

# Quarterly report

3/2006



*Laminated timber from Moelven has been used both as load-bearing beams and external, fire-resistant panelling at Midtbyen in Trondheim.*

**MOELVEN®**

<b>Profit and Loss Account</b>	NOK mill.	Change in 3 <sup>rd</sup> Quarter			Nine months			Total	
		2006	2005	2004	2006	2005	2004	2005	2004
Operating revenues		<b>1,588.9</b>	1,391.2	1,412.7	<b>4,861.6</b>	4,476.8	4,393.1	6,004.9	5,773.2
Depreciation		<b>43.0</b>	42.9	45.9	<b>129.4</b>	134.7	130.1	1788.0	177.5
Cost of goods sold		<b>1,050.5</b>	909.5	942.9	<b>3,131.0</b>	2,867.1	2,839.0	3,809.4	3,667.3
Operating expenses		<b>414.0</b>	403.9	401.6	<b>1,378.5</b>	1,361.9	1,359.9	1,858.9	1,858.1
<b>Operating profit</b>		<b>81.5</b>	<b>34.9</b>	<b>22.3</b>	<b>222.7</b>	<b>113.1</b>	<b>64.1</b>	<b>158.6</b>	<b>70.3</b>
Income from associates		<b>-0.9</b>	-1.0	-0.2	<b>-1.9</b>	-2.7	-2.4	-3.4	-3.7
Interest and other financial income		<b>2.6</b>	3.4	1.1	<b>9.5</b>	6.7	7.5	4.5	10.6
Interest and other financial expenses		<b>-12.6</b>	-13.8	-13.1	<b>-37.0</b>	-41.5	-44.0	-46.7	-60.6
<b>Operating result before tax</b>		<b>70.6</b>	<b>23.5</b>	<b>10.1</b>	<b>193.3</b>	<b>75.6</b>	<b>25.2</b>	<b>113.0</b>	<b>16.6</b>
Estimated tax cost		<b>20.3</b>	11.6	3.3	<b>55.7</b>	30.2	4.1	45.7	19.0
Minority interests		<b>0.6</b>	0.6	0.6	<b>0.9</b>	0.9	0.4	0.6	0.7
<b>Net profit</b>		<b>50.9</b>	<b>12.5</b>	<b>7.2</b>	<b>138.5</b>	<b>46.3</b>	<b>21.4</b>	<b>67.9</b>	<b>-1.8</b>

<b>Balance Sheet</b>	NOK mill.	Change in 3 <sup>rd</sup> Quarter			Per 30.09			Per 31.12	
		2006	2005	2004	2006	2005	2004	2005	2004
Intangible assets		<b>-1.3</b>	-1.0	-1.0	<b>9.7</b>	10.4	9.4	10.6	9.6
Tangible assets		<b>48.9</b>	-2.5	8.5	<b>1,074.2</b>	1,049.2	1,137.1	1,035.8	1,137.6
Financial assets		<b>-1.5</b>	1.1	-1.0	<b>90.3</b>	110.9	130.3	94.4	116.6
<b>Total fixed assets</b>		<b>46.1</b>	<b>-2.4</b>	<b>6.5</b>	<b>1,174.2</b>	<b>1,170.5</b>	<b>1,276.8</b>	<b>1,140.8</b>	<b>1,263.8</b>
Stocks		<b>-193.1</b>	-114.0	-112.8	<b>774.5</b>	839.6	869.7	967.1	908.3
Receivables and deposits		<b>2.9</b>	3.6	19.0	<b>1,138.3</b>	966.1	892.6	856.2	712.1
<b>Total current assets</b>		<b>-190.2</b>	<b>-110.5</b>	<b>-93.8</b>	<b>1,912.8</b>	<b>1,805.7</b>	<b>1,762.3</b>	<b>1,823.3</b>	<b>1,620.4</b>
<b>Total assets</b>		<b>-144.1</b>	<b>-112.9</b>	<b>-87.2</b>	<b>3,087.0</b>	<b>2,976.2</b>	<b>3,039.1</b>	<b>2,964.1</b>	<b>2,884.2</b>
Share capital*		<b>0.0</b>	0.0	0.0	<b>647.7</b>	647.7	647.7	647.7	647.7
Other equity and capital		<b>56.8</b>	13.3	4.4	<b>573.4</b>	442.0	454.1	428.7	425.1
<b>Total equity</b>		<b>56.8</b>	<b>13.3</b>	<b>4.4</b>	<b>1,221.1</b>	<b>1,089.7</b>	<b>1,101.8</b>	<b>1,076.4</b>	<b>1,053.4</b>
Long-term liabilities		<b>-177.1</b>	-32.1	-24.4	<b>880.3</b>	977.8	1,114.4	886.7	1,012.3
Current liabilities		<b>-23.8</b>	-94.1	-67.3	<b>985.6</b>	908.7	822.9	1,011.0	818.5
<b>Total liabilities</b>		<b>-200.9</b>	<b>-126.2</b>	<b>-91.7</b>	<b>1,865.9</b>	<b>1,886.5</b>	<b>1,937.3</b>	<b>1,887.7</b>	<b>1,830.8</b>
<b>Total equity and liabilities</b>		<b>-144.1</b>	<b>-112.9</b>	<b>-87.2</b>	<b>3,087.0</b>	<b>2,976.2</b>	<b>3,039.1</b>	<b>2,964.1</b>	<b>2,884.2</b>
Net interest bearing debt		<b>-221.9</b>	-186.2	-100.5	<b>653.9</b>	772.4	940.5	750.5	872.3
Capital employed		<b>-140.7</b>	-137.1	-96.0	<b>1,962.3</b>	1,932.7	2,042.0	1,856.5	1,943.7
Net working capital		<b>-216.1</b>	-177.4	-127.0	<b>1,343.6</b>	1,248.3	1,258.0	1,250.4	1,128.7
<b>Changes in total equity for the Group</b>									
<b>Opening balance</b>		<b>1,164.3</b>	<b>1,076.4</b>	<b>1,097.4</b>	<b>1,076.4</b>	<b>1,053.4</b>	<b>923.5</b>	<b>1,053.4</b>	<b>923.5</b>
Profit/loss		<b>50.3</b>	11.9	7.2	<b>137.6</b>	45.4	21.4	67.3	-2.5
Total from share issue		<b>0.0</b>	0.0	0.0	<b>0.0</b>	0.0	118.4	0.0	117.9
Foreign currency translation		<b>5.9</b>	0.8	-2.7	<b>7.8</b>	-10.0	-2.5	-8.9	-5.0
Provisions for dividend		<b>0.0</b>	0.0	0.0	<b>0.0</b>	0.0	-1.1	-32.4	-20.5
Own shares		<b>0.0</b>	0.0	0.0	<b>0.0</b>	0.0	38.3	0.0	38.3
Change in reclassified assets		<b>0.0</b>	0.0	0.0	<b>-1.6</b>	0.0	4.5	-3.6	1.0
Minority interests		<b>0.6</b>	0.6	-0.1	<b>0.9</b>	0.9	-0.4	0.6	0.7
<b>Changes for year/period</b>		<b>56.8</b>	13.3	4.4	<b>144.7</b>	36.3	178.3	23.0	129.9
<b>Total equity</b>		<b>1,221.1</b>	<b>1,089.7</b>	<b>1,101.8</b>	<b>1,221.1</b>	<b>1,089.7</b>	<b>1,101.8</b>	<b>1,076.4</b>	<b>1,053.4</b>

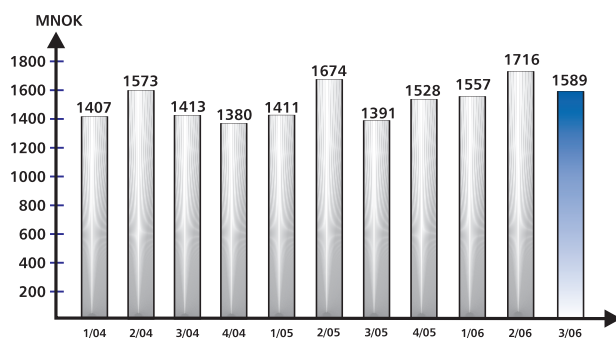
\*129,542,384 shares at NOK 5.-, adjusted to account for 1,100 own shares.

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.	Change in 2 <sup>nd</sup> Quarter			Nine months			Total	
		2006	2005	2004	2006	2005	2004	2005	2004
Net cash flow from operations		<b>295.9</b>	183.4	110.6	<b>325.8</b>	163.3	-29.5	286.1	66.5
Cash from operating result		<b>116.8</b>	68.3	44.4	<b>329.7</b>	217.0	140.8	295.9	178.3
Cash flow from working capital		<b>179.1</b>	115.1	66.2	<b>-3.9</b>	-53.7	-170.3	-9.8	-111.8
Cash flow from/to investments		<b>-66.9</b>	-37.8	-16.8	<b>-136.3</b>	-78.8	-83.3	-85.3	-180.8
Cash flow from/to financing		<b>-204.6</b>	-109.8	-47.9	<b>-131.8</b>	-31.4	136.5	-188.7	86.0
<b>Net cash flow for the period</b>		<b>24.4</b>	<b>35.8</b>	<b>45.9</b>	<b>57.7</b>	<b>53.1</b>	<b>23.7</b>	<b>12.1</b>	<b>-28.3</b>
Liquid funds		<b>24.4</b>	35.8	45.8	<b>87.3</b>	70.6	69.1	29.6	16.6
Unutilised credit facilities		<b>168.2</b>	<b>73.7</b>	<b>66.8</b>	<b>692.5</b>	<b>746.5</b>	<b>731.0</b>	<b>705.0</b>	<b>889.8</b>
Available liquid funds		<b>192.6</b>	<b>109.5</b>	<b>112.6</b>	<b>779.8</b>	<b>817.1</b>	<b>800.1</b>	<b>734.6</b>	<b>906.4</b>
<b>Net. investments from acquisitions and sales</b>									
Fixed assets		<b>0.0</b>	0.0	0.0	<b>0.0</b>	0.4	294.8	4.4	294.8
Current assets		<b>0.0</b>	0.0	0.0	<b>0.0</b>	8.6	274.0	8.6	274.0
Liquid funds		<b>0.0</b>	0.0	0.0	<b>0.0</b>	5.3	32.5	5.3	32.5
<b>Total assets</b>		<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>14.3</b>	<b>601.3</b>	<b>18.3</b>	<b>601.3</b>
Equity		<b>0.0</b>	0.0	0.0	<b>0.0</b>	0.0	186.4	0.0	186.4
Interest bearing debt		<b>0.0</b>	0.0	0.0	<b>0.0</b>	2.2	248.0	4.7	248.0
Interest free debt		<b>0.0</b>	0.0	0.0	<b>0.0</b>	12.1	166.9	13.6	166.9
<b>Total capital</b>		<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>14.3</b>	<b>601.3</b>	<b>18.3</b>	<b>601.3</b>

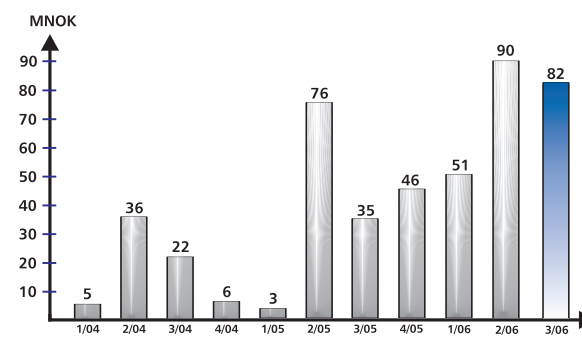
2005: Aquisition of Mesna Installasjon AS.  
2004: Aquisition of Are-Group and Mobilarum AB.

### Operating revenues



Quarterly in 2004 - 2006

### Operating profit



Quarterly in 2004 - 2006

### Key figures

Key figures	NOK mill.	3 <sup>rd</sup> Quarter			Nine months			Total	
		2006	2005	2004	2006	2005	2004	2005	2004
Net operating margin (in %)		<b>5.1</b>	2.5	1.6	<b>4.6</b>	2.5	1.5	2.6	1.2
Gross operating margin (in %)		<b>7.8</b>	5.5	4.8	<b>7.2</b>	5.5	4.4	5.6	4.3
Return on capital employed (in %)		<b>16.4</b>	7.1	4.3	<b>14.8</b>	7.1	4.4	7.6	3.7
Earnings per share (in NOK)		<b>0.40</b>	0.09	0.06	<b>1.07</b>	0.35	0.17	0.52	-0.02
Cash flow per share (in NOK)		<b>0.90</b>	0.53	0.34	<b>2.55</b>	1.68	1.12	2.28	1.41
Inv. in fixed assets, excl. acquisition (NOK mill.)		<b>73.1</b>	36.7	52	<b>169.7</b>	78.0	142	111.6	199
Equity ratio (in%)		<b>39.4</b>	36.6	36.3	<b>39.6</b>	36.6	36.3	36.3	36.5
Total oper. revenue outside Scandinavia (in %)		<b>20</b>	19	20	<b>20</b>	19	20	19	21
Number of employees		<b>3,232</b>	3,192	3,247	<b>3,235</b>	3,193	3,210	3,159	3,191
Number of shareholders		<b>984</b>	989	993	<b>984</b>	989	993	984	989
Average number of shares		<b>129 541 284</b>	129 541 284	129 541 284	<b>129 541 284</b>	129 541 284	125 846 820	129 541 284	126 778 028



## Directors' report

- Higher profit figures due to effect of efficiency measures and better market conditions
- Operating revenues increased to NOK 1 589 million (1 391)
- Operating profit increased to NOK 81.5 millioner (34.9)

### Highlights

The positive trend in profitability is continuing due to implemented efficiency measures and a still positive market trend. The Board's goal of developing the Group into the industry's market leader, *the natural choice*, for wood-based building products and associated services in Scandinavia is contingent upon continuous efforts to improve efficiency in the Group's operations.

In addition to carrying out necessary maintenance and upgrades, an investment programme was initiated in 2006 in order to adapt the Group's businesses to the company's overall long-term strategy with respect to efficiency, flexibility and market focus.

Since the demand for the Group's products and services are normally somewhat lower in the third quarter because of the summer holidays, investment projects that interrupts operations are normally scheduled for implementations during this period. In August there was a fire at Moelven Telemarksbruket AS. The existing routines with respect to damage control worked as expected both in terms of minimising damage to materials and in being able to maintain delivery capacity.

The Moelven Group's largest owner, Finnish Metsäliitto Cooperative (with 65.2 percent of Moelven shares), have made public their decision to sell their shares in Moelven. Nordea Corporate Finance is advising Metsäliitto in connection with the sales process, which will be ongoing during the fourth quarter.

### Operating revenues and profit

Operating revenues in the third quarter increased in all three (business) divisions and ended at NOK 1,588.9 million (1,391.2). The most important reasons for the increase in volume is the continuing positive market trend and increase of market shares in certain market segments. Operating profit totalled NOK 81.5 million (34.9). The background for the increase in profit is a combination of favourable market conditions and savings due to a range of internal efficiency measures. The focus of the efficiency measures has been better use of raw materials, better coordination of the value chain and better market alignment. Even though the efficiency efforts have been taking place for some time, there are still gains to be made in 2006 and the coming year.

The reason for this is that a significant number of the efficiency measures are part of a multi-year investment program involving long project phases.

For the first three quarters operating revenues totalled NOK 4,861.6 million (4,476.8). Operating profit totalled NOK 222.7 million (113.1), and ordinary pre-tax profit was NOK 193.3 million (75.6). Profit after taxes and minority interests totalled NOK 138.5 million (46.3).

## 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 and shavings, which are used in a range of other industries. Bark is primarily used to cover the plants' own energy needs. The division consists of 14 production units with a total annual production just under 1.4 million cubic metres of sawn timber. Total production of wood chips and shavings totals approximately 1.4 million solid cubic metres. At the end of the third quarter, Timber had 844 employees, of

Divisions	3 <sup>rd</sup> Quarter			Nine months			Total	
	2006	2005	2004	2006	2005	2004	2005	2004
NOK mill.								
<b>Operating revenues</b>								
Timber	547.5	498.2	609.2	1,856.6	1,756.2	2,006.3	2,656.8	2,619.3
Wood	664.5	590.8	543.2	1,875.2	1,727.1	1,586.5	2,089.5	2,063.9
<b>Building Systems</b>	439.7	384.0	385.0	1,387.4	1,283.7	1,198.9	1,770.1	1,630.0
Laminated Timber	108.5	96.9	95.3	305.0	295.7	286.0	402.0	387.2
Modular Buildings	197.6	184.5	171.4	674.3	629.9	541.9	886.3	736.5
Modular System Interiors	138.1	107.4	121.9	421.7	369.1	381.4	496.7	520.4
<b>Operating profit/loss</b>								
Timber	16.5	2.6	(4.0)	84.2	37.0	29.4	61.4	33.0
Wood	34.9	14.3	12.9	76.2	44.6	23.9	56.2	29.6
<b>Building Systems</b>	33.7	23.6	21.7	80.3	55.3	37.6	75.9	44.9
Laminated Timber	9.4	6.3	6.9	18.3	16.2	12.9	20.0	15.6
Modular Buildings	9.5	10.0	7.4	28.6	19.7	11.6	23.8	7.1
Modular System Interiors	14.7	7.3	7.3	33.3	19.4	13.0	32.1	22.2

which 273 are in Norway and 571 in Sweden. 10 percent are female. The total annual turnover is approximately NOK 2.3 billion. Operating revenues in the third quarter totalled NOK 547.5 million (498.2), and operating profit totalled NOK 16.5 million (2.6). Operating revenues for three quarters totalled NOK 1,856.6 million (1,756.2), while operating profit for the same period was NOK 84.2 million (37.0). Planned efficiency measures and investments have been implemented as intended in Timber. The objective is to be able to offer more customised products, while at the same time reducing the rate of expenses and improving material utilisation. Favourable market developments have also contributed to the improvement in results for Timber. Higher demand for sawn timber in Europe, combined with a reduction in supply of high-quality Nordic products to the European market, has supported a positive price development for sawn pine and spruce.

## 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 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 third quarter was 873, of which 562 are in Norway, 289 in Sweden and 22 in Denmark. 12.8 percent are female. Of the total annual turnover of about NOK 2.2 billion, approximately NOK 1.9-2.0 billion is produced at Moelven plants.

Operating revenues in the third quarter totalled NOK 664.5 million (590.8), and operating profit totalled NOK 34.9 million (14.3). Operating revenues for the first three quarters were NOK 1,875.2 million (1,727.1), while operating profit totalled NOK 76.2 million (44.6).

In September a decision was made to discontinue operations at the Karlstad plant, which is run by Moelven Valåsen Wood AB. Production at the plant will be transferred to other units within the Group.

A number of measures aimed at improving profitability have been implemented

in the Wood division the past few years. The primary focus has been on more efficient use of raw materials, better coordination throughout the value chain, higher market alignment and more efficient logistics. Most of the production at Wood's sawmills is further processed at other plants belonging to same division. In order to satisfy the overall raw material needs, the division is also quite dependent on purchasing sawn wood produced by Timber and external suppliers. The upward price trend for sawn timber has had a negative impact on Wood's raw material costs, while the consequences for the Group as a whole have been positive since the overall production of sawn wood in Moelven is more than that consumed by the planing division. With the exception of a few product groups, 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 improved results are therefore primarily due to the savings generated from internal efficiency measures.

## 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 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. At the end of the third quarter, Building Systems employed a total of 1,438 employees, of which 810 are in Norway, 625 in Sweden and three in England. 6.3 percent are female. The total annual turnover is approximately NOK 1.7 billion. Operating revenues in the third quarter totalled NOK 439.7 million (384.0), and operating profit was NOK 33.7 million (23.6). Operating revenues for the first three quarters totalled NOK 1,387.4 million (1,283.7), while operating profit was NOK 80.3 million (55.3). Although market activity has been solid in the third quarter, price developments have not been satisfactory in all areas. Internal efficiency measures has therefore still been given high priority. Total investments in fixed assets in this division are significantly lower than for Timber and

Wood, which is because the production processes in Building Systems are more labour-intensive compared to the other two divisions. The main focus of the investments carried out in this division in 2006 has been on strategy and market alignment. Due to large backlogs and long delivery periods, it has also been necessary to increase capacity at some plants.

## 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, R&D, accounting, finances, insurance, IT, Public Relations and human resources. Various smaller businesses and assets that do not belong to the Group's core business are also included in this business area. At the end of the third quarter, this division had 80 employees, of which 48 worked in Norway and 31 in Sweden. 32.9 percent are female.

The book value of assets included in Other businesses is approximately NOK 29.0 million (43.0). Operating revenues in the third quarter were NOK 46.7 million, (36.3) and operating loss was NOK 3.6 million (5.5). Operating revenues for the first three quarters were NOK 128.3 million (125.7), and operating loss including a gain from sales totalling NOK 3 million was NOK 18 million (23.8)

The subsidiary Moelven Bioenergi AS was established in the third quarter. The goal of the Moelven Group is to have an ownership share of 40 percent, and the process of finding co-investors is now ongoing. In the initial investment phase, plans exist for the building of a bioenergy plant in Brumunddal designed to generate thermal energy equivalent to 60-65 GWh per year - all based on renewable fuel from the forest and wood-working industry. The plant will supply steam and heating to local industry, as well as distance heating to surrounding communities. The Moelven Group has an annual thermal energy production equivalent to 420 GWh, and is able to sell approximately 400,000 cubic metres of biomass for energy production to external customers.

## Employees

Absenteeism in the third quarter was 5.62 percent (5.98), or 8 635 full work-days (9 480). Absenteeism the first three quarters 5.87 percent (6.27). Overall, the total number of workdays in the third quarter was 145 896 days (149 385).

**SENDER:**

Moelven Industrier ASA  
P.O. Box 134, N-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 rate of absenteeism from persons on long-term sick leave totalled 3.11 percent (3.51) in the third quarter, while the figures for the first three quarters were 3.0 percent (3.3). Although the general rate of absenteeism has increased since 2005, the rate of absenteeism in the Moelven Group has continued to decline favourably in the direction of the Group's goal of maximum 5 percent. The total number of personal injuries resulting in absences in the third quarter was 21 (38), which corresponds to 24.9 (47.0) injuries with resulting absence per million working hours (H-value). For the first three quarters, the H-value was 22.7 (24.3).

Even though the injury statistics show a slight reduction in cases, the number of injuries resulting in absences is still at an unacceptably high level and so preventive efforts have been intensified. Through detailed assessments and targeted measures over time, the Group possesses a comprehensive knowledge about risk factors and reasons for accidents. This know-how is now being used to design additional measures to address injury-prone areas. At the end of the third quarter, the Group had a total of 3,235 employees (3,193). In all, 1,692 (1,689) of these persons are employed in Norwegian companies, with 1,518 (1,458) in Swedish, 22 (16) in Danish and 3 (3) in other countries. 9.74 percent are female.

### Investments, balance sheet and financing

Investments totalling NOK 169.7 million (78) were made in the third quarter. The current strategy plan includes a period with higher rate of investments, starting in 2006. In addition to necessary investments in upgrades and maintenance, a range of investment projects have been initiated aimed at adapting all of the Group's business units to the Group's long-term strategy, both when it comes to efficiency, flexibility and market focus. In 2006, the largest single investment

project is the SEK 55 million investment in a new trimming facility at Moelven Valåsen AB (Timber division). At the end of the third quarter, this project and others were on schedule both with respect to progress in implementation and in terms of costs. As of 30.09.06 the Group's overall assets were NOK 3,087.0 million (2,976.2). The increase is due to higher receivables as a result of higher turnover. The higher rate of investment has also had an impact on the overall asset figure.

The rate of exchange for the NOK has also an impact on the Group's balance sheet. Approximately half of the Group's assets are denominated in Swedish kroner, and the change in the exchange rate from the end of the third quarter 2005 through to the same period this year has resulted in a balance sheet increase totalled approximately NOK 75 million.

For some time now, considerable focus has been put on reducing the need for foreign capital, and despite the increase in the balance sheet, net interest-bearing debt has been reduced from NOK 772 million at the end of the third quarter last year to NOK 654 million at the same period this year. Liquidity reserves were NOK 779.8 million (817.1) and consist of unutilised drawing rights in long-term credit facilities, as well as drawing rights in the Group's cash pools. Equity has been assessed based on the assumption of continued business activities and at the end of the third quarter totalled NOK 1,221.1 million (1,089.7), corresponding to NOK 9.43 per share (8.41). The equity ratio totalled 39.6 percent (36.6) and is in line with the Board's goal of achieving an equity ratio of approximately 40 percent.

The development in the NOK exchange rate since the end of the third quarter 2005 has led to an increase in equity totalling NOK 8.9 million. Cash flow from operations after the first three quarters in 2006 totalled NOK 329.7 million (217.0), corresponding to NOK 2.55 per share (1.68).

### 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 three quarters would have increased by NOK 15 million (minus 17) using IFRS, while equity would have totalled NOK 1188 million (1020), representing an equity ratio of 38.4 (34.3) 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 generally favourable market conditions involving a higher level of construction activity for residential and commercial building projects is expected to continue in Scandinavia through 2006, and should have a favourable impact on Wood and Building Systems in particular. In the Building Systems division, the backlog of orders is higher than normal and it has been necessary to implement measures to increase production capacity. For the log-consuming plants, 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 significantly better result in 2006 compared to the year before.

Board of Directors,  
**Moelven Industrier ASA**  
Moelv, 16 October 2006