

Quarterly report

4/2006



Profit and Loss Account	NOK mill.	4 th Quarter			Total		
		2006	2005	2004	2006	2005	2004
Operating revenues		1,830.8	1,528.1	1,380.1	6,692.4	6,004.9	5,773.2
Depreciation		48.2	43.3	47.4	177.6	178.0	177.5
Cost of goods sold		1,087.9	942.3	907.2	4,218.9	3,809.4	3,667.3
Operating expenses		544.2	497.0	419.3	1,922.7	1,858.9	1,858.1
Operating profit		150.5	45.5	6.2	373.2	158.6	70.3
Income from associates		-2.0	-0.7	-1.3	-3.9	-3.4	-3.7
Interest and other financial income		-2.4	-2.2	3.1	7.1	4.5	10.6
Interest and other financial expenses		-3.0	-5.2	-16.6	-40.0	-46.7	-60.6
Operating result before tax		143.1	37.4	-8.6	336.4	113.0	16.6
Estimated tax cost		41.2	15.5	15.0	96.9	45.7	19.0
Minority interests		-0.7	-0.3	0.3	0.2	0.6	0.7
Net profit		101.2	21.6	-23.2	239.7	67.9	-1.8

Balance Sheet	NOK mill.	Change in 4 th Quarter			Per 31.12		
		2006	2005	2004	2006	2005	2004
Intangible assets		-1.3	0.2	0.2	8.4	10.6	9.6
Tangible assets		61.4	-13.4	0.5	1,135.6	1,035.8	1,137.6
Financial assets		-16.5	-16.5	-13.7	73.8	94.4	116.6
Total fixed assets		43.6	-29.7	-13.0	1,217.8	1,140.8	1,263.8
Stocks		72.0	127.5	38.6	846.5	967.1	908.3
Receivables and deposits		-131.0	-109.9	-180.5	1,007.3	856.2	712.1
Total current assets		-59.0	17.6	-141.9	1,853.8	1,823.3	1,620.4
Total assets		-15.4	-12.1	-154.9	3,071.6	2,964.1	2,884.2
Share capital*		0.0	0.0	0.0	647.7	647.7	647.7
Other equity and capital		12.6	-13.3	-48.4	586.0	428.7	425.1
Total equity		12.6	-13.3	-48.4	1,233.7	1,076.4	1,053.4
Long-term liabilities		-209.4	-101.1	-102.1	670.9	886.7	1,012.3
Current liabilities		181.4	-102.3	-4.4	1,167.0	1,011.0	818.5
Total liabilities		-28.0	1.2	-106.5	1,837.9	1,887.7	1,811.4
Total equity and liabilities		-15.4	-12.1	-154.9	3,071.6	2,964.1	2,884.2
Net interest bearing debt		-187.2	-21.9	-68.7	466.7	750.5	872.3
Capital employed		-210.3	-76.2	-98.3	1,752.0	1,856.5	1,943.7
Net working capital		-135.0	2.1	-129.3	1,208.6	1,250.4	1,128.7
Changes in total equity for the Group							
Opening balance		1,221.1	1,089.7	1,101.8	1,076.4	1,053.4	923.5
Profit/loss		101.9	21.9	-23.9	239.5	67.3	-2.5
Total from share issue before minority		0.0	0.0	0.0	0.0	0.0	117.9
Foreign currency translation		3.2	1.1	-1.9	11.0	-8.9	-5.0
Provisions for dividend		-97.2	-32.4	-19.4	-97.2	-32.4	-20.5
Purchase/sale - Own shares		0.0	0.0	0.0	0.0	0.0	38.3
Change in reclassified assets		5.4	-3.6	-3.5	3.8	-3.6	1.0
Minority interests		-0.7	-0.3	0.0	0.2	0.6	0.7
Changes for year/period		12.6	-13.3	-48.7	157.3	23.0	129.9
Total equity		1,233.7	1,076.4	1,053.4	1,233.7	1,076.4	1,053.4

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

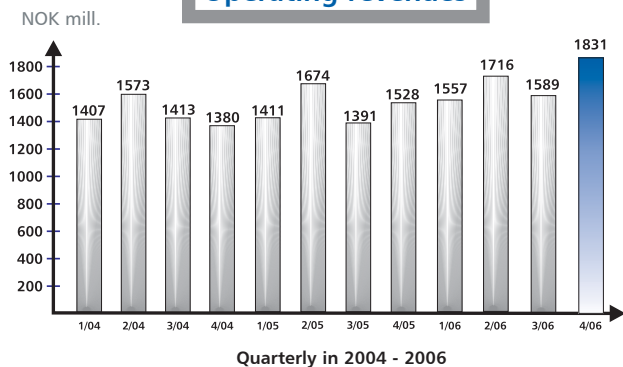
The quarterly report has been prepared using the same accounting principles as those used in the annual accounts and according to NGAAP.

Cash Flow Statement

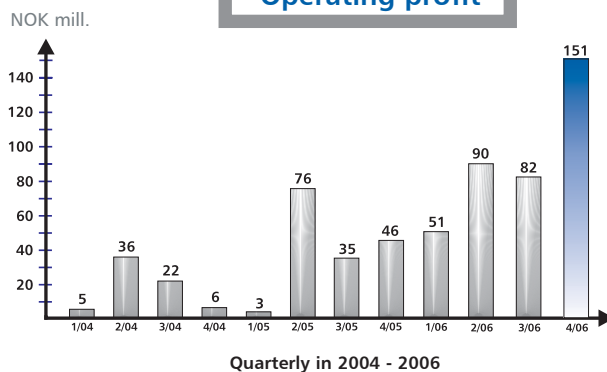
	Change in 4 th Quarter			Total		
	2006	2005	2004	2006	2005	2004
NOK mill.						
Net cash flow from operations	234.5	122.8	96.0	512.3	286.1	66.5
Cash from operating result	198.9	78.9	37.5	480.6	295.9	178.3
Cash flow from working capital	35.6	43.9	58.5	31.7	-9.8	-111.8
Cash flow from/to investments	-60.1	-6.5	-97.5	-196.4	-85.3	-180.8
Cash flow from/to financing	-162.1	-157.3	-50.5	-293.9	-188.7	86.0
Net cash flow for the period	-35.7	-41.0	-52.0	22.0	12.1	-28.3
Liquid funds	-35.7	-41.0	-52.5	51.6	29.6	16.6
Unutilised credit facilities	215.1	-41.5	158.8	907.6	705.0	889.8
Available liquid funds	179.4	-82.5	106.3	959.2	734.6	906.4
Net. investments from acquisitions and sales						
Fixed assets	0.0	4.0		0.0	4.4	294.8
Current assets	0.0	0.0		0.0	8.6	274.0
Liquid funds	0.0	0.0		0.0	5.3	32.5
Total assets	0.0	4.0		0.0	18.3	601.3
Equity	0.0	0.0		0.0	0.0	186.4
Interest bearing debt	0.0	2.5		0.0	4.7	248.3
Interest free debt	0.0	1.5		0.0	13.6	166.9
Total capital	0.0	4.0		0.0	18.3	601.3

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

Operating revenues



Operating profit



Key figures

	4 th Quarter			Total		
	2006	2005	2004	2006	2005	2004
NOK mill.						
Net operating margin (in %)	8.2	3.0	0.4	5.6	2.6	1.2
Gross operating margin (in %)	10.9	5.8	3.9	8.2	5.6	4.3
Return on capital employed (in %)	32.4	7.6	1.2	19.6	7.6	3.7
Earnings per share (in NOK)	0.79	0.17	-0.18	1.85	0.52	-0.02
Cash flow per share (in NOK)	1.54	0.61	0.28	3.71	2.28	1.41
Inv. in fixed assets, excl. acquisition (NOK mill.)	74.9	33.6	57	244.6	111.6	199
Equity ratio (in%)	40.2	36.3	36.5	40.2	36.3	36.5
Total oper. revenue outside Scandinavia (in %)	20	19	21	20	19	21
Number of employees	3,202	3,176	3,201	3,210	3,159	3,191
Number of shareholders	972	984	991	972	984	989
Average number of shares	129 541 284	129 541 284	129 541 284	129 541 284	129 541 284	126 778 028

- Favourable market and operating conditions produced another good quarterly result
- Operating revenues increased to NOK 1 830.8 million (1 528.1)
- Operating profit increased to NOK 150.5 million (45.5)
- Metsäliitto signed an agreement to sell 65.2 per cent holding of Moelven shares to Eidsiva Vekst AS, Glommen Skog BA, Mjøsen Skog BA, Havass Skog BA, AT Skog BA and Viken Skog BA

Highlights

Operating revenues increased in the fourth quarter as a result of high business activity in all of the Group's markets. Operating profit also increased significantly compared to the same period last year due to the positive price trend combined with favourable operating conditions and a reduction in costs owing to the effect of efficiency measures.

On 14 December, the Metsäliitto Group signed an agreement to sell its 65.2 per cent holding 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 will acquire 39.6 per cent and the forestry cooperatives 25.6 per cent of the shares. In connection with the share acquisition, the new shareholders signed a shareholder's agreement in which, among other things, the parties agreed that Moelven would continue to be run as an independent group with a long-term perspective and with a continued focus on Scandinavia as the domestic market.

Operating revenues and profit

Operating revenues for the Group in the fourth quarter increased in all three divisions and ended at NOK 1 830.8 million (1 528.1). Operating profit totalled NOK 150.5 million (45.5). In all for the year, operating revenues totalled NOK 6 692.4 million (6 004.9). Operating profit was NOK 373.2 mill (158.6), and ordinary pre-tax profit was NOK 336.4 mill (113.0). Profit after taxes and minority interests totalled NOK 239.7 million (67.9).

DIVISIONS

The production units in the Moelven Group consist of in total 30

factories, all of which are organised as independent, legal entities and belong under the divisions Timber, Wood and Building Systems. All production takes place in Sweden and Norway. The total amount of production output is evenly distributed among the two countries but the Swedish plants in Timber and Wood sell a higher share 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 plants that produce sawn pine and spruce timber. Eight of the plants 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 per cent of sales are to customers in Scandinavia.

The total number of employees is 825 persons, with the rate of female employees at 10.3 per cent. A total of 274 employees work in Norwegian companies, and 551 are employed in Swedish companies.

Operating revenues in the fourth quarter totalled NOK 727.0 million (599.2), and operating profit totalled NOK 77.2 million (18.2). In all, operating revenues for the year totalled NOK 2 583.6 million (2 355.4), while operating profit totalled NOK 161.4 million (55.2).

Positive effects from the investments and efficiency measures have been as expected in Timber. The division is able to offer increasingly more tailored products, while the level of costs in general are going down and the efficiency of material use is going up. The positive market trend has also contributed to the increase of profits for the division. The increasing popularity and demand of sawn timber

in Europe and a reduction in the supply of high-quality Nordic products in the European market are the main factors driving up prices for sawn pine and spruce timber.

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 the plants produce only natural, untreated building timber, one of the plants is also able to produce impregnated timber. The other companies are specialised production plants that produce moulding, flooring, panelling, various components, sawn wood and specially treated building materials. Almost 80 per cent is sold through chains of builders' merchants. The overall aim is to offer wood products with as high a processing degree as possible to the construction market. 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 12.6 per cent are female. Of the overall number of employees, 561 are employed in Norwegian companies, 289 in Swedish companies and 20 in Danish companies.

Operating revenues in the fourth quarter totalled NOK 654.8 million (541.6), and operating profit totalled NOK 42.1 million (17.6). For the year as a whole, operating revenues totalled NOK 2 530.0 million (2 268.7), while operating profit totalled NOK 118.3 million (62.2).

In the past years the Wood division has implemented a number of measures designed to increase profitability. Most of the measures have been aimed at more efficient use of raw materials, better coordination of the value chain, more appropriate adaptation to market conditions and a streamlining of the logistics system.

Higher prices for sawn timber have impacted the Wood division's raw material costs in a negative manner. With the exception of a few product groups, however, the higher costs have been compensated for through higher prices for Wood's products as well. The steady high market demand has also made it necessary to carry out measures designed to serve the market in a satisfactory manner while maintaining generally lower stock levels.

Building Systems

The Building Systems division consists of eight 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 sales take place in Scandinavia. The division as a whole has 1 435 employees, of which 6.3 per cent are female. 834 are employed in Norwegian companies, 598 in Swedish companies and three in English companies. Operating revenues in the fourth quarter totalled NOK 550.1 million (486.4) and operating profit totalled NOK 41.6 million (20.6). In all for the year, operating revenues were NOK 1 937.5 million (1 770.1), while operating profit totalled NOK 121.8 million (75.9).

Market developments in the fourth quarter have been quite favourable. High priority has been given to exploiting capacity as expediently as possible in order to both satisfy market demand but also retain satisfactory profitability. Investments in fixed assets in the Building Systems division is significantly lower compared to Timber and Wood, owing to the fact that production processes in this division are more dependent on labour resources than the other two divisions. The main share of investments carried out in 2006 involves strategic, market-oriented adaptations. Due to large order reserves and long delivery periods, it has also been necessary to increase capacity at some production plants.

Other businesses

In addition to the parent company, Moelven Industrier ASA, this division includes common services such as 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 the fourth quarter, there were a total of 80 employees in this division, of which 47 work in Norway and 31 in Sweden. The rate of female employees is 32.9 per cent. The book value of assets relating to operations that are included in Other businesses was approximately NOK 22.0 million (46.0). Operating revenues in the fourth quarter totalled NOK 43.3 million (46.4), and operating profit was a loss of NOK 10.3 million (-10.9).

Operating revenues for the year as a whole totalled NOK 176.7 million (167.1), while an operating loss (including a NOK 8,5 million gain from the sale of non-core assets) was posted at NOK 28.3 million (-34.7).

Employees

Absenteeism due to illness in the fourth quarter of 2006 was 5.93 per cent (6.01) for a total of 11,888 workdays. The overall rate for the year was 5.9 per cent (6.2). In all, there were 192,378 workdays during the fourth quarter (192,021). The rate of absenteeism due to long-term sick leave totalled 2.68 per cent (2.97) in the fourth quarter, while for the year as a whole the figure was 2.9 per cent (3.2). Even though the figures for short sick leaves have increased for the general population as a whole since 2005, the rate in the Moelven Group has continued to decrease toward the company's aim of maximum 5 per cent.

The number of personal injuries in the fourth quarter resulting in subsequent sick leave (H-value) was 25 (28). This figure corresponds to 24.9 (47) injuries resulting in subsequent sick leave per million worked hours. In all for the year, the figure was 91 (98) and the H-value was 22.6 (24.6).

Even though the injury statistics were lower than in previous years, the number of injuries resulting in sick leave is still at an unacceptable level. The expertise regarding the type of risks and the causes of injuries has improved in recent years in the Group and measures are targeted at high-risk areas. At the end of the

Divisions	NOK mill.	4 th Quarter			Total		
		2006	2005	2004	2006	2005	2004
Operating revenues							
Timber		727.0	599.2	613.0	2,583.6	2,355.4	2,619.3
Wood		654.9	541.6	477.4	2,530.0	2,268.7	2,063.9
Building Systems		550.1	486.4	431.1	1,937.5	1,770.1	1,630.0
Laminated Timber		119.9	106.3	101.2	424.9	402.0	387.2
Modular Buildings		266.2	256.4	194.6	940.5	886.3	736.5
Modular System Interiors		171.9	127.6	139.0	593.6	496.7	520.4
Operating profit/loss							
Timber		77.2	18.2	3.6	161.4	55.2	33.0
Wood		42.1	17.6	5.7	118.3	62.2	29.6
Building Systems		41.6	20.6	7.3	121.8	75.9	44.9
Laminated Timber		7.1	3.8	2.7	25.4	20.0	15.6
Modular Buildings		13.0	4.1	-4.5	41.6	23.8	7.1
Modular System Interiors		21.5	12.7	9.2	54.8	32.1	22.2

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fourth quarter, the Group had a total of 3 210 employees (3 159). Of the total number of employees, 1 686 (1 672) work in Norwegian companies, 1501 (1465) in Swedish companies, 20 (19) in Danish companies and three (three) in England.

Investments, balance sheet and financing

2006 was the first year in a three-year program involving an increase in investments. In addition to carrying out necessary upgrades and maintenance programmes, investment projects are being initiated to adapt the Group's business units to a more long-term strategy in terms of efficiency, flexibility and market focus. Total investments in 2006 were NOK 244.6 million, compared to NOK 111.6 million in 2005. The largest investments per division have been SEK 55 million in Timber to install a new measuring system at Valåsen, NOK 25 million in Wood to rebuild the Soknabruket plant from a pure sawmill into a combi-facility and NOK 12 million in Building Systems to expand capacity at the modular factory in Moelv.

Total assets at the end of 2006 were NOK 3 071.6 million, compared to NOK 2 964.1 in 2005. The higher balance sheet figure is due to a more ambitious investment programme, a higher level of receivables due to the higher activity level and a stronger Swedish krona. Approximately half of the Group's assets are reported in Swedish krona, and so the exchange rate increase from 0.8505 at the end of 2005 to 0.9112 at the end of 2006 represents an approximate NOK 100 million increase to the overall balance sheet figure.

Total equity at the end of 2006 totalled NOK 1 233.7 million, which corresponds to an equity ratio of 40.2 per cent. At the same point in time in 2005, the equity figure was NOK 1 076.4 million, with the equity ratio at 36.3 per cent. The equity figure has

been assessed on the assumption of continued operations. In converting the figures for the Group's Swedish subsidiaries to the same currency rate as in 2005, the equity would be at a rate of approximately 41.2 per cent. For some time now there has been considerable focus on reducing the need for foreign capital; and despite the increase in balance sheet, the net interest-bearing debt has been reduced from NOK 750.5 million in 2005 to NOK 466.7 million in 2006. Liquidity reserves totalled NOK 959.2 million as of 31.12.2006, compared to NOK 734.6 million the year before. Cash flow from operations in the fourth quarter totalled NOK 198.9 million (78.9), which corresponds to NOK 1.54 per share (0.61).

IFRS reporting

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; however, additional information is provided showing the potential effects of reporting using IFRS. Figures for comparative purposes have been prepared starting 01.01.04. 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 fourth quarter in accordance with IFRS

would have been NOK 105 million, while accumulated profit for the year would have been NOK 258.8 million. Equity would have totalled NOK 1 301.2 million, which corresponds to an equity ratio of 42.3 per cent.

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 Wood, is expected to slow somewhat in Norway from the extremely high current level, while in Sweden a slight increase is anticipated. A sustained high activity level is expected for renovation and maintenance contracts.

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 American economy. Access to raw materials is expected to remain satisfactory, but at higher average prices than in earlier years. Business units 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.

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.

Board of Moelven Industrier ASA
Moelv, 20 February 2007