

Quarterly report

2/2006



Interior Tautra Marikloster

Member of Finnforest

MOELVEN[®]

Profit and Loss Account	NOK mill.	2 nd Quarter			1 st half-year			Total	
		2006	2005	2004	2006	2005	2004	2005	2004
Operating revenues		1,715.7	1,674.4	1,573.4	3,272.7	3,085.6	2,980.4	6,004.9	5,773.2
Depreciation		43.5	45.5	41.8	86.4	91.8	84.3	1788.0	177.5
Cost of goods sold		1,105.1	1,064.5	1,021.7	2,080.5	1,957.6	1,906.8	3,809.4	3,667.3
Operating expenses		476.5	488.9	473.5	964.5	958.0	947.5	1,858.9	1,858.1
Operating profit		90.5	75.5	36.4	141.2	78.2	41.8	158.6	70.3
Income from associates		-0.8	-0.5	-0.5	-1.0	-1.7	-2.2	-3.4	-3.7
Interest and other financial income		3.7	2.2	2.8	6.9	3.3	6.4	4.5	10.6
Interest and other financial expenses		-12.7	-14.2	-16.0	-24.4	-27.7	-30.9	-46.7	-60.6
Operating result before tax		80.7	63.0	22.7	122.7	52.1	15.1	113.0	16.6
Estimated tax cost		23.1	21.1	7.4	35.4	18.6	0.8	45.7	19.0
Minority interests		-0.2	-0.3	-0.2	0.3	0.3	-0.2	0.6	0.7
Net profit		57.4	41.6	15.1	87.6	33.8	14.1	67.9	-1.8

Balance Sheet	NOK mill.	Change in 2 nd Quarter			Per 30.06			Per 31.12	
		2006	2005	2004	2006	2005	2004	2005	2004
Intangible assets		1.6	-1.0	-24.4	11.0	11.4	10.4	10.6	9.6
Tangible assets		25.5	-62.0	11.4	1,025.3	1,051.7	1,128.6	1,035.8	1,137.6
Financial assets		-3.5	-1.1	4.1	91.8	109.8	131.3	94.4	116.6
Total fixed assets		23.6	-64.1	-8.9	1,128.1	1,172.9	1,270.3	1,140.8	1,263.8
Stocks		-94.4	-63.6	-33.7	967.6	953.6	982.5	967.1	908.3
Receivables and deposits		222.1	201.4	-0.5	1,135.4	962.5	873.6	856.2	712.1
Total current assets		127.7	137.9	-34.2	2,103.0	1,916.2	1,856.1	1,823.3	1,620.4
Total assets		151.3	73.8	-43.1	3,231.1	3,089.1	3,126.4	2,964.1	2,884.2
Share capital*		0.0	0.0	14.2	647.7	647.7	647.7	647.7	647.7
Other equity and capital		59.0	32.4	39.3	516.6	428.7	449.7	428.7	425.1
Total equity		59.0	32.4	53.5	1,164.3	1,076.4	1,097.4	1,076.4	1,053.4
Long-term liabilities		78.5	-107.6	-42.0	1,057.4	1,009.9	1,138.8	886.7	1,012.3
Current liabilities		13.8	149.0	-54.6	1,009.4	1,002.8	890.2	1,011.0	818.5
Total liabilities		92.3	41.4	-96.6	2,066.8	2,012.7	2,029.0	1,887.7	1,830.8
Total equity and liabilities		151.3	73.8	-43.1	3,231.1	3,089.1	3,126.4	2,964.1	2,884.2
Net interest bearing debt		-18.7	-91.2	-75.0	875.8	958.6	1,041.0	750.5	872.3
Capital employed		83.9	-6.0	-64.0	2,103.0	2,069.8	2,138.0	1,856.5	1,943.7
Net working capital		116.3	106.2	2.0	1,559.7	1,425.7	1,385.0	1,250.4	1,128.7
Changes in total equity for the Group									
Opening balance		1,105.3	1,044.0	1,043.9	1,076.4	1,053.4	923.5	1,053.4	923.5
Profit/loss		57.6	41.9	15.1	87.3	33.5	14.1	67.3	-2.5
Total from share issue		0.0	0.0	0.0	0.0	0.0	118.1	0.0	117.9
Foreign currency translation		3.2	-9.2	-1.6	1.9	-10.8	0.2	-8.9	-5.0
Provisions for dividend		0.0	0.0	0.0	0.0	0.0	-1.1	-32.4	-20.5
Own shares		0.0	0.0	35.6	0.0	0.0	38.3	0.0	38.3
Change in reclassified assets		-1.6	0.0	4.5	-1.6	0.0	4.5	-3.6	1.0
Minority interests		-0.2	-0.3	-0.1	0.3	0.3	-0.2	0.6	0.7
Changes for year/period		59.0	32.4	53.5	87.9	23.0	173.9	23.0	129.9
Total equity		1,164.3	1,076.4	1,097.4	1,164.3	1,076.4	1,097.4	1,076.4	1,053.4

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

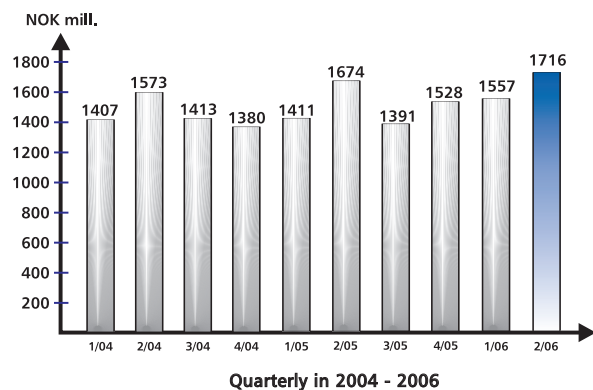
The quarterly report has been prepared using the same accounting principles as those used in the annual accounts and according to NGAAP.

Cash Flow Statement	NOK mill.	Change in 2 nd Quarter			1 st half-year			Total	
		2006	2005	2004	2006	2005	2004	2005	2004
Net cash flow from operations		134.6	112.8	78.3	29.9	-20.1	-140.1	286.1	66.5
Cash from operating result		127.6	108.4	61.5	212.9	148.7	96.4	295.9	178.3
Cash flow from working capital		7.0	4.4	16.8	-183.0	-168.8	-236.5	-9.8	-111.8
Cash flow from/to investments		-55.0	-11.5	-46.4	-69.4	-41.0	-66.5	-85.3	-180.8
Cash flow from/to financing		-36.0	-71.8	-49.9	72.8	78.4	184.4	-188.7	86.0
Net cash flow for the period		43.6	29.5	-18.1	33.3	17.3	-22.2	12.1	-28.3
Liquid funds		43.6	29.5	-18.4	62.9	34.8	23.3	29.6	16.6
Unutilised credit facilities		-17.5	8.7	40.6	524.3	672.8	664.2	705.0	889.8
Available liquid funds		26.1	38.2	22.2	587.2	707.6	687.5	734.6	906.4
Net. investments from acquisitions and sales									
Fixed assets		0.0	0.0	0.0	0.0	0.4	294.8	4.4	294.8
Current assets		0.0	0.0	0.0	0.0	8.6	274.0	8.6	274.0
Liquid funds		0.0	0.0	0.0	0.0	5.3	32.5	5.3	32.5
Total assets		0.0	0.0	0.0	0.0	14.3	601.3	18.3	601.3
Equity		0.0	0.0	0.0	0.0	0.0	186.4	0.0	186.4
Interest bearing debt		0.0	0.0	0.0	0.0	2.2	248.0	4.7	248.0
Interest free debt		0.0	0.0	0.0	0.0	12.1	166.9	13.6	166.9
Total capital		0.0	0.0	0.0	0.0	14.3	601.3	18.3	601.3

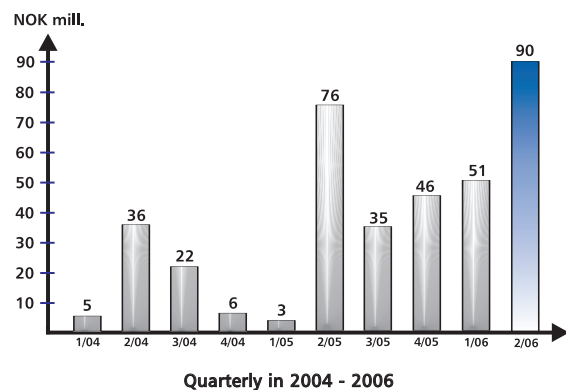
2005: Acquisition of Mesna Installasjon AS.

2004: Acquisition of Are-Group and Mobilarum AB.

Operating revenues



Operating profit



Key figures

Key figures	NOK mill.	2 nd Quarter			1 st half-year			Total	
		2006	2005	2004	2006	2005	2004	2005	2004
Net operating margin (in %)		5.3	4.5	2.3	4.3	2.5	1.4	2.6	1.2
Gross operating margin (in %)		7.8	7.2	5.0	7.0	5.5	4.2	5.6	4.3
Return on capital employed (in %)		18.3	15.0	7.2	13.6	7.0	4.2	7.6	3.7
Earnings per share (in NOK)		0.44	0.32	0.12	0.67	0.26	0.11	0.52	-0.02
Cash flow per share (in NOK)		0.99	0.84	0.48	1.64	1.15	0.79	2.28	1.41
Inv. in fixed assets, excl. acquisition (NOK mill.)		61.1	12.8	57	96.6	41.3	90	111.6	199
Equity ratio (in%)		36.0	34.8	35.1	36.0	34.8	35.1	36.3	36.5
Total oper. revenue outside Scandinavia (in %)		20	20	22	21	20	20	19	21
Number of employees		3,194	3,182	3,195	3,228	3,190	3,284	3,159	3,191
Number of shareholders		984	989	995	984	989	993	984	989
Average number of shares		129 541 284	129 541 284	127 433 300	129 541 284	129 541 284	121 666 700	129 541 284	126 778 028

Directors' report

- Higher profit figures continue in all three divisions as a consequence of internal efficiency measures and favourable market conditions.
- Operating revenues increase to NOK 1,716 million (1,674).
- Operating profit increases to NOK 90.5 million (75.5).

Highlights

The positive trend in sales and profit continued in the second quarter. Additional savings were made through the already implemented efficiency measures; however, some of the improvement is also due to favourable market conditions for many Group companies.

The favourable market situation has had a positive impact not only on the Moelven Group, but also on other companies operating in the same markets. To ensure that the Group retains satisfactory profitability over time, the Board is therefore continuing its focus on improving efficiency and coordinating operations among the various businesses in the Group. The goal is to develop the Group into a market leader, *the natural choice*, when purchasing wood-based building products and associated services in Norway, Sweden and Denmark.

Operating revenues and profit

Operating revenues in the second

quarter increased in all three divisions and ended at NOK 1,715.7 million, compared to NOK 1,674.4 million in 2005. Favourable market conditions combined with an increase in market shares in certain segments to boost sales. Operating profit totalled NOK 90.5 million, compared with NOK 75.5 million in 2005. The reason for the increase is a combination of the overall improvement in market conditions and the positive effect of efficiency measures. The efficiency measures have primarily been directed at improving the utilisation of raw materials, better coordination of the value chain and a higher level of market adaptation. Some of the measures began to show results already in 2005; however, there is still a potential that should show additional savings in the course of 2006 and in the coming years. The reason for this is that a substantial number of the measures are part of a multi-year investment program with long project phases.

Operating revenues totalled NOK 3,272.7 million (3,085.6) for the first

six months of the year, while operating profit totalled NOK 141.2 million (78.2). Ordinary pre-tax profit totalled NOK 122.7 million for the first six months of the year (52.1), while profit after taxes and minority interests amounted to NOK 87.6 million (33.8).

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. The division consists of 14 production units with a total annual production just under 1.4 million cubic metres of sawn timber. At the end of the second quarter, Timber had 845 employees, of which 275 are in Norway and 570 are in Sweden. The units have an annual turnover of approximately NOK 2.3 billion.

Operating revenues in the second

Divisions	2 nd Quarter			1 st half-year			Total	
	2006	2005	2004	2006	2005	2004	2005	2004
NOK mill.								
Operating revenues								
Timber	646.3	656.8	707.0	1,309.1	1,258.0	1,397.3	2,656.8	2,619.3
Wood	681.8	666.1	572.0	1,210.7	1,136.3	1,043.9	2,089.5	2,063.9
Building Systems	480.0	464.9	437.8	947.7	899.7	813.9	1,770.1	1,630.0
Laminated Timber	108.5	118.5	107.7	196.4	198.8	190.7	402.0	387.2
Modular Buildings	228.6	213.7	203.4	476.7	445.4	370.3	886.3	736.5
Modular System Interiors	147.0	136.8	130.3	283.6	261.7	259.5	496.7	520.4
Operating profit/loss								
Timber	42.1	28.5	17.7	67.7	34.4	33.3	61.4	33.0
Wood	31.0	31.0	14.2	41.3	30.3	11.0	56.2	29.6
Building Systems	26.2	25.1	14.0	46.6	31.7	15.9	75.9	44.9
Laminated Timber	6.2	8.6	4.5	8.9	9.9	6.0	20.0	15.6
Modular Buildings	9.3	9.3	6.2	19.1	9.7	4.2	23.8	7.1
Modular System Interiors	10.7	7.2	3.3	18.6	12.1	5.7	32.1	22.2

quarter totalled NOK 646.3 million (656.8), and operating profit totalled NOK 41.2 million (28.5). Overall operating revenues the first six months of the year totalled NOK 1,309.1 million (1,258.0), while operating profit totalled NOK 67.7 million (34.4).

Gains from the implemented efficiency measures and investments have materialised as planned. The objective is to be able to offer more customised products, while at the same time reducing the rate of expenses. A positive market development has contributed to the improvement in results for Timber. A higher demand for sawn timber in Europe, combined with a reduction in supply from Finland and Russia to the European market has also pushed prices higher, particularly for pine. Prices for sawn spruce have also developed favourably the past period.

Wood

The Planing Division, Wood, consists of 17 production units, five of which are combined sawmill and processing units that produce planed timber, and one that also carries out surface treatment. The remaining 12 production units produce moulding, flooring, panelling, components and impregnated construction materials. The goal is to be able to provide the building market with wood products offering the highest possible degree of processing. Almost 80 percent of the division's products are supplied to commercial builders. The total number of employees at the end of the second quarter was 883, of which 566 are in Norway, 296 in Sweden and 21 in Denmark. The units have a total annual turnover of NOK 2.2 billion.

Operating revenues in the second quarter totalled NOK 681.8 million (666.1), and operating profits totalled NOK 31.0 million (31.0). Overall operating revenues in the first six months of the year were NOK 1,210.7 million (1,136.3), while operating profit totalled NOK 41.3 million (30.3).

A number of measures aimed at improving profitability have also been implemented in the Wood division the past few years. The primary focus has been on improving the utilisation rate of raw materials, coordinating the value chain, better market adaptation and more efficient logistics. For

Wood's sawmills, customisation is primarily directed toward their own value chain, as most of what is produced in this division is further processed in Wood. The division is also quite dependent on purchasing sawn wood produced by others in order to have enough raw materials for their production needs. The recent upward price trend for sawn timber has had a negative impact on Wood's raw material costs, while the overall consequence for the Group is positive since Timber produces more sawn timber than Wood consumes. There has also been a positive price development for Wood's products; however, this price increase has not been substantial enough to compensate fully for the increase in costs for raw materials. The conclusion is that the improved results are primarily due to the savings generated from efficiency measures.

Building Systems

The Building Systems Division, Building Systems, consists of the business areas Laminated Timber, Modular Buildings and System Interiors. The common thread running through all the 16 production units within the division is that they all deliver customised, flexible and cost-efficient construction and interior 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 total number of employees in the second quarter was 1,421, of which 801 are in Norway, 617 in Sweden and three in England. Total annual turnover for all the units in the division is approximately NOK 1.7 billion.

Operating revenues in the second quarter were NOK 480.0 million (464.9), and operating profit totalled NOK 26.2 million (25.1). Operating profit for the first six months of the year totalled NOK 947.7 million (899.7), while operating profit totalled NOK 46.6 million (31.7).

Market activity has been solid in the second quarter for all of the division's business units. Toward the end of the period, the market for system interiors for new commercial buildings in Sweden has shown a positive

development; however, the price trend has not been satisfactory. A strong focus has therefore been put on efficiency measures. The investments in fixed assets in Building Systems is significantly lower than for Timber and Wood, which is because the production processes in Building Systems are more labour-intensive than in the two other divisions.

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. Various smaller businesses and assets that do not belong to the Group's core business area are included in this business area. At the end of the second quarter, this division employed 79 employees, of which 48 were in Norway and 31 in Sweden.

The book value of assets that fall in under Other businesses is approximately NOK 29 million (43).

Operating revenues in the second quarter were NOK 38.6 million (46.9), and operating loss was NOK 7.9 million (minus 9.3). Overall operating revenues for the first six months of the year were NOK 81.6 million (89.4), while operating loss totalled NOK 14.4 million (18.3).

Employees

The rate of absenteeism the second quarter of 2006 was 5.73 percent (6.30), or 10,616 full workdays (11,898). The rate of absenteeism the first six months was 5.97 percent (6.40). Overall, the total number of workdays in the second quarter was 176,854 days (179,182). The rate of absenteeism from persons on long-term sick leave totalled 3.21 percent (3.39) in the second quarter, while the figures for the first six months of the year were 3.0 percent (3.2). Although the rate of absenteeism has developed in a favourable direction the past year, efforts aimed at reducing the rate even further will continue. The goal of the Group is to reduce the overall rate of absenteeism to maximum 5 percent.

The total number of personal injuries resulting in absences was 18 (11), which corresponds to 17.92

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(10.55) injuries with resulting absence per million working hours. For the first six months of the year, the number of injuries resulting in absences per million working hours was 21.7 (15.5).

The number of injuries resulting in absences has continued at an unacceptable rate and so the preventive efforts have been intensified. In addition to general efforts aimed at improving attitudes toward safety measures, the Group is now using know-how about accident risks and reasons for accidents to implement more targeted measures aimed at high risk areas.

At the end of the second quarter, the Group had a total of 3,228 employees (3,190). In all, 1,688 (1661) of these persons are employed in Norwegian units, 1516 (1508) in Swedish, 21 (18) in Danish and 3 (3) in other countries.

Investments, balance sheet and financing

Investments totalling NOK 61.1 million (12.8) were made in the second quarter. A slight increase in the rate of investments is planned starting in 2006. In addition to necessary investments in upgrade and maintenance, various investment projects will be initiated aimed at adapting the Group's units to the Group's long-term strategy, both when it comes to efficiency, flexibility and market focus.

At the end of the second quarter, the Group's overall assets on book were NOK 3,231.1 million (3,089.1). 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. The last-mentioned point is somewhat offset by the fact that stocks of finished goods are

somewhat lower than for the same period last year. The higher rate of investment has also had a positive impact. For some time now, focus has been on reducing the need for foreign capital, and despite the increase in the balance sheet, the net interest-bearing debt has been reduced from NOK 958.6 million at the end of the second quarter last year to NOK 875.8 million at the same period this year. Liquidity reserves were NOK 587.2 million (672.8) and consist of unused drawing rights in long-term credit facilities, as well as drawing rights from Group account facilities. At the beginning of July, an agreement was signed for new credit facilities on better terms that will run for a period of 5 years. As a result of these new credit facilities, liquidity reserves will be reduced by approximately NOK 50 million and will be well adapted to the Group's future needs. The agreement was signed on terms that will reduce the Group's overall finance costs.

Total equity at the end of the second quarter was NOK 1,164.3 million (1,076.4), corresponding to NOK 8.99 per share (8.31), while the equity ratio was 36.0 percent (34.8). The Board's goal is to increase the equity ratio gradually up to approximately 40 percent. Cash flow from operations at the end of second quarter were NOK 212.9 million (148.7), corresponding to NOK 1.64 per share (1.15).

International Accounting Standard

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

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 Moelven Group uses, the profit figure for the first six months of 2006 would have increased by NOK 17 million using IFRS, while equity would have totalled NOK 1,133 million, representing an equity ratio of 34.9 percent. In the first six months of 2005, the profit figure using IFRS accounting principles would have been reduced by NOK 28 million, while equity would have totalled NOK 995 million, which corresponds to an equity ratio of 32.2 percent. The annual profit for 2005 calculated in accordance with IFRS would be the same as the figure calculated using standard Norwegian accounting principles.

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, 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 a better result in 2006 compared to the year before.

Board of Directors,
Moelven Industrier ASA
Moelv, 27 July 2006

For further information:
www.moelven.com