

# Quarterly report

1/2006



Member of Finnforest Corporation

**MOELVEN**<sup>®</sup>

Profit and Loss Account	NOK mill.	1 <sup>st</sup> Quarter			Total	
		2006	2005	2004	2005	2004
Operating revenues		1,557.0	1,411.2	1,407.0	6,004.9	5,773.2
Depreciation		42.9	46.3	42.5	178.0	177.5
Cost of goods sold		975.4	893.1	885.1	3,809.4	3,667.3
Operating expenses		488.0	469.1	474.0	1,858.9	1,858.1
<b>Operating profit</b>		<b>50.7</b>	<b>2.7</b>	<b>5.4</b>	<b>158.6</b>	<b>70.3</b>
Income from associates		-0.2	-1.2	-1.7	-3.4	-3.7
Interest and other financial income		3.2	1.2	3.6	4.5	10.6
Interest and other financial expenses		-11.7	-13.5	-14.9	-46.7	-60.6
<b>Operating result before tax</b>		<b>42.0</b>	<b>-10.8</b>	<b>-7.6</b>	<b>113.0</b>	<b>16.6</b>
Estimated tax cost		12.3	-2.5	-6.6	45.7	19.0
Minority interests		0.5	0.6	0.0	0.6	0.7
<b>Net profit</b>		<b>30.2</b>	<b>-7.8</b>	<b>-1.0</b>	<b>67.9</b>	<b>-1.8</b>

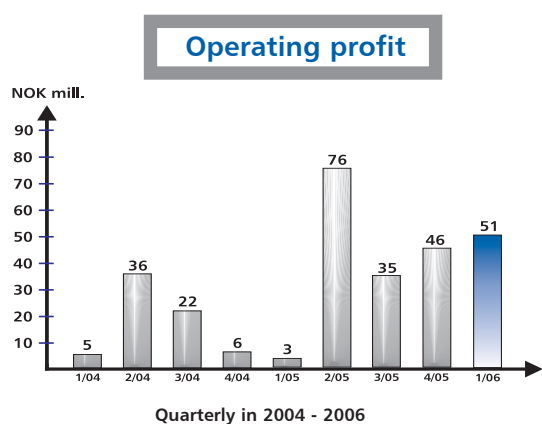
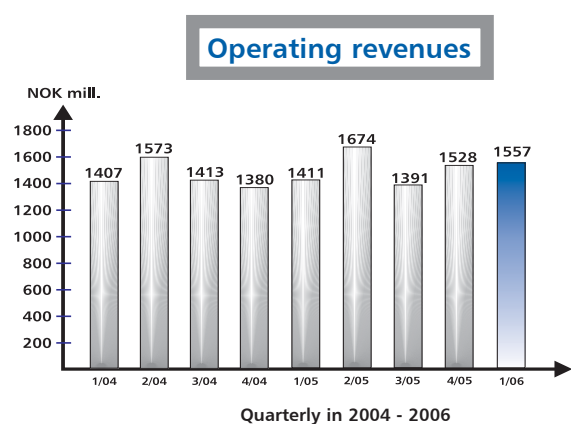
Balance Sheet	NOK mill.	Per 31.03.			Per 31.12.	
		2006	2005	2004	2005	2004
Intangible assets		9.4	12.4	34.8	10.6	9.6
Tangible assets		999.8	1,113.7	1,117.2	1,035.8	1,137.6
Financial assets		95.3	110.9	127.2	94.4	116.6
<b>Total fixed assets</b>		<b>1,104.5</b>	<b>1,237.0</b>	<b>1,279.2</b>	<b>1,140.8</b>	<b>1,263.8</b>
Stocks		1,062.0	1,017.2	1,016.2	967.1	908.3
Receivables and deposits		913.3	761.1	874.1	856.2	712.1
<b>Total current assets</b>		<b>1,975.3</b>	<b>1,778.3</b>	<b>1,890.3</b>	<b>1,823.3</b>	<b>1,620.4</b>
<b>Total assets</b>		<b>3,079.8</b>	<b>3,015.3</b>	<b>3,169.5</b>	<b>2,964.1</b>	<b>2,884.2</b>
Share capital*		647.7	647.7	633.5	647.7	647.7
Other equity and capital		457.6	396.3	410.4	428.7	425.1
<b>Total equity</b>		<b>1,105.3</b>	<b>1,044.0</b>	<b>1,043.9</b>	<b>1,076.4</b>	<b>1,053.4</b>
Long-term liabilities		978.9	1,117.5	1,180.8	886.7	1,012.3
Current liabilities		995.6	853.8	944.8	1,011.0	818.5
<b>Total liabilities</b>		<b>1,974.5</b>	<b>1,971.3</b>	<b>2,125.6</b>	<b>1,887.7</b>	<b>1,830.8</b>
<b>Total equity and liabilities</b>		<b>3,079.8</b>	<b>3,015.3</b>	<b>3,169.5</b>	<b>2,964.1</b>	<b>2,884.2</b>
Net interest bearing debt		894.5	1,049.8	1,116.0	750.5	872.3
Capital employed		2,019.1	2,075.8	2,202.0	1,856.5	1,943.7
Net working capital		1,443.4	1,319.5	1,383.0	1,250.4	1,128.7
<b>Changes in total equity for the Group</b>						
Opening balance		1,076.4	1,053.4	923.5	1,053.4	923.5
Profit/loss		29.7	-8.4	-1.0	67.3	-2.5
Total from share issue before minority		0.0	0.0	118.1	0.0	117.9
Foreign currency translation		-1.3	-1.6	1.8	-8.9	-5.0
Provisions for dividend		0.0	0.0	-1.1	-32.4	-20.5
Purchase/sale - Own shares		0.0	0.0	2.7	0.0	38.3
Change in reclassified assets		0.0	0.0	0.0	-3.6	1.0
Minority interests		0.5	0.6	-0.1	0.6	0.7
Changes for year/period		28.9	-9.4	120.4	23.0	129.9
<b>Total equity</b>		<b>1,105.3</b>	<b>1,044.0</b>	<b>1,043.9</b>	<b>1,076.4</b>	<b>1,053.4</b>

\*129,542,384 shares at NOK 5.-, adjusted to account for 1,100 own shares.

The quarterly report has been prepared using the same accounting principles as those used in the annual accounts and according to NGAAP.

Cash Flow Statement	NOK mill.	1 <sup>st</sup> Quarter			Total	
		2006	2005	2004	2005	2004
Net cash flow from operations		-104.7	-132.9	-218.4	286.1	66.5
Cash from operating result		85.3	40.3	34.9	295.9	178.3
Cash flow from working capital		-190.0	-173.2	-253.3	-9.8	-111.8
Cash flow from/to investments		-14.4	-29.5	-20.1	-85.3	-180.8
Cash flow from/to financing		108.8	150.2	234.3	-188.7	86.0
<b>Net cash flow for the period</b>		<b>-10.3</b>	<b>-12.2</b>	<b>-4.1</b>	<b>12.1</b>	<b>-28.3</b>
Liquid funds		19.3	5.3	41.7	29.6	16.6
Unutilised credit facilities		541.8	664.1	623.6	705.0	889.8
<b>Available liquid funds</b>		<b>561.1</b>	<b>669.4</b>	<b>665.3</b>	<b>734.6</b>	<b>906.4</b>
<b>Net. investments from acquisitions and sales</b>						
Fixed assets		0.0	0.4	294.8	4.4	294.8
Current assets		0.0	8.6	274.0	8.6	274.0
Liquid funds		0.0	5.3	32.5	5.3	32.5
<b>Total assets</b>		<b>0.0</b>	<b>14.3</b>	<b>601.3</b>	<b>18.3</b>	<b>601.3</b>
Equity		0.0	0.0	186.4	0.0	186.4
Interest bearing debt		0.0	2.2	248.3	4.7	248.3
Interest free debt		0.0	12.1	166.9	13.6	166.9
<b>Total capital</b>		<b>0.0</b>	<b>14.3</b>	<b>601.3</b>	<b>18.3</b>	<b>601.3</b>

2005: Aquisition of Mesna Installasjon AS and Fireguard Scandinavia AS.  
2004: Aquisition of Are-Group and Mobilarum AB.



Key figures	NOK mill.	1 <sup>st</sup> Quarter			Total	
		2006	2005	2004	2005	2004
Net operating margin (in %)		3.3	0.2	0.4	2.6	1.2
Gross operating margin (in %)		6.0	3.5	3.4	5.6	4.3
Return on capital employed (in %)		10.0	0.1	0.9	7.6	3.7
Earnings per share (in NOK)		0.23	-0.06	-0.01	0.52	-0.02
Cash flow per share (in NOK)		0.66	0.31	0.28	2.28	1.41
Inv. in fixed assets, excl. acquisition (NOK mill.)		35.5	28.5	33.0	111.6	199.0
Equity ratio (in%)		35.9	34.6	32.9	36.3	36.5
Total oper. revenue outside Scandinavia (in %)		23	21	23	19	21
Number of employees		3,159	3,174	3,255	3,159	3,191
Number of shareholders		984	989	995	984	989
Average number of shares		129 541 284	129 541 284	123 110 584	129 541 284	126 778 028

- Higher profit figure for all three divisions as a consequence of favourable market conditions and savings due to internal efficiency measures
- Operating revenues increased to NOK 1 557 million in first quarter
- Operating profit increased to NOK 50.7 million in first quarter

### Highlights

The positive market trend starting in the second half of 2005 continued into 2006. Even though much of the background for the improved profit figure is due to savings generated from the implementation of internal efficiency measures, the general market conditions - taking into account normal seasonal variations - have been better than in a long time. The Board is therefore committed to continuing the efforts to improve efficiency and to better coordinate the business activities within the companies in the Group, and to work hard to develop into becoming a market leader in Norway, Sweden and Denmark for wood-based building products and associated services.

On 31 March, Finnforest Oyj merged with Metsäliitto Cooperative, which thereby gained a direct 65.2% ownership share in Moelven Group. Moelven Group will now become part as an independent unit in Metsäliitto's wood products industry, which will retain the brand name Finnforest as an operational description.

### Operating revenues and profit

Operating revenues increased in all three divisions in the first quarter and ended at NOK 1 557.0 million, compared to NOK 1 411.2 million for the same period in 2005. The most important reasons for the increase were the general higher market activity level and the gain of important market shares in certain business segments.

Operating profit totalled NOK 50.7 million, representing a significant improvement compared to the same period in 2005, which was NOK 2.7 million. The background for this increase is the combination of a general improvement in market conditions and savings as a result of the implementation of a range of internal efficiency measures. The focus of the

internal measures has been to increase the efficient use of raw materials, to coordinate the value chain among the various divisions and to adjust more effectively to market conditions. Some of the measures also generated positive effects in 2005, but there is still potential to be exploited in the course of 2006.

"Profit after financial items totalled NOK 42.0 million (-10.8). Profit after taxes totalled NOK 30.2 million (-7.8) corresponding to NOK 0.23 per share (-0.06)."

## DIVISIONS

### Timber

The Sawmill Division, Timber, produces sawn pine and spruce timber used in other sectors of the wood-working industry. The division also produces a considerable amount of wood chips, shavings and bark, which are used in a range of other industries. As of 1 January 2006, Moelven Soknabruket AS was transferred to Wood as a combined unit that will be oriented toward the professional building sector. After this reorganisation, Timber will consist of 14 production units with a total annual production just under 1.4 million cubic metres of sawn timber. Overall, Timber has 837 employees, of which 285 are in Norway and 552 in Sweden. The units have an annual turnover of approximately NOK 2.3 billion.

Operating revenues in the first quarter totalled NOK 662.8 million (601.2), and operating profit totalled NOK 26.5 million (5.9). For Timber, the positive trend in profit that started in the second half of 2005 has continued in 2006 with solid market demand, favourable market prices and significant efficiency improvements. One reason for the better market balance for sawn timber is that a number of major suppliers have traded higher volumes to Asian markets, thus reducing supply pressures in Europe.

### Wood

This division consists of 17 production units, five of which are combined sawmill and processing units that produce planed timber, and one of which also carries out surface treatment. The remaining 12 units manufacture mouldings, flooring, panelling, components and surface treatment. The goal is to offer the construction market wood products with the highest possible degree of processing. Almost 80 percent of the division's products are supplied to commercial builders. The total number of employees is 854, of which 555 are in Norway, 280 in Sweden and 19 in Denmark. The units have a total annual turnover of NOK 2.2 billion.

Operating revenues in the first quarter totalled NOK 528.9 million (470.2) and operating profit totalled NOK 10.3 million (-0.7). For Wood, market conditions have developed positively the first quarter, and within certain segments the division has gained additional market shares. There has also been a strong focus on internal efficiency measures in the Wood division, which on their own will contribute significantly to reducing processing costs in 2006. In addition to the logs that are used as raw materials at the combined units, Wood's planing mills also need sawn timber for their production process. The rising price trend for sawn timber will therefore have a negative impact on Wood's raw material costs, while the overall significance for the Group will be positive since Timber produces more sawn timber than Wood consumes.

### Building Systems

The Building Systems Division consists of the business areas Laminated Timber, Modular Buildings and System Interiors. The common thread running through all the 16 production units within this division is that they all deliver customised, flexible and cost-efficient construction and interi-

or systems to builders and contractors in Scandinavia. The systems are market leaders in their respective niches and represent a competitive alternative to traditional on-site construction. The number of employees totals 1391, of which 784 are in Norway, 604 in Sweden and three in England. The total annual turnover for all the units in the division is approximately NOK 1.7 billion.

Operating revenues in the first quarter totalled NOK 467.7 million (434.8) and operating profit totalled NOK 20.4 million (6.6). For almost the entire division, the first quarter has been characterised by a high level of market activity and a solid backlog of orders. The exception is System Interiors, where the rate of new commercial construction projects in Sweden has been extremely low. Although the market activity level has generally been quite high, price trends have not been satisfactory. The improvement in results compared to the previous year is primarily due to the savings generated by internal efficiency measures.

#### Other businesses

In addition to the parent company, Moelven Industrier ASA, this business area covers the Group's joint service units, such as raw material purchasing, innovation, accounting, finances, insurance, IT and human resources. At the end of the first quarter, this division employed 29 persons in Sweden and

48 in Norway. The share of female employees was 35 percent.

Operating revenues in the first quarter totalled NOK 43.0 million (42.5) and operating profit was a loss of NOK 6.5 million (-9.5).

Various smaller businesses and assets that do not belong to the Group's core business area are included in this business area. The book value of these assets is approximately NOK 31 million (45). The reduction in assets is due to the sale of a property and a building with a one-off gain of NOK 4 million.

#### Employees

The rate of absenteeism the first quarter of 2006 was 6.20 per cent (6.49) or 12 262 full workdays (12 270). The total number of workdays in the first quarter was 186 500 (177 220). The rate of absenteeism from persons on long-term sick leave totalled 2.8 per cent (3.0).

Although absenteeism has been decreasing the past year, efforts to reduce the rate of absenteeism will continue. The Group's goal is to reduce the rate of overall absenteeism to maximum 5 per cent.

The total number of personal injuries resulting in absences was 27 (21), which corresponds to 25.3 (20.4) injuries with resulting absence per million working hours.

There has been an unacceptable negative trend in the number of injuries resulting in absences recently,

and it will be necessary to intensify efforts aimed at counteracting this trend. In addition to the general efforts aimed at influencing employees to strictly follow safety routines, the knowledge the Group now has about accident risk and reasons for accidents may be used to implement more targeted measures directed at accident exposed areas.

At the end of the first quarter, the Group had a total of 3 159 employees (3 174). In all, 1 672 (1 653) of these are employed in Norwegian units, 1465 (1 501) in Swedish, 19 (17) in Danish and 3 (3) in English units.

#### Investments, balance sheet and financing

Investments totalling NOK 35.5 million (30.0) were made in the first quarter. The investments were primarily linked to necessary upgrades and maintenance, as well as cost-reducing measures. Planned investments in the second quarter of 2006 will be significantly higher than for the same period last year, and will include various major investment projects designed to better harmonise the Group's various business units with the Group's long-term strategy.

At the end of the first quarter, the Group's total assets was NOK 3 079.9 million (3 015.3). The increase is due to higher turnover, as well as the fact that stocks of raw materials are higher than for the same period last year.

Divisions	NOK mill.	1 <sup>st</sup> Quarter			Total	
		2006	2005	2004	2005	2004
<b>Operating revenues</b>						
<b>Timber</b>		<b>662.8</b>	601.2	690.3	<b>2,656.8</b>	2,619.3
<b>Wood</b>		<b>528.9</b>	470.2	471.9	<b>2,089.5</b>	2,063.9
<b>Building Systems</b>		<b>467.7</b>	434.8	376.1	<b>1,770.1</b>	1,630.0
Laminated Timber		<b>87.9</b>	80.3	83.0	<b>402.0</b>	387.2
Modular Buildings		<b>248.1</b>	231.7	166.9	<b>886.3</b>	736.5
System Interiors		<b>135.6</b>	124.9	129.2	<b>496.7</b>	520.4
<b>Operating profit/loss</b>						
<b>Timber</b>		<b>26.5</b>	5.9	15.6	<b>61.4</b>	33.0
<b>Wood</b>		<b>10.3</b>	-0.7	-3.2	<b>56.2</b>	29.6
<b>Building Systems</b>		<b>20.4</b>	6.6	1.9	<b>75.9</b>	44.9
Laminated Timber		<b>2.7</b>	1.3	1.5	<b>20.0</b>	15.6
Modular Buildings		<b>9.8</b>	0.4	-2.0	<b>23.8</b>	7.1
System Interiors		<b>7.9</b>	4.9	2.4	<b>32.1</b>	22.2

**SENDER:**

Moelven Industrier ASA  
P.O. Box 134, NO-2391 Moelv  
Tel. +47 62 34 70 00  
Fax. +47 62 36 92 80  
Internett:  
<http://www.moelven.com>  
E-mail: [post@moelven.com](mailto:post@moelven.com)  
HUGIN Online:  
<http://www.huginonline.no/MOE/>

The higher balance sheet figure is primarily financed through higher trade creditors, and this combined with better profitability has contributed to reducing the net interest-bearing debt to NOK 894.5 million, compared to NOK 1 049.8 million at the same time last year.

The weakening of the Swedish krona vis-à-vis the Norwegian kroner from the end of the first quarter of 2005 through 2006 has also contributed to the reduction, because the main share of the Group's debt is in SEK. Liquidity reserves totalled NOK 561.1 million (669.4).

Total equity at the end of the first quarter totalled NOK 1 105.3 million (1 044.0), corresponding to NOK 8.54 per share (8.06). The equity ratio was 35.9 per cent (34.6). The Board's goal is to increase the equity ratio gradually up to approximately 40 per cent. Cash flow from operations in the first quarter totalled NOK 85.3 million (40.3), corresponding to NOK 0.66 per share (0.31).

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## International Financial Reporting Standards

With the introduction of IFRS, the largest changes came in terms of reporting pension commitments, financial instruments and dividends. Pension commitments resulted in a one-off reduction in total equity of some NOK 55 million. The impact on financial instruments will vary in relation to the market-value assessment at the time of reporting.

Compared with the Norwegian accounting principles, the result for the first quarter 2006 would have increased by NOK 4 million by using IFRS. The primary reason for this is the use of interest and currency instruments to eliminate the risk of long-term financing and the turnover in various currencies. Equity totalled NOK 1 094 million, which provides an equity ratio of 35.5%. According to IFRS principles, the figure of NOK 32.4 million allocated for distribution as dividend remains a part of the equity until such time that a formal decision has been made by the Board to pay out the dividend.

In the first quarter 2005, the result

in accordance with IFRS was NOK 10 million less, while the equity ratio was 33.2%. The annual result for 2005 in accordance with IFRS would be the same as that using standard Norwegian accounting principles.

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## Outlook

The general favourable business conditions involving a higher level of construction activity in a number of sectors is expected to continue in Scandinavia through 2006. In the Building Systems division, the backlog of orders is higher than normal, and it may be necessary to implement measures to increase production capacity. For the log-consuming units, the access to raw materials is satisfactory in most regions and demand for sawn timber in Europe is expected to remain at a high level. Overall, the Board anticipates somewhat better results in 2006 compared to the year before.

Moelv, 20 April 2006  
**Board of Directors,  
Moelven Industrier ASA**

*For further information:*  
[www.moelven.com](http://www.moelven.com)