. In all, 834 are employed in Norwegian companies, 598 in Swedish companies and three in English companies.

Operating revenues increased from NOK 1 770 million in 2005 to NOK 1 938 million in 2006.

Construction activity in the area of commercial buildings and rehab and add-ons to existing buildings increased in both Sweden and Norway in 2006, which resulted in all three business areas posting higher operating revenues for the year. For Laminated Timber, export sales have now been reduced to a minimum and the company has been successful in compensating for the deficit through additional sales in domestic markets. Building Modules has also registered an extremely high

activity level in 2006, and at the end of the year reported record-high order reserves with almost fully booked capacity through 2007.

The aim of the electrical services unit is to bolster the company's service concept, and the unit has been able to successfully implement strategic organisational changes. The unit has been involved in several major projects during the year, particularly in the Oslo area.

System Interiors also experienced an increase in activity in 2006, especially in Sweden where the market has been at a low level for some time. Operating profit increased from NOK 75.9 million in 2005 to NOK 121.8 million in 2006.

For the Laminated Timber company, the focus on increased tailoring of deliveries to customers, combined with the positive market trend, contributed positively to the improvement in profits. Prices for raw materials have also risen, however, and this has had a particularly negative impact on the Swedish operations where the high demand for sawn timber has resulted in an unsatisfactory supply of raw materials.

For the Building Module business, module-based housing has become an increasingly important market segment. Both from a cost and manufacturing perspective, this application has very different demands than the production of traditional modules for the construction business. Considerable focus on increasing efficiency of the manufacturing process has been made in order to be able to take advantage of the benefits of modular production in the context of housing projects. Even though prices have increased in this market, the high backlog of orders at the start of the year mean that it will take some time before any efficiency measures can achieve full effect. In 2004 and 2005, the Building Module business in Sweden experienced major losses due to internal challenges at one of the production plants, and several measures were implemented to improve profitability. In 2005, the businesses in Sweden were organised into a single legal entity and in the course of 2006 considerable efforts have been expended in trying to take advantage of the synergic effects from the consolidation. The measures have resulted in the intended effects, and profit figures have improved by about NOK 20 million on an annual basis. The electrical engineering business has also been restructured and the result is an increase in profits of some NOK 5 million compared to the year before.

A common theme for the System Interior companies in Sweden and Norway is that the period of low market activity



Ola Mørkved Rinnan
Date of birth: 1949
Moelven Board: Board Member
Current position: CEO of Eidsiva Vekst
Education: M.Sc. Civil Engineering, The Norwegian University of Science and Technology, 1972, Degree in Business Administration, NHHK, 1985
Elected to the Board: 2007
No. of Moelven shares: 0



Torstein Opdahl
Date of birth: 1947
Moelven Board: Board Member
Current position: Farmer
Education: Agronomist
Elected to the Board: 2002
No. of Moelven shares: 0



Ingrid Dahl Hovland
Date of birth: 1959
Moelven Board: Board Member
Current position: Managing Director of Spenncon AS
Education: M.Sc. Mining, The Norwegian University of Science and Technology, 1985
Elected to the Board: 2007
No. of Moelven shares: 0



Guro Vale Kvavik
Date of birth: 1970
Moelven Board: Board Member
Current position: Lawyer
Education: Law Degree
Elected to the Board: 2007
No. of Moelven shares: 0

in 2003 and 2004 resulted in a focus on cost-cutting measures, which resulted in the companies having good control of costs when market activity rose in 2005 and 2006. Particularly in Norway, the high level of activity and capacity limitations at the plants have meant that the companies have had to focus on quick and efficient completion of the right projects. Market activity has also increased significantly in Sweden and the result is much improved profitability.

Other Businesses

In addition to the parent company, Moelven Industrier ASA, the division Other Businesses includes common services such as timber acquisitions, R&D, finances, insurance, IT, communications and human resources. A few other smaller business units and assets not related to the Group's core business activities are included in this division as well. At the end of year, there were a total of 78 employees in this division, of which 28 were female. Of the total amount of employees, 31 work in Sweden and 47 in Norway. The increase in the number of employees compared to 2005 is due to the inclusion of employees at Moelven Virke AS and Moelven Skog AB into the parent company as of 1 January 2006.

In 2006, assets not relating to operations were sold for a total of NOK 28.9 million, and the sale generated a one-off gain of NOK 8.5 million. The book value of remaining assets that belong to the Other Businesses division is NOK 22.0 million (46.0). Operating revenues for the division totalled NOK 171.7 million (167.1), with an operating loss of NOK 28.3 million (-34.7).

INNOVATION

Innovation has been an integral part of Moelven's century-old history. The common denominator for all the company's products from the wooden wheel boiled in oil via the "Moelven house on wheels" to current products and services is the application of local raw materials that are transformed into high-quality products based on advanced technological and processing expertise. In order to achieve the company's goal of being "The natural choice for people building and living Scandinavian style" and maintain this market position over time, it is critical that products and production techniques are improved and advanced on a continuous basis. This is done at all levels, and is seen as an ordinary part of the business operations.

The Group has therefore not capitalised any of the costs associated with research and development.

The aim of the innovation efforts vary among the divisions. For the sawmills, for example, the focus is primarily on process development, while product development is less important since sawn wood is a type of product with a relatively minor processing component. In addition to process developments, there has been considerable focus in recent years on developing new concepts, ie. more emphasis is now put on delivering the right product to the right customer.

For the planing mills, product development plays an equally important role as process development. Several new products have been launched on the market the past few years and the common theme for all of these products is the high level of processing content. Painted floorboards and panelling are examples of this type of product. In the next phase of the flow of products from production to end-user is the development of logistics and service concepts, which is a very important area for the Wood division. The idea is that by contacting a customer centre, a potential customer can obtain access to the Group's entire product range with short and reliable delivery times.

For Building Modules the challenge has been to develop both technology and concepts to enable the building of module-based multi-storey housing. Technical solutions for connecting modules with technical installations is another example of an area in which goal-oriented innovation has resulted in improved solutions that today are used in the day-to-day production process. For System Interiors, product development is a continuous process since market trends are constantly changing. In recent years the trend has been away from closed office solutions and over to the use of glass walls and open office environments.

Most of the major innovative projects in recent years have taken place in the Laminated Timber area. Wooden bridges based on technology developed in connection with several major building projects for the Winter Olympics in Lillehammer in 1994 have become important market segments in Norway and Sweden.

The R&D company Moelven Utvikling AS was established in November 2006. Moelven owns 70% of the company, while SIVA (The Industrial Development Corporation of Norway) owns the remaining 30%. The idea behind the company is to

help entrepreneurs materialise promising ideas – preferably linked to the use of wood or one of the Group's supplier industries. The company is dedicated to helping people develop commercially viable products.

HEALTH, WORK ENVIRONMENT AND SAFETY

Employees

At the end of the year the Group had a total of 3 210 employees (3 159). A total of 1 686 (1 672) of these employees work in Norway, while 1 501 (1 465) are in Sweden, 20 (19) in Denmark and three (3) in England. In terms of the number of overall man-years worked in 2006, the total figure was 3 049 (3 001).

The Moelven Group's employees represent an important resource for the company and it is important that they have a positive attitude towards their workplace. Besides ensuring that each individual employee is not exposed to a dangerous work setting, it is important that work tasks are motivating and take place in an enjoyable work environment. The Group's human resource policy is that Moelven shall provide opportunities to employees with the drive to succeed. By this policy statement, the company means that employees who wish to contribute positively to the Group and to their own futures will be given every opportunity to do so. The Group's strategy is to motivate current employees with high expertise to continue their employment, as well as to make sure that Moelven is an attractive employer for potential new recruits. The company's flat organisational structure, which allows for a high degree of decentralised authority and decision-making, is consistent with the Group's overall aim of making Moelven an attractive workplace. The flat organisation ensures a more efficient management structure that is more quickly able to respond and adapt to market changes.

While the modern wood-working industry needs people with a much higher level of expertise than was the case 20 years ago, less young people choose educational alternatives relevant for the wood-working industry these days. The Moelven Group has therefore taken the initiative to establish the Norwegian Wood-working Industry's Business School in collaboration with Norges Byggscole and Hammarö Utbildningscenter. In 2006 the school was certified as a technical trade school.

Work Environment

Leave-of-absence due to illness in 2006 was 5.9% (6.2), totaling 43 402 (45 801) full workdays. The number of injuries leading to leave-of-absence was 91 (98), which corresponds to 22.62 (24.64) injuries per million worked hours. The total number of injuries was 162 (159).

Equal Opportunity Employer

The Moelven Group promotes an equal opportunity policy and aims to ensure that both women and men find the Group an attractive employer. In all Group companies with at least 10 employees, an equal opportunity plan must be developed in which objectives and activities in this area are clearly formulated. Although the emphasis in the policy is gender neutrality, one challenge is that most of the Group's jobs have traditionally been male dominated. A large majority of men choose to educate themselves in the professions the Group depends on for its industrial manufacturing processes, and there are often no female applicants when vacant positions are advertised.

Of the Group's 3 210 employees (3 159), 9.75% are female (10.0). In all, there are 737 office staff (737) and 2 473 production staff (2 422). The ratio of female employees among office staff is 25.2% (24.8), while in production the percentage of female employees is 5.1% (5.5). There are female managers on all levels of the organisation. In the corporate assembly there is one female member, while the Board has two female members.

Environment

The impact of human activity on the environment has become increasingly focused as a consequence of the extreme weather conditions all over the world. One of the Moelven Group's fundamental values is sustainability, and among the company's highest priorities is to comply with all applicable environmental laws and regulations. In the furtherance of this objective, the Group reviews on a regular basis the impact of operations on the environment and how to reduce any potential negative impact to the environment.

The Group bases its business activities on renewable resources, and long-term sustainability is one of the company's clear competitive advantages. The Board is concerned about ensuring that environmental issues are addressed not only with respect to end products, but throughout the entire lifecycle of



Even Mengshoel

Date of birth: 1953
Moelven Board: Board Member
Current position: Farmer
Education: Agriculture, forestry and history
Elected to the Board: 2002
No. of Moelven shares: 0



Gunde Haglund

Date of birth: 1951
Moelven Board: Regularly attending deputy member
Current position: Senior sorter
Education: Extensive work experience
Elected to the Board: 2005
No. of Moelven shares: 0



Arne Rødø

Date of birth: 1951
Moelven Board: Employee representative
Current position: Stoker and drying supervisor
Education: Craft certificate
Elected to the Board: Regular attending member as of 2005
No. of Moelven shares: 0



Iver Melby

Date of birth: 1955
Moelven Board: Employee representative
Current position: Stoker and repairman
Education: Craft certificate
Elected to the Board: 1996
No. of Moelven shares: 0

a product -- from the harvesting of raw materials, via production process and finished products, through to the end of the product's productive lifespan. Tracking systems have therefore been established so that Moelven can ensure at all times that the timber used in production is from certified suppliers who practice responsible forestry, and that all of Moelven's sawmills are PEFC certified (Programme for the Endorsement of forest Certification Schemes). Although less prevalent, in Sweden some sawmills are also FSC certified (Forest Stewardship Council).

The fact that most of the production activity in the Building Systems division takes place inside a factory means that the process of monitoring the business' impact on the environment is easier compared to traditional on-site construction.

The need for considerable transport is also a significant environmental challenge for the Moelven Group. A total of 7.5 million solid cubic metres of timber, chippings and finished goods are transported on the roads annually. In addition, about 260 000 cubic metres are transported by rail and 320 000 cubic metres are shipped by sea. The Group is constantly working on trying to reduce the need for transport and to optimise the use of existing transport arrangements. However, since the Group's business is distributed over a wide geographic area, there will always be some need of transport.

Moelven is therefore trying to influence local and national authorities to maintain and in some areas improve road standards, as well as to influence transporters to select environmentally sound solutions whenever possible. One consequence of the Group's focus on environmental issues is that Moelven's 200 company cars will now be replaced by cars that run on bio-fuels, either in the form of auto-ethanol or bio-diesel. The company's car park will be renewed at a normal pace and within the next three-year period access to bio-fuels should be as easy in Norway as it currently is in Sweden.

Through the company Moelven Bioenergi AS, which was established in the autumn of 2006, the Moelven Group aims to ensure that the Group is participating in developments taking place in the bioenergy field. Moelven's annual energy consumption is approximately 0.8 Twh, with 0.2 Twh of electrical power and 0.6 Twh of thermal power. Much of the needed power supply is in fact produced in the Group's own plants. The energy potential of the Group's bi-products is in the order of approximately 4.8 Twh, which means that there is tremendous potential for both additional power resources for the Group and for the growing bio-energy market in general.

INTERNATIONAL ACCOUNTING STANDARD (IFRS)

Since Moelven Industrier ASA is not publicly listed, the company is not obligated to prepare public accounts in accordance with International Financial Reporting Standards (IFRS). The accounts have therefore been prepared based on Norwegian accounting standards; while addition information is provided showing the potential effects of reporting using IFRS. Figures for comparative purposes have been prepared since 01 January 2004.

The major differences in using IFRS are in the reporting of pension commitments, the use of financial instruments and the treatment of dividends. If IFRS had been used starting in

2005, pension commitments would have caused a one-off reduction in equity of some NOK 55 million. The effects of financial instruments will vary in relation to market value assessments at the time of reporting. Allocated dividends would also have an effect on equity in that in accordance with IFRS it must be reported as part of equity until a formal decision regarding the distribution is made by the Board of Directors. The result for the year in accordance with IFRS would have been NOK 258.8 million, while equity for the year would have totalled NOK 1 301.9 million. The effects of reporting in accordance with IFRS are described in more detail in the profit and loss account on page 59.

SHARES AND OWNERSHIP

Share capital in Moelven Industrier ASA consists of 129,542,384 shares with a face value of NOK 5, and there is only one class of shares. The shares are distributed among approximately 970 shareholders, of which the six largest are Eidsiva Vekst AS and the forestry cooperatives Glommen Skog BA, Mjøsen Skog BA, Havass Skog BA, AT Skog BA and Viken Skog BA. The six largest shareholders control a total of 99.7% of the shares. All of the major shareholders signed a shareholders agreement in connection with the acquisition of the shares in December 2006.

Among the terms in the shareholders' agreement is a section specifying that the Group shall continue to be run as an independent business unit with a long-term perspective and with a focus on Scandinavia as the domestic market. The agreement also contains sections regulating board composition, strategic focus areas, share transfer, etc. The corporate assembly must have 12 members, four of which are elected by the employees. The Board must consist of eight members, two of which are elected by the employees, and all Group decisions must adhere to the stipulations contained in the Public Limited Liability Companies Act. More information regarding management and governing bodies is provided in Note 21.

The Group carries out business dealings with the owners in some areas. An example of such dealings is the purchase of timber in which Norwegian forestry associations are suppliers. Another example is deliveries of bio-fuel from Moelven to a bioenergy facility owned by Eidsiva. For all such dealings, the principle of "an arm length's distance" shall apply, meaning that other suppliers will be preferred in cases where they can offer better prices and/or terms.

Moelven has a long tradition of operating its business in compliance with all laws and ethical guidelines relevant for the business community, and is positive to competition. In order to maintain this sound business culture, ethical guidelines and rules for compliance with Norwegian competition legislation have been developed and are enforced.

Additional information about management issues is provided on page 54.

ALLOCATION OF PROFIT FOR YEAR

As Moelven shares are not listed on any stock exchange and thereby not easily converted, one priority for the Board over the past few years has been to maintain a stable dividend policy even though the company's results may vary. Another important consideration has been to ensure that a share of

the profit remain in the company to satisfy the need for investment capital. Although profit figures for 2006 have been higher than expected, the Group is committed to a higher-than-normal investment level in the years ahead. The Board proposes that a dividend of NOK 0.75 per share (0.25) is paid to shareholders. In all, the proposal involves paying a dividend totalling NOK 97.2 million (32.4). The parent company, Moelven Industrier ASA, which is responsible for paying the dividend on behalf of the Group, posted an annual result of NOK 33.4 million in 2006. The difference of NOK 63.8 million is proposed transferred from the post Other Equity.

OUTLOOK

Overall, the Board expects the positive market conditions in Scandinavia to continue well into 2007, but with a slowing in the second half of the year. The activity level in Sweden is expected to remain high somewhat longer than in Denmark and Norway. The total demand for the Group's products is expected to remain at the same general level as the year before.

The rate of new housing construction, which is very important for the Wood division, is expected to slow somewhat in Norway from the extremely high current level, while in Sweden a slight increase is expected. A sustained high activity level is anticipated in the renovation and maintenance market.

Solid demand is expected to continue in the domestic and export markets for the sawmills, even though the latter may be influenced somewhat by a slowdown in the US economy. Access to raw materials is expected to remain satisfactory, but at higher average prices than in earlier years.

The businesses in the Building Systems division had better-than-normal order reserves at the start of the year, and some

production plants are almost already fully booked for all of 2007. The general level of construction activity is expected to remain at the current high level for some time. The three-year investment programme that started in 2006 will continue in 2007, and total investments for the year will be approximately NOK 300 million.

Overall, the Board is anticipating an increase in operating revenues for the next year and a profit level similar to that of the previous year.

Moelv, 20 February 2007
Board of Moelven Industrier ASA



Timber Supplies

Moelven's industrial production is predominantly based on the use of wood, and annually the Group purchases 4 million solid cubic metres of sawn spruce and pine timber for a total value of approx. NOK 2.2 billion (incl. transport expenses). Since Moelven does not have its own forestry resources, all raw materials are purchased from external suppliers, such as private forestry owners, forestry associations and industrial forestry companies. Most purchases are made locally in close proximity to the sawmills.

ACCESS TO RAW MATERIALS

Local pine and spruce timber is the foundation for Moelven's business and the units have adapted their production to the local forestry resources. Overall, spruce represents 60% and pine 40% of the Group's timber. The Group's purchases are made based on detailed requirement specifications designed to ensure local raw materials to create the highest possible value/cost per log. The aim is to make efficient use of the raw materials.

HARVESTING AREAS

The Moelven Group does not own any forests, and all raw materials are purchased from private forestry owners and industrial companies that own and manage forestry resources. In addition to the cross-border transport of logs between Norway and Sweden, approx. 80 000 solid cubic meters of timber is imported from other countries. Whenever Moelven purchases raw materials from companies that own shares in the Group, such trade takes place on the principle of an arm length's distance, meaning that other suppliers are chosen if they provide more cost efficient timber.

The timber resources are purchased locally. For Moelven's Norwegian sawmills, raw materials are obtained primarily from south-eastern Norway and mid-Norway (Trøndelag), and from the border areas in mid-Sweden. The Swedish business units receive their raw materials primarily from western parts of mid-Sweden – from Dalarna and southward.

HIGH-VALUE RAW MATERIALS

For Moelven, raw materials represent the largest share of the production costs, and the Group depends on long-term and foreseeable deliveries to be able to ensure reliable production output and profitability. Forestry owners are paid better for the logs processed into sawn timber, than for the ones used for pulp and paper production. Thus they depend on a competitive industry to be able to sell their timber for the highest possible yield per log.

Moelven's sawmills process 4 million solid cubic metres of sawn timber annually. Our purchases in Norway total approximately 20% of the total amount used for industrial purposes

in the sawmill and pulp and paper industries. In Sweden, the corresponding percentage is a total of 3.5%.

SIGNIFICANT BY-PRODUCTS

By-products in the form of raw materials for other industrial and energy production represent a significant income for the Group. Of the overall timber purchases worth NOK 2.2 billion, Moelven sells by-products for a total value of about NOK 450 million annually.

Sale of chippings used for industrial and energy purposes is necessary for the wood-working industry, as the by-products represent an important share of the overall income. This part of the total economic output of each individual log, contributes significantly to the financial yield. The paper and pulp industry's demand for chippings is also a critical factor in the harvesting of forest resources in the modern economy.

By-products also open up opportunities for the development of new industrial opportunities – first and foremost in the field of energy production.

ORGANISATION OF PURCHASES AND TRANSPORT

None of Moelven's units in Sweden or Norway purchase timber resources independently.

PURCHASES IN NORWAY

For the Norwegian Timber and Wood businesses, Moelven runs a centralised purchasing unit, Moelven Virke AS, which has 5 full-time employees. Moelven Virke AS is owned 100% by Moelven, and the purchases this company makes are primarily made from forestry associations in Norway.

PURCHASES IN SWEDEN

For the Swedish businesses, the Group purchases raw materials via the partly owned companies Moelven Skog AB (20 employees) and Weda Skog AB (70 employees). Both of these companies purchase approx. 30% of the wood directly from forestry owners. The remaining raw materials are obtained from forestry associations, forestry companies, as well as other sources.

Weda Skog AB is owned jointly by Moelven and Hedin og Bergkvist AB on a 50/50 basis. Moelven owns 80% of the shares in Moelven Skog AB, the remaining 20% is owned by Norske Skogindustrier ASA.

TRANSPORT IN NORWAY

Moelven does not own or operate trucks for timber transport independently, but is part-owner of two regional transport management companies in Norway that purchase transport services. A decision to liquidate the transport company Transportselskapet Sør AS (TSS), which was owned equally by Moelven Timber, Viken Skog, Norske Skog and AT-Skog, was made in 2006. A process is underway to find replacement services for the tasks earlier covered by TSS.

A common feature of these transport companies is that they work to reduce the costs associated with transport and logistics from the forest to the industries. The companies offer a high level of service to the forestry owners and together with the owners work actively to improve financial terms and conditions for truck and rail transport in Norway. The timber freight companies are likewise obliged to be concerned about environmental issues relating to their operations.

TRANSPORT IN SWEDEN

In Sweden, timber transports are carried out by external transport companies.

FINANCIAL TERMS AND CONDITIONS FOR TRANSPORT

The transport of timber represents approx. 11% of the total acquisition price of raw timber for Moelven and totals about NOK 210 – 220 million per year. Annually Moelven transports about 7.5 million cubic metres of timber, by-products and finished goods with trucks via the public road system in Norway, Sweden and Denmark.

Rules governing transport on the public road system in Norway are stricter than in Sweden. In Sweden, a transport vehicle can measure up to 25 metres and weigh up to 60 tons. In Norway, the maximum length is 18 metres, (22 metres if exempted.) The highest permitted total weight in Norway is currently 50 tons, but the Group has received positive signals that 56 tons may be permitted on selected stretches of the main road network in the future.

In 2007 then, the next challenge will be to obtain approval for an expanded permit on the municipal and county road networks so that the timber vehicles can carry 56 tons from the forest to the production sites.

Both Moelven and the transport companies are working to have the Norwegian rules correspond more with the rules in Sweden. Since the Group is responsible for a large share of truck transport in the south-eastern part of Norway and wes-

tern parts of mid-Sweden, the Group is also aware of the need to influence authorities to maintain an acceptable road standard. Traffic safety issues are significant not just for our employees, but for other road users as well and for the local communities involved.

If the road regulations in Norway are adapted to those in Sweden, Moelven will be able to reduce the company's timber freight costs by more than NOK 15 million per year.

ENVIRONMENTAL BENEFITS FROM RULE CHANGE

The wood industry in Hedemark County has calculated that a dispensation allowing loads of 56 tons to be transported will generate a positive annual benefit both financially and for the environment in the county. Despite some limitations in the road system due to certain bridges, a dispensation will generate benefits both financially and environmentally, with reductions around 7% both when it comes to costs and carbon dioxide emissions.

RAW MATERIAL SITUATION IN THE LONG TERM

The amount of timber the forestry owners choose to harvest largely depends on the price obtained for the logs they harvest. The total yield per log depends not just on timber prices, but also on taxes and fees, as well as the expenses involved in harvesting the trees and the replanting costs. Raw material prices have increased during the past few years, and this tendency seems to continue. The cost of raw materials currently represents between 60% and 70% of the total production costs for the sawmill, it varies based on the degree of processing involved in producing the product. New growth exceeds the amount harvested, this helps ensure the long-term sustainability of the forestry industry.

IMPORTANT REQUIREMENTS FOR COMPETITIVENESS

One prerequisite for maintaining competitiveness in the future is well-developed industrial concepts that are in harmony with the local forestry resources. The aim is to ensure this through: Sales of a full range of products at competitive prices, supplying tailored products, competitive harvesting concepts, optimal processing efficiency and an efficient logistics system.

Room for well-being

Claudine Roser (40) was in charge of food services for 500 guests at King Carl Gustav's 60th birthday celebration. At her own hotel she organised a culinary extravaganza for 900 employees working at a local perfumery chain. It was hectic: Organising dinner for 900 persons at a formal sit-down event is a major challenge. Plenty of things could go wrong, and the smallest mistake could have a domino effect and be difficult to fix.

Offering 900 servings with a large number of side dishes, wine, coffee and desserts, is almost asking for trouble. It's a treat to get back home in one piece after such an event to a quiet, sleepy house, with a comfortable chair to lift you off your aching legs while the adrenaline level sinks before you sneak off into bed. Some other days the kids are on turbo overdrive when Claudine comes home. On such days she needs to be able to mobilise all her available energy reserves, and throw herself into the fray. This house offers opportunities for fast and furious days as well as slow and relaxing days. The large window surfaces let in light from all seasons, and the massive walls are cooling during the summer and insulating during the winter. This is a good place to be and a good place to charge up the batteries for new challenges ahead. The quiet allows room for your thoughts to run free as well. Tomorrow she can plan her next dream project. An outdoor pool in solid wood? This is what her husband Roger and the two children, Alexander and Estelle can look forward to.



The Villa Roser, which is owned by the couple Roger and Claudine Roser, was designed by the Swedish architect Gert Wingård and consists primarily of solid wood from Moelven MassivTre AS. Moelven MassivTre AS obtains the raw materials used in its production processes from Swedish and Norwegian sawmills belonging to the Moelven Group.

Rooms for play

The large, light and open rooms in the new nursery school are the ideal setting for exploration and learning. The five-year-olds in the Maksi Club are making reflecting safety badges. In the neighbouring room Ingrid's dress has gotten caught in her earring. Thoughtful girlfriends run to get help. A robotic flying machine is being built on the Lego table. With this contraption, Marcus will be able to fly all the way back home to his house. Thomas is rubbing his eyes, tears running down his cheeks. Isabell goes over to comfort him and asks if he would like to come play with her and some others. But he cannot because the kids at Buggeland Nursery School are preparing vegetable pizza today, and Thomas is responsible for slicing up the onions. His eyes hurt, just like when he last dove into the local swimming pool. But it helps to put a cold, wet cloth across his eyes and forehead. The pizza tastes delicious. The children also love porridge – but not the kind of porridge that Goldilocks ate; they prefer oatmeal porridge. At lunch Thomas tells the story about when he was going to travel to Bethlehem. But the bus never turned up, so instead he went into the kitchen, lit a candle and had some tomato soup. And do you want to hear about Celina's search for a boyfriend? She kissed a frog she found in the nursery school grounds, but it never did turn into a prince. The reason, you see, was that Celina was not a princess.



Mouldings and panelling at Buggeland Nursery School in Sandnes was produced and supplied by Moelven Wood AS. Moelven Wood AS is one of Scandinavia's leading suppliers of wood for building purposes, as well as for interior and exterior wood products.



Room for reflection

Sheryl Frances Chen (50) has a vocation in life. Everything she does is oriented toward the Lord and is guided by the words and acts of Jesus Christ. At the Maria monastery in Nord-Trøndelag, only a glass ceiling separates her from heaven. The monastery provides room for warmth and reflection. And through the glass in the walls and the ceiling, the surrounding nature inspires her innermost thoughts. Only seventy metres from the monastery the waves of the Trondheim fiord move gently along the coastline. If Chen closes her eyes, the walls sometimes fade away and she can feel herself becoming part of the nature. On soft rubber soles, Chen moves stealthily across the holy grounds. Her smile and eyes are as vibrant as the lines in the woodwork. A smile, a good thought, a helping hand – these are the important symbols in the daily life of Chen, and she shares them generously with the other nuns and visitors to the monastery. Her days start at four o'clock in the morning. At 04.20 hrs there is a common prayer service, and the rest of the day is often filled with reading and working in the kitchen garden. The nuns also cook aroma-filled soaps, which are sold to the general public. She goes to bed at about 20.00hrs. In her youth, Chen's focus was on the basic questions of life: where she came from, where she was going and what was the meaning of it all. Today the purpose of her monastic life is to prepare herself for a life with God. She knows that she will be living here for the rest of her life.



Moelven Limtre AS has supplied the spectacular glulam structures used in the Maria convent in Nord-Trøndelag. Moelven Limtre AS is Norway's leading supplier of standard and customised glulam structures for Building projects.

Room for warmth

Sven Fakthus (90) is out exercising almost every day. But not this day. It is raining, and Sven has frozen enough during his lifetime. He started working in the forests when he was only 16 years old. At that time it was impossible to work in rain clothes. But he had no other choice than to start working to help support his family after his mother died. Instead of going out in the rain this day, he finds himself a cup of coffee in the lobby of the retirement home in Årjäng where he lives, solves a crossword puzzle and then exchanges some small talk with the staff. The water running through the radiators along the walls of the retirement home provide nice heating, and Sven is pleased with his home-away-from-home. And he gets even hotter if he gets one of the fellow residents to challenge him in a game of finger wrestling or arm wrestling. Earlier he never had time for such frivolous pursuits; but now he has plenty of time. Perhaps his little brother Gösta (75) will stop by today. If he does, Sven will heat water on the mini-stove in his room and make him some coffee. As long as they don't serve rice for dinner, Sven is in high spirits. Salted meat and mashed rutabaga is his favourite. It reminds him of his wife who died six years ago. Sven fondly remembers the many car trips they enjoyed together to cities such as Oslo, Røros and Stockholm. Life in the forest has left its marks on Sven, who has scars on his arm and a bad toe. But he has been lucky. Having worked most of his life with a heavy axe and later a 14 kilo chain saw could have left much more serious wounds. And Sven himself has left his mark around the country. Many homes have been built with the timber that he harvested and for which he originally was paid only 1.75 kroner per cubic metre to chop. Trees have been an important part of his life. Now chippings and bark from the distance-heating facility at the sawmill provide the heat that warms Sven's retirement years.



Moelven Årjäng Säg AB supplies distance heating to Årjäng municipality via its distance heating facility at the sawmill. Bioenergy is an important emerging market segment for Moelven, and the Kvarnåsen Retirement Home is an example of an institution heated with energy generated from ecological chippings and bark from the plant. Moelven has initiated heavy investments in the development of the bioenergy sector as a new business opportunity.

**RAW MATERIALS**

Most of the timber used in the Division is harvested in forests located close to Moelven sawmills. In Norway, the Timber division purchases logs from Moelven Virke AS; this timber comes primarily from private forestry owners who sell their timber via forestry cooperatives. In Sweden, sawn timber is purchased primarily from Weda Skog AB, Moelven Skog AB and Norske Skog Järpen AB.

**KNOW-HOW**

Timber has decided upon a strategic investment programme that shall strengthen the division's competitive edge by improving customer satisfaction, reducing costs and using raw materials more efficiently. In order to achieve this objective, a higher level of expertise will be needed at the sawmills. The trend is toward fewer employees and jobs that are more specialised.

**PRODUCTS**

Most of the division's customers are industrial companies that use Timber's products as input to produce furniture, flooring, moulding, panelling and glulam, as well as building material for houses and wood components sold via builders' merchants. Other important products for the division are chippings, which are sold to pulp and paper manufacturers, and sawdust and shavings, which are sold to the particle board industry and bioenergy producers.

TIMBER

The sawmills in the Timber division produce sawn pine and spruce timber for use primarily in other wood-working industries. In addition, a significant amount of bioenergy products such as cellulose, chippings, shavings and bark are generated. Timber has eight production units in Sweden and six in Norway. Annual production in 2006 totalled 1.5 million cubic metres sawn wood. Timber has 825 employees, of which 274 are in Norway and 551 in Sweden. Overall turnover for the division in 2006 was NOK 2.6 billion.

PRODUCTS

The businesses in the Timber division process three million cubic metres timber annually. The main customers are industrial companies that use Timber's products for their own production activities. The end products become wood-based goods such as furniture, flooring, moulding, panelling, laminated timber and construction materials, and components used in the production of other wood products such as stairs, window frames and doors.

An ever larger share of the products is tailored to satisfy specific customer needs in areas such as quality, moisture content and dimensions. Timber's strategy is to establish a closer collaboration with customers in order to better satisfy their unique needs.

Timber also produces approx. one million solid cubic metres of chippings for regional pulp and paper manufacturers, as well as approx. 0.4 million solid cubic metres of shavings and chippings for the particle board industry and bioenergy producers. The bark left over from production at the plant is primarily used as fuel to satisfy the division's own energy needs, while some of the sawmills in Timber also supply energy in the form of distant heating to local communities and industries.

MARKET

Sawn Timber

Although the main focus of Timber is on many small, local customers, major global customers are also an important segment. The division has put great emphasis on specialisation and concept development in order to meet the specific needs of the various customer groups.

Approximately 70 percent of the production is supplied to customers in Scandinavia, which is Timber's main market. The division also supplies large volumes to England, the Netherlands, Germany, France, Italy, Spain and Japan.

The main share of Timber's industrial customers in the wood-working trade are planing mills, laminated timber factories, window producers and flooring factories. About 20 percent of the sawn timber that Timber produces are sold to sister companies in the Group for further processing.

In 2006, the demand for sawn timber exceeded production capacity. This imbalance led to higher prices for logs. Among the reasons for this were that the Baltic States and Russia, who also supply to the European market, were not able to obtain sufficient volumes of raw materials. The shortfall was partly due to increased demand in their domestic markets.

Chippings for industry and bio-energy purposes

Timber's chippings and shavings account for a total annual sale of approx. NOK 280 million. More focus on the environmental factors makes bioenergy an increasingly promising alternative source of energy and is contributing to the increasing importance of Timber's by-products.

The main customers in this segment are regional pulp and paper producers, the particle board industry and operators of district-heating distribution grids.

RAW MATERIALS

The sawmills in the Timber division consume approx. three million solid cubic metres of timber annually, and most of this timber is harvested at sites close to the sawmills.

In Norway, Timber purchases timber from Moelven Virke AS. The timber is primarily obtained from private forestry owners, who sell their timber through forestry cooperatives.

In Sweden, timber is purchased from Weda Skog AB, Moelven Skog AB and Norske Skog Järpen AB. Both private forestry owners and forestry companies supply timber to these companies.

For Timber, the cost of raw materials represents the largest share of the production costs. At the same time, it is the sawn timber that creates the largest share of the value gained from the trees harvested from the forest. This means that there is a strong and mutual relationship between the forestry owners and the sawmill industry. The forestry owners depend on a competitive industry in order to obtain reasonable prices for their timber, and the sawmills depend on reliable deliveries in order to secure stable production and profitability.

Of the Group's overall raw material purchases, spruce represents 60 percent of the total and pine 40 percent. For Timber alone, the distribution between pine and spruce is about 50/50.

OUTLOOK

2006 was a good year for Timber, and the high level of building activity in Scandinavia indicates that the positive trend will continue. Most production units are already running at maximum production capacity, and with the exception of only a few sawmills in the division, access to raw materials for Timber and Moelven Industrier ASA has been satisfactory.

The production volume remains relatively stable in the division, and the goal is to generate as much value from the available raw materials as possible. The main strategy is unchanged, with the main focus on increasing efficiency and concept development.

Timber has identified the future direction and development of each separate plant. With this as a starting point, the division has established a strategic investment program that spans a three year time period. The goal is to strengthen competitiveness by increasing customer satisfaction, reducing costs and making more efficient use of the raw materials.

This investment program is now in its second year. Timber will need to invest approx. NOK 75 million annually in order to maintain capacity and technical standard. A total of NOK 122 million was invested last year, and in 2007 the figure will be NOK 150 million. In 2008 the figure is set at NOK 130 million, and after this there will be a gradual reduction down to NOK 75 million.

The introduction of automatic plank and board sorting is one example of the division's commitment to achieve a better end product and more efficient production. In this system a camera identifies and sorts up to 150 boards/planks per minute. The needed equipment and a new sorting plant costing NOK 55 million was built at Moelven Valåsen AB in 2006, and shall be in full operation at the start of 2007.

Timber is targeting investment funds to specific sawmills in order to upgrade these to attain a highly competitive standard. In the long term, production will likely be concentrated to somewhat fewer plants than is the case today.

The investment program means that a number of sawmills in Timber will technically be highly competitive. Timber's competitive advantage is, however, the decentralised organisational form. Each sawmill is an independent public company with responsibility for its own profitability. While this organisational form is in itself a driving force, it also provides for a solid local base and close customer contact.

The sawmills in Timber have many, but mostly small customers. The largest external customer purchases only 2.2 percent of Timber's total output, which again is supplied by a total of seven sawmills. Local product expertise is therefore important, because it provides an opportunity for customised products and optimal utilisation of the logs. To complement the importance of the contact between the local sawmill and the customer, it will also be important for Timber in the future to serve larger customers through a centrally coordinated system.

The bioenergy market is developing in a positive direction and Timber will be participating in a continuous development of this market segment. In particular, this means that when a new furnace is built at a sawmill, an assessment will be made whether we can provide housing and local businesses in the area with a distance heating network. Eight million NOK have already been invested in such a plant at Moelven Årjäng Såg AB, and a decision will soon be taken as to whether a similar investment should be made at Moelven Mjøsbruket AS.

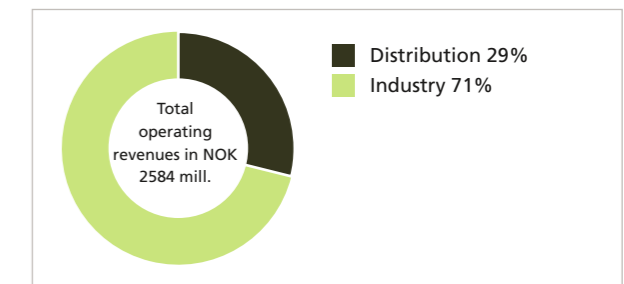


Moelven sawmills' customers are industrial companies that use Timber's products as raw materials for their own production process. Their end product may be outdoor cladding, or mouldings as shown here.



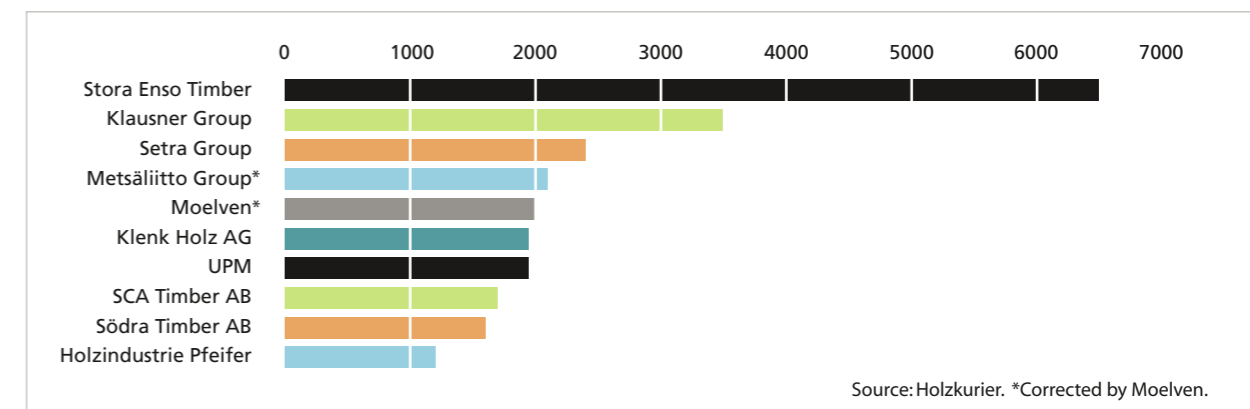
Sawn wood from Timber is used as a component product in the production of glulam. The photo shows the glulam structures used to build the Flisa bridge crossing the river Glomma.

Operating revenues per segment in per cent



The largest European producers of industrial wood products

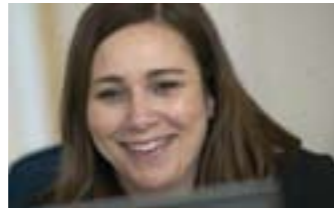
1000 m³/year



Timber	Volume m ³	Revenue MNOK	Products	No. of employees
Moelven Dalaträ AB	133 000	241	Industrial pine	76
Moelven Norsälven AB	80 000	153	Industrial pine	46
Moelven Notnäs AB	175 000	291	Industrial spruce	95
Moelven Ransbysågen AB	65 000	114	Industrial spruce and pine	34
Moelven Valåsen AB	338 000	538	Industrial spruce and pine	135
Moelven Nössemark Trä AB	79 000	124	Industrial spruce and pine	36
Moelven Årjäng Såg AB	113 000	196	Industrial spruce and pine	41
Moelven Løten AS	44 000	83	Industrial pine	35
Moelven Mjøsbruket AS	76 000	131	Industrial spruce	37
Moelven Numedal AS	60 000	101	Industrial spruce	40
Moelven Telemarksbruket AS	32 000	55	Industrial spruce and pine	29
Moelven Våler AS, avd Våler	166 000	295	Industrial spruce and pine	101
Moelven Våler AS, avd Elverum	36 000	65	Industrial spruce and pine	17
Moelven Tom Heurlin AB	65 000	157	Industrial spruce	77
UJ Trading AB	-	47	Wood mech. Equipm. trade to Wood proc. incl.	11
Moelven Timber AS	-	36	Parent company functions	15
Other / Eliminations	-	(43)		-
Timber total	1 462 000	2 584		825

**PRODUCTS**

The Wood division's product range can be divided into two main segments: Sawn wood for construction purposes, and interior products for indoor panelling, moulding and flooring. Chippings is also an important by-product for the Wood division and is used as raw material in the pulp and paper industries, while sawdust and shavings are used in the particle board industry and for bioenergy production.

**MARKET**

Approximately 90% of the Wood division's revenues are generated in Scandinavia, with professional customers (builders' merchants) accounting for 80% and industrial customers 16%. Approximately four per cent of deliveries are supplied to project customers. Rebuilds and renovation of existing housing is the most important market segment for the Wood division's products.

**DISTRIBUTION**

The Wood division is concentrating on gaining new market shares in Scandinavia. An important step in achieving the division's market ambitions is to collaborate more closely with the division's largest customers, the builders' merchants. Efficient distribution systems make it possible to supply goods that are adapted to the retail sector's need for deliveries of the right product at the right time.

WOOD

A total of 14 production facilities are organised in the Moelven Wood division. Five of the plants are combi-facilities featuring both sawmill and planing mill capacities. While four of the combi-plants produce only natural, untreated building timber, one of the plants is also equipped to produce impregnated timber. The other companies are specialised plants that produce products such as moulding, flooring, indoor panelling, components, sawn wood and specially treated building material. The overall aim is to supply the building market with as highly processed wood products as possible. Almost 80 per cent of the division's sales are made through builders' merchants. The total number of employees is 872 persons, of which 561 are employed in Norway, 291 in Sweden and 20 in Denmark. In 2006, the companies in this division had a total turnover of NOK 2.5 billion.

PRODUCTS

The range of products offered in the Wood division can be divided into two main groups: Sawn wood for construction purposes, and interior products such as indoor panelling, moulding and flooring. Total production in 2006 was 706 000 cubic metres. Of the total amount, untreated sawn wood represented 433 200 cubic metres, and impregnated sawn wood, which is resistant against both rot and fire, totalled 116 500 cubic meters.

The interior products plants in Wood produced 22 500 cubic metres moulding, 88 500 cubic meters of panelling and 17 300 cubic metres of flooring. Production of components for the doors and windows industry totalled 28 000 cubic metres.

Interior products are largely meant for the consumer market. Among these products are glazed indoor panelling and ready-treated flooring and moulding. Moulding for doors and

windows are supplied pre-cut. The products are easily installed and require minimal reworking at the site. Outdoor cladding is supplied with either one or two coats of paint.

Chippings are an important by-product for the Wood division. Cellulose chippings are the raw material for the pulp and paper industries, while sawdust, shavings and dry chippings are used in the particle board industry and for bioenergy purposes. The sawmills use the bark for heating and in their drying facilities, but bark is also sold for garden applications.

MARKET

Approximately 90 per cent of Wood's revenues are generated in Scandinavia. Retail customers (builders' merchants) represent 80 per cent, industrial customers about 16 per cent, and project customers about four per cent of the total deliveries.



Moulding is one of the core products supplied by the Wood division, which has a long tradition in the area of quality processing of wood. Moulding from Moelven is an interior product that helps accentuate the quality room feeling. Customers can choose from simple and unassuming styles to extravagant versions that will all contribute to defining a room's character.

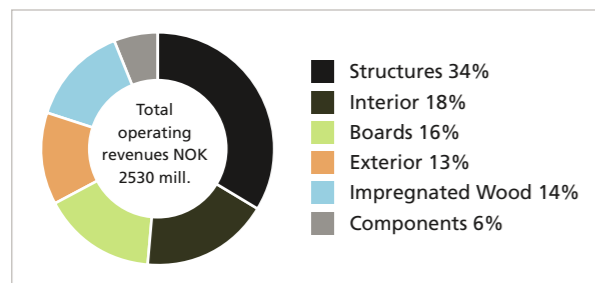
The rehabilitation and re-build market represents the most important market segment for Wood. Sales to retail customers increased most in 2006.

Market shares for Wood in Scandinavia are as follows:

- Norway: Market share of 35 per cent for sawn wood and 32 per cent for interior products. Wood is the market leader in Norway in this market segment.
- Sweden: The division's market share is 14 per cent overall for sawn wood and interior wood. These figures make Moelven Wood's division among the three largest producers in Sweden.
- Denmark: Wood has a market share of eight per cent when it comes to wood-based products, including fibre materials such as plywood. Wood is the market leader for such products in Denmark.

Being able to offer competitive prices, a wide product range, high quality products and the company's efficient distribution system which allows customers to carry a minimum of stock are Moelven Wood's most important competitive advantages.

Operating revenues per product in per cent



DISTRIBUTION

The Wood division is aiming to gain new market shares in Scandinavia. An important step in achieving this goal is to establish closer collaboration with major customers, in particular the builders' merchants. A highly efficient distribution system makes it possible to supply goods that are adapted to the retailers' needs for the right product delivered at the right time.

The Wood division is built up around distribution centres in Sweden and Norway. In Sweden, the distribution centres are in Karlskoga and Lovene south of Lidköping, while the centres in Norway are in Brumunddal, Spydeberg and Namsos.

Freight with trucks travelling regularly on fixed routes is the most important means of transport for the Wood division. For maximum efficiency with a minimal environmental impact, the goal is to increase transport efficiency per vehicle and to limit driving empty vehicles to a minimum. Efficient use of the trucks is also important as the transport industry has difficulty in attracting enough drivers.

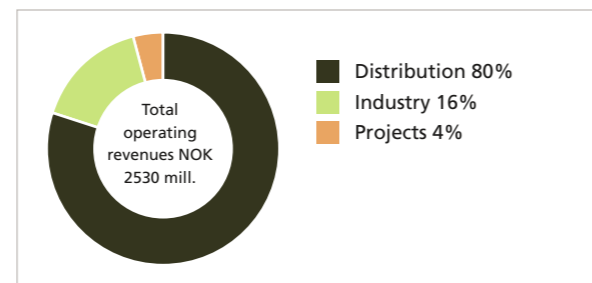
OUTLOOK

By developing the product range even further, improving transport efficiency and delivering the right product at the right time, the Wood division will be able to strengthen its market position in Norway, Sweden and Denmark in 2007. In the longer term, a closer partnership with selected retail chain stores, further product development and tailoring products for the do-it-yourself consumers will be the key to Wood's competitiveness.

One goal of the Wood division is to be more cost efficient, as this will boost profitability. Operating profit in 2005 was NOK 62 million, and the figure increased to NOK 118 million in 2006. A solid market combined with internal efficiency improvements have contributed to this development.

The division has maintained a focus on reducing processing costs. Simpler processing techniques and new technology have helped Moelven Wood become among the most cost-efficient companies in the business.

Operating revenues per segment in per cent



A major investment in Soknabruket AS, which became part of the division from Timber on 1 January 2006, has been an important step in rationalising operations. A total of NOK 30 million was invested in a new planing mill for the plant last year. Moelven Soknabruket's location makes the site ideal for a large share of production destined for markets in the western part of Norway.

The Wood division's goal of offering a higher degree of finishing to increase profitability is consistent with consumers' demand for products such as painted panelling, base painted and two-coated cladding and consumer-friendly packages of ready-cut door and window mouldings. A new production line for painting of cladding at Moelven Langmoen AS in Brumunddal came into operation in 2006, and is an important step in adapting to new market demand. The Wood division will also work to further process materials in more colours and lengths over the next years. These efforts will strengthen Wood's position as a full-range supplier.

Wood's market growth continued in 2006. The financial growth period in the Scandinavian market seems to be continuing longer than anticipated. The positive figures for Wood are expected to continue at least at the same level in 2007 as in 2006.

The Scandinavian builders' merchants are undergoing a development similar to that of the supermarket industry a few years ago, with a strong focus on price and major organisational changes. It is important to further develop the companies in Wood so that they are able to compete with the best of brands in the future. The division aims to assist in this development by producing related processed wood products at the same production site.

Wood	Revenue NOK mill.	No of employees
Moelven Component AB	83	34
Moelven List AB	70	51
Moelven Notnäs Wood AB	94	23
Moelven Valåsen Wood AB	202	34
Moelven Värmlands Trä AB	118	28
Moelven Eidsvoll AS	103	63
Moelven Langmoen AS	245	92
Moelven Treinterior AS	55	21
Moelven Edanesågen AB	290	90
Moelven Soknabruket AS	246	95
Moelven Eidsvold Værk AS	207	88
Moelven Van Severen AS	212	84
Moelven Østerdalsbruket AS	117	56
Moelven Are AS	258	29
Moelven Wood AS	1 251	33
Moelven Wood AB	538	31
Moelven Danmark A/S	249	20
Other / Eliminations	(1 808)	-
Wood total	2 530	872



ThermoWood is a new generation of heat-treated wood. Pine is most commonly used for outdoor wood products, while birch, ash and pine are most common for indoor applications. The various different wood types are subject to advanced and efficient heat treatments, which produce a beautiful tan hue and higher resistance to wood-eating fungus.



It is much easier to maintain and clean pine flooring now than before. A new type of surface treatment makes the wood flooring much more resistant to dirt and wear and tear, while at the same time retaining the warmth and glow of the wooden floor boards. The result is a visually appealing pine floor, which has been one of Moelven's true success stories in terms of sales.



GLULAM

Moelven is the leading producer of glulam in Norway and Sweden. The Laminated Timber division supplies standard beams and tailored beams. The division has strengthened its market position over the past years by maintaining a strategic emphasis on customisation, flexibility and to project customers. Most of the division's customers are in the project market and among builders' merchants. The market is first and foremost in Scandinavia, as well as in England.



BUILDING MODULES

Moelven is Scandinavia's leading producer of modular buildings. Module-based buildings for offices, construction sites and housing are delivered ready-to-install at the building site. Among the division's most important customers are public and private sector builders, contractors, housing development companies and other companies offering rental of temporary buildings. Building Modules also offers electrical engineering services through Moelven Elektro AS.



INTERIOR LAYOUTS

The Interior Layouts division consists of Moelven Nordia AS in Norway and Moelven Eurowand AB in Sweden. The main customers for this division are contractors, industrial companies and property development companies. Interior layouts and pre-fabricated walls and ceilings are primarily designed for installation in new-built, re-built and upgraded commercial offices. The interiors are tailored to the customer's needs and can easily be moved and re-used at a later time.

BUILDING SYSTEMS

The Moelven companies Laminated Timber, Building Modules and System Interiors all belong to the Building Systems division, and supply customised, flexible and cost-efficient products to builders and contractors throughout Scandinavia. All of the companies in the division are specialised in delivering to the professional building market, while Laminated Timber also delivers considerable amounts of glulam through builders' merchant chains. Building Systems has 1435 employees, of which 804 are in Norway, 628 in Sweden and three in England. Total turnover for the division in 2006 was NOK 1.9 billion.

LAMINATED TIMBER

Moelven is the leading producer of laminated timber in Norway (two factories) and Sweden (one factory). The companies reported a total revenue of NOK 425 million in 2006 and have 115 employees in Norway, 145 in Sweden and three in England.

Market

Standard glulam beams in a variety of sizes represent 60 per cent of the revenue, while a substantial amount of glulam deliveries are tailored to specified customer needs. Laminated Timber has strengthened its market position over the past few years by focussing on delivering tailored and flexible products to the professional building segment. Laminated Timber's main customers are professional customers and builders' merchants primarily in Scandinavia and England.

Products

The main products offered in the laminated timber business are deliveries of standard and customised beams for a wide range of building purposes. Glulam and solid wood are attrac-

tive alternatives to concrete and steel for load-bearing structures in most types of buildings. The advantage of using glulam compared to concrete and steel is that there is a wider range of standard dimensions from which to choose. Another benefit is that glulam offers better load strength and shape resiliency in relation to its weight and volume.

Moelven's glulam business has supplied a number of wooden bridges in Norway and Sweden over the past few years, among which is the world's longest wooden bridge (in 2003). Glulam in load-bearing structures is also quite popular for use in buildings designed with long open spans such as in sports halls and certain types of farm buildings. Laminated timber and solid wood are environmentally friendly materials which can be recycled in their entirety.

Outlook

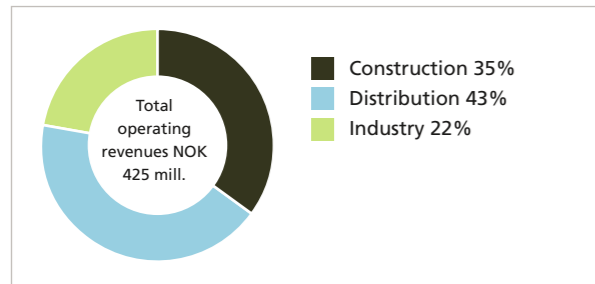
Moelven Limtre AS in Norway and Moelven Töreboda AB in Sweden have taken steps towards closer collaboration in a wide variety of areas among which is product development. The first concrete area is to start using a common IT system in 2007. Using the same computer system enables improved management and coordination of their project contracts,

higher efficiency of routines and a better overall overview of important market information.

The production will put stronger focus on customer-tailored products. This means that more expertise shall be invested in the solutions sold, living up to the goal "From volume to value". Glulam structures tailored for a customer do not necessarily provide more cubic metres of glulam, but such products are better suited to satisfy the specific needs of the customer.

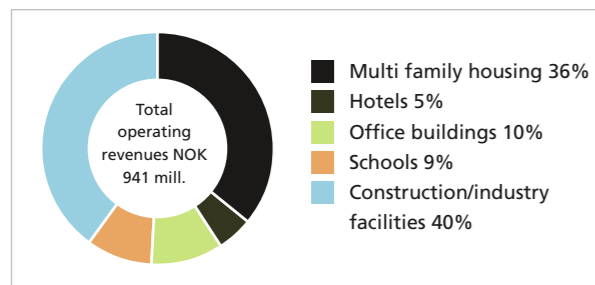
Laminated Timber

Operating revenues in per cent per megasegment



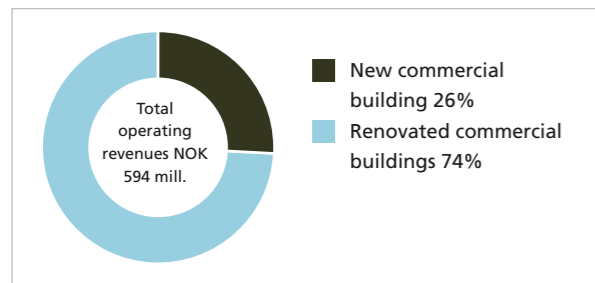
Modular Buildings

Operating revenues per module category in per cent



System Interiors

Operating revenues per market segment in per cent



Turn-key load-bearing systems are also being developed for applications such as housing projects spanning from two to four floors, where the aim is to capture market shares from steel and concrete.

Production plants in Norway have been upgraded during the past few years to enable higher production capacity, increased automation and a more advanced level of processing. Moelven Töreboda has a similar investment program, which will be carried out in the course of the next few years.

BUILDING MODULES

Moelven is Scandinavia's leading producer of modular buildings, and production takes place indoors at four factories in Sweden and one in Norway.

The modular business has 386 employees in Norway and 347 in Sweden, and reported sales totalling NOK 941 million in 2006.

Market

Moelven ByggModul AS has long been the market leader in its market segment in Norway. Through acquisitions the same position has been achieved in Sweden. Among important customers for building modules are public and private sector builders, contractors, cooperatives and companies that are in the business of renting out temporary housing in Scandinavia.

Products

Module-based buildings for offices, rigs and housing are supplied ready-to-assemble at the building site. Modules can be used for both temporary and permanent buildings, and they can easily and without undue expense be taken down and moved as needed. Building with modules reduces the quantity of work at the building site and reduces construction time.

Outlook

Modules for the building and construction trade have been the Norwegian company's main market niche. Due to a temporary reduction in deliveries to major gas and oil projects in Norway, Moelven ByggModul AS has concentrated on establishing apartment modules as their new main product area.

Apartment modules are more technically advanced compared to modules for the building trade, and the transition period to develop these new products has given the employees a chance to gain new expertise. A parallel development has taken place in Sweden, where Moelven ByggModul AB today is the market leader. Significant deliveries of prefabricated apartments are made to the Swedish and Danish markets.

Scandinavia is the company's domestic market. The market conditions at the moment are stable and the outlook is optimistic for the near future. The division is positioned to capture even larger market shares in the years ahead.

After years of gaining technical construction experience, Moelven now has in place a module program that will allow

the company to offer an even greater range of module alternatives to satisfy an increasingly demanding market.

The Building Module division's success in the apartment segment is an excellent example of the benefits of this strategic focus. Module sales are expected to increase by some NOK 300 million over the next three years.

A fourth production line for building modules is scheduled to open in 2008, and the four module factories in Sweden will continue to work to increase capacity. Further specialisation will ensure even more efficient production processes and higher profitability.

Electrical Engineering

Moelven Elektro AS offers planning, installation and maintenance of high and low voltage power systems and is organisationally part of the Building Module division.

Following a period of restructuring, Moelven Elektro's business is now experiencing a very positive trend. In addition to carrying out installation work for Moelven companies in the Building Systems division in Norway, Moelven Elektro offers services to the professional building market, primarily in the region from Tønsberg to Lillehammer. The division concentra-

tes its activities in the project market, the public sector and the services market.

SYSTEM INTERIORS

System Interiors consists of two companies – Moelven Nordia AS in Norway and Moelven Eurowand AB in Sweden. The two companies have a total of 303 employees in Norway and 136 in Sweden. Sales in 2006 totalled NOK 594 million.

Market

Approximately half of the System Interior division's sales are generated from contracts involving the modernisation and renovation of office buildings. The main customers are professional contractors, industrial groups and property management companies.

The two companies Moelven Nordia and Moelven Eurowand expect to gain market shares from the competition and are leaders in their respective markets. As it is important to be located close to the customers, Moelven Nordia operates 14 sales offices from Tromsø to Kristiansand, in addition to the main office at Jessheim. In Sweden, the main office for



The new head office of Skanska Norge AS in Oslo. Moelven Elektro AS supplied all the electrical installations. Moelven Elektro AS is the fifth largest electrical installation company in Norway.

Moelven Eurowand is in Örebro. Additionally there are five regional offices located primarily in major cities.

Products

Interior layouts and pre-fabricated walls and ceilings are primarily designed for installation in new-built, re-built and upgraded commercial offices. The interiors are tailored to the customer's needs and can easily be moved and re-used at a later time. The products are largely produced in-house and are supplied ready for installation. The benefits of this production approach are a significant reduction in on-site construction time and waste materials.

The industrial production approach not only guarantees higher quality, but it also offers the customer the benefit of being able to deal with only one contact person from the start of the planning process until the construction project is complete.

Outlook

The two companies work very closely together and particularly in areas such as product development.

The System Interior companies work systematically and regularly to measure customer satisfaction and score very high on such surveys. Customers will encounter an even more knowledgeable and skilled staff in the future. One goal is that the employees shall increase their expertise so that they can more actively follow up their market commitments: delivering at agreed upon time with quality of the delivered product consistent with the customer's expectations.

The Communications and Human Resource departments in Moelven Industrier will be an important partner when it comes to implementing the plans to raise the level of expertise among the staff members.

Moelven's System Interior business has a great many employees at sales offices and building sites throughout Norway and Sweden, which is where the customers are. Staff members at these sites must be highly organised and systematic in their work and must possess an excellent overview of the company and market developments. In-house expertise will be critical for being able to ensure satisfied customers.



Moelven Nordia AS supplied system interiors to DnB's headquarters in Bergen. The interiors are tailor made, and can easily be moved and reused.



Moelven ByggModul AS provided deliveries to Nylandshagen in Ålesund, where 70 new apartments in four housing complexes were erected along the shoreline just outside of the city.

Building Systems	No of modules	Revenue NOK mill.	Products	No of employees
Moelven Töreboda AB		225	Standard- and customised laminated timber	145
Moelven Limtre AS		193	Standard- and customised laminated timber	115
Moelven Laminated Timber Str Ltd		21	Standard- and customised laminated timber	3
Moelven ByggModul AB, avd Säffle	809	117	Flexible module-based commercial	86
Moelven ByggModul AB, avd Sandsjöfors	510	114	Flexible module-based commercial	84
Moelven ByggModul AB, avd Kil	937	124	Flexible module-based commercial	89
Moelven ByggModul AB, avd Torsby	422	79	Flexible module-based commercial	66
Moelven ByggModul AS	1 921	298	Flexible module-based commercial	205
Moelven Elektro AS		191	Electrical installations, high and low voltage	154
Mesna Installasjon AS		31	Electrical installations, high and low voltage	27
Moelven Eurowand AB		132	Flexible system interiors for offices	136
Moelven Nordia AS		444	Flexible system interiors for offices	297
Moelven Nordia Prosjekt AS		26	Flexible system interiors for offices	4
Other / Eliminations		-57		24
Building Systems total	4 599	1 938		1 435



COMMUNITY
Most of Moelven's plants and processing facilities are located close to local communities throughout south-western Sweden and eastern Norway. Moelven's business activity, which has its geographic centre of gravity in these areas, contributes to sustaining vibrant local communities by creating a great many jobs in these regions. For this reason it is important that Moelven plays an active and responsible role, taking on responsibility in the future of these local communities.



HUMAN RESOURCES
Moelven's human resource policy is formulated as follows: Moelven provides opportunities for people with the drive to succeed. This policy statement reflects the basic view toward employees and the relationship between the employees and the Group. It includes the entire process from recruitment and employment in the Group and up until the day the employee leaves the Group. The policy statement reflects the Group's goals and wishes in a wide range of areas.



ENVIRONMENT
All of Moelven's business units share a conscious attitude towards the use of natural resources as efficiently as possible. Wood is the only renewable building material that is generally available and can play an important role in global efforts to reduce the world's dependence on limited natural resources. Through a strategic use of wood as raw material, Moelven is contributing to protecting the environment.



FINANCIAL
Moelven's business culture has always been results-oriented and the employees are the key to upholding this culture and the values upon which it is based. For the Group overall, a results-oriented business culture represents an important guideline for how we do business, and complements in a useful and cost-efficient manner more formalised management systems.

RESPONSIBILITY

Community
Human Resources
Environment
Financial

A sustainable organisation is a responsible organisation, and operating the company in a sustainable manner is one of Moelven's fundamental values. Acting as a responsible organisation means that we must show respect for the people and environment in the local communities in which we operate, the persons employed by the company as well as those with whom we make business.

The Group bases its business activities on the efficient use of renewable resources, thus our environmental responsibility is one of the company's clear competitive advantages. The Group is committed to acting responsibly with respect to the environment surrounding us.

Moelven's company culture is characterised by a results-oriented attitude in which the employees are the main upholders

of the business culture and the values on which this culture is based. A results-oriented company culture means that we also have strict guidelines for acceptable and desirable behaviour. Acting ethically and morally in all dealings and contact with colleagues, customers, suppliers and other business contacts is given the highest priority within the company.



One of the cornerstones of Moelven's business culture is showing responsibility for colleagues and the local communities in which we operate. In all business transactions, Moelven employees must act ethically and responsibly toward colleagues, customers, suppliers and business contacts. Moelven's policy rests on the employees who must act and behave exemplary as representatives for Moelven in all work situations. Photo: Mona Fossum, grading operator, Moelven Eidsvoll AS.

Community Relations

Moelven's business operations are concentrated predominately in areas rich in forestry resources. In areas such as the western parts of Sweden and southeast Norway, the forest has traditionally been the principal source of income for local people. Having its geographic centre of gravity in such areas, Moelven's business activities contribute to sustaining vibrant local communities by creating jobs and spin-off industries in these regions.



Moelven plays an active role in local communities, many of which are heavily dependent on the jobs created by Moelven's industrial activities. The Group is not only concerned with the interests of its employees, but also in facilitating a close dialogue with local authorities in order to help ensure sustainable communities around the plants.



Moelven's business activity is geographically centered primarily in local communities in forest-rich regions in south-western Sweden and eastern Norway. The business activity generates a considerable number of jobs in these local communities – not just in forestry-related industry, but also in a wide range of other industries and trades.

Figures from Statistics Norway show that approximately 20 man-years outside of the forestry industry are generated per thousand cubic metres of sawn wood. Similar figures apply for Sweden. This means that Moelven's total production of sawn timber on an annual basis generates more than 30 000 jobs throughout the value chain, from forest to completed building. In other words, one full-time employee at the sawmill and planing mill in Moelven creates more than nine jobs in other parts of the value chain, such as in forestry and its associated industry, building and construction and in the retail/merchant chain.

CLOSE DIALOGUE WITH AUTHORITIES

Moelven plays an active role in the communities in which it operates, and the Group maintains a continuous dialogue

with local and national authorities regarding issues that impact on the Group's business activities. Moelven is particularly concerned about maintaining regulatory frameworks that ensure a fair competitiveness for the forestry industry and the wood-working industry as a whole, as well as associated industries such as the bioenergy industry.

One concrete example of the need for close dialogue with the authorities involves the rules for transporting goods on the main roads in Norway, which deviates substantially from the rules in Sweden. In Sweden the maximum permissible fully-loaded vehicle weight is 60 tons, while in Norway the figure is 56 tons. The countries also have different specifications on the maximum length permitted for vehicles. If the regulations in Norway could be adapted to those in Sweden, Moelven would be able to reduce the costs for such transport by between 15 and 20 million Norwegian kroner per year.

Other relevant issues are raw material costs and taxes, processing cost with focus on rules for depreciation of investments, health-related personnel costs and the availability of qualified personnel.

OPENNESS

Moelven's company culture is characterised by openness and reliability, and applies both inside and outside the Group. A consistent company identity, committed employees and good relations throughout the organisation can only be achieved when all the employees are treated with respect and permitted to express their individual needs and strengths. The Group works closely with the local labour unions and has a frequent and open dialogue with the employee representatives, which helps secure adherence to relevant laws and agreements, as well as to the Group's basic values: sustainable, reliable and opportunity-seeking.

Moelven also has an openness policy towards the media. With businesses in many local communities throughout Norway and Sweden, this is where many of our employees and business partners live. It is therefore very important that Moelven is viewed by the media as a credible and reliable source, and not least of all a dependable provider of information with regard to issues that may have an impact on local businesses and communities.

SPONSOR ACTIVITIES AND FINANCIAL SUPPORT

For Moelven it is important to support activities and events that match our values, also outside the Group. One step in this is a sponsor strategy oriented toward charitable causes.

Locally and nationally the Group provides financial support to sporting and cultural activities where Moelven businesses are located. In Norway, for example, Moelven is one of the main sponsors for the premier league football club Ham Kam, and the premier division ice hockey team Storhamar. In Sweden, Moelven supports the football club Karlstad United.

Internationally the Group contributes financial support to collection drives in connection with disasters or other worthy fund-raising causes. Moelven contributes no financial support to political or religious organisations.

From time to time Moelven has supported outstanding local artists in releasing records in a wide range of musical genres, such as classical music, jazz, folksongs, rock, pop, etc. In this connection, the company has established the project "Good Sound in Good Rooms" (GLIGR). The criteria for receiving such support is that the artist(s) must have local affiliation to an area where Moelven business is located. Most of Moelven's business activities are based in local communities in Norway, Sweden and Denmark.

ETHICAL CONSIDERATIONS

Moelven employees shall at all times adhere to sound ethical and moral principles in all dealings with other employees, customers, suppliers and business connections. The company's policy in this regard is fully dependent on each and every employee acting as responsible representatives for Moelven at all times. Moelven strictly prohibits employees to receive gifts that may compromise the employee's integrity, nor shall Moelven employees engage in such offerings to business connections.



For Moelven, it is important to support and promote values that we endorse, also outside of the Group. One important step in this strategy is sponsoring activities and supporting charitable causes. An example of such support is seen in the new multi-purpose hall in Moelv, where Moelven has sponsored the building of the hall.

Human Resources

Moelven's human resource policy is expressed in the following statement: Moelven provides opportunities for people with the drive to succeed. The human resource policy reflects the group's basic attitude toward employees and the relationship between the employees and the Group. The policy covers the entire process ranging from recruitment and employment through to the day the employee leaves the company.

The company's human resource policy reflects the Group's wishes and goals in a wide range of areas. This includes what human types we want to recruit, what skills and expertise the company needs, which work terms and wages we offer, how we introduce new employees to the company, which types of training and career opportunities the company offers and finally, how we manage employees retiring or leaving the company. The individual employee's development inside the Group depends in equal measure on the employee's personal abilities, motivation and commitment to the company. In total, the sum of our employees represent the Group's overall knowledge base.

THE THREE CORE VALUES OF OUR COMPANY CULTURE

Moelven's company culture is made up of three core values:

- Sustainability
- Reliability
- Seeking opportunities



Moelven strives for long-term employment relationships, in which motivated and skilled employees are encouraged to develop their skills and expertise. At the same time, the company also hires a number of new employees every year. Photo: Victoria Sundström, Manager of the customer centre in Moelven Wood AB.

These three values build on what we are and what is at the heart of the company. The values also represent focus areas that will contribute to further develop the company's business culture in a managed and desirable fashion and shall serve as guidelines for our employees' focus, regardless of where the person is working in the organisation.

The core values words in themselves are perhaps not unique for Moelven. Yet they represent the elements that will serve to present a clear and consistent image of the company for customers, suppliers, employees and owners, and thereby serve as the basis for the way we operate.

RECRUITMENT

Moelven aims to enter into long-term employment relationships, where motivated and skilled colleagues are encouraged to enter development programs. Quite a number of new employees are also recruited every year.

Over the next few years, a large number of employees who were born in the 1940s will be reaching retirement age. Several of these employees are currently in leading positions, and have over the years gained substantial expertise and experience. It is important for the company that this knowledge base is preserved by transferring such know-how to new employees.

Most of the Group's businesses are situated in places that traditionally have been characterised as stable work markets with good access to qualified personnel. The tremendous surge in activity in the construction industry over the past few years, however, has led to a more competitive recruitment market. Moelven is therefore strategically committed to further developing and training current employees, and sees this as a good investment both for the company and for the single individual.

There must always be a proper balance between capacity and profitability, and in the years ahead demands for competitiveness will mean that more people will have to be more productive. If economic conditions necessitate laying off employees, Moelven is committed to a fair and reasonable process that takes place in accordance with all relevant laws and regulations. The Group is also committed under such circumstances to help employees find new work opportunities.

An important basis for the employee relationship is the work contract between the Group and the employee representatives: "Moelven Industrier ASA: Reorganisation and change – the relationship to our employees". The contract

specifies the guidelines that must be followed in connection with any reorganising measure.

EQUAL OPPORTUNITY

The sawmill business has traditionally been a male-dominated industry, and Moelven is no exception. There are approximately 300 women among the Group's 3 200 employees, representing just below 10% of the workforce. There are, however, large variations in the ratio of female employees at the various Moelven companies. Only men serve currently among the Group's executive management; however, there are many female employees in leading positions in the various business units in the Group.

The Group wishes to increase the share of female employees both in leading positions and in other areas, but without enforcing a recruitment quota system.

The Group practices an equal-opportunity employment policy, and this policy is followed by all departments in all divisions. There are strict prohibitions against sexual harassment and sex discrimination, and the company reports on an annual basis regarding wage differences between female and male employees who perform the same work.

TRAINING AND SKILL DEVELOPMENT

An important principle in the Group's human resource policy is that education, experience and personality, together with motivation from co-workers and the business as a whole, creates the basis for favourable working conditions and optimal output. Such a dynamic environment opens the door to new possibilities, experiences and further motivation to succeed. The end result is a positive spiral of solid work output and new skills and expertise for the benefit of all the employees and the Group as a whole.

Within Moelven there are many opportunities for personal development and career advancement. An employee who is motivated and is looking for new challenges can specialise within a specific area, or he/she can be offered job rotation. The company also offers special types of education and training programmes.

MANAGEMENT DEVELOPMENT

Moelven is associated with LUPOS, which is a new management training programme developed in collaboration between three colleges and public and private companies. The target group is employees who are already in management positions or who aspire to such positions. Participants in the programme learn modern management skills that are tailored to the employee's career path. The first group of students started in October 2006, with two students from Moelven and just over 20 participants in all. The students earn 30 college-level credits by participating in the programme.

TRAINEE PROGRAMME

Since 1998 Moelven has participated in a collaborative trainee programme (Vikinglauget) with other businesses in the Hamar area. The aim of the collaborative effort has been to recruit young men and women having completed higher education to companies in the region, and in this way generate additional growth and development locally. The trainee programme lasts two years and has become very popular. Several students in the programme have been employed in the Moelven Group after completion of the programme. Norwegians, Swedes and Danes may apply to become trainees in Vikinglauget's programme.

WOOD-WORKING INDUSTRY'S BUSINESS SCHOOL

Based on an initiative proposed by Moelven and in collaboration with Norges Byggscole and Hammarö Utbildningscenter in Sweden, a training programme for employees has been set up exclusively for the Group's Norwegian and Swedish companies. In this programme employees are able to learn new skills and know-how and receive an occupational "refill" that promotes both personal growth and career pursuits.



An important principle in the Group's human resource policy is that education, experience and personal qualities, together with motivation from colleagues and management, shall combine to generate positive results. Photo: Roar Iversen at Moelven Eidsvoll AS.

The National Organ for Quality in Education (NOKUT) has approved this School of Business as a national professional high school education in Norway. Students attending this business school receive credits equal to a traditional professional high school or other form of higher education. The academy applied in the autumn 2006 for similar approval in Sweden.

PENSION AND INSURANCE ARRANGEMENTS

In addition to the existing mandatory pension and insurance schemes, Moelven is now offering additional pension insurance coverage. For Moelven it is important that the employees and their closest relatives have a sound and secure financial situation in the case where an employee for some reason has to retire. The schemes vary depending on country, employment years, age, wage level and some other conditions. In Norway, 47 per cent of the employees now subscribe to a deposit pension scheme, while the rest have benefit-based pension schemes. In Sweden, all employees subscribe to the deposit pension scheme.

In 2006, Moelven worked closely with Vertikal Helseassistanse AS and Nordisk Hälsoassistans AB to develop a new health insurance scheme for Moelven employees so that anyone who became ill would not have to wait months for treatment. The aim is to secure healthier employees and reduce the length of sick leave. The health insurance scheme is designed to ensure faster treatment and to allow the employee to return to work as early as possible. The result we hope is a healthier and happier employee. The scheme has been assessed in early 2007 and will soon be available for all Moelven employees.

"INCLUSIVE WORKPLACE"

Approximately half of Moelven's Norwegian business units have entered into agreements to make sure they have what is called "inclusive workplaces". The aim of the agreement is to reduce sick leave, to employ more people with reduced work capacity and to increase the actual retirement age. The agreement means that the company is obligated to help people get back to work who are in rehabilitation programmes or have limited work capacity due to various types of illnesses or injuries. The approach is to carefully assess each individual's unique health situation and design tailored work plans for the employee.

SICK LEAVE AND WORK-RELATED INJURIES

In 2006, absenteeism due to illness sank to 5.89% of the overall number of work years in the Group. There were 162 accidents, of which 91 resulted in sick leave.

Moelven is working systematically to reduce the number of accidents at work and the amount of sick leave. Measures to

change attitudes, routines and practices at the worksite and eliminate physically exhausting work situations are being put in place. Moelven also puts great emphasis on having employees report any risky work situations and dangerous episodes that pose a risk for personnel, equipment or the external environment.

Early in 2004, the Group also introduced a reward system designed to motivate employees to reduce the amount of overall sick leave. Companies with a low rate of sick leave and high operating margins were rewarded, and the maximum award was NOK 2000 per employee. The system was a success and six companies earned the maximum award in 2006. The money awarded will be invested in measures to improve the work environment at the company, and represents an extra recognition beyond agreed-to wage and work terms. In addition to the benefit of having more healthy employees, the systematic work aimed at reducing sick leave provides major cost savings for the Group.

HEALTH, WORK ENVIRONMENT AND SAFETY (HMS)

Since 2003, all managers and employee representatives have participated in the course "HMS leadership in Moelven". This 20-hour course provides managers specialised training in leadership skills and measures relating to preventive health, work environment and safety issues. Participants are made aware of their responsibilities and relevant routines in following up injured employees. An HMS handbook has also been developed for the Group.

Almost half of the business units in the Group carry on a voluntary basis out annual surveys to assess the status of work environment, management, communications, customer relations and company identity. The results of these surveys are used as a basis for internal discussions regarding work environment issues and to gain an increased understanding of the state of Moelven's company culture. The results of these surveys also help to target specific efforts to address health, work environment, safety and personal development concerns.

More information about issues relating to the physical work environment can be found in the section addressing the issue of environmental accountability in the annual report.

Environmental Commitment

Harvesting wood for use as building materials and the ensuing growth of new trees contributes to reducing the amount of carbon dioxide in the atmosphere and plays an important role in reducing the greenhouse pressures acting on climatic change. Trees in the forest absorb carbon dioxide from the air and via a process of photosynthesis store the carbon molecules in the wood until the wood later biologically degrades or is burned. The molecules released in connection with the ending lifecycle of the tree can then be absorbed and stored by new tree growth.

Wood products and wooden buildings are important storage sites for carbon dioxide over long periods of time. When a wooden house is demolished, for example, the wooden materials can either be recycled into other products that continue to bind carbon dioxide, or the wood can be used as raw material to produce power. The latter use will thus serve to replace more polluting fossil fuels such as oil, gas or coal. In time, all wooden products return to nature in the form of dissolved materials, and the carbon dioxide released during this degradation process is easily absorbed again by new tree growth.

Through conscious and conscientious attitude towards minimal and efficient consumption and use of resources in the Group's production processes, Moelven and all its business units are committed to, and contribute to, sound environmental practices.

ENVIRONMENTAL CERTIFICATION

Wood is the only renewable building material that is commonly available, and therefore plays an important role in

reducing the use of the world's limited natural resources. It is imperative that the logs processed into wood products are harvested responsibly by a forestry management that takes into account all the financial, social and ecological factors involved in such operations.

Responsible and sustainable forestry is quality controlled through a third party certification system in Norway and Sweden, and all of Moelven's sawmills are PEFC certified (Programme for the Endorsement of Forest Certification schemes). The PEFC standards for responsible forestry have been arrived at on a nation-by-nation basis among various interest groups and are based on internationally recognised criteria for sustainable and sound forestry management. With this system, the raw materials can be traced through the total chain of production, from the day the logs are harvested in the forest until the end product is delivered to the customer. In this way, the sawmill becomes just one single part of the ecological lifecycle of a tree from forest to finished product.

Moelven is keenly aware of the company's environmental responsibilities and actively works to improve the company's comprehensive quality-control systems.

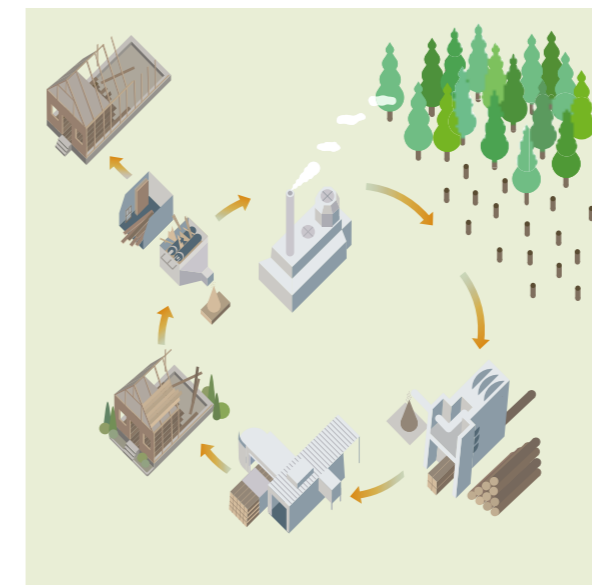
RENEWABLE RAW MATERIALS

Most of Moelven's industrial output is based on the use of wood. The processing companies and glulam factories at Moelven purchase their raw materials from environmentally certified sawmills, either from the Group's own suppliers or from other responsible business partners. For the Building Module division, wood also represents a considerable part of the finished products.

Glulam is a highly sound building material from an environmental perspective. Per cubic metre, glulam contains approx. 470kg of wood and only 6-10kg of glue. In the course of 2006, the Group's businesses consumed approximately 500 tons of glue. The glue contains no environmental toxins requiring any special disposal methods.

The system interiors produced by Moelven's module and interior companies are also extremely resource-efficient, and are equally based on the concept of an ecological lifecycle.

Industrial chippings from sawmills are becoming an increasingly important market segment. The construction of distance-heating systems based on bioenergy in which shavings and chippings are important sources of fuel have made this



Carbon lifecycle: The trees in the forest absorb carbon dioxide from the air. Through photosynthesis, this carbon becomes stored in the tree until it is burnt or degrades, at which time the carbon dioxide returns to the atmosphere to be once again absorbed by new growth.



Sustainable and responsible forestry is certified through a third-party certification process, and all of Moelven's sawmills are PEFC certified (Programme for the Endorsement of Forest Certification schemes).

segment a promising business area. The Group's own heating systems uses industrial chippings and bark as a fuel source.

Bark left over from production processes is also used for various gardening applications.

RECYCLING

An important principle in efforts to minimise the pressures on environmental resources is to be able to reuse the products repeatedly. Flexible use and reuse of products is an important principle for Moelven, and the company has been particularly successful in implementing this concept in the area of building modules and system interiors. Module-based buildings are flexible and easily moved or adapted for other applications as needs change. The same flexibility also applies for Moelven's interior products. When needs change, the products can be easily adapted to new applications. Reuse and recycling is a much better solution than destruction and disposal when it comes to the environment.

Moelven's goal is to recycle 100% of the raw materials used in the production processes. Waste is sorted at all the production plants and the Group has agreements with specialised companies for the return of waste that require special treatment. All of the businesses in the Group follow a strict recycling plan – good for the environment and good for the company.

TRANSPORT

The most important means of transport for Moelven's raw materials, by-products and finished goods is vehicle transport. In order to reduce any potentially detrimental impact to the environment and any ensuing costs, the Group is working actively to optimise the use of each individual vehicle. By coordinating the flow of goods and by collaborating with other companies in need of transport services, adverse pressures on the environment can be reduced.

The transport of timber, industrial chippings and finished products by trucks amounts to about 7.5 million solid cubic metres annually. Since the Group's business is geographically spread across an extensive area in the western parts of Mid-

Sweden and southeastern parts of Norway, the Group is responsible for many of the trucks operating in these areas. Moelven is thus familiar with the need to influence the authorities in maintaining a responsible road standard, which is not only important for general traffic safety, but also for the health and safety of our employees, entire local communities and fellow road travellers.

A critical future environmental objective is to have the transport companies working for Moelven use fuels based on renewable natural resources in their vehicles. Moelven is now working on a long-term plan that will challenge the transport companies to use bio-fuels in all their trucks.

In all, Moelven transports approximately 210 000 solid cubic metres of sawn wood and finished products by train and just over 320 000 solid cubic metres by ship per year.

ECOLOGICAL COMPANY CARS

Another environmental measure Moelven implemented in 2006 was to change the company vehicle scheme to include only cars that run on either bio-ethanol or bio-diesel – this policy change applies for all cars acquired after the summer 2006. In Norway and Sweden, Moelven has approximately 200 company cars. Cars running on alternative energy fuels, such as bio-ethanol or bio-diesel emit 75% less carbon dioxide compared to normal vehicles.

RESPONSIBLE ENVIRONMENTAL POLICIES

Environmental issues are at the heart of management policies in the Group and the President/CEO has the overall responsibility for following up such issues. Each business area manager has a direct responsibility for his or her production facility and reports directly to the President/CEO. The Group complies with all relevant rules and laws in Norway and Sweden in this field, and there is an ongoing discussion within the Group on how to improve the environment record of each individual business unit internally as well as externally.

In the autumn of 2006, the Moelven Group carried out an extensive survey aimed at uncovering potential sources of pollution at the various plants. An overall environmental policy was also developed for the Group, which among other things contains a stipulation that Moelven shall continuously strive to reduce the impact of the Group's activities on the environment. In a further expansion of the overall environmental policy, an overview of which environmental challenges exist at the facilities of three Moelven divisions (Timber, Wood and Building Systems) will be developed.

ENERGY CONSUMPTION

Moelven's products are based primarily on pine and spruce logs harvested from large forest districts in Sweden and Norway. The production of sawn timber requires a minimum

of energy, the drying of the wood representing the most energy-consuming part of the process. More than 90% of the heat the company generates and purchases is used for drying sawn timber.

Approximately 70% of the energy needed for drying the company's wood products and heating production facilities is generated by the Group itself through the burning of bark and chippings. The facilities satisfy all license stipulations and emission limits. For energy production, Moelven's business units consume 250 000 solid cubic metres of biomass and 800 000 litres of oil per year.

In addition to the company's own heat production, which is approx. 450 GwH, Moelven purchases 230 GwH in the form of electrical power to operate the production plants.

Moelven is active in the technological and market development of the bioenergy sector and is currently working on several concrete projects in this field. In the autumn of 2006, Moelven, Eidsiva Fjernvarme AS and Mjøsen Skog BA signed a new shareholders' agreement regarding the further development of bioenergy production and sale via the company Moelven Bioenergi AS. The objective of the parties is to establish a company for the development of a bioenergy facility in connection with the existing facility in Brumunddal, including the production and sale of distance heating services based on clean raw materials.

WASTE

Ash from the plant furnaces are either used as an ingredient for other products, such as fertilisers, or disposed of at approved sites. The company also has return agreements with companies licensed to receive and process waste oil and other hazardous chemicals. Plastic, metal and packaging is source sorted and delivered for recycling at approved sites.

Moelven's order-guided industrial production system for module and system interiors ensures a minimum of waste and very little leftover building materials. The system interior companies use factory treated surfaces and ready-cut materials to minimise emissions and to hold the amount of spackling, finishing and painting at the construction site to a minimum.

NOISE, DUST AND EMISSIONS

Environmental considerations are paramount when making new investments in production plants, and a wide range of major and minor measures designed to reduce noise level and emissions and to increase the efficient use of materials are implemented every year.

The three most important sources of noise linked to Moelven's businesses are the processing of logs, running the ventilation systems and transport operations. For plants located close to residential housing, a number of measures designed to reduce the amount of noise to new, acceptable limits are carried out on an annual basis.

Treatment of chipping products can lead to dust, and some facilities have taken special measures to reduce the spread of dust. The release of spill water from log storage areas risks accentuating algae growth in nearby watercourse, and this is a subject the Group is working on a continuous basis to reduce the risk. One important measure to counteract such algae growth is water recycling and strict climate control of the sprinkling systems.

ENVIRONMENTAL IMPACT FROM USE OF PRODUCTS

A "normal" wooden house consists of approximately 50 cubic metres of wood, this binds approximately 15 tons of carbon, which otherwise would have been released through rotting or burning. In principle, a wooden house has just as long a lifespan as a tree in the woods – close to 100 years. This shows that wood used for construction or other purposes counteracts the greenhouse pressures on global climate change.

Energy Potential

When wood products are used for energy production after having been used in their primary application area, the last energy potential from the wood is released. A total of approximately 1 650 kilowatt hours of energy is released per cubic metre of wood, which corresponds to almost a month's energy consumption for heating in a normal household.

Unique products

The production of products that are pressure impregnated with CCA (heavy metals copper, chrome and arsenic) is no longer used in Norway, nor in principle in Sweden. Moelven has developed alternative products that avoid any negative consequences to the environment, and the Wood division is now able to offer an environmentally sound alternative that is free of any heavy-metals. TMF (heavy metal free impregnation) has been approved in NTR class AB.

Moelven also produces copper impregnated wood that has been certified in accordance with regulations issued by the Norwegian Ministry of the Environment. The alternative products Moelven produces are not considered hazardous waste at the end of their lifecycle.

Packaging

Moelven consumes approx. 600 tons of plastic packaging material annually, and all the product packaging that Moelven uses may be either recycled or reused. A large share of the plastic packaging consists of recycled plastic that has been collected and manufactured in Sweden; the remaining packaging is primarily paper-based. For Furugulvet®, Moelven has helped develop special packaging cartons for flooring that may also be used as a base when installing the flooring.

Financial Accountability

A results-oriented business culture in which the employees are vital in maintaining the values on which it is based, has always characterised Moelven's business operations. For the Group as a whole, such a results-oriented business culture serves as a practical and cost-efficient guideline for Moelven operations, complementing the more formalised management systems.

Ethical and moral considerations are also of utmost importance to the Group, and represent a continuous process within the Group. In the company's business activities, Moelven is committed to deal responsibly towards its employees, customers, suppliers and other business associates.

A condition for the success of this is that each and every employee must be loyal to the Group and carry out their work to the best of their ability. Employees must always act in the best interests of the company. The Group does not accept that employees receive gifts or any form of bribes; nor shall Moelven employees offer any type of unethical incentives to external business contacts.

MANAGEMENT SYSTEM

The Corporate Assembly is the Group's highest supervisory body. Through the Corporate Assembly, the shareholders exert their influence by selecting the Board and monitoring the Board's activities. The corporate assembly has 12 members, four of which are elected by the employees. The six largest shareholders control a total of 99.7 percent of the shares in the company, and there are 972 shareholders in all.

In August 2006, the Finnish majority shareholder Metsäliitto Andelslag announced their decision to sell the Group's 65,2 per cent stake in Moelven. Bidding for the Moelven shares continued through the autumn 2006. On 14 December 2006, Eidsiva Vekst AS and the forestry cooperatives Glommen Skog BA, Mjøsen Skog BA, Havass Skog BA, AT Skog BA and Viken Skog BA signed an agreement with Metsäliitto in which Eidsiva purchased 39.6% of the shares in Moelven and the forestry cooperative acquired the other 25,6%. The forestry owners thereby increased their shareholdings in Moelven Industrier ASA after the transaction to 60 per cent. The remaining 0.3% shares are in private hands.

BOARD

The Board's responsibility is to secure the company's overall interests. Board members have the overall responsibility of making sure Moelven employees act responsibly at all levels and in all Group companies. The Board consists of eight members, two of which are chosen by the employees, all are under an obligation to work to ensure that all stipulations in the Norwegian Limited Liabilities Companies Act are followed.

PRESIDENT/CEO

The President/CEO has the overall responsibility for daily operations at Moelven, and must follow the guidelines laid down by the Board and keep Board members informed and updated about the operations. The President/CEO must also monitor the accounts and administration, and make sure the business is run in compliance with all laws, regulations, contracts and the Group's own byelaws and guidelines.

GROUP EXECUTIVES, DIVISIONS AND BUSINESS UNITS

The day-to-day operations are led by the respective business unit managers and coordinated through the divisional Managing Directors. Division Managing Directors are part of the Group Executive Board and report directly to the President/CEO.

RELATION TO OWNERS

In some areas within the Group's ordinary business operations, commercial transactions take place between the Group and its owners. One such area is the purchase of logs, where Norwegian forestry cooperatives are important Moelven suppliers. All such transactions must take place at what is referred to in Norwegian as "at arm length's distance", meaning that in cases where other parties are able to offer lower prices and/or better terms, then such sources shall be used.

INDEPENDENCE OF BOARD

None of the members of the Board have personal or commercial ties to the business. With the exception of the employee representatives, Board members have no other personal assignments for the Group than representation on the Board, representing the Group and preserving the best interests of the Group.

AUDIT

The role of the company's accountant is specified in the Public Limited Companies Act. The accountant's main task is to make sure that Moelven's financial accounts and statements are submitted in compliance with all relevant laws and regulations, including all accounting laws and generally accepted account-

ing practices. Reliable monitoring of asset management and control methods and systems are other critical responsibilities.

SALARY AND REMUNERATION TO MANAGEMENT

The corporate assembly is the organ that determines the remuneration for Board members. The President/CEO and other managers receive remuneration in compliance with all relevant rules and agreements, the main share of remuneration being paid in the form of a fixed monthly salary.

The Group also has a reward system that rewards business units with a low rate of sick leave and a high operating margin. Such earned benefits are paid from the parent company to the individual business unit, and shall be used collectively to improve the work environment for all the employees employed at the business unit.

COMMUNICATION WITH SHAREHOLDERS AND LENDERS

Moelven fully depends on the confidence and trust of the shareholders and lenders, and such trust is earned by reaching announced and expected targets consistent with the Group's business strategy.

All relevant Norwegian accounting norms and routines used for publicly listed companies are followed in the company's reporting practices. One exception is that the Group does not prepare public accounts in accordance with IFRS (International Financial Reporting Standards), but attaches notes in the financial accounts showing the effect of such reporting.

PROTECTION OF ASSETS

Moelven ensures the protection of the company's assets by maintaining a keen awareness concerning insurance coverage and risk-reduction measures. The Group is injured against financial disasters and damage that could lead to the company incurring significant financial losses. The Group's own risk on such insurance protection is three million Norwegian kroner.

The Group's strategy for insurance and risk management has been approved by the Group's executive management and Board, and is reviewed on an annual basis. Every second year a risk survey is made for all the business units in the Group. The assessment is made locally, but is coordinated centrally.

Moelven has developed a continuity plan for the business that must be followed in case of a serious accident such as a fire. The plan consists of three parts in which the first part, the action plan, describes how human lives and production equipment shall be secured. The second part is the actual crisis plan, which describes such things as contacting family members and communicating with the media. The third part is a

recovery plan in which the company works to preserve the interests of customers by using any and all available production capacity at Moelven units to supply agreed-to deliveries.

FINANCIAL STRATEGY

One important objective for Moelven Industrier is to generate values for the shareholders. Since the Group is no longer publicly listed, emphasis is now on a stable and reliable return for shareholders.

The Group has the following financial objectives:

- Operating margin higher than 5 per cent
- Return on capital employed higher than 12 per cent
- Equity ratio above 40 per cent
- Asset turnover higher than 2

INFORMATION AS A COMPETITIVE MEANS

The metaphor of medieval knights has sometimes been used by the Group management to illustrate the mechanisms that create successful business endeavours. The knights honoured qualities such as good behaviour, fighting for what they believed in, acting nobly in the face of opposition and protecting the weak and the poor. In the context of Moelven's business culture and the modern age, this philosophy is reflected in the Group's three basic values.

In battle, the knights were armed and dressed in armour. For Moelven today, this means that employees in positions such as in sales and marketing must have access to the equipment needed to perform at their peak. For such persons, expertise, information about available goods, possible delivery times and prices are just as important in the struggle to win over customers as weapons and armour were for the knights.

The flow of information to the market and customers via vendors and marketing personnel is just as decisive for the Group as the flow of information to shareholders.



Employees shall act based on serving the best interests of Moelven at all times. The Group does not permit that employees receive gifts or bribes; nor shall Moelven employees offer gifts or bribes to business contacts.

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.



1960 – Agricultural products, loaders, dumpers and mobile cranes are developed.



1964 – Moelven House Units is expanded.



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.



1982 – Moelven takes over the majority of shares in Töreboda Limträ AB in Sweden.



1988 – Moelven sells the majority of its mechanical industry.



1948 – Johs. Mageli is appointed Director of AS Moelven Brug.



1950 – The "Moelven House on Wheels," is developed.



1959/60 – The laminated timber factory at Moelv starts production in collaboration with Ringsaker Almanning.



1965 – A/S Ringsakerhus is founded in collaboration with OBOS. This signals the start of housing field development.



1980 – Mjosbruket is established. This is Moelven's first sawmill.



1981 – Moelven is listed on the Oslo Stock Exchange. Total share capital: NOK 17.5 million.



1985 – Acquisition of Dalaträ AB in Sweden and LNJ Limträ AS in Danmark.



1989 – Moelven takes over Norema's residential and business building divisions.



1990/92 – The recession in the Norwegian housing market results in the stopping of house production. The Group undergoes a major reorganisation and refinancing process.



1993/94 – Deliveries to the 1994 Winter Olympic Games.



1995 – Glulam load-bearing constructions delivered for the international airport terminal building at Gardermoen.



1998 – Acquisition of Notnäs AB and the Westwood Group in Sweden.



1999 – Moelven celebrates its 100th anniversary.



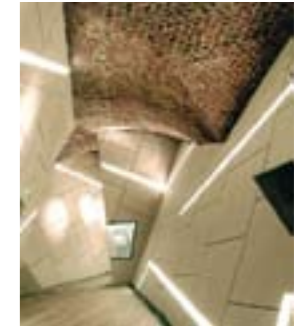
2000 – Moelven takes over Forestia's timber-manufacturing business, an increase of NOK 1.3 billion in revenue.



2001 – New owners. The Finnish company, Finnforest, acquires 59.1 per cent of Moelven shares.



2002 – Moelven Industrier ASA is delisted from the Oslo Stock Exchange.



2003 – New company: Moelven Danmark AS.



2004 – The Are Group is acquired, adding 5 new plants.



2005 – Modules for Boklok apartments at Fagerstrand, Norway.

Key financial figures

MOELVEN INDUSTRIER – THE GROUP

Amounts in NOK millions	Explanation	2006	2005	2004	2003	2002
PROFIT AND LOSS						
Operating revenues		6 692	6 005	5 773	4 864	4 618
Depreciation and write-downs		178	178	178	146	147
Operating profit		373	159	70	101	139
Net interest and financial items		-37	-46	-54	-36	-40
Operating result before tax		336	113	17	64	99
BALANCE						
Investments in fixed assets	A	245	112	199	189	119
Total capital		3 072	2 964	2 884	2 364	2 140
Total equity		1 234	1 076	1 053	923	919
Net interest-bearing debt		467	751	872	624	498
Capital employed	B	1 752	1 857	1 943	1 593	1 454
EARNINGS/PROFITABILITY						
Net operating margin	C	5.6%	2.6%	1.2%	2.1%	3.0%
Gross operating margin	D	8.2%	5.6%	4.3%	5.1%	6.2%
Return on equity	E	20.7%	6.3%	-0.3%	3.5%	7.9%
Return on capital employed	F	19.6%	7.6%	3.7%	6.8%	9.1%
Interest cover	G	8.0	2.4	1.2	2.4	3.0
CAPITAL						
Equity ratio	H	40.2%	36.3%	36.5%	39.1%	42.9%
Capital turnover rate	I	2.2	2.1	2.2	2.2	2.0
LIQUIDITY						
Current ratio	J	1.59	1.79	1.98	1.92	1.79
Quick ratio	K	0.86	0.84	0.87	0.91	0.76
Cash flow from operating result (NOK millions)	L	480.6	295.9	178.3	227.7	237.9
SHARES						
Earnings per share in NOK	M	1.85	0.52	-0.02	0.28	0.64
Average number of shares (millions)		129.5	129.5	126.8	116.0	116.0
Cash flow per share in NOK	N	3.71	2.28	1.41	1.96	2.05
Tax value in NOK at 31 December		7.78	6.25	5.20	6.16	4.13
RISK-amount in NOK at 1 January	O	-0.25	-0.16	-0.11	-0.16	-0.12
Dividend in NOK per share	P	0.75	0.25	0.15	0.15	0.25
PERSONNEL						
Number of employees at 31 December		3 210	3 159	3 191	2 853	3 120
Average number of employees		3 185	3 175	3 022	2 987	3 135

A: Capitalised investments less investments due to acquisitions

B: Equity + interest-bearing debt

C: Operating profit
Operating revenues

D: Operating profit + depreciation and write-downs
Operating revenues

E: Operating result
Average equity

F: Operating profit + interest income
Average capital employed

G: Operating result + financial costs
Financial cost

H: Total equity
Total capital

I: Operating revenues
Average total capital

J: Current assets
Current liabilities

K: Liquid funds + financial investments + receivables
Current liabilities

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

M: Operating result
Average number of shares

N: Cashflow from operating result
Average number of shares

O: RISK system will discontinue as of 2006

P: Dividend proposal – 2006

Profit and loss account

MOELVEN INDUSTRIER – THE GROUP

Amounts in NOK millions	Note	2006	2005	2004
Revenue		6 655.4	5 969.6	5 720.2
Other operating income		37.0	35.3	53.0
Operating revenues	2, 3, 20	6 692.4	6 004.9	5 773.2
Raw materials and consumables used	4	4 150.9	3 785.9	3 676.1
Change in stock of work in progress, finished goods and projects		68.0	23.5	-15.3
Payroll expenses	17	1 271.1	1 214.0	1 211.3
Depreciation on fixed assets and intangible assets	14, 16	177.6	178.0	177.5
Other operating expenses		651.6	644.9	653.3
Operating expenses		6 319.2	5 846.3	5 702.9
Operating profit		373.2	158.6	70.3
Income from associates	19	-3.9	-3.4	-3.7
Other interest income		1.7	2.0	2.9
Other financial income		5.4	2.5	7.6
Other interest expenses		-34.7	-43.4	-52.5
Other financial expenses		-5.3	-3.3	-8.0
Financial income/financial expenses		-36.8	-45.6	-53.7
Operating result before tax		336.4	113.0	16.6
Tax on ordinary result	5, 6	96.9	45.7	19.0
Operating result		239.5	67.3	-2.5
Minority interests	20	0.2	0.6	0.7
Net profit for the year		239.7	67.9	-1.8
Profit per share		1.85	0.52	-0.02
Average number of shares		129 541 284	129 541 284	126 778 028

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,

Effects of reporting according to IFRS

Amounts in NOK mill.	2006 IFRS	Effects IFRS	2006 NGAAP	2005 IFRS	2004 IFRS
Profit and loss account					
Operating revenues	6 692.4		6 692.4	6 004.9	5 773.2
Raw materials	4 150.9		4 150.9	3 790.9	3 676.1
Payroll expenses	1 261.1	-10.0	1 271.1	1 212.1	1 211.3
Depreciations	173.1	-4.5	177.6	174.4	177.5
Operating profit	387.7	-14.5	373.2	159.1	70.3
Net financial items	-26.2	10.6	-36.8	-47.5	-57.5
Pre-tax profit/loss	361.5	25.1	336.4	111.6	12.8
Taxes	102.7	5.8	96.9	44.3	17.9
Ordinary profit/loss	258.8	19.3	239.5	67.3	-5.1

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.

Amounts in NOK mill.	2006 IFRS	Effects IFRS	2006 NGAAP	2005 IFRS	2004 IFRS
Balance sheet					
Goodwill	20.7	12.4	8.3	17.7	0.0
Net pension funds	19.8	-28.2	48.0	26.9	24.6
Other receivables	132.7	4.9	127.8	151.2	148.0
Total assets	3 060.7	-10.9	3 071.6	2 946.0	2 857.5
Equity	1 301.9	68.2	1 233.7	1 060.8	1 010.6
Pension liabilities	113.4	30.0	83.4	120.5	116.1
Deferred tax	36.3	-17.0	53.3	1.1	15.1
Dividends payable	0.0	-97.2	97.2	0.0	0.0
Other short-term liabilities	453.4	5.1	448.3	418.0	295.7
Total equity and liabilities	3 060.7	-10.9	3 071.6	2 946.0	2 857.5

IFRS figures have not been audited.

Balance sheet at 31 December

MOELVEN INDUSTRIER – THE GROUP


Amounts in NOK millions	Note	2006	2005	2004
ASSETS				
Goodwill	14	8.3	9.8	8.0
Other intangible assets		0.1	0.8	1.6
Total intangible fixed assets		8.4	10.6	9.6
Land		68.6	68.0	64.6
Buildings and other real property		314.1	340.4	380.2
Machinery and plant		717.0	578.7	627.2
Fixtures and fittings, tools, office machinery etc.		35.9	48.7	65.6
Total tangible assets	15, 16	1 135.6	1 035.8	1 137.6
Investments in associated companies	19	14.1	21.1	20.7
Investments in shares	18	7.4	12.5	22.4
Bonds and other receivables	7	4.3	5.7	12.7
Net pension funds	17	48.0	55.1	60.8
Total financial fixed assets		73.8	94.4	116.6
Total fixed assets		1 217.8	1 140.8	1 263.8
Stocks	8	846.5	967.1	908.3
Accounts receivable	7	827.9	677.3	556.1
Other debtors	7	127.8	149.3	138.5
Total debtors		955.7	826.6	694.6
Bank, deposits, cash in hand, etc.	10, 11	51.6	29.6	17.5
Total current assets		1 853.8	1 823.3	1 620.4
Total assets	20	3 071.6	2 964.1	2 884.2
EQUITY AND LIABILITIES				
Share capital		647.7	647.7	647.7
Own shares		0.0	0.0	0.0
Share premium reserve		180.7	180.7	180.7
Total paid-in capital		828.4	828.4	828.4
Other equity		394.1	236.8	213.2
Minority interests	20	11.2	11.2	11.8
Total equity	21	1 233.7	1 076.4	1 053.4
Pension liabilities	17	83.4	80.5	76.1
Deferred tax	6	53.3	23.8	39.3
Other provisions	9	21.2	16.9	6.2
Total provisions		157.9	121.2	121.6
Liabilities to financial institutions	10	506.8	749.3	865.2
Other long-term liabilities	9	6.2	6.2	25.4
Total long-term liabilities		513.0	755.5	890.6
Liabilities to financial institutions	10	11.5	30.8	24.7
Trade creditors		418.8	394.1	340.0
Tax payable	5	67.2	36.1	4.1
Public duties payable		191.2	148.4	154.4
Dividends		97.2	32.4	19.4
Other short-term liabilities	9	381.1	369.2	276.0
Total short-term liabilities		1 167.0	1 011.0	818.6
Total liabilities		1 837.9	1 887.7	1 830.8
Total equity and liabilities	20	3 071.6	2 964.1	2 884.2
Mortgages	13	35.0	37.3	52.7
Guarantees	12	36.5	81.4	96.7


20 February 2007
Moelven Industrier ASA


Svein E. Skorstad
Chairman


Ola Mørkved Rinnan


Ingrid Dahl Hovland


Torstein A. Opdahl


Guro Vale Kvavik


Even Mengshoel


Iver Melby


Arne Rødo


Hans Rindal
CEO

Cash flow statement

MOELVEN INDUSTRIER – THE GROUP

Amounts in NOK millions	Note	2006	2005	2004
CASH FLOW FROM OPERATIONS				
Operating result before tax		336.4	113.0	16.6
Tax paid	5	-48.0	-16.1	-0.5
Ordinary depreciations	16	177.6	178.0	177.5
Gain/loss from the sale of fixed assets		-7.0	-6.9	-15.1
Restructuring costs		9.0	12.0	-18.9
Pension costs, provided for but not paid / pension funds taken to income but not paid in	17	8.7	12.5	15.0
Income from associates	19	3.9	3.4	3.7
Changes in current assets excl. liquid funds and deposits		-8.5	-182.5	-25.9
Changes in current liabilities excl. loans		40.2	172.7	-85.9
Net cash flow from operations		512.3	286.1	66.5
CASH FLOW FROM INVESTMENTS				
Payments to purchase fixed assets excl. acquisitions	15	-244.6	-107.2	-201.7
Net cashflow from acquisition / sale of subsidiaries		0.0	-10.2	-21.5
Sale of fixed assets	15	27.6	9.9	37.0
Long-term investments, financial		20.6	22.2	5.4
Net cash flow from investments		-196.4	-85.3	-180.8
CASH FLOW FROM FINANCING				
Changes in short-term liabilities and overdrafts		-19.3	6.1	-33.6
Liquid share of income from associates		0.3	0.2	2.2
Changes in long-term debt		-242.5	-175.6	-19.9
Issue of equity		0.0	0.0	156.3
Payment of dividends and purchase/sale of own shares		-32.4	-19.4	-19.0
Net cash flow from financing		-293.9	-188.7	86.0
LIQUID FUNDS				
Net change in liquid funds during the year		22.0	12.1	-28.3
Liquid funds at 1 January		29.6	17.5	45.8
Liquid funds at 31 December	10	51.6	29.6	17.5
AVAILABLE LIQUID FUNDS				
Liquid funds at 31 December		51.6	29.6	17.5
Unutilised credit facilities at 31 December		907.6	705.0	889.8
Restricted deposits		0.0	0.0	0.9
Available liquid funds at 31 December		959.2	734.6	906.4
Additional information in connection with acquisition/sale of subsidiaries				
<i>Additions</i>				
Fixed assets		0.0	4.4	294.8
Current assets		0.0	8.6	274.0
Liquid funds		0.0	5.3	32.5
Total equity		0.0	0.0	186.4
Interest-bearing debt		0.0	4.7	248.0
Non interest-bearing debt		0.0	13.6	166.9
Total balance from acquisitions		0.0	18.3	601.3

2005: Acquisition of Mesna Installasjon AS and Fireguard Scandinavia AS.

2004: Acquisition of Are Group and Mobilaram 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 divisions 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 com-

pletion 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 commitments and pension costs

Norwegian companies in Group

All Norwegian companies have contribution-based pension schemes, which have a savings part and a risk part featuring earnings benefits. The pension premium is expensed continuously. Future commitments linked to the risk part are accounted for in the post for Pension commitments.

As of 01.01.2005, a collective contribution-based pension was established, with optional participation for members of the Group's existing collective benefit pension schemes. Benefit schemes continue to run as closed schemes, not accepting new members. All new employees starting as of 01.01.2005 must participate in the Group's collective contribution-based pension scheme. As of the end of 2006, approx. 47% of the employees participated in the contribution-based scheme.

The closed schemes involve pension plans in which the employees earn rights to defined future pension benefits. The benefits are based on the number of earning years and wage level at the time of retirement. Pension schemes are treated in the accounts in accordance with NRS 6 (Norwegian Accounting Standard) for pension expenses. Commitments based on benefit schemes are periodically assigned. Overall commitments are reduced by the value of the total pension funds plus the discounted value of uninsured pension commitments. Commitments for defined pension agreements become part of the equation. For some pension contracts, pension funds are larger than pension commitments. Premium financing is posted as «Net pension funds» under financial investments in the balance sheet. Premium financing is applied based on the Group's composition and alternative uses of pension funds.

Included in the year's pension expenses is the current value of the year's pension earnings, incurred interest costs of pension commitments minus the anticipated return on pension funds. Pension expenses are treated as operating expenses in the accounting post "Wages".

Foreign companies in Group

Many of the Group's foreign companies provide pension schemes based on individual contribution-based pension plans for their employees.

In Sweden, most employees participate in a collective service pension agreement. The scheme is defined as a multi-employer plan, which refers to a type of benefit plan, but due to the difficulty in reliably measuring the benefit level and thus not having sufficient information to include such plans in the accounts as benefit schemes, the schemes are entered into the accounts as contribution-based schemes (in accordance with sound accounting practices).

Notes

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.

MOELVEN INDUSTRIER – THE GROUP

1 PURCHASE AND SALE OF BUSINESSES

Events in 2006

- Together with SIVA, Moelven Industrier ASA has established the research and development company Moelven Utvikling AS. Moelven Industrier ASA owns 70%, while SIVA owns 30%. The company's aim is to contribute to the commercialisation of ideas relating to wood products and associated services. The company started with a total of two employees.
- Moelven Industrier ASA has established the company Moelven Bioenergi AS in order to increase the Group's commitment in the field of bioenergy and thermal distance heating (by expanding the plant in Brumunddal). Eidsiva Energi AS and Mjøsøen Skog BA were invited to participate in the project and contracts have already been signed. When the project in Brumundal starts up, the ownership constellation in the company will be 40% for Moelven Industrier ASA and 30% for each of the other companies.

Events in 2005

- In accordance with an agreement from 2000, Moelven Industrier ASA has acquired the remaining minority post (4.4%) in Mocon Holding AS and now owns 100% of the parent company of the Group's laminated timber business.
- In 2005, Moelven Industrier ASA acquired all the shares in Fireguard Scandinavia AS. The company owns the rights to the impregnation material that Moelven Wood uses in its production of fire-resistant wood. The company has one employee with an office/laboratory in Trondheim.
- 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 Mobilaram 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.

Cont. note 1

- 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.

2 OPERATING REVENUES

In "Group operating revenues", deliveries and services between group companies totalling NOK 4 266 millions (NOK 3 573 millions in 2005) have been eliminated.

3 DIVISIONS

3.1 – Main figures for Group and divisions

Criteria for divisions

The divisions are based on Moelven's three core areas: Timber, Wood and Building Systems. The divisions are built around independent subsidiaries with clearly defined activities within their chosen fields. All transactions between the divisions take place on normal business terms. The divisions does not follow the formal legal ownership structure.

Key figures	Group			Timber			Wood			Building Systems		
	2006	2005	2004	2006	2005	2004	2006	2005	2004	2006	2005	2004
Operating revenues	6 692.4	6 004.9	5 773.2	2 583.6	2 355.4	2 619.3	2 530.0	2 268.7	2 064.1	1 937.5	1 770.1	1 630.0
Depreciations and write-downs	177.6	178.0	177.5	67.4	66.2	78.0	58.4	57.9	54.2	31.2	30.2	32.7
Operating profit	373.2	158.6	70.3	161.4	55.2	33.0	118.3	62.2	29.6	121.8	75.9	44.9
Financial items	-36.8	-45.6	-53.7	-9.9	-11.2	-17.7	-14.0	-14.7	-18.0	1.1	-4.3	-2.2
Operating result before tax	336.4	113.0	16.6	151.5	44.0	15.3	104.3	47.5	11.6	122.9	71.6	42.7
Gross operating margin	5.6	2.6	1.2	6.2	2.3	1.3	4.7	2.7	1.4	6.3	4.3	2.8
Cash flow from operations	550.8	336.6	247.8	228.8	121.4	111.0	176.7	120.1	83.8	153.0	106.1	77.6
Total capital	3 071.6	2 964.1	2 884.2	1 407.0	1 253.6	1 448.5	1 378.1	1 253.6	1 059.2	1 035.9	897.7	801.2
Interest bearing debt	466.7	750.5	890.0	270.1	265.4	398.7	353.1	368.0	287.1	35.4	108.9	97.4
Interest free debt	1 371.8	1 137.2	940.8	440.7	381.6	443.5	476.3	367.6	339.8	432.7	405.6	338.9
Equity ratio (%)	40.2	36.3	36.5	47.6	46.3	41.9	39.8	37.5	40.8	50.3	42.7	45.5
Investments	245	112	199	121	53	107	78	33	70	44	22	22
Number of employees	3 210	3 159	3 191	825	846	1 019	872	855	784	1 435	1 381	1 334

3.2 – Operating revenues by geographical markets

Amounts in NOK millions	Group			Timber			Wood			Building Systems		
	2006	2005	2004	2006	2005	2004	2006	2005	2004	2006	2005	2004
Scandinavia	5 502	4 847	4 618	1 623	1 417	1 775	2 351	2 114	1 863	1 887	1 704	1 520
Euro-countries	571	590	549	474	521	452	92	60	86	5	9	12
Rest of Europe	356	317	367	228	199	206	85	89	110	43	28	51
Japan	69	110	144	65	77	93	2	5	4	2	28	47
Rest of the world	194	142	95	194	141	93	0	0	1	0	1	0
Total	6 692	6 005	5 773	2 584	2 355	2 619	2 530	2 269	2 064	1 938	1 770	1 630

3.3 – Distribution of operating revenues by producing country

Amounts in NOK millions	Group			Timber			Wood			Building Systems		
	2006	2005	2004	2006	2005	2004	2006	2005	2004	2006	2005	2004
Norway	3 210	3 069	2 898	723	794	992	1 520	1 411	1 196	1 154	1 077	947
Sweden	3 482	2 936	2 876	1 861	1 561	1 627	1 010	889	868	784	693	683
Total	6 692	6 005	5 773	2 584	2 355	2 619	2 530	2 269	2 064	1 938	1 770	1 630

3.4 – No. of employees per division

	Group			Timber			Wood			Building Systems		
	2006	2005	2004	2006	2005	2004	2006	2005	2004	2006	2005	2004
Norway	1 686	1 672	1 630	274	285	403	561	549	475	834	793	707
Sweden	1 501	1 465	1 542	551	561	616	291	287	292	598	585	625
Denmark	20	19	17				20	19	17			
England	3	3	2							3	3	2
Total	3 210	3 159	3 191	825	846	1 019	872	855	784	1 435	1 381	1 334

There were 78 employees in Other businesses at the end of 2006 (47 in Norway and 31 in Sweden). This business area consists of the parent company Moelven Industrier ASA, timber suppliers and joint Group services, such as R&D, finances, insurance, IT, PR and human resources.

3.5 – Distribution of accounts receivables and stock by business area

Amounts in NOK millions	Group			Timber			Wood			Building Systems		
	2006	2005	2004	2006	2005	2004	2006	2005	2004	2006	2005	2004
Raw materials and purchased goods	827.9	967.1	908.3	292.0	236.3	401.7	266.8	203.2	382.4	301.5	111.5	124.1
Accounts receivables	846.5	677.3	555.9	306.3	352.2	273.0	419.8	489.3	124.5	106.8	314.0	242.1
Gross operating capital	1 674.4	1 644.4	1 464.2	598.3	588.5	674.7	686.6	692.5	506.9	408.3	425.5	366.2
As per cent of operating revenues	25%	27%	25%	23%	25%	26%	27%	31%	25%	21%	24%	22%
Trade creditors	418.8	394.1	340.0	188.0	208.6	189.8	174.5	171.8	158.9	118.2	94.6	89.4
Net operating capital	1 255.6	1 250.3	1 124.2	410.3	379.9	484.9	512.1	520.7	348.0	290.1	330.9	276.8
As per cent of operating revenues	19%	21%	19%	16%	16%	19%	20%	23%	17%	15%	19%	17%

4 COST OF GOODS SOLD

Amounts in NOK millions	2006	2005	2004
Purchase of raw materials, semi-finished goods for resale and services, incl. increased provision for warranty and service commitments	3 651.9	3 543.7	3 448.4
Transport costs of goods sold	364.1	347.6	300.9
Changes in stocks of raw materials and purchases	134.9	-105.4	-73.2
Cost of goods sold	4 150.9	3 785.9	3 676.1

6 TAX EFFECT OF TEMPORARY DIFFERENCES BETWEEN ACCOUNTING AND TAX-RELATED BALANCES (BASED ON A 28 PER CENT NOM. TAX RATE)

6.1 – Deferred tax

Amounts in NOK millions	2006	2005	2004
Temporary differences			
Provision for receivables	-1.9	-1.0	-0.7
Provision for stocks	22.2	14.0	13.3
Cost provisions according to generally accepted accounting principles	-7.6	-6.0	-4.5
Other short-term temporary differences	0.2	0.6	0.4
Subtotal short-term differences	12.9	7.6	8.5
Temporary differences			
Accumulated excess tax depreciation	41.3	36.3	44.1
Gain/loss account	2.3	4.9	4.9
Pension funds	13.5	14.8	17.0
Pension liabilities	-23.4	-22.1	-19.9
Other long-term items	7.4	-0.1	8.4
Subtotal long-term items	41.1	33.8	54.5
Accommodated tax carry-forwards	-0.7	-17.6	-23.7
Tax reducing differences (-), tax increasing differences (+)	53.3	23.8	39.3
Deferred tax liability	53.3	23.8	39.3

6.2 – Deferred tax benefit from deficits carried forward

Amounts in NOK millions	2006	2005	2004
Norway	0.0	0.0	2.8
Sweden	0.7	17.6	20.9
Denmark and others	0.0	0.0	0.0
Deferred tax benefit from deficits carried forward	0.7	17.6	23.7

The tax-related deficit carried forward in the Group's Swedish companies may be offset against profit and used within the group for an unlimited period of time.

5 TAXATION

Amounts in NOK millions	2006	2005	2004
Operating result before tax	336.4	113.0	16.6
Nominal tax in Norway 28 per cent	94.2	31.6	4.6
Re-consideration of deferred tax asset	0.0	12.0	13.0
Net tax effect of tax exempt items and effect of other tax rates abroad	2.7	2.1	1.4
Tax	96.9	45.7	19.0
Ordinary result	239.5	67.3	-2.4
Tax %	28.8%	40.5%	114.5%

Taxes consist of payable taxes in

	2006	2005	2004
Norway	55.8	46.8	3.4
Sweden	10.6	0.1	0.6
Denmark	0.8	1.1	1.4
Total taxes payable	67.2	48.0	5.4
Changes in deferred tax	29.7	-2.3	13.6
Total taxes	96.9	45.7	19.0

7 OTHER RECEIVABLES

7.1 – Short-term items

Amounts in NOK millions	2006	2005	2004
Accounts receivables			
Accounts receivables, gross	831.6	681	560.5
Provision against losses	-3.7	-3.7	-4.4
Accounts receivables, net	827.9	677.3	556.1
This year's recorded losses	0.3	2.1	4.9
Changes in provision for loss	0.0	-0.7	-2.0
Losses on accounts receivables	0.3	1.4	2.9

Other debtors

	2006	2005	2004
VAT receivables	52.4	68.4	72.6
Other receivables	75.4	80.9	65.9
Total other debtors	127.8	149.3	138.5

Other receivables consists of other accruals, pre-payments and items relating to operations. A large share of the Group's receivables from customers are insured via a credit insurance policy.

7.2 – Long term items

Of the overall obligations and other receivables totalling NOK 4.3 million in 2006, NOK 4.0 million is a receivable from SIVA Moelv Næringspark AS and NOK 0.3 million involves obligations and other securities.

8 STOCK AND PROJECTS

Amounts in NOK millions	2006	2005	2004
Raw materials and purchased semi-finished goods	313.6	361.9	275.9
Work in progress	154.5	127.5	142.4
Finished goods	366.3	457.7	460.4
Projects ¹⁾	0.0	10.1	21.6
Prepayments to suppliers	12.1	9.9	8.0
Total stocks and orders	846.5	967.1	908.3
Spesification of projects			
Own projects 31 December	0.0	0.0	0.0
Contracts at 31 December	550.5	584.2	496.3
Payments on account/part invoiced	-597.5	-574.1	-474.7
Total projects – net	-47.0	10.1	21.6

1) The project holding of minus NOK 47.0 million represents the net value of incurred but not posted costs and earned but not invoiced income from projects. The figure is included in the balance sheet's "Other short-term debt".

9 OTHER LIABILITIES**9.1 – Short-term liabilities**

Other short-term debt totalling NOK 381.1 million (369.2 in 2005) consists primarily of accruals and provisions relating to operations in the Group's 45 companies; included in this figure are incurred holiday allowance of NOK 113.5 million, incurred timber costs of NOK 32.3 million, bonus provisions of NOK 55.6 million and payable taxes of NOK 67.2 million.

In addition, NOK 47.0 million is included as net value of incurred, but not posted expenses, and earned, but not yet invoiced, income from projects.

9.2 – Long-term liabilities

The figure for other long-term liabilities is NOK 6.2 million (6.2 in 2005) and includes NOK 3.0 million (3.0 in 2005) for a loan from minority shareholders of Moelven Telemarksbruket AS and NOK 0.5 million (0.6 in 2005) for loans from Vamo KS.

Other provisions for financial commitments totals NOK 16.9 million (16.9 in 2005) and includes guarantee and service commitments totalling NOK 6.5 million (6.5 in 2005) and environmental provisions amounting to NOK 7.0 million (6.5 in 2005).

10 LIQUID HOLDINGS AND DEBT**10.1 – Interest-bearing receivables and debt**

Amounts in NOK mill.	Average			2005	2004
	interest rate 2006	2006	2006		
Restricted bank deposits		0.0	0.0	0.0	0.0
Other bank deposits		51.6	29.6	17.5	
Total bank deposits/receivables		51.6	29.6	17.5	
Bank overdraft and other short term interest bearing debt		11.5	30.8	24.7	
Long-term interest-bearing debt					
NOK	7.36%	38.3	38.9	37.1	
SEK	3.99%	468.5	694.3	811.5	
DKK	3.43%	0.0	16.1	16.6	
EUR		0.0	0.0	0.0	
Total long-term interest-bearing debt		506.8	749.3	865.2	
Net interest-bearing debt		466.7	750.5	872.3	

10.2 – Repayment plans on long-term loans

Amounts in NOK millions	2006	2005	2004
Long-term debt falling due within			
1 year	14.4	36.1	119.8
2 years	8.4	93.8	12.8
3 years	1.6	325.8	100.3
4 years	1.4	256.3	280.9
5 years	491.5	0.9	314.1
6 years and more	1.0	36.4	37.4
Total	518.3	749.3	865.3

10.3 – Interest adjustment

Amounts in NOK millions – according to currency	NOK	SEK
Interest adjustment for the following years		
2007	0.0	0.0
2008	0.0	68.3
2009	0.0	136.7
2010	0.0	0.0
2011	35.0	22.8
2012 and later	0.0	205.0
Total	35.0	432.8

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**Long-term financing**

Amounts in NOK millions	2006	2005	2004
at 31 December	1 085.0	1 154.9	1 296.5
in 1 year	1 085.0	1 132.7	1 263.9
in 2 years	1 085.0	1 027.6	1 150.3
in 3 years	1 085.0	612.6	1 038.9
in 4 years	1 085.0	35.0	617.6
in 5 years	0.0	35.0	35.0
in 6 years or more	0.0	0.0	35.0

Short-term financing

In addition to the available long-term drawing facilities, the Group has borrowing rights that are renewed on an annual basis. As of 31.12.2006, these rights were NOK 100 million, SEK 100 million, EURO 4 million, DKK 35 million and GBP 0.5 million, which amount to NOK 268.9 million in all.

As a result of normal seasonal variations, the Group's net interest-bearing debt was at its highest at NOK 915.5 million in the spring 2006. Long-term borrowing rights at 31.12.2006 are expected to cover liquidity needs for the coming four years, as new long-term financing was arranged in the summer 2006; a certain level of cash flow from operations has also been accounted for.

11 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	2006	2005	2004
Loan guarantees/financial guarantees	36.5	81.1	94.2
Surety and prepayment guarantees	0.0	0.3	2.4
Joint guarantees other companies	0.0	0.0	0.1
Total	36.5	81.4	96.7

13 MORTGAGES – SECURED LOANS**13.1 – Loans with security in assets**

Amounts in NOK millions	2006	2005	2004
Bank overdraft	0.0	0.0	12.8
Long-term loans	35.0	37.3	39.9
Total	35.0	37.3	52.7

13.2 – Book value of pledged assets

Amounts in NOK millions	2006	2005	2004
Other receivables and prepayments	0.0	0.0	93.0
Stocks	0.0	0.0	145.9
Machinery, installations	31.5	19.2	102.3
Buildings	12.0	6.6	56.8
Land	4.1	3.3	7.2
Shares	0.0	0.0	8.0
Total	47.6	29.1	413.2

14 FINANCIAL GOODWILL IN CONNECTIONS WITH ACQUISITION OF SUBSIDIARIES

Amounts in NOK millions	2006	2005	2004
Historical cost of capitalised goodwill at 01.01.			
Acquisition/sale – Timber	0.0	0.0	0.0
Acquisition/sale – Wood	0.0	1.3	0.0
Acquisition/sale – Building Systems	3.0	4.0	-0.4
– Cost price of depreciated goodwill	-21.2	-8.9	0.0
Historical cost of capitalised goodwill at 31.12.	21.6	39.7	43.3
Depreciation for year	-4.6	-3.5	-4.3
– Depreciated goodwill	21.2	8.9	0.0
Accumulated depreciation	-13.3	-29.9	-35.3
Book value of capitalised goodwill at 31.12.	8.3	9.8	8.0

All acquisitions represent businesses within the Group's primary business areas and a 10-year depreciation period has been applied for most of the acquisitions. In cases where goodwill is linked to the business concept and human resources, then a depreciation period of 5 years has been applied.

15 INVESTMENTS IN AND SALE OF FIXED ASSETS

Amounts in NOK millions	2006		2005		2004		2003		2002	
	Invest.	Sale	Invest.	Sale	Invest.	Sale	Invest.	Sale	Invest.	Sale
Fixtures and fittings	7.5	1.6	6.7	1.2	13.9	2.6	21.6	1.2	21.5	1.4
Machines and plants	229.5	5.4	80.6	2.4	352.5	25.7	122.8	61.0	118.9	20.3
Buildings and other property	7.0	16.4	25.3	6.3	107.3	30.8	62.9	3.1	29.5	18.7
Land	0.6	4.2	3.4	0.0	20.1	2.0	1.5	6.2	0.2	0.7
Total	244.6	27.6	116.0	9.9	493.8	61.1	208.8	71.5	170.1	41.1

2006: No acquisition or sale.

2005: Investments include additions from the acquisition of Mesna Installasjon AS and Fireguard Scandinavia AS amounting to NOK 4.4 millions.

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

2003: Investments include additions from 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.

16 PLANTS AND PROPERTIES

16.1 – Book value

Amounts in NOK millions	Land	Buildings and other property	Machines and plants	Fixtures and fittings, tools etc.	Total
Acquisition value at 1 January	72.6	633.0	1 473.8	121.9	2 301.3
Additions 2006	0.6	7.0	229.5	7.5	244.6
Value at disposal	-	16.4	9.0	4.6	30.0
Acquisition value at 31 December	73.2	623.6	1 694.3	124.8	2 515.9
Acc. ord. depreciation at 1 January	4.6	270.8	869.1	72.2	1 216.7
Disposals acc. depreciation	-	2.0	4.4	3.0	9.4
Depreciation current year¹⁾	-	40.7	112.6	19.7	173.0
Acc. ordinary depreciation at 31 December	4.6	309.5	977.3	88.9	1 380.3
Net book value at 1 January	68.0	340.4	578.7	48.7	1 035.8
Net book value at 31 December	68.6	314.1	717.0	35.9	1 135.6
Ordinary depreciation rates in per cent	0	5-7	7-15	15-20	

1) Depreciations for the year in accordance with the profit and loss account includes depreciation on fixed assets of NOK 173.0 millions, and depreciation on intangible assets of NOK 4.6 millions.

16.2 – Annual operating leasing costs

Amounts in NOK millions	2006	2005	2004
Vehicles	9.8	10.3	11.2
Machines and equipment	2.4	2.3	2.2
Buildings and property	0.0	0.0	0.0
Total	12.2	12.6	13.4

17 WAGES AND PENSION COSTS/PENSION LIABILITIES

17.1 – Payroll expenses

Amounts in NOK millions	2006	2005	2004
Wages and salaries	942.9	902.1	888.9
Employer's national insurance contribution and social expenses	283.9	267.5	281.2
Other social costs and benefits	44.3	44.4	41.2
Total	1 271.1	1 214.0	1 211.3

17.2 – Pension costs

Amounts in NOK millions	2006	2005	2004
Earnings for the year	16.9	21.1	17.4
Interest cost on pension liabilities	16.1	17.1	17.3
Pension costs (gross)	33.0	38.2	34.7
Expected return on pension assets	-13.6	-14.2	-16.2
Amortisation of transfer amounts, contribution-based pension	-4.2	-	-
Changes in estimates	8.4	6.8	10.4
Administration costs	1.2	-	-
Deferred employers' national insurance contributions	1.4	1.3	2.0
Pension costs, defined benefit plans	26.2	32.1	30.9
Pension costs, defined contribution-based plans and others	18.1	12.3	10.3
Total pension costs	44.3	44.4	41.2
of which pension costs for contractual pensions (AFP)	7.6	7.4	12.0

17.3 – Pension liabilities

Amounts in NOK millions	2006	2005	2004
Balance at 1 January			
Accumulated earnings	324.9	268.5	234.5
Pension based on future salary increases	48.2	48.2	37.6
Pension liabilities (gross)	373.1	316.7	272.1
Pension funds	-253.6	-248.6	-231.5
Estimated change and variance, not charged	-101.9	-61.0	-47.5
Uninsured employers' national insurance contributions	8.5	8.2	6.7
Pension liabilities (net), surplus	26.1	15.3	-0.2
Balance at 31 December			
Pension liabilities (gross)	380.2	373.1	316.7
Pension funds (anticipated)	-256.1	-253.6	-248.6
Non-entered changes in schemes	6.7	-	-
Estimated change and variance, not charged	-105.1	-101.9	-61.0
Uninsured employers' national insurance contributions	9.0	8.5	8.2
Pension liabilities (net), surplus	34.7	26.1	15.3
Total net pension funds, permissible insured schemes	-48.0	-55.1	-60.8
Insured schemes not allowed to be offset by over-financed schemes	32.9	29.5	23.6
Pension liabilities, contractual pensions (AFP)	50.5	51.0	52.5
Total pension liabilities	83.4	81.2	76.1

Cont. note 17.3

Changes in pension schemes for Norwegian companies as of 01.01.2005

The companies' benefit schemes were closed as of 01.01.2005 after the decision that all new employees from this date would participate in a contribution-based pension scheme. The contribution-based scheme has risk coverage in case of disability of approx. 60% (with policy earnings) and is a scheme that is better than the legally mandated minimum pension schemes.

Autumn 2005, all employees were able to choose between transferring to the contribution-based scheme as of 01.01.2006, or continuing in the closed benefit pension scheme. Approx. 25% of the employees chose to transfer to the contribution-based scheme. Due to changes in contribution from 1G (previously 2G), a new chance was given to transfer to the contribution scheme as of 01.07.2006. As a result, now almost 47% of the employees are part of this scheme. The Group's overall pension commitments (TBO) for insured schemes is estimated at NOK 383 million at the end of 2006 (NOK 422 million for 2005). TBO is the current value of the likely pension commitment following from the pension schemes if the membership mass continues with the scheme through to retirement age.

17.4 – Financial assumptions

	2006	2005	2004
Return on pension funds	5.5%	6.0%	7.0%
Discount rate	4.5%	5.0%	6.0%
Growth in annual salaries and state pension	3.0%	3.0%	3.3%
Annual adjustments of pensions being drawn	2.5%	2.5%	2.5%

Pension commitments that apply for insured schemes in the Group's Norwegian companies total 1 394 (2 010 in 2005) persons, of which 972 are active and 422 pensioners. Pension commitments in connection with defined pensjon plans (AFP) cover 1 680 persons. The annual expense associated with the estimated deviation is based on an accrual of the anticipated remaining service time of the membership mass for 11 years. As described above, due to the falling interest rate we have reduced the discount rate and yield percent by 0.5% in 2006, 1.0% in 2005 and 0.5% in 2004. This involves an increase in pension costs, but

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. 2006
Vamo AS ¹⁾	45.0	100	4 500	45	45
Mjøskompetanse AS	23.1	130	3	30	20
SIVA Moelv Næringspark AS	40.0	20 000	8 000	8 000	5 000
Others					28
Total Moelven Industrier ASA					5 093

Pension funds and commitments apply primarily 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, which has been closed as of 1 January 2005, 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.

at about the same level as for 2005. The figure for non-entered estimated deviations in the balance sheet have increased by about NOK 3 million, which amounts to about NOK 105 million in all.

Foreign companies in Group

Many of the Group's foreign companies provide pension plans for their employees based on defined individual contribution-based pension schemes. In Sweden, most employees belong to a collective service pension agreement. The schemes are defined as multi-employer plans, which are benefit plans. However, due to the unreliable measurement of benefit level and thus an insufficient basis on which to enter figures into the accounts, the plans are entered as if they are contribution-based schemes (in accordance with sound accounting practices).

Cont. note 18

Amounts in NOK 1 000	Share of ownership	Company's share capital	Number of shares	Face value	Book value at 31 Dec. 2006
SB Sägbränsle AB	70.0	SEK 112	784	SEK 40	37
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
Skogcertifiering Mellansverige AB	30.1	SEK 400	1205	SEK 120	139
Transportfelleskapet Østlandet AS	25.0	500	250	100	126
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	126
Svenskt Limträ AB	33.0	SEK 100	333	SEK 33	30
Moelven MassivTre AS ¹⁾	47.2	21 200	10 000	10 000	2 010
Others					227
Total others					13 119
Total					18 212

1) For shares treated as shares in associated companies by equity method in the Group account: see note 19

Vamo AS	45
Weda Skog AB	7 300
Nye Land Sag AS	1 500
Moelven MassivTre AS	2 010
Total companies treated by equity method in the Group account	10 855
Total for the Group	7 357

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. 2006	Balance: Additions/Disp.	Value at 31 Dec. 2006	Share profit
Vamo KS	40.5	25	-12	13	-12
Vamo AS	45.0	45	0	45	
Moelven Elementbygg KS (closed down)	60.0	230	-230	0	85
ANS Land Sag Eiendom	30.0	1 571	0	1 571	
Nye Land Sag AS	30.0	2 327	136	2 463	37
Weda Skog AB	50.0	7 300		7 300	
Moelven MassivTre AS	47.2	9 596	-6 836	2 760	-3 994
Total for the Group		21 094	-6 942	14 152	-3 884

20 COMPANIES TREATED AS SUBSIDIARIES, WITH MINORITY OWNERSHIP SHARES

The Group accounts for 2006 include the following companies with minority interests;

	2006	2005	2004
Moelven Telemarksbruket AS	49.0%	49.0%	49.0%
Moelven Laminated Timber Str. Ltd	0.0%	0.0%	7.5%
Moelven Skog AB	20.0%	20.0%	20.0%
Moelven Utvikling AS	30.0%	0.0%	0.0%

Cont. note 20

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

Profit and loss items	2006	2005	2004	Balance sheet items	2006	2005	2004
Operating revenues	99.2	94.5	58.3	Equity	11.2	11.2	11.8
Net profit for the year	-0.2	-0.6	-0.7	Total capital	48.0	46.0	41.8

21 EQUITY

21.1 – Changes in equity

Amounts in NOK millions	Share premium		Own shares	Other equity	Minority interest	Profit/loss	Total equity
	Share capital	reserve					
Balance at 31 December 2005	647.7	180.7	0.0	236.8	11.2		1 076.4
Net profit						239.7	239.7
Allocation of net profit				239.7		-239.7	0.0
Foreign currency translation				11.0			11.0
Provision for dividend				-97.2			-97.2
Change of category, tangible assets				3.8			3.8
Minority interests				0.0			0.0
Balance at 31 December 2006	647.7	180.7	0.0	394.1	11.2	0.0	1 233.7

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 2006 a total of 1 100 own shares.

21.3 – The largest shareholders at 20 February 2007

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

Shareholder	No. of shares	Percentage of voting shares
Eidsiva Vekst AS	Norway 51 338 629	39.63%
Glommen Skog BA	Norway 32 486 396	25.08%
Viken Skog BA	Norway 15 378 530	11.87%
Mjøsen Skog BA	Norway 15 220 334	11.75%
AT Skog BA	Norway 9 442 026	7.29%
Havass Skog BA	Norway 5 202 676	4.02%
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	129 254 346	99.78%
Other 960 shareholders	286 938	0.22%
Total	129 541 284	100.00%

Cont. note 21.3

Exemption Model

As of 2006, a so-called "exemption model" for private shareholders inside EEA/EU has been introduced, in which risk-free benefits are exempt from taxes. In this model, the cost price including RISK is the basis for calculating exemption status, and thereby tax-free yield. Risk-free yield is assigned a standard interest determined by the Norwegian Ministry of Finance, based on the average interest of government bonds with a 0-3 month timeframe.

RISK adjustment

Upon the sale of shares, Norwegian shareholders are able until 01.01.2006 to adjust the cost-price with the annual RISK (Regulation of shareholders' taxable start value with the change in taxable capital). Due to changes in tax legislation, the RISK system will be discontinued starting in 2006. The last RISK assessment was for the income year 2005, with a determination as of 01.01.2006.

Even though the RISK system will be discontinued for private Norwegian shareholders, they will retain the RISK they earned during the period of share ownership. This means that Norwegian shareholders who are liable for taxes on later sales of shares should keep track of information regarding earned RISK amount for the later sale of shares. Earned RISK shall also be specified in the annual shareholders form. The RISK rules were passed into law in 1992, with the first determination being as of 01.01.1993. Alternative entry value for Moelven's shares without documented cost price for 1992 was NOK 13.82.

21.4 – Shareholders' agreement and close association

Shareholders' agreement

Share capital in Moelven Industrier ASA consists of 129 542 384 shares with a face value of NOK 5; and there is only one class of shares. The shares are distributed among 972 shareholders, of which six of the largest owners control a total of 99.6% of the shares.

The six largest shareholders signed a shareholders' agreement on 14 December 2006. The ownership constellation among the shareholders is a result of Metsäliittos Osuuskunta's decision to sell their 65.2% shareholding in Moelven Industrier ASA.

Among the six largest shareholders, Eidsiva Vekst AS and Viken Skog BA are new shareholders. Glommen Skog BA, Mjøsen Skog BA, AT Skog BA and Havass Skog BA have expanded their shareholdings in Moelven.

RISK-amount per share

Date	Amount
Per 1 January 1993	0.00
Per 1 January 1994	0.00
Per 1 January 1995	-0.16
Per 1 January 1996	-0.12
Per 1 January 1997	-0.10
Per 1 January 1998	-0.35
Per 1 January 1999	-0.25
Per 1 January 2000	-0.11
Per 1 January 2001	-0.21
Per 1 January 2002	-0.12
Per 1 January 2003	-0.16
Per 1 January 2004	-0.11
Per 1 January 2005	-0.16
Per 1 January 2006	-0.25

Business dealings with owners

In some business areas the Group has commercial dealings with the owners. An example of this is in the sale of timber, in which the Norwegian forestry associations are suppliers. Another example is that of Eidsiva Vekst AS, which is owned by Eidsiva Energi AS, from which Moelven purchases a significant amount of electric power.

In 2006, an agreement was signed between Moelven Industrier ASA, Eidsiva Fjernvarme AS and Mjøsen Skog BA regarding the expanded commitment in the field of bioenergy/thermal distance heating, with a specific focus on expanding the existing bio-fuel plant in Brumunddal.

Eidsiva has a strategy involving growth in this field, which in the future could provide Moelven with an expanded customer base for the Group's chipping products. The project will be run via the company Moelven Bioenergi AS, in which Moelven owns 40% of the shares, while Eidsiva and Mjøsen will own 30% each.

The common principle for all such transactions is "an armlength's distance, meaning that in cases where other parties can offer better prices and/or terms then such suppliers shall be chosen.

It is clear that this verticle integration between Moelven and the shareholders' business does not create any problems relating to competition between the parties.

In January 2007, the authorities regulating competition in Sweden and Norway gave their support to this view.

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

Corporate assembly		Alternates		Board of Directors		Alternates	
Name	No. of shares	Name	No. of shares	Name	No. of shares	Name	No. of shares
Jaakko Punkari (chairman)		Hannu Järvinen		Svein E. Skorstad (chairman)	0	Elisabeth Krokeide	0
Heikki Asunmaa		Juha Mäntylä		Ola Mørkved Rinnan	0	Svein Haare	0
Mikael Aminoff		Halvard Sæther		Ingrid Dahl Hovland	0	Gunde Haglund ^{*)}	0
Marti Asunta		Helge Urstrømmen		Torstein A. Opdahl	0		
Lars-Ole Gimming		Kritian M. Noer		Guro Vale Kvavik	0	Group Executive Board	
Børre Rogstadkjernet		Knut Aas		Even Mengshoel	0	Hans Rindal (CEO)	400
Kjersti Solberg		Jonny Lindberg ^{*)}		Iver Melby ^{*)}	0	Anders L. Fossum ^{**)}	100
Christian Ramberg		Jan Arve Sinnerud ^{*)}		Arne Rødø ^{*)}	0	Dag E. Sand	200
Harald Løkkeveen ^{*)}	100					Reidar Mo	200
Rolf Ellevold ^{*)}		^{*)} Employee representatives				^{**)} Johan Padel constituted as of Dec. 15 2006	0
Lars-Håkan Karlsson ^{*)}							
Per W. Gunro ^{*)}							

21.6 – Proposal regarding executive staff salary and other benefits

Background

Pursuant to Public Limited Company Act (allmennaksjeloven) §6-16a, the Board of Moelven Industrier ASA shall prepare a proposal regarding salary and other benefits to be paid to executive staff. The proposal will be discussed at the General Meeting on 20 April 2007, and any decision will apply for the coming accounting year.

Employees covered by the declaration

The statement will cover Group executive staff in Moelven Industrier ASA. The term "Group executive staff" refers to the president/CEO and division managers.

In general

Moelven shall have a salary policy and other benefits suited to recruit and retain managerial staff with solid expertise and a capacity to achieve agreed-to goals.

Salary

Moelven's salary policy regarding executive staff is that they should have a fixed salary, which is to be adjusted on an annual basis.

Other benefits

Executives shall enjoy other benefits such as free car, free newspapers and free telephone in such cases where such benefits will facilitate their work situation and is deemed reasonable in relation to general business practices.

Bonuses and other variable forms of compensation

In addition to the main principle regarding a fixed salary, the Board is also interested in being able to offer other variable forms of compensation in appropriate cases. Bonuses may be used to a limited degree and in accordance with individual agreements, and shall be directly linked to the company's operating results.

Remuneration linked to shares, etc.

Moelven does not currently practice any type of compensation linked to shares or share price developments for the company, hereunder shares, subscription rights or options. If such an arrangement is established, then it must include a large number of employees and such remuneration shall represent a minor share of the employee's fixed salary.

Pension schemes

Moelven shall have pension terms that are at the same level as the market in general in the home country. New employees must participate in the Group's contribution-based pension scheme, while current employees who are already participating in a benefit pension scheme may continue in this scheme if they so choose.

Pay after termination of employment

If the Board should demand immediate resignation of an executive, such employee shall be entitled to wages for a period of 18 months, minus any salary earned at a new employer during such period.

Previous accounting year

The policy concerning salaries to executive staff in the previous accounting year is consistent with the contents of this declaration.

The Board retains the right to deviate from these guidelines in exceptional cases as it deems necessary. If the Board deviates from these guidelines, then the reason for this deviation shall be noted in the minutes of the Board meeting addressing such a case.

21.7 – Management benefits

Amounts in 1000 NOK, paid in accounting year	2006	2005	2004
Remuneration to board members	805.0	822.0	850.0
Remuneration to corporate assembly	190.0	235.0	185.0
Salary to President/CEO, Hans Rindal, for 2006 and three-month period (as acting President/CEO) in 2005	1 776.0	307.5	
Contribution-based pension, Hans Rindal	116.7		
Other benefits to President/CEO, Hans Rindal	25.8		
Salary to President/CEO, Ole Salvén, 8-month period in 2005	127.0	1 058.0	
Other benefits to President/CEO, Ole Salvén		168.0	
Salary to President/CEO, Bo Borgström, 1-month period in 2005 and all of 2004		435.3	2 025.2
Other benefits to President/CEO, Bo Borgström		11.0	128.1
Total	3 040.5	3 036.8	3 188.3

Board chairman receives NOK 150 thousand and other board members NOK 90 thousand per year in remuneration. Deputy board members receive NOK 5 thousand per meeting. Chairman of Corporate Assembly receives NOK 40 thousand per year in remuneration.

Corporate Assembly members and deputy members receive NOK 5 thousand per meeting.

President/CEO is entitled to a salary for a period of 18 months subsequent to leaving the position (minus any salary paid by new employer). This policy is consistent with Moelven's standard employment contract for executive management.

For persons earning pension rights according to a benefit pension scheme (and not a contribution-based pension scheme), pension costs are not entered in the accounts as payment of service for that accounting year.

21.8 – Remuneration to accountant

In 2006, remuneration for the legally mandated account audit for the Group totalled NOK 4.0 million (4.0 million in 2005).

21.9 – 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 ASA

Amounts in NOK millions	Note	2006	2005	2004
Operating revenues	1	76.6	67.7	132.5
Payroll expenses	8	33.8	32.8	32.7
Depreciations and write-downs	7	15.9	15.7	11.1
Other operating expenses		62.7	44.1	57.2
Operating expenses		112.4	92.6	101.0
Operating profit		-35.8	-24.9	31.5
Income from subsidiaries ¹⁾		78.3	96.0	64.3
Income from associates	13	0.1	0.0	0.0
Interest income from group companies		53.3	56.0	57.3
Other interest income		1.8	0.7	0.9
Other financial income		4.4	3.3	5.5
Other interest received and financial income		-16.5	-10.6	-7.4
Other interest expenses		-30.4	-35.2	-41.5
Other financial expenses		-4.3	-4.2	-4.3
Financial income/financial expenses		86.7	106.0	74.8
Operating result before tax		50.9	81.1	106.3
Tax on ordinary result	2, 3	17.5	35.3	23.4
Operating result		33.4	45.9	82.9
Net profit for the year		33.4	45.9	82.9
<i>The Board's proposal for allocation of net profit and capital transfer</i>				
Provision for dividends, NOK 0.75 per share (0.25 in 2005 / 0.15 in 2004)		-97.2	-32.4	-19.4
Other equity		63.8	-13.5	-63.5
Total	14	-33.4	-45.9	-82.9

1) Including group contributions.

Balance sheet at 31 December

MOELVEN INDUSTRIER ASA

Amounts in NOK millions	Note	2006	2005	2004
ASSETS				
Land	7	3.5	3.5	3.7
Buildings and other real property	7	5.2	8.7	12.7
Machinery and plant	7	1.6	1.3	1.4
Fixtures and fittings, tools, office machinery etc.	7	21.4	33.7	44.3
Total tangible fixed assets		31.7	47.2	62.1
Investments in subsidiaries	11	1 051.3	1 017.3	954.1
Investments in associates	13	0.0	0.3	0.3
Loan to group companies	9	1 118.1	1 038.5	1 087.2
Investments in shares	12	5.1	9.4	18.7
Bonds and other receivables	4	4.0	4.1	4.0
Net pension funds	8	31.1	32.1	33.1
Total financial fixed assets		2 209.6	2 101.7	2 097.4
Total fixed assets		2 241.3	2 148.9	2 159.5
Accounts receivable		1.8	0.8	1.1
Receivables from group companies		6.2	3.8	2.6
Loans to group companies		99.5	123.1	92.2
Other receivables		3.8	2.6	6.8
Total receivables		111.3	130.3	102.7
Bank deposits, cash in hand		0.2	0.2	0.3
Total current assets		111.5	130.5	103.0
Total assets		2 352.8	2 279.4	2 262.5
EQUITY AND LIABILITIES				
Share capital		647.7	647.7	647.7
Own shares		0.0	0.0	0.0
Share premium reserve		180.7	180.7	180.7
Total paid-in capital		828.4	828.4	828.4
Other equity		241.3	305.1	291.7
Total equity	14	1 069.7	1 133.5	1 120.1
Pension liabilities	8	22.3	18.4	12.9
Deferred tax	3	3.3	11.0	19.1
Total provisions		25.6	29.4	32.0
Debt to credit institutions	10	455.6	675.2	781.3
Long-term, interest-bearing debt to group companies		9.4	22.4	24.0
Other long-term liabilities		0.5	0.6	10.6
Total long-term liabilities		465.5	698.2	815.9
Bank overdraft within the group account system		552.5	305.2	217.5
Trade creditors		4.1	4.6	4.0
Accounts payable to group companies		1.7	0.4	2.6
Short-term, non interest-bearing debt to group companies		81.4	19.4	24.9
Public duties payable		2.1	1.7	2.0
Dividends		97.2	32.4	19.4
Payable tax		25.3	31.2	1.7
Other short-term debt	5	27.7	23.4	22.4
Total current liabilities		792.0	418.3	294.5
Total liabilities		1 283.1	1 145.9	1 142.4
Total equity and liabilities		2 352.8	2 279.4	2 262.5
Guarantee	6	346.8	323.2	253.4
Number of shares (face value per share NOK 5.-)	14	129 542 384	129 542 384	129 542 384

Cash flow statement

MOELVEN INDUSTRIER ASA

Amounts in NOK millions	Note	2006	2005	2004
CASH FLOW FROM OPERATIONS				
Operating result before tax		50.9	81.1	106.3
Payable tax in financial period		-31.0	-13.6	0.0
Write-down of long-term receivables		3.6	0.0	3.3
Ordinary depreciation	7	15.9	15.7	11.1
Reverse write-down of shares in subsidiaries		13.2	0.9	-76.0
Gain/loss from sale of fixed assets		-5.8	-5.2	8.9
Paid, but not charged, pension premium		4.7	6.6	5.7
Change in current assets, excl. liquid funds and deposits		-4.6	3.3	-6.2
Change in current liabilities, excl. loans		-8.5	-0.5	-1.6
Net cash flow from operations		38.4	88.3	51.5
CASH FLOW FROM INVESTMENTS				
Investments in fixed assets excl. acquisitions		-1.8	-2.3	-4.3
Net cash expenditure for purchase of subsidiaries		0.0	-54.8	-197.9
Sale of fixed assets		7.2	6.6	4.4
Long-term investments, financial		-111.7	47.9	-212.4
Changes in long-term financing stemming from merger between parent and subsidiary companies		0.0	0.0	260.7
Short-term lending		23.6	-30.9	16.2
Cash flow from investments		-82.7	-33.5	-133.3
CASH FLOW FROM FINANCING				
Changes in short-term borrowings and overdraft		309.3	82.2	-164.9
Changes in long-term debt		-232.7	-117.7	32.3
Net effect from merging subsidiaries		0.0	0.0	77.1
Issue of equity		0.0	0.0	118.3
Payment of dividends		-32.4	-19.4	-19.0
Purchase/sale of own shares		0.0	0.0	38.2
Net cash flow from financing		44.2	-54.9	82.0
LIQUID FUNDS				
Net change in liquid funds during the year		-0.1	-0.1	0.2
Liquid funds at 1 January		0.3	0.3	0.1
Liquid funds at 31 December		0.2	0.2	0.3

Notes

MOELVEN INDUSTRIER ASA

1 OTHER OPERATING REVENUES

Amounts in NOK millions	2006	2005	2004
Net gain from sale of fixed assets	5.8	5.2	0.8
Net gain from sale of securities	3.1	0.0	0.6
Reverse write down of shares in subsidiaries ^p	0.0	0.0	76.0
Subsidiaries' share of joint expenses	21.0	26.4	22.4
IT-services	31.8	23.4	20.2
Income from rentals – external	1.1	1.9	1.8
Income from rentals – internal	3.7	3.9	2.6
Other	10.1	6.9	8.1
Total other operating revenues	76.6	67.7	132.5

2 TAXES

Amounts in NOK millions	2006	2005	2004
Operating result before tax	50.9	81.1	106.3
28 per cent tax	14.2	22.7	29.8
Tax effect of tax exempt items	3.3	0.9	-18.2
Tax effect of differences not affecting tax payable	0.0	-0.3	25.6
Correction of previous years	0.0	12.0	-13.8
Total taxes	17.5	35.3	23.4

Taxes consist of

	2006	2005	2004
Tax payable	25.2	43.3	1.6
Change in deferred tax	-7.7	-8.0	21.8
Total taxes	17.5	35.3	23.4

4 RECEIVABLES – BONDS AND OTHER RECEIVABLES, LONG TERM

Other receivables include NOK 4.0 millions in loan to SIVA Moelven Næringspark AS (4.1 in 2005).

5 OTHER SHORT-TERM LIABILITIES

This post consists in large part of accrued expenses.

3 TAX EFFECT OF TEMPORARY DIFFERENCES BETWEEN ACCOUNTING BALANCES AND TAX-RELATED BALANCES (BASED ON 28 PER CENT NOM. TAX RATE)

Amounts in NOK millions	2006	2005	2004
Short-term temporary differences			
Provision for receivables	-1.0	0.0	0.0
Cost provisions according to generally accepted accounting principles	-5.4	-4.7	-2.7
Subtotal short-term temporary differences	-6.4	-4.7	-2.7
Long-term temporary differences			
Accumulated excess tax depreciation	4.6	8.6	10.8
Gain/loss account	2.7	3.3	3.1
Pension funds	8.7	9.0	9.3
Pension liabilities	-6.3	-5.2	-3.6
Other long-term items	0.0	0.0	2.2
Subtotal long-term items	9.7	15.7	21.8
Tax reducing differences (-), tax increasing differences (+)	3.3	11.0	19.1
Deferred tax liabilities	3.3	11.0	19.1

6 GUARANTEES/-COMMITMENTS

Amounts in NOK millions	2006	2005	2004
Loans guarantees/financial guarantees	117.9	201.3	123.2
Surety and repayment guarantees	192.4	91.3	98.5
Guarantees for employee tax deductions	36.5	30.6	31.7
Total	346.8	323.2	253.4

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	3.5	43.0	2.8	64.3	113.6
Additions	0.0	0.2	0.7	0.9	1.8
Value at disposal	0.0	1.4	0.0	0.1	1.5
Acquisition value 31 December	3.5	41.8	3.5	65.1	113.9
Accumulated ordinary depreciations 1 January	0.0	34.3	1.5	30.6	66.4
Disposals accumulated depreciation	0.0	0.0	0.0	0.1	0.1
Depreciations current year	0.0	2.3	0.4	13.2	15.9
Accumulated ordinary depreciations 31 December	0.0	36.6	1.9	43.7	82.2
Net book value 1 January	3.5	8.7	1.3	33.7	47.2
Net book value 31 December	3.5	5.2	1.6	21.4	31.7
Ordinary depreciation rates in per cent	-	2.5-10	10	20	

8 WAGES, SALARIES AND PENSION COSTS/PENSION LIABILITIES

8.1 – Payroll expenses

Amounts in NOK millions	2006	2005	2004
Wages	22.7	19.9	20.5
Employer's national insurance contribution	3.6	3.2	3.2
Pension costs	7.9	9.3	8.3
Other contributions/other personnell costs, incl. amount charged to subsidiaries	-0.4	0.4	0.7
Total	33.8	32.8	32.7

8.2 – Pension costs

Amounts in NOK millions	2006	2005	2004
Earnings for the year	2.6	2.7	2.9
Interest cost on pension liabilities	3.0	3.0	3.2
Pension costs (gross)	5.6	5.7	6.1
Expected return on pension funds	-3.1	-3.1	-3.9
Amortisation of transfer amounts, contribution-based pension	-0.6	-	-
Changes in estimates and deviation	4.0	5.2	5.1
Administration costs	0.1	-	-
Deferred employer's national insurance contributions	0.5	0.7	0.5
Costs related to defined contribution plans and other various costs	1.4	0.8	0.5
Pension costs (net), insured and uninsured plans	7.9	9.3	8.3

8.3 – Pension liabilities

Amounts in NOK millions	2006	2005	2004
Balance at 1 January			
Accumulated earnings	61.7	55.2	48.3
Pensions based on future salary increases	3.0	2.9	3.0
Pension liabilities (gross)	64.7	58.1	51.3
Pension funds	-55.0	-59.1	-56.4
Estimated change and variance, not charged	-25.7	-20.9	-21.5
Uninsured employers' national insurance contributions	2.3	1.7	1.2
Pension liabilities (net), surplus	-13.7	-20.2	-25.4
Balance at 31 December			
Pension liabilities (gross)	72.0	64.7	58.1
Pension funds (anticipated)	-57.7	-55.0	-59.1
Estimated change and variance, not charged	-25.8	-25.7	-20.9
Uninsured employers' national insurance contributions	2.7	2.3	1.7
Pension liabilities (net), surplus	-8.8	-13.7	-20.2
Total net pensin funds, permissible insured schemes	-31.1	-32.1	-33.1
Insured schemes not allowed to be offset by over-financed schemes	22.3	18.4	12.9

The company's total pension liabilities (TBO) for insured schemes are estimated at NOK 64.6 millions at the end of 2006. 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.

8.4 – Financial assumptions

	2006	2005	2004
Return on pension funds	5.5%	6.0%	7.0%
Discount rate	4.5%	5.0%	6.0%
Growth in annual salaries and state pensions	3.0%	3.0%	3.3%
Annual adjustment of pensions being drawn	2.5%	2.5%	2.5%

The pension liabilities, secured schemes, cover a total of 128 people, of whom 50 are active and 78 are pensioners. The annual cost regarding the deviation from estimate is distributed over the next 10 years based on the total anticipated remaining years of employment of the members.

Contribution-based pension – all new employees as of 01.01.2005 and voluntary transfers from old system as of 01.01.2006 and 01.07.2006

Moelven decided that as of 01.01.2005 all new employees would participate in the company's contribution-based pension scheme. In autumn 2005, all existing employees were able to choose whether to transfer to the contribution-based scheme or to continue with the earlier benefit pension scheme.

As a result of the changes in contribution from 1G (earlier 2G), a new round was taken to provide employees the opportunity to transfer to the contribution-based scheme as of 01.07.2006. Close to 55% of the employees in the company have now chosen to transfer to the contribution-based scheme after the last round.

9 FINANCIAL MARKET RISK

Loans in foreign currency – primarily SEK – to subsidiaries 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		
	2006	2005	2004	2006	2005	2004	2006	2005	2004
Drawing rights	1 050.0	0.0	0.0	455.6	0.0	0.0	54.0	0.0	0.0
Drawing rights	0.0	370.0	390.0	0.0	233.9	182.6	0.0	28.5	40.5
Drawing rights	0.0	400.0	400.0	0.0	127.6	159.8	0.0	36.0	48.0
Drawing rights	0.0	50.0	50.0	0.0	16.1	16.6	0.0	45.0	57.0
Term loan	0.0	0.0	102.7	0.0	0.0	102.7	0.0	0.0	5.0
Term loan	0.0	297.7	319.6	0.0	297.7	319.6	0.0	36.0	48.0
Total	1 050.0	1 117.7	1 262.3	455.6	675.2	781.3			

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.

11 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. 2006
Moelven Industrier ASA owns					
Moelven Timber AS	100.0	93 220	9 322	93 220	111 729
Moelven Van Severen AS	100.0	35 000	3 500	35 000	35 006
Moelven Østerdalsbruket AS	100.0	20 000	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	12 005
Moelven Telemarksbruket AS	51.0	10 000	510	5 100	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
Hen Næringspark AS	100.0	10 000	1 000	10 000	5 005
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 Byggsystemer 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	19 029
Moelven Bioenergi AS	100.0	9 273	9 272 736	9 273	9 439
Moelven Elektro AS	100.0	8 000	40 000	8 000	12 000
Mocon Holding AS	100.0	68 000	68 000	68 000	64 141
Moelven Limtre AS	100.0	11 000	11 000	11 000	43 028
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	100.0	GBP 50	49 999	GBP 50	1
Moelven Holzleimbau GmbH	100.0	EUR 200	20	EUR 200	0
Moelven Are AS	100.0	300	100	300	50 116
Moelven Mjøsbuket AS	100.0	12 000	12 000	12 000	15 990
Moelven Eidsvold Værk AS	100.0	32 500	32 500	32 500	35 578
Fireguard Scandinavia AS	100.0	1 549	15 478 812	1 549	4 151
Moelven Utvikling AS	70.0	1 000	700	700	700
Moelven Virke AS	100.0	5 000	50 000	5 000	4 546
Total Moelven Industrier ASA					1 051 291

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. 2006
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Moelven Industrier AB owns

Moelven Notnäs AB	100.0	SEK 3 250	650 000	SEK 3 250	45 560
Moelven List AB	100.0	SEK 5 500	55 000	SEK 5 500	20 076
Moelven Byggmodul AB	100.0	SEK 5 000	50 000	SEK 5 000	45 011
Moelven Norsälven AB	100.0	SEK 3 500	35 000	SEK 3 500	31 892
Moelven Ransbysågen AB	100.0	SEK 1 000	10 000	SEK 1 000	15 490
Moelven Värmlands Trä AB	100.0	SEK 3 000	3 000	SEK 3 000	29 978
Moelven Component AB	100.0	SEK 2 580	25 800	SEK 2 580	7 104
UJ-Trading AB	100.0	SEK 1 500	15 000	SEK 1 500	8 201
Skåre Kontorshotell AB	100.0	SEK 100	1 000	SEK 100	661
Moelven Wood AB	100.0	SEK 9 000	90 000	SEK 9 000	13 702
Modulpoolen i Sandsjöfors AB	100.0	SEK 100	1 000	SEK 100	1 043
Moelven Notnäs Wood AB	100.0	SEK 3 800	38 000	SEK 3 800	14 032
Moelven Valåsen Wood AB	100.0	SEK 20 100	201 000	SEK 20 100	25 866
Moelven Valåsen AB	100.0	SEK 50 000	500 000	SEK 50 000	136 680
Moelven Dalaträ AB	100.0	SEK 20 000	200 000	SEK 20 000	50 116
Moelven Eurowand AB	100.0	SEK 40 000	40 000	SEK 40 000	41 551
Mobilarum AB	100.0	SEK 100	1 000	SEK 100	19 532
Moelven Edanesågen AB	100.0	SEK 400	4 000	SEK 400	71 006
Moelven Nössemark Trä AB	100.0	SEK 300	3 000	SEK 300	51 229
Moelven Årjäng Säg AB	100.0	SEK 300	3 000	SEK 300	45 560
Moelven Tom Heurlin AB	100.0	SEK 1 500	15 000	SEK 1 500	45 560
Moelven Skog AB	80.0	SEK 5 000	400	SEK 4 000	3 645
Moelven Byggmodul Kil AB	100.0	SEK 1 000	10 000	SEK 1 000	1 093
Moelven Byggmodul Torsby AB	100.0	SEK 630	9 000	SEK 630	1 093
Mobilarum Rental AB	100.0	SEK 2 000	20 000	SEK 2 000	2 027
Moelven Byggfinansiering AB	100.0	SEK 275	2 750	SEK 275	7 330
Sandsjöfors Byggleasing AB	100.0	SEK 1 000	1 000	SEK 1 000	456
Moelven Töreboda AB	100.0	SEK 12 000	120 000	SEK 12 000	43 777
Total Moelven Industrier AB					779 271

Moelven ByggModul AB owns

Moelven ByggModul Sandsjöfors AB	100.0	SEK 3 600	36 000	SEK 3 600	0
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Moelven Byggsystemer AS owns

Moelven Nordia AS	100.0	22 000	2 200	22 000	52 710
Moelven Nordia Prosjekt AS	100.0	232	232	232	4 150
Total Moelven Byggsystemer AS					56 860

Moelven Elektro AS owns

Mesna Installasjon AS	100.0	100	100	100	9 000
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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. 2006
Vamo AS	45,0	100	4 500	45	45
Mjøskompetanse AS	23,1	130	3	30	20
SIVA Moelv Næringspark AS	40,0	20 000	8 000	8 000	5 000
Others					28
Total Moelven Industrier ASA					5 093

Auditor's report for 2006

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. 2006	Balance: Additions/Disp.	Value at 31 Dec. 2006	Share of profit
Vamo KS ¹⁾	40.5	25	-12	13	-12
Moelven Elementbygg KS (closed down)	60.0	230	-230	-	85
Total		255	-242	13	73

1) Vamo KS has granted a loan to Moelven Industrier ASA amounting to NOK 0.5 million at 31 December 2006 (0.6 in 2005).

14 EQUITY

Amounts in NOK millions	Share capital	Share premium reserve	Own shares	Other equity	Net profit	Total
Balance at 1 January 2006	647.7	180.7	0.0	305.1		1 133.5
Net profit					33.4	33.4
Allocation of net profit				-63.8	63.8	0.0
Provision for dividend					-97.2	-97.2
Balance at 31 December 2006	647.7	180.7	0.0	241.3	0.0	1 069.7

15 NUMBER OF EMPLOYEES

Average number of employees in 2006 was 47 (44 in 2005).

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

16.1 – Management benefits

Amounts in 1000 NOK, paid in accounting year	2006	2005	2004
Remuneration to board members	805.0	822.0	850.0
Remuneration to corporate assembly	190.0	235.0	185.0
Salary to President/CEO, Hans Rindal, for 2006 and three-month period (as acting President/CEO) in 2005	1 776.0	307.5	
Contribution-based pension, Hans Rindal	116.7		
Other benefits to President/CEO, Hans Rindal	25.8		
Salary to President/CEO, Ole Salvén, 8-month period in 2005	127.0	1 058.0	
Other benefits to President/CEO, Ole Salvén		168.0	
Salary to President/CEO, Bo Borgström, 1-month period in 2005 and all of 2004		435.3	2 025.2
Other benefits to President/CEO, Bo Borgström		11.0	128.1
Total	3 040.5	3 036.8	3 188.3

Board chairman receives NOK 150 thousand and other board members NOK 90 thousand per year in remuneration. Deputy board members receive NOK 5 thousand per meeting. Chairman of Corporate

Assembly receives NOK 40 thousand per year in remuneration.

Corporate Assembly members and deputy members receive NOK 5 thousand per meeting.

President/CEO is entitled to a salary for a period of 18 months subsequent to leaving the position (minus any salary paid by new employer). This policy is consistent with Moelven's standard employment contract for executive management.

For persons earning pension rights according to a benefit pension scheme (and not a contribution-based pension scheme), pension costs are not entered in the accounts as payment of service for that accounting year.

16.2 – Remuneration to accountant

Amount in 1000 NOK, paid in accounting year	2006	2005	2004
Legally mandated audit	315.0	375.0	325.0
For services other than the account audit	46.0	71.0	273.0
Total	361.0	446.0	598.0

We have audited the annual financial statements of Moelven Industrier ASA as of December 31, 2006, showing a profit of NOK 33 374 000 for the parent company and a profit of NOK 239 760 000 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 annual financial statements comprise the financial statements of the parent company and the group. The financial statements of the parent company comprise the balance sheet, the statements of income and cash flows, and the accompanying notes. The financial statements of the group comprise the balance sheet, the statement of income and cash flows, and the accompanying notes. The regulations of the Norwegian accounting act and accounting standards, principles and practices generally accepted in Norway have been applied in the preparation of the financial statements of the parent company. 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 laws, regulations and auditing standards and practices generally accepted in Norway, including standards on auditing adopted by Den Norske Revisorforening (The Norwegian Institute of Public Accountants). These auditing standards 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 are prepared in accordance with the law and regulations and give a true and fair view of the financial position of the Company and of the Group as of December 31, 2006, 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 in accordance with the law and good bookkeeping practice in Norway
- the information 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, February 20, 2007

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 6 March 2007, the Corporate Assembly considered the report of the Board of Directors and Managing Director and proposals for the annual accounts 2006 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 2006 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.

6 March 2007



Jaakko Punkari

Chairman of the Corporate Assembly

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FINANCIAL CALENDAR

20 April 2007
General Meeting – Annual Accounts 2006
First Quarter Report 2007

12 July 2007
Second Quarter Report 2007

16 October 2007
Third Quarter Report 2007

22 January 2008
Fourth Quarter Report/
Preliminary annual result 2007

April 2008
General Meeting – Annual Accounts 2007

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