

Annual Report 2005

Responsible and accountable

1 - 2 - 
- also for the future

Member of Finncor Corporation

MOELVEN[®]

Vision and values

«The Moelven Group shall be the market leader for wood-based building products and accompanying services in Norway, Sweden and Denmark.»

Four core values:

Moelven's company culture is grounded on four core values that guide all business activity:

• **Results** • **Responsibility** • **Respect** • **Honesty & Openness**

The Group's flat organisational structure provides an ideal work environment that facilitates open lines of communication and respect between employees on all levels and encourages colleagues to take responsibility for both their own performance and that of the Group's business units.

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Financial Calendar

20 April 2006

Annual General Meeting – Annual Accounts 2005

27 April 2006

Accounts for first quarter 2006

27 July 2006

Accounts for second quarter 2006

25 October 2006

Accounts for third quarter 2006

February 2007

Accounts for fourth quarter 2006/Preliminary profit and loss statement 2006

April 2007

Annual General Meeting – Annual accounts 2006

Mr. Ole V. Salvén new President and CEO after Bo B. Borgström

In February, Central European regional director Mr. Ole V. Salvén (51) was appointed new CEO and President of Moelven Industrier ASA after Mr. Bo B. Borgström (62), who retired on 1 February 2005. Mr. Salvén has been employed by Finnforest since 1994, before that he had experience from among others Bank of America.

Moelven MassivTre AS at Krøderen opens

Norwegian Minister of Agriculture Mr Lars Sponheim opened Moelven MassivTre AS in February, attended by an enthusiastic audience of employees, owners, building industry personell, customers and suppliers.

New sawmill for Moelven Wood

In March, Moelven Timber's plants with both saw- and planing mill were transferred to Moelven Wood. The reason was the Group's goal of tailoring and specialising production to markets and customers common to Moelven Wood and Moelven Timber.

Moelven Danmark and Moelven Timber join forces in Denmark

Moelven Danmark and Moelven Timber have become one operative unit for the Danish market. All Moelven activities in Denmark now operate under the same name and management, Moelven Danmark.

Moelven simplifies organisation making three divisions

In order to improve collaboration internally and to be able to operate more united in the market, Moelven changed its organisation from five to three divisions. This simplifies the

Group's management structure and the Group's shared service functions. The business units in the new Building Systems division (laminated timber, building modules, system interiors) will supply complete solutions to project customers in Scandinavia. The two other divisions are Timber and Wood.

400 BoKlok apartments from Moelven to Skanska Bolig

Skanska Bolig AS and the module manufacturer Moelven ByggModul AS in Moelv signed a collaboration agreement in which Moelven will build approximately 400 BoKlok apartments in Norway through to the year 2007. The BoKlok concept is owned 50/50 by Skanska AB and IKEA AB. The apartments are sold at IKEA.

Three extra weeks holiday for employees aged 62 years +

Moelven ByggModul AS is offering employees who have turned 62 years three extra weeks holiday if they continue working in the company rather than retiring with the company's pre-pension agreement. – The reason for the offer is that we want to retain our skilled professionals as long as possible, says director Hans Erik Stadshaug.

Expandia signs 50 million kroner contract with Moelven ByggModul AB

The rental company Expandia Moduluthyrning AB from Klippan in Skåne signed an agreement with Moelven ByggModul AB about the delivery of modules to schools and nursery schools, Moelven ByggModul AB will be delivering modules to Expandia worth approximately SEK 50 million in 2006.

Moelven Valåsen AB builds new sorting plant for SEK 55 million kroner

Moelven Valåsen AB in Karlskoga will be upgrading its sorting plant for SEK 55 million. The investment will improve Moelven's largest sawmill into a modern, flexible and high-speed plant that can more easily adapt products to the customers' increasingly higher demands. Behind this relatively large investment for Moelven has been a strategic decision by the Group's Board to upgrade Moelven Valåsen AB to a future-oriented sawmill.

Södra Timber strengthens collaboration with Moelven ByggModul AB

In its efforts to streamline the plant's product range, the sawmill company Södra Timber transferred its license for the floor beam product Semi to Moelven ByggModul AB in 2005, so that Moelven will take over production and sale of the product. Södra Timber views the collaboration with Moelven as an excellent development opportunity.

New President and CEO of Moelven Group

In December, Mr. Hans Rindal was appointed President and CEO of Moelven Industrier ASA, taking effect on 1. January 2006. He succeeds Mr. Ole V. Salvén, who in the autumn 2005 became President and CEO of Finnforest. Since 1995, Mr. Hans Rindal has been employed at Moelven and served in various positions within the Group, most recently as Deputy CEO.



From opening of Moelven MassivTre AS.



BoKlok apartments at Fagerstrand, Oslo



Mr. Jan Dårstad – at Moelven ByggModul AS.



«Most of the factors impacting the company's results have been favourable.»

«This year we reflected very much on the customers' needs in relation to our present structure. Next year we will follow this thinking up with a record investment package – a package consisting of a great number of small changes aimed at improving service, efficiency and geographic reach.»

The year 2005 has been a good year for Moelven. Most of the factors impacting the company's results have been favourable, while among the few negative factors were the effects of the storm felling in southern Sweden, the strength of the Norwegian krone and a few project-related internal problems in the Building Systems Division.

The domestic construction markets in Norway, Sweden and Denmark have all had strong housing starts and an active refurbishment market. The benefits of building with wood, also on an industrial scale, have been noticed by the customers and markets, with the wooden structures sector growing proportionally stronger than other materials. Even the activity in the lagging office market picked up towards the end of the year, and by maintaining our focus on the Scandinavian markets we were able to take advantage of these developments. Since we are now working closer with specific customers and products, we are also less sensitive, than many of our competitors, to changing market conditions in the export markets for sawn goods.

Although restructuring and acquisitions are an important part of the development of any growing company, we had the benefit this year of being able to focus on developing the assets already acquired to suit the needs of our customers. During the year we further highlighted the key drivers behind our three Divisions. This resulted in splitting out some of the combined saw and planing mills to provide special construction wood for the Wood Division servicing the merchant and DIY customers. The Timber Division, where the specialized sawmills are organized, could optimally combine the available logs with the needs of the processing industry. The Building Systems Division again won several good projects, and despite some set-backs achieved the best result of all three Divisions. The end result of the restructuring efforts has been that we now have three highly focused Divisions, all with about the same earnings potential. We also organised the timber procurement and side product management areas into a separate unit dedicated to ensuring the overall interests of the Moelven Group.

What does the future hold? A reduction in the availability of high quality large diameter logs will continue. Higher logistics expenses will

play an ever increasing role in the cost structure of our products. This will be the case both in terms of procuring logs as well as delivering our upgraded products to the customer. Excess production capacity will be the norm and the competition for the customers' business will continue as relentlessly as before. The polarization of the production process will also continue, as some producers will further develop into smaller niche product providers and some players will work to supply products nationwide.

We are by definition a large product provider. The key to our success will be to adapt to the above restrictions and to take advantage of the services we can provide to major customers, while at the same time being viewed as a preferred supplier to many small industrial customers. This means that we will have to be as efficient as the local player and at the same time link our production units into an efficient network to provide the benefits of a global player. We have answered this challenge by organizing ourselves into three Divisions, each with a geographical reach, product diversity and a customer agenda. The Timber Division is focused on tailoring production to the global and local industrial segments. The Wood Division is being established in the vicinity of customer concentrations (the merchants and DIY chains), and the Building Systems Division will continue to offer efficient solutions to the project-oriented parts of the building industry.

This year we reflected very much on the customers' needs in relation to our present structure. Next year we will follow this thinking up with a record investment package – a package consisting of a great number of small changes aimed at improving service, efficiency and geographic reach. We will also work to improve working conditions at a number of work sites in order to reduce absenteeism. We firmly believe we have what it takes to further boost our position as one of the leading mechanical wood industry companies in Scandinavia.



Ole V. Salvén
President and CEO

The Group

This is Moelven

The Moelven Group shall be the market leader for wood-based building products and accompanying services in Norway, Sweden and Denmark. The Group's 45 operating business units, located throughout Norway, Sweden and Denmark, are organised into three divisions: Timber, Wood and Building Systems, all of which are oriented toward the professional building (builders/contractors) and industrial distribution sectors in Scandinavia and Europe. The Group employs a total of 3159 persons – 1672 in Norway, 1465 in Sweden, 19 in Denmark and 3 in England. Total annual turnover for the Group is NOK 6 billion.

Moelven Industrier ASA

Ownership structure

Moelven Industrier ASA is owned by Finnish and Norwegian forestry owners' organisations, with the Finnish Metsäliitto Andelslag and Finnforest Oyj as the majority shareholders and Norwegian Glommen Skog BA, Mjøsen Skog BA, AT Skog BA and Havass Skog BA as the largest minority shareholders.

On 1 April 2006, an organisational change will take effect in which Metsäliitto Andelslag will take over Finnforest's shares in Moelven, thereby giving Metsäliitto Andelslag a 65.2% stake in Moelven. The reorganisation will not have any impact on Moelven's business operations, as the Group will continue to operate as a single legal entity with its own, distinct trademark. The majority and minority owners agree that Moelven Industrier ASA shall continue as an independent subsidiary, coordinated with Metsäliitto Andelslag's wood-working business by focusing on the Scandinavian market.

Group in brief

The sawmills in the Timber division supply sawn timber to companies in Scandinavia and the rest of Europe, which in turn use the wood in their own production processes. The most important wood products are used for building and interior applications and packaging, while industrial chips are used in the paper, particle board and bio-energy industries. The volume produced today is 1.5 million cubic metres sawn timber and 1.0 million cubic metres of chips. Raw materials represent a large share of the overall production cost, and the divisions are striving to maximise the financial output of each log.

The production plants in the Wood division supply the distribution segment in Scandinavia with a wide range of building and interior products totalling 706 000 cubic metres produced per year. In order to be a competitive and preferred supplier, a highly efficient distribution system is required to offer customers quick and reliable deliveries of a wide range of products. Product innovations in the area of user-friendliness and ease-of-use are important competitive advantages for Wood.

The companies in the Building Systems division supply complete and flexible system solutions for interior walls, modular buildings and load-bearing laminated timber structures for the professional building segment, primarily in Norway and Sweden. The division is heavily committed to continue developing concepts and systems together with our customers, in cooperation with expertise in architecture, design and construction. The goal is to further increase the range of applications

for wood products in the building and property segment, by applying industrial systems to gain market share from more traditional building approaches.

In the past years the Group has grown both through natural growth and by strategic acquisitions. In the time ahead, Moelven will continue to concentrate on the Group's core business activity of processing Nordic coniferous wood. The goal is to supply as many of the wood-based building products as highly processed as possible.

The Group's structure in terms of skills and expertise is adapted to the forest's value chain, from foresting to finished product. Most of the goods pass through several processing steps within the Group, but only three per cent of the value of the timber follows the entire value chain within the Group. All along the value chain, products are purchased and sold outside of the Group, in order to reduce transport costs and to achieve maximum output from the resource base. In this context, Moelven depends on a strongly decentralised organisational structure in which all the plants are run as independent business units responsible for their own financial results.

Vision

Moelven shall be the market leader for wood-based building products and accompanying services in Norway, Sweden and Denmark.

Industrial History Alive

For 106 years, Moelven Industrier ASA has participated actively in developing local communities in Norway and Sweden. The company began its industrial-oriented business activities in 1899 with the production of wooden wheels boiled in oil. In the early 1950s, a wheel with a core made of wood was invented to transport a new type of portable shed that came to be known as the "Moelven house on wheels". This early version of a modular building was later developed into the modern version now popular for use as housing and offices, being the main base product produced by the Building Systems division.

In 1980, the Group's first sawmill, Mjøsbruket, was established. Today, Moelven operates 15 sawmills, 13 processing businesses, five building modules production plants, two laminated timber factories, two system interior companies (with installation departments in most major cities in Sweden and Norway) and an electrical installation company.

The core of the Group's business is – and always has been – the application of advanced processing techniques to add maximum service and skill value to local raw materials.



Nybergsund bridge with laminated timber structures from Moelven Limtre AS.

Mr. Johs. Mageli, who was Moelven's President and CEO in the 1950s, formulated two policy statements that are still in use today by the Group's management: Moelven shall always be a technological leader, and Moelven shall be committed to product innovation and development.

Today, the entire organisation is dedicated to creating state-of-the-art products, services and system solutions that satisfy customers' changing needs and high expectations. Through well-designed technical solutions and effective distribution systems, the Group shall ensure cost-efficient products and applications that ease use and installation on the part of the customer.

Flat organisation

In the course of the spring 2005, the Group's organisational structure was changed in line with the objective of having a flat and decentralised structure. The two divisions Timber Group and Building Group and

underlying divisions were reorganised and replaced by the three divisions Timber, Wood and Building Systems. Within these divisions, there are a total of 45 separate business units, each one being responsible for its own financial results.

Each business unit is an independent element in a greater and coordinated whole, which offers reliable and competitive deliveries totaling a complete range of products. The decentralised organisational structure increases both the efficiency and commitment on the part of the various business units, and reduces the need for central administrative resources. Close proximity to markets and production sites contributes to a feeling of accountability, respect for colleagues on all levels and openness within the organisation. While the flat organisational structure contributes to short decision lines, it also helps create a flexible production system that can easily adapt the business to local market trends. The various business units also work closely together to support each other in their day-to-day operations.

Since the Group has businesses within all processing stages - from felling in the forests to the production of finished wood-based building products – skills and expertise from a wide range of fields are readily available throughout the company. This opens up great opportunities for collaboration and innovation along the entire range of the value chain.

Customers and market

Moelven's main market is Scandinavia, which accounts for 80% of sales revenues. The products are oriented toward customers within three mega-segments: industry, distribution and building (builders/contractors). Moelven operates on the Scandinavian market as a full-range supplier of wood-based building products with accompanying services. About 85% of the Group's sales revenues come from new-builds and the renovation of housing and commercial properties. An increasingly important business segment is the sale of raw materials to bio energy producers, as well as to the paper and particleboard industries. The Group also supplies wood products to the furniture and packaging, as well as to the system interiors industry. Although the three divisions vary in character, they all have customers in the building and property markets. The Group's focus on one single sector provides highly specialised expertise about the needs within that sector, and the flat organisational structure provides a wide network of customer contacts, which allows the Group to more easily pick up changes in market trends.

The market for the business units in the Timber division consists of wood processing industries in Scandinavia and the rest of Europe, which use Moelven products as components or raw material in their own production of wood-based goods for professional customers and consumers.

Moelven Wood's customers are companies in Scandinavia that sell Moelven products without any additional processing. Most of Moelven Wood's customers are in the distribution segment, which consists of wholesalers, builders' merchants and DIY chains.

The business units in the Building Systems Division are oriented toward the project market, where the customers consist primarily of private and public-sector builders, contractors, property owners and developers. Building Systems supply complete sections of entire buildings, such as load-bearing structures, modules and system interiors.



BoKlok apartments at Fagerstrand outside of Oslo.

Distribution

An efficient and well-organised distribution system is a critical competitive factor for all of Moelven's business units. Customers increasingly prefer to reduce the amount of capital tied up in goods stored at their storage facilities, and for Moelven it is essential to satisfy the customers' delivery preferences.

For Moelven Wood, having the majority of their customers within the distribution segment, their distribution system is built around a network of customer centres and distribution centres in Sweden, Norway and Denmark. These centres coordinate the sale and flow of goods from Moelven's production units, as well as complementary products from Finnforest. The Moelven Group's goal is to be a full-range supplier that delivers all of the wood products that a customer needs at any one time.

Distribution is also a critical area for the business units in Moelven Timber. By way of a coordinated distribution system shared by several business units in Timber, customers are easily able to obtain all the necessary wood products they need for their production processes.

Industrial production and high service content

Moelven supplies products including services designed to offer maximum benefit to customers. The production process is characterised by a high degree of industrialisation, and in order to ensure an optimal manufacturing process, focus is put on employee skills and expertise, efficient use of raw materials and efficient production systems. The Group's businesses are continuously seeking new and improved industrialised processes and concepts that can challenge or complement traditional approaches.

The goal is that products and services from Moelven shall make life simpler for the customers, from delivery to use.

Products

Moelven adds value to the products it manufactures throughout the processing cycle: From the moment the timber enters the sawmill, via the planing mills or other processing facilities until the finished building, or alternatively through to the builders' merchant, before finally ending up in the hands of the consumers in the form of e.g. building structural materials, pine flooring, mouldings or treated panelling.

Moelven focuses on maximising the added value the company contributes to the product – making most of each product and supplying as highly processed and finished products as possible. By co-ordinating deliveries and collaboration in production and product development, the business units in Moelven generate added value for the next step in the production chain, regardless of whether this step is external or internal. All businesses in the Group focus on what best serves the next step in the value-adding chain.

Skilled staff

Moelven shall allow willing people to succeed

This personnel philosophy reflects the Group's fundamental attitude toward colleagues and the relationship between the employees and the Group, and is just as important as the Group's business idea.

Industrial production depends on skilled employees, and Moelven strives to recruit skilled personell on all levels and in all sectors, from production to management and marketing/sales.

During the entire employment period, from recruitment until retirement, Moelven is working to motivate employees and develop their expertise and skills. Talented personell who are interested in advancing their know-how and contributing to the development of tomorrow's



Office interiors at Søylen Eiendom AS. Supplied by Moelven Nordia AS.

row's products are essential for being able to maintain an effective and profitable business. To this end, the Group has put together a number of development programs for employees at different levels. The Group is also working hard to reduce absenteeism, and has introduced a reward system that rewards employees at Moelven companies for low rates of absenteeism in addition to high profit margins.

Focus on results, Willingness to take on responsibility, Respect for your colleagues and Honesty & openness are the four central core values in Moelven's company culture.

Environment

Environmental accountability is an increasingly important topic in modern society. Moelven's business is based on timber as the base raw material, which is a completely renewable natural resource. Wood is very efficient from an environmental point of view in that it is able to capture and retain the greenhouse gas carbon dioxide.

Most of Moelven's products consist of a very high percentage of wood, with the exception of certain system interiors. The Group offers thus a renewable and environmental alternative to other building products and solutions, examples are bridge structures, interior products, housing and modules, all of these products may in some way help to reduce the pressures on climate change. The most important arguments for the increased use of wood is that wood can be recycled, and that wood and wood products store carbon dioxide. Wood products can also be used for energy production and as a replacement for fossil fuels that release carbon dioxide to the environment. The increased use of wood products stimulates the planting of new forests, producing new trees which removes even more carbon dioxide from the environment.

By taking care of the entire log and by utilising processed wood products as well as products such as chips and wood remnants 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 contributes significantly to the greenhouse effect. Hence the transport of raw materials as well as of products must be carried out as efficiently as possible. Moelven is committed to supply to local markets and buy locally harvested raw materials in order to reduce the amount of transportation needed.

Product development for the future

The production of wooden wheels for horse-drawn carriages laid the basis for what became the Moelven Group. The wooden wheels were a product adapted to the needs of the times, and became a great success. Since that time, the Group has continuously worked to develop innovative products adapted to current needs. One such successful product was "The Moelven House on Wheels", which has been further developed into modern module-based building systems that now can even be used to build multi-story housing.

Other examples of technical innovations are fire-retardant wood, which has opened up an entire new range of application areas for wood-based solutions, and an impregnation method completely free of heavy metals that protects against rot without being hazardous to the environment.

Moelven is committed to developing new products, further developing existing products and offering new services and system solutions satisfying customers' needs.

Product development and production advances will be decisive in strengthening Moelven's competitiveness in the future. By working closely with customers, consumers, architects and researchers, Moelven is stretching the technical limits of wood, discovering new applications, where attention to functionality, design and environmental factors is an essential part of the developmental process.

The Group

Group Executive Board



Ole V. Salvén

Year of birth: 1953

Current position: President and CEO Finnforest Oyj

Education: Master of laws

No. of years at Moelven: 1 year

No. of shares in Moelven: 1000

Mr. Hans Rindal was appointed President/CEO as of 1 January 2006.



Anders L. Fossum

Year of birth: 1948

Current position: Managing Director of Moelven Timber AS

Education: Engineering degree from Teknikum Göteborg

No. of years at Moelven: 20 years

No. of shares in Moelven: 100



Reidar Mo

Year of birth: 1943

Current position: Managing Director of Moelven Byggsystemer AS

Education: Building Engineer and Business Economist, Norwegian School of Management

No. of years at Moelven: 17 years

No. of shares in Moelven: 200



Dag E. Sand

Year of birth: 1945

Current position: Managing Director of Moelven Wood AS

Education: Forestry, wood-working and marketing

No. of years at Moelven: 12 years

No. of shares in Moelven: 200



Hans Rindal

Year of birth: 1962

Current position: President and CEO

Education: B.Sc., Norwegian School of Economics and Business Administration, Bergen

No. of years at Moelven: 10 years

Other Board Positions: Shareholders' Committee and Control Committee of Skogbrand

No. of shares in Moelven: 200

The Corporate Assembly

Jaakko Punkari, Chairman	Metsäliitto
Heikki Asunmaa	Metsäliitto
Martti Asunta	Metsäliitto
Mikael Aminoff	Metsäliitto
Børre Rogstadkjærnet	Glommen Skog BA
Kjersti Solberg	Mjøsen Skog BA
Lars-Ole Gimming	Havass Skog BA
Christian Ramberg	AT Skog BA
Harald Løkkeseen	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 *)

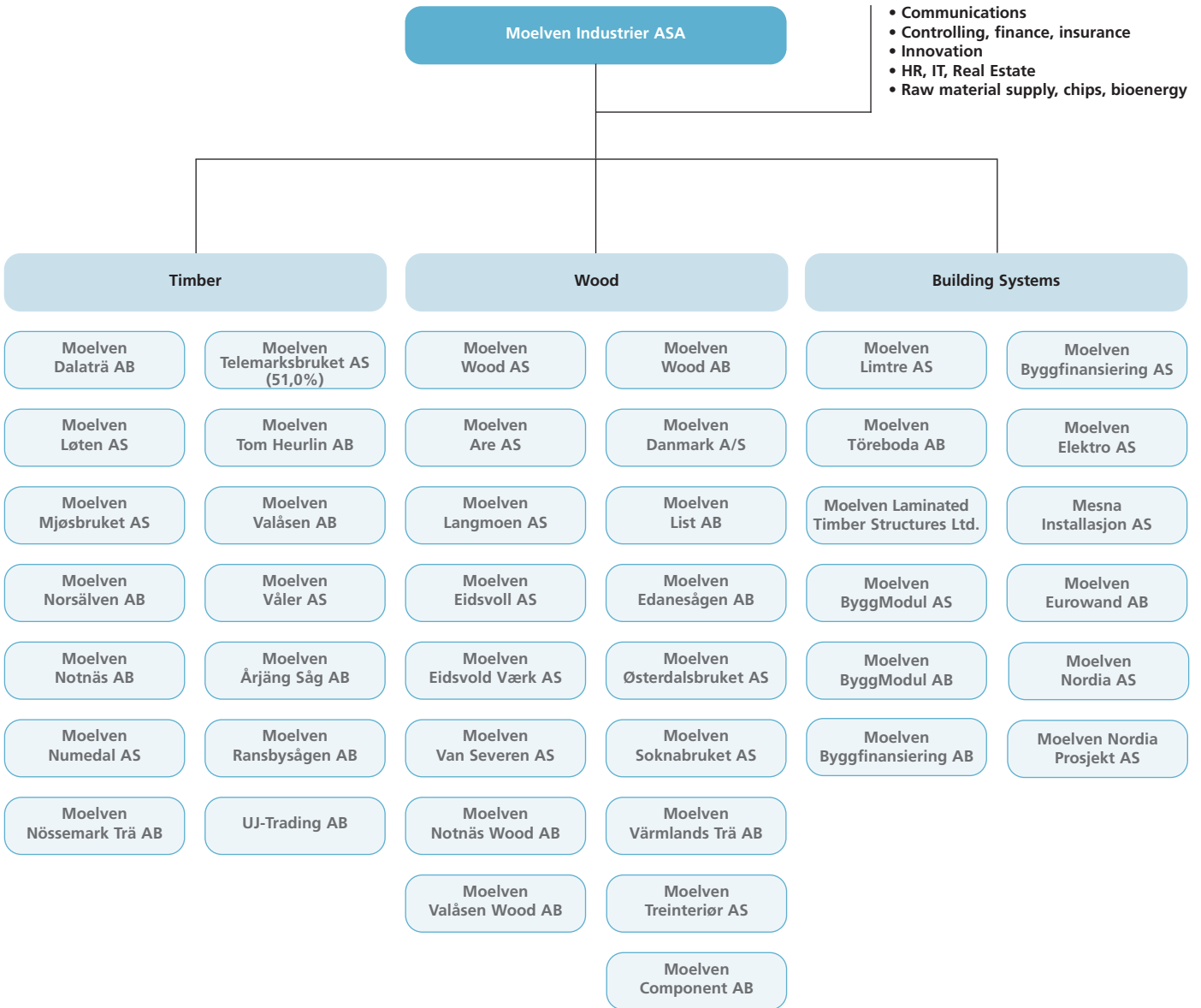
*) Employee representatives



Details from Nybergsund bridge. Supplied by Moelven Limtre AS.

The Group

Organisational Chart at 01.01.06



Location

The headquarters for the Moelven Group is in Moelv in Norge. 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.



The Group

Annual Report

Highlights

Over the last few years, a number of major acquisitions has been the reason for much of the growth in the Moelven Group's overall operating revenues and balance sheet. The most recent acquisitions incorporated into the Group have been the Are Group and Mobilarum in the first half of 2004, and Mesna Installasjon AS in January 2005. With these acquisitions, it is the Board's opinion that all of the Group's divisions have a sufficient critical size in all business units, with a good balance between Norway and Sweden and with a favourable geographic location in relation to the defined markets. The Board has therefore reduced the pace of acquisition activities and put focus on coordinating and improving efficiency in existing operations.

The markets in which the Group operates have developed positively in 2005. A number of cost-cutting measures have been implemented as well. In all this contributed to a result where the Group posted an annual profit totalling NOK 67.9 million in 2005, compared with a loss of NOK 1.8 million the year before. The Board is pleased with the profit improvement in 2005 and that the Group achieved most of its financial objectives for 2005, but is keenly aware that this has taken place during a period with solid demand for most of the Group's products and services. The work to better coordinate and improve efficiency at the various divisions must therefore continue in order to strengthen the Group's position further and to lay the groundwork for achieving the long-term financial objectives.

Mr. Ole V. Salvén became President and CEO for Moelven Industrier ASA on 2 February 2005, after the retirement of Mr. Bo B. Borgström. A minor reorganisation was implemented in the second quarter, so that the company now consists of one operational level with 45 legal entities divided into a sawmill division (Timber), a planing division (Wood) and a building systems division (Building Systems). Activities at the three divisions are coordinated by a central holding company. The Group Executive Board was simultaneously restructured to include the President and CEO and the Managing Directors of the three divisions only. All other Group functions and shared service functions are organised to support the work being done at the various divisions in a cost-efficient and professional manner.

In 2005, the three divisions Timber, Wood and Building Systems, had operating revenues totalling NOK 2.657, 2.090 and 1.770 million respectively. The business units in Timber produce sawn timber and wood chips, and primarily sell to industrial customers in Europe. Wood produces and distributes wood-based construction materials and sells primarily to Scandinavian distribution customers. The business units organised in Building Systems supply complete turn-key solutions to professional project customers in Scandinavia. The divisions are organised with clear customer and geographical focus.

The Moelven Group's two Finnish owners, Metsäliitto Osuuskunta and Finnforest Oyj, will be merged into one company during the first quarter of 2006. The merged company, Metsäliitto Osuuskunta, will thereby have a direct ownership share in Moelven Industrier ASA of 65.2 per cent, while the other ownership posts in Moelven will remain unchanged. On 27 September 2005, President and CEO Mr. Ole V. Salvén was appointed Managing Director of Finnforest Oyj and, after the merger is completed in the first quarter 2006, for the technical division

in the Metsäliitto Group. As of 1 January 2006, Mr. Hans Rindal was appointed to and will serve as President and CEO of the Moelven Group.

Operating revenues and profit

The Group's operating revenues increased from NOK 5 773 million in 2004 to NOK 6 005 million in 2005. Moelven Wood in particular has increased its market share and operating revenues in Sweden, which is the combined result of a conscious goal-oriented effort on the part of the organisation in Sweden, and a high level of new-builds and solid demand for Wood's product portfolio. Turnover has also increased for Building Systems, where higher production capacity and sales volume in Building Modules in Norway has contributed substantially to the increase. While the improvement in market prices for sawn pine timber has had a positive impact on profitability for Moelven Timber, the price slump for spruce as a result of the stormfelling caused by hurricane Gudrun in southern Sweden in January 2005 has had a negative impact on sales.

Operating profit increased from NOK 70.3 million in 2004 to 158.6 million in 2005, and all three divisions improved their profit figures in 2005. The improvements are to a large extent the result of internal efficiency measures. The sawmill plants were able to improve efficiency in 2005 with regard to the utilisation of raw materials, and they were also better able to coordinate their operations with the planing mills. Among the most comprehensive measures has been the transfer of four combined sawmills and planing mills from the Timber division to the Wood division. Most of the production from these transferred plants consisted of planed timber sold to business customers in Scandinavia, and the Wood division is now enabled to better coordinate their activities with other business units operating in the same market. In Building Modules, the production units in Sweden (previously four separate legal entities) have now been merged into one single legal unit. Measures have also been implemented to improve the earnings at one of these production facilities, which suffered major losses in 2004. These measures, which also involved staff reductions, were carried out during the first half of the year. In addition to the internal measures, market conditions have contributed to the higher results.

Net financial costs were reduced from NOK 50.0 million in 2004 to NOK 42.2 million in 2005. The decrease is due to the fact that the Group in 2005 has had a lower net interest-bearing debt than in 2004. At the end of 2005, net interest-bearing debt totalled NOK 750.5 million, compared to NOK 872.3 million at the end of 2004. Since more than 90 per cent of the Group's debt is in SEK, the weak Swedish krona in 2005 has caused a decrease in both net interest-bearing debt and interest costs. Pre-tax profit increased from NOK 16.6 million in 2004 to NOK 113.0 in 2005.

Taxes due for 2005 are higher than normal due to a correction regarding a posting error for deferred taxes. Payable taxes totalled NOK 48.0 million, of which 46.8 is payable in Norway, 0.1 in Sweden and 1.1 in Denmark. After 2005, the Group will no longer have any losses to carry forward in Norway. Profit for the year increased from a loss of NOK 1.8 million in 2004 to NOK 67.9 million in 2005.

Cash flow from profit and loss items increased from NOK 178.3 million in 2004 to NOK 295.9 million in 2005, which corresponds to NOK 2.28 per share compared with NOK 1.41 in 2004.

Investments, balance sheet and financing

In 2005, investments in fixed assets totalled NOK 112 million, which is a decrease from NOK 199 million in 2004. Some of the investment projects that were scheduled for 2005 will be carried out in 2006, most of which relate to maintenance investments, and upgrade investments aimed at increasing the utilisation of raw materials, tailoring to customer needs and increasing the level of processing in Timber, Wood and Building Modules. In addition to ordinary investments, the Group gained significant fixed assets as a result of the high rate of acquisitions. By coordinating the acquired business units with existing businesses it has been possible to take advantage of these gains to reduce the overall level of investment activity. Because the acquisition activity now has been reduced, and the Group's strategy is to put greater focus on tailoring to customer needs and increasing the amount of processing, the investment level in existing facilities will increase in 2006.

At the end of 2005, overall assets totalled NOK 2,964,1 million, compared to 2,884.2 in 2004. The higher balance sheet is due to the higher stock of raw materials, combined with a higher stock of finished products compared to earlier years as a result of the goal of wanting to be able to offer customers shorter delivery times. Equity share remained nearly unchanged from 2004 at 36.3 per cent. Equity has been assessed under the assumption of continued business operations. After converting the results from the Group's Swedish subsidiaries to the same exchange rate as in 2004, the total balance in 2005 would have been approx. NOK 100 million higher, while the equity ratio would have changed to 35.4 per cent.

The Group's long-term financing is organised in the form of long-term drawing rights. On the basis of annual seasonal variations and stock accumulation, the Group's total debt varies between NOK 300 and 350 million – from a low that normally occurs during the fourth quarter to a high during the second quarter. Drawing facilities offer the Group the flexibility of maintaining liquidity in accordance with seasonal variations, and is therefore a type of financing that suits the Group well. At the end of 2005, liquidity reserves totalled NOK 705 million, which is a decrease from NOK 890 million in 2004. The decrease is owing to currency issues combined with the redemption of loans.

Financial Risk

Fluctuations in prices for raw materials, finished products, exchange rates and interest, as well as other external variables mostly beyond the control of Moelven, have all had an impact on the Group's profit and balance sheet. The consequences of more lasting changes to these variables is described in more detail on page 22.

In order to reduce the effect of the seasonal fluctuations on these variables, extensive use of fixed price contracts for raw materials and finished products have been made, as well as futures contracts for foreign exchange and fixed interest rate contracts on long-term debt.

As a result of the hedging strategies, any changes in prices and rates will have to be permanent in order for them to have full impact on the Group, and during the hedged period adjustments can be made to operations to compensate for external rate fluctuations.

Approximately one half of the Group's total assets is linked to business activity in Sweden, and these figures will therefore be influenced by the exchange rate for SEK/NOK. Equity is in large part hedged against this vulnerability in that share investments in most of the Group's Swedish subsidiaries are financed in SEK. The amount of equity exposed to fluctuations in exchange rates totalled SEK 154 million at the end of 2005.

Most of the Group's credit sales are insured against loss, giving low risk exposure to receivables.

The Group's long-term financing is in long-term drawing rights. Given normal operating conditions, the Group can rely on having satisfactory liquidity reserves through 2008.

The Group also has unused short-term lines of credit in their bank portfolio that are renewed on an annual basis.

To ensure that fixed assets are sufficiently insured, an insurance policy has been developed that all Group companies must follow. The policy provides guidelines for which preventive measures need to be in place, as well as directions for risk assessment, continuity plans etc.

The Group is insured against financial losses exceeding NOK 3 million per accident through an industrial insurance policy.

Divisions

Timber

This division's main products are sawn timber and wood chips, which



"We are particularly happy that all of Moelven's three divisions have improved their profit figures in 2005."

Runar Lillandt

Year of birth: 1944

Board position: Chairman

Current position: Land- and forestry owner

Education: Agriculture and forestry polytechnic graduate

Elected to board: 2002

Other Board Positions:

Chairman of the Supervisory Board of Metsäliitto Confidential posts in Metsäliitto Group since 1981

Member of the Forestry Board of MTK (The Central Union of Agricultural Producers and Forest Owners)

No. of shares in Moelven: 0

are used as raw materials for other wood-processing industries. Production takes place at 15 sawmills, 8 of which are located in Sweden and 7 of which are in Norway. Annual production totals approx. 1.5 million cubic metres of "industrial wood". Wood chips and other by-products represent an additional source of income worth an annual total of some NOK 400 million. Even though Scandinavia is the main market for Timber, approximately 30 per cent of overall sales are exported to countries outside Scandinavia. At the end of 2005, Timber employed 587 persons in Sweden and 381 in Norway, with the share of female employees at 11.16 per cent.

The activity level in 2005 for Timber was very similar to the year before, as 1.59 million cubic metre of sawn wood was delivered in 2005 compared to 1.53 million in 2004. Operating revenues totalled NOK 2,656.8 million (2, 619). Operating profit improved from NOK 33.0 million in 2004 to NOK 61.4 million in 2005. The higher profit figure is due to various cost-cutting measures implemented in 2004. Approximately two cubic metres of timber is needed to produce one cubic metre of sawn timber, which means that efficient utilisation and cost of raw materials have a significant impact on profitability. Most of the implemented measures have been aimed at increasing the efficient use of raw materials. In addition to more efficient use of raw materials, a favourable development in prices for pine products has contributed in a positive direction. The imbalance between the costs for raw materials and the price of pine products has improved somewhat, while there has been the opposite development for spruce. The

stormfelling in southern Sweden resulted in an excess supply of spruce timber – particularly for the Group's Swedish plants, which resulted in downward pressures on market prices for sawn spruce timber.

Although prices for processed sawn timber made from the timber coming onto the market as a result of the stormfelling fell, high transport costs have resulted in falling margins for spruce as well.

Wood

This division's main products are wood-based materials used for construction purposes, as well as for interior and exterior applications. Components used in the production of doors and windows are also manufactured in this division. With the exception of the last-mentioned products, which are sold direct to customers, most of this division's products are sold through builders' merchants chains in Scandinavia. Production takes place at 13 plants, 6 of which are located in Sweden and 7 in Norway. Annual production is approximately 700 000 cubic metres. Approx. 10 per cent of Wood's total turnover is exported to markets outside Scandinavia, mainly sold in Great Britain.

At the end of 2005, Wood employed 287 persons in Sweden, 453 in Norway and 19 in Denmark. The share of female employees was 12.38 per cent.

Operating revenues for the year amounted to NOK 2,089.5 million (2,064), and the operating profit increased from NOK 29.6 million in 2004 to NOK 56.2 million in 2005.



Ole V. Salvén

Year of birth: 1953

Board position: Deputy chairman

Current position: President and CEO Finnforest Oyj

Education: Master of laws

Elected to board: 2005

No. of shares in Moelven: 1000



Arne Rødø

Year of birth: 1951

Board position: Board member

Current position: Stoker and technician

Education: Craft certificate

Elected to board: Regularly attending member starting in 2005

No. of shares in Moelven: 0

The activity level for Wood on the Norwegian market has largely remained unchanged from 2004, with deliveries totalling approximately 482 000 cubic metres of timber in 2005, compared to 478 000 in 2004. Price developments in the Norwegian market have changed somewhat between the various product categories, while overall there has been a marginal increase in prices for Moelven's companies. For Wood's Swedish business units, the deliveries, including deliveries to Wood in Norway, have increased to approximately 385 000 cubic metres of timber in 2005 from 308 000 in 2004, which is consistent with the objective of increasing the Group's market share in Sweden. Market activity in Sweden has been solid throughout 2005, with a high number of new housing projects contributing to the higher figures. Due to the competitive situation and market reaction to the stormfelling at the start of the year, it has not been possible to carry out any significant price increases while at the same time achieving the growth objectives for the Swedish market.

The higher profit figures in Wood are primarily a consequence of internal cost-cutting measures. As in the Timber Division, the production units in Wood have focused on increasing efficient use of raw materials. For the sales and the distribution units, work has been directed at optimising the logistics from the production site via the customer centres and distribution centres out to customers.

Building Systems

This division consists of the business areas Laminated Timber, Building

Modules and System Interiors. The main products are customer-tailored system for load-bearing constructions, entire module based buildings and interior layouts of buildings, primarily sold to builders and contractors in Scandinavia. The units are market leaders in their respective segments. The common denominator of all the division's system solutions are that they represent a competitive alternative to traditional on-site construction. Production takes place at 10 facilities, 6 of which are based in Sweden and 4 in Norway.

At the end of 2005, the Building Systems division employed 585 persons in Sweden, 793 in Norway and 3 in England. The share of female employees was 6.59 per cent.

Operating revenues for Building Systems Division totalled NOK 1,770.1 million in 2005 (1,630.0), with operating profit at NOK 75.9 million (44.9).

The business activity level for Laminated Timber was marginally higher in 2005 than in 2004.

Demand for laminated timber in Scandinavia has been similar to the year before, but an increasingly competitive export market has meant that a larger share of the production is sold domestically.

Starting in 2006, the export of laminated timber products will be reduced to a minimum. Profitability in the domestic market has been improved by increasing focus on generating added value rather than working to increase volume. In addition, unprofitable businesses that previously had a negative impact on the bottom line have been closed down.

For Building Modules, the higher activity level in 2005 has primarily come about as a result of a new production line for modules that is



Martin Lillandt

Year of birth: 1945

Board position: Board member

Current position: Senior Executive Vice President of Metsäliitto Cooperative

Education: Master of Sciences (Forestry) University of Helsinki 1969

Elected to board: 2005 (Deputy board member in 2004)

No. of shares in Moelven: 0



Arimo Uusitalo

Year of birth: 1942

Board position: Board member

Current position: Farmer

Education: Master of Sciences (Agriculture) Helsinki University

Postgraduate, University of Agriculture, Uppsala

Elected to board: 2002

Other Board Positions: Board chairman, Metsäliitto Osuuskunta

No. of shares in Moelven: 0

now in use at the factory at Moelv. Modular building design is becoming increasingly popular in both Norway and Sweden, and shows that this will be an important market segment to give focus in the years ahead. In the course of 2005, the 4 production units in Sweden have been merged into one legal entity, in order to ensure more efficient coordination and operation of production as well as to reduce administrative costs. Comprehensive measures have also been undertaken to improve profitability at one of the plants that suffered major losses in 2004. The measures resulted in a considerably reduced level of activity, and unfortunately caused staff reductions.

For System Interiors, operating revenues decreased somewhat in 2005. In Norway, the professional building market has improved and order reserves at the start of 2006 are very good. In Sweden, the market is still characterised by major fluctuations from month to month, and it is not possible to determine whether or not the market is improving. Operating profit is still higher compared to 2004, and this is primarily the effect of measures that were introduced to adapt the organisation and production to market conditions.

Other businesses

In addition to the holding company, Moelven Industrier ASA, this area covers the Group's joint services, such as raw materials purchasing, industrial Chips, bioenergy, R&D, accounting, finances, insurance, IT, personnel, property management and communications, in addition to businesses that do not belong to the Group's core business area. At the

end of 2005, this division employed 6 persons in Sweden and 45 in Norway. The share of female employees was 45.1 per cent. The book value of assets that are part of this division totals NOK 46.0 million (45.0).

Operating revenues totalled NOK 71.8 million in 2005 (68.5), with an operating loss of NOK 34.9 million (37.2). Non-industrial assets have been sold during the year generating a profit of NOK 3 million.

Innovation

Moelven is strongly committed to investing in research and development, the objectives vary from division to division. In Timber, the focus is primarily on increasing efficiency and improving production processes. The development of new products is seen as having less potential for the sawmill plants. For the planing mills in Wood, it has been important to combine product development with a focus on improving the production and logistics processes. Several new products have been launched onto the market in recent years. Products featuring a higher degree of processing have been given priority, such as surface treated products and products specially designed for the DIY market. In Building Systems, the focus on innovation varies between the different business units. For Building Modules, it has been important to develop the business concept so that it is possible to build multi-story modular-based buildings for residential purposes. Technical solutions for easily connecting and separating the modules is an example of areas where target-oriented innovative efforts have led to improvements in solutions that today have become integrated in the standard



Torstein A. Opdahl

Year of birth: 1947

Board position: Board member, Moelven Industrier ASA

Current position: Farmer

Education: Agronomist

Elected to board: 2001

Other Board Positions: Board Chairman, Glommen Skog BA

No. of shares in Moelven: 0



Iver Melby

Year of birth: 1955

Board position: Employee representative on Board, Moelven Industrier ASA

Current position: Stoker and mechanic

Education: Craft certificate

Elected to board: 1996

No. of shares in Moelven: 0

production processes. For System Interiors, product development is a continuous process since market trends are constantly changing. In recent years, the trend has shifted from closed office solutions to increased use of glass walls and open office areas.

Laminated Timber is perhaps the area that has had the most innovative projects in recent years. Wooden bridges based on technology developed in connection with several larger sports hall projects for the Olympics at Lillehammer in 1994 has become an important focus area both in Norway and Sweden.

The year 2005 has been the first complete operational year for Moelven MassivTre AS, in which Moelven has an ownership share of 47 per cent. The company produces solid wood elements that can be used for floors, ceilings, wall and balconies. The product thereby contributes to the trend of increased use of wood-based building materials in buildings where little wood previously has been used in the construction.

Based on an aim of stimulating the establishment of industrial activity and further developments in the geographical regions where the Group is represented, the Group has entered into an agreement with SIVA, The Industrial Development Corporation of Norway, regarding the start of a pilot project that shall evaluate the establishment of an industrial incubator programme at Moelv.

The goal is to establish an attractive environment oriented to developing new services, solutions and products for the building trade.

A significant share of the income for Timber and Wood come from chips that are used as raw material in other industrial production. Of

the overall timber entering the sawmill, only approximately 50 per cent is processed into sawn timber, while the rest consists of bark and various other types of residual wood chips. It is therefore important to ensure best possible use of the residual product. This is one reason why in the past few years the Moelven Group has worked strategically to consider establishing bioenergy facilities close to some of the group's production units. Such facilities would be able to take advantage of environmentally sound, renewable raw materials for the production of thermal energy. Bioenergy plants are more common in Sweden than in Norway, and there is already staff in the Group's plants that have the expertise that could be used to increase the use of such facilities in Norway.

Health, environment and safety

Employees

At the end of the year, the Group had 3,159 employees (3,191), of which 1,672 (1,630) were employed in Norwegian companies, 1,465 (1,542) in Swedish, 19 (17) in Danish and 3 (2) in other countries. The total number of man-years in 2005 was 3,001 (3,031).

Work environment

The rate of absenteeism in 2005 was 6,20 per cent (6,32), corresponding to 45,801 (46,245) full workdays.

There have been 98 (83) injuries resulting in absenteeism during the year, corresponding to 24,64 (20,4) injuries leading to absences per



Gunde Haglund

Year of birth: 1951

Board position: Regularly attending alternate

Current position: Senior sorter

Education: Extensive work experience

Elected to board: 2005

No. of shares in Moelven: 0



Even Mengshoel

Year of birth: 1953

Board position: Board member, Moelven Industrier ASA

Current position: Farmer

Education: Agriculture, forestry and history

Elected to board: 2001

Other Board Positions:

Board Chairman, Mjøsen Skog BA

Board member, Norges Skogeierforbund

Board member, TreFokus

No. of shares in Moelven: 0

million work hours. The total number of injuries was 159 (132). The significant increase in the number of injuries is not acceptable and means that the efforts aimed at preventing accidents must be intensified.

The Board's overall goal is for the general rate of absenteeism to be lower than 5.0 percent and to have a significant decrease in injuries. In order to achieve this objective, a number of preventive as well as attitude strengthening measures have already been implemented. An important part of the preventive work is gaining a detailed overview of the reasons for absenteeism and where, why and how accidents occur. Statistics show, for example, that there are nearly twice as many injuries at the Norwegian plants as at the Swedish plants, and that a large number of the accidents are due to safety routines and procedures lacking, or employees not following existing safety routines. The strategy will be to learn from this type of information and implement much more targeted measures, in combination with following up existing safety routines and measures already in place.

Examples of general measures that are already in place are a health, work environment and safety course for the Group's management, as well as the production of a handbook (health, work environment and safety) which has been distributed to all the employees. A reward system for all units in the Group was introduced in 2004, which is based on the measurement of a combination of low absenteeism and a high operating margin in each individual unit. The winning unit receives a monetary grant per employee to be used on measures that will improve the work environment for all employees in the unit. Based on the results in 2005, seven units will receive grants. Moelven Treinteriør AS and UJ Trading AB received both the maximum award, totalling NOK 2,000 per employee.

Equal Opportunity

Overall, 10.0 (9.78) per cent of the employees are female. The female share is higher among white collar than blue collar employees, the latter represents just above 76 per cent of the total workforce in the Group. In the Corporate Assembly there is one female member, while the Board has two female alternates. There are several female managers on most levels in the Group's organisation, but there are no women in the Group executive board.

The Moelven Group is aiming to make work conditions at the Group more attractive for women, and an equal opportunity policy has been implemented to support this commitment. In all Group companies with at least 10 employees, an equal opportunity plan will be developed in which goals and activities in this field will be formulated. Emphasis has been put on practicing an equal opportunity policy that is gender neutral. One inescapable fact, however, is that the majority of the jobs in the Group are in traditionally male dominated sectors. A higher proportion of men than women choose education within the occupational fields the Group depends on for its industrial production activities, and there are often no female applicants when vacancies are announced. Of the Groups 3.159 employees, 737 are white collar and 2.422 blue collar employees. The female share among the white collar staff is 24.8 per cent, and 5.5 per cent as regards the blue collar staff.

Environmental aspects

The Board is committed to minimise any negative impact on the environment resulting from Group business activities. This commitment applies not only to business operations at Moelven's factories, but also to ensure that the raw materials needed to run the businesses are environmentally sustainable and that our customers can use and dispose of our products in an environmentally sound manner. Hence we require that suppliers of timber must be certified in accordance with either PEFC (Programme for the Endorsement of Forest Certification schemes) or FSC (Forest Stewardship Council). The amount spent on the purchase of Nordic spruce and pine in 2005 corresponded to one third of the Group's operating revenues, this is thus the most important raw material for the Group's businesses. This raw material is a renewable resource offering significant environmental benefits compared to alternative building materials. In principle, wood-based building materials bind CO₂ for the same amount of time as a tree growing in the woods, and at the end of the product's lifecycle, the CO₂ is released as a part of the natural lifecycle of the wood. This natural cycle is in contrast to the burning of fossil fuels, which adds additional CO₂ to the environment. The Board is engaged in maintaining the environmental competitive advantages wood offers by ensuring sound production processes. In addition to measures taken aimed at minimising waste, there is also a focus on exploiting the potential benefits to be gained from bioenergy and energy economisation efforts. The energy required for the production process is relatively small and the Group is to a large extent self-sufficient with energy as a result of the fact that all thermal energy can be produced on the basis of by-products from the production processes. This also contributes in reducing the amount of waste. In the Building Systems Division, production is order-driven and located indoors, which ensures a minimum of waste materials. In addition, Building System's products are to a large extent flexible system solutions that are easily recycled.

New International Reporting Standard (IFRS)

All publicly listed companies in Norway are obliged to publicise their financial accounts in accordance with IFRS (International Financial Reporting Standards).

Moelven Industrier ASA is not obliged to follow the international standard as the company is not publicly listed, and has chosen to issue financial accounts in accordance with standard Norwegian accounting practices. Additional information has been provided to show the effects of reporting according to IFRS. (See page 63). By implementing IFRS, the biggest differences come from the treatment of pension commitments, financial instruments and allocation of dividends. The effect on pension commitments would be a one-time reduction of equity by NOK 55 million. The effect from financial instruments would depend on a market value assessment at the time of reporting. The consequence of the allocation of dividends on equity is that it would have to be reported as a part of equity until such time as a formal decision by the Board had been made regarding the allocation. The annual profit for 2005 would be the same whether using IFRS or Norwegian accounting principles, while the equity would be NOK 15.6 million less. The effect of reporting in accordance with IFRS is described in more detail in the profit and loss account on page 63.

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 one single class of shares. In all, there are approximately 990 shareholders, of whom the 6 largest shareholders control a total of 99.7 per cent. In 2002, a shareholders' agreement was made between Metsäliitto Osuuskunta, Finnforest Oyj (100 per cent owned by Metsäliitto), Glommen Fond AS (95 per cent owned by Glommen Skog BA) and Mjøsen Skog BA. This agreement includes clauses regulating representation in the Corporate Assembly and on the Board of Directors, as well as principles relating to decision-making on particular issues and on the transfer of shares. AT Skog BA and Havass Skog BA also signed the shareholders' agreement in connection with their purchase of shares in Moelven Industrier ASA in 2004.

The Corporate Assembly has 12 members, 4 of which are chosen by the employees. The Board consists of 8 members, 2 of which are employee representatives. The Board's activities are conducted in accordance with The Norwegian Companies Act. For more information about executive functions and bodies, see Note 21.

Business transactions with the owners are made in some business areas, such as, for example, the purchase of timber, where the Norwegian forest owners' associations are suppliers. Moelven's marketing units in Scandinavia is also used for distributing Finnforest products to the Scandinavian market, while Moelven in some instances uses Finnforest's marketing force in Europe. The Metsä Group Financial Services Oy is engaged in transactions involving interest swaps and currency exchanges. The general principle for all these transactions is that all dealings must take place based on the principle of "an arm's length" and that other companies will be chosen if they are able to offer better prices and/or terms.

Moelven has a long tradition of running a business that operates in strict compliance with all legal requirements and ethical guidelines and views competition as a healthy factor in this field. In a study conducted by Norwegian business and news journalists about Norwegian businesses in January 2005, Moelven earned fourth place in the cate-

gory for business ethics and morals. In order to maintain this positive culture, ethical guidelines and guidelines have been developed to ensure compliance with legislation regarding fair competition. More details about the management of the company can be found on page 61.

Allocation of Profit for Year

The Board wishes to continue a stable dividend policy, but also evaluates that the need for investments in the coming years require a share of the profit to remain in the Group. The Board therefore proposes a dividend of NOK 0.25 per share. This brings the total amount of dividends to be paid out to NOK 32.4 million. The holding company, Moelven Industrier ASA, which shall pay the dividends on behalf of the Group, had a profit of NOK 45.9 million in 2005. Any amount beyond the proposed dividend will be transferred to the post for other equity.

Outlook

The Board expects the overall demand for the Group's products to remain at the same level as that of the previous year. The volume of new housing in Norway is expected to level out or decline somewhat, while business activities in the professional building market is expected to increase somewhat. Overall, the companies in the Building Systems division show a somewhat higher than normal order stock at the start of 2006.

For the sawmills, sufficient availability of local raw materials will be critical for sustaining profitability, and in certain regions it may be necessary to make adjustments to operations as a result of reduced volume of available raw materials.

The number of planned investments in existing plants will increase significantly in 2006 compared to earlier years, most of these investments should generate results by the end of 2006. Overall, the Board anticipates that operating revenues and profit in 2006 will be at about the same level as for the previous year.

Moelv, 1 February 2006

Board of Moelven Industrier ASA

Runar Lillandt
Chairman

Ole V. Salvén
Deputy Chairman

Martin Lillandt

Arimo Uusitalo

Iver Melby

Even Mengshoel

Torstein A. Opdahl

Arne Rødø

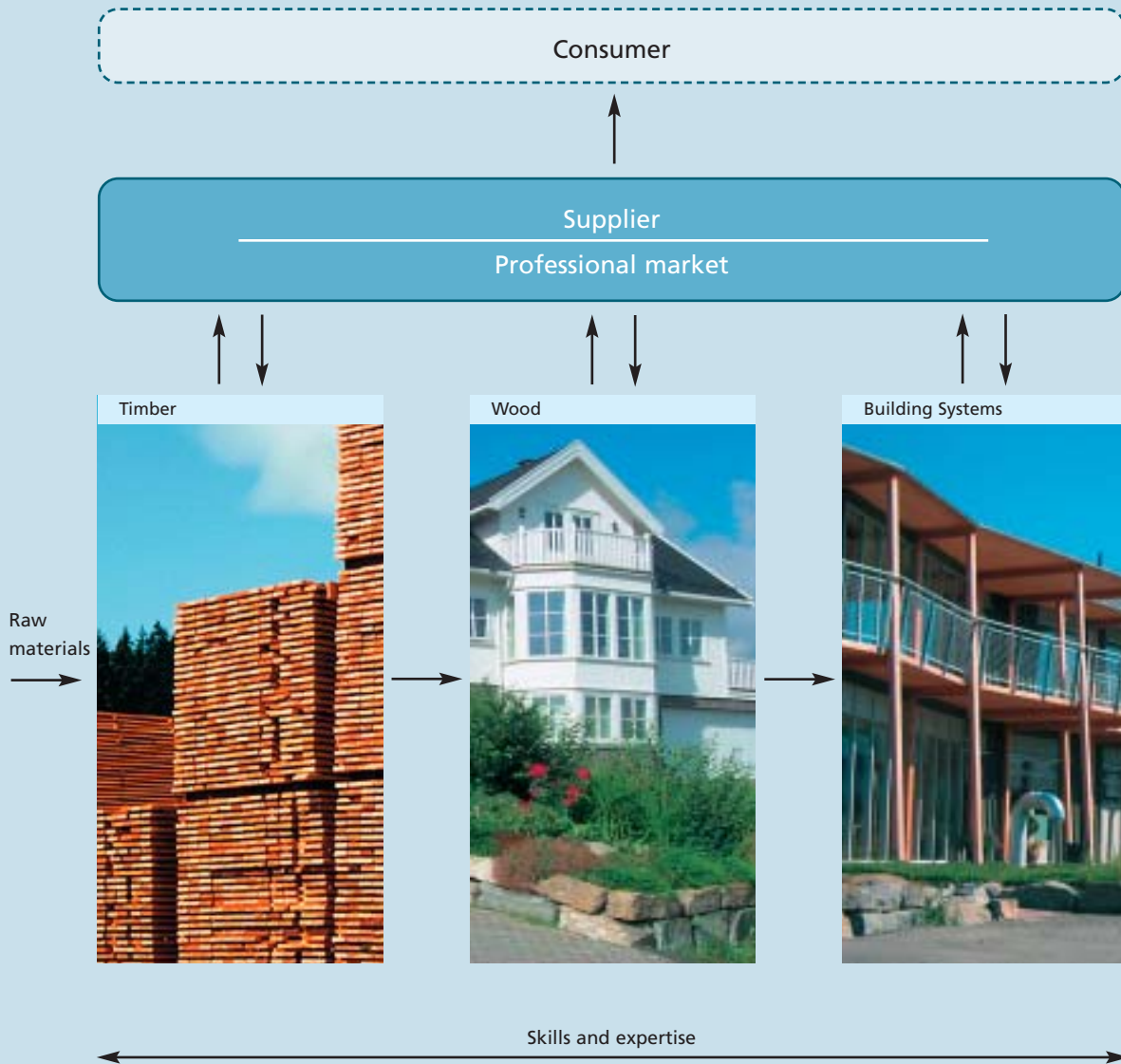
Gunde Haglund
Regularly attending alternate

Hans Rindal
President and CEO

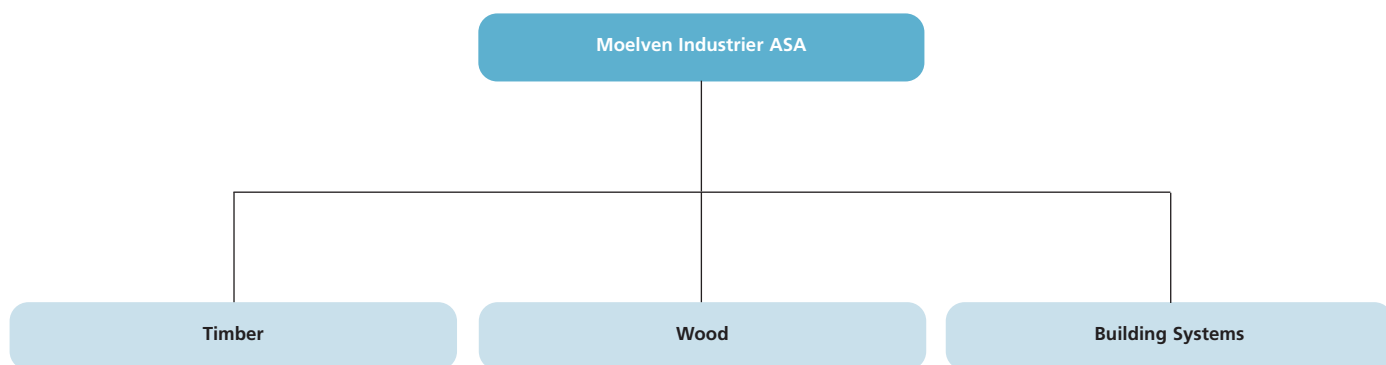
The Group

This is Moelven

The value chain

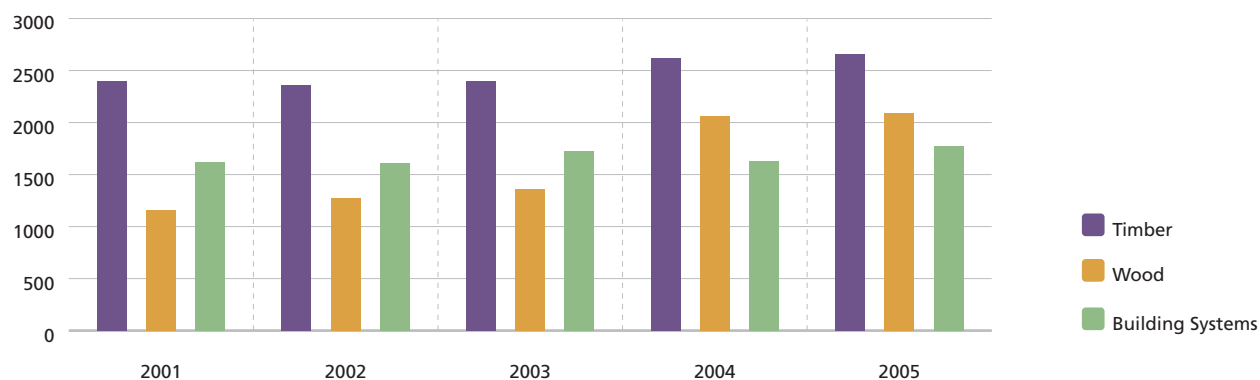


The Group's organisational structure is designed to suit the skills and expertise needed at the various stages of processing throughout the value chain, from the trees in the forest to the finished wood product. Most of the Group's products are processed in several stages within the Group, with approximately eight per cent of the timber remaining within the Group throughout the entire value chain. A number of products are sold to, and purchased from, businesses outside the Group at various stages, and one important reason for this is to reduce transport costs and thereby achieve more efficient resource management. In order to achieve optimal competitiveness, Moelven depends on a strongly decentralised organisational structure in which all the businesses are run as independent units accountable for their own financial results.

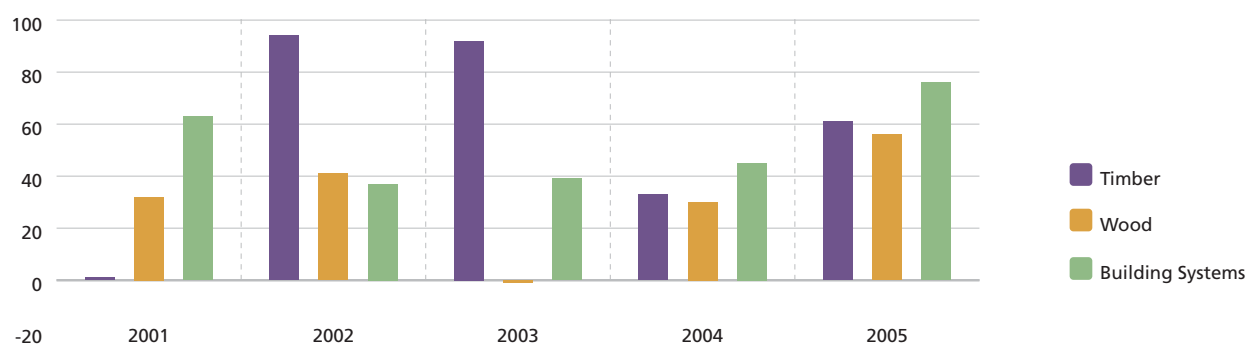


Divisions	Products and services	Operating revenues NOK mill.	Employees at 31.12.05
Timber	Sawn timber and wood chips	2 657	968
Wood	Wood based building materials	2 090	759
Building Systems	Building systems	1 770	1 381
– Laminated Timber	Load bearing support structures	402	259
– Modular Buildings	Flexible module-based	886	669
– System Interiors	System Interiors for commercial buildings	497	453

Operating revenues NOK millions



Operating profit NOK millions



The Group

Revenues and profit

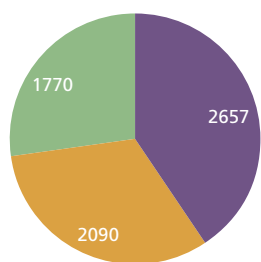
The most important factors influencing the Group's result are shown in the table below. The table shows the impact one per cent change in price would have on profits, all other factors being unchanged.

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

Factor	Operating Profit	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

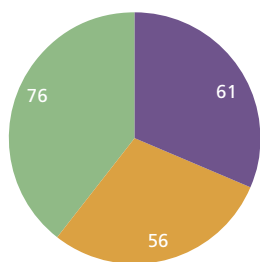
NOK millions 2005



- Timber
- Wood
- Building Systems

Operating profit per division

NOK millions 2005



- Timber
- Wood
- Building Systems

Main Figures for Five Years

Amounts in NOK millions.	2005	2004	2003	2002	2001
THE GROUP					
Operating revenues	6 004.9	5 773.2	4 864.1	4 618.4	4 516.5
Depreciation & write-downs	178.0	177.5	146.1	147.4	161.4
Operating profit	158.6	70.3	100.6	139.4	92.7
Financial items	-45.6	-53.7	-36.1	-40.3	-53.5
Operating result before tax	113.0	16.6	64.5	99.1	39.2
Total capital	2 964.1	2 884.2	2 363.5	2 140.2	2 392.7
Equity ratio	36.3	36.5	39.1	42.9	36.7
Net operating margin in per cent	2.6	1.2	2.1	3	2.1
Cash flow from operating profit	336.6	247.8	246.7	286.8	254.1
Investments	112	199	189	119	105
No. of employees	3 159	3 191	2 853	3 120	3 149
Proforma. Moelven Group incl. Are Group in 2001–2003					
Operating revenues	6 005	5 773	5564	5239	5127
Depreciation & write-downs	178	178	177	179	194
Operating profit	159	70	128	177	124
Net operating margin in per cent	2.6	1.2	2.3	3.4	2.4
No. of employees	3 159	3 191	3150	3420	3450
TIMBER					
Operating revenues	2 656.8	2 619.3	2 398.1	2 360.1	2 398.9
Depreciation & write-downs	77.6	78	74.3	77.5	99.2
Operating profit	61.4	33	92.3	93.6	1.2
Financial items	-15.2	-17.7	-17.7	-23.2	-30.4
Operating result before tax	46.2	15.3	74.6	70.4	-29.2
Total capital	1 509.0	1 448.5	1 258.3	1 230.2	1 279.0
Net operating margin in per cent	2.3	1.3	3.8	4.0	0.1
Cash flow from operating profit	139	111	166.6	171.1	100.4
Investments	53	107	123	74	37
No. of employees	968	1 019	979	1 006	1 043
WOOD					
Operating revenues	2 089.5	2 064.1	1 363.0	1 273.8	1 160.7
Depreciation & write-downs	53.3	54.2	25.8	25.0	22.6
Operating profit	56.2	29.6	-0.6	40.6	32.0
Financial items	-13.1	-18	-11.2	-10.6	-11.5
Operating result before tax	43.1	11.6	-11.8	30.0	20.5
Total capital	1 155.8	1 059.2	631.8	531.4	499.9
Net operating margin in per cent	2.7	1.4	0.0	3.2	2.8
Cash flow from operating profit	109.5	83.8	25.2	65.6	54.6
Investments	33	70	41	18	15
No. of employees	759	784	577	628	654
BUILDING SYSTEMS					
Operating revenues	1 770.1	1 630.0	1 726.2	1 607.3	1 615.3
Depreciation & write-downs	30.2	32.7	37.2	36.7	33.6
Operating profit	75.9	44.9	38.5	36.6	63.0
Financial items	-4.3	-2.2	-1.2	-2.6	0.5
Operating result before tax	71.6	42.7	37.3	34.0	63.5
Total capital	897.7	801.2	790.4	786.4	846.5
Net operating margin in per cent	4.3	2.8	2.2	2.3	3.9
Cash flow from operating profit	106.1	77.6	75.7	73.3	96.6
Investments	22	22	17	23	33
No. of employees	1381	1334	1239	1426	1402
Laminated Timber					
Operating revenues	402.0	387.2	386.1	364.6	383.4
Depreciation & write-downs	11.6	13.3	14.1	13.9	15.5
Operating profit	20.0	15.6	1.5	-5.1	-8.9
Net operating margin in per cent	5.0	4.0	0.4	-1.4	-2.3
Investments	13	7	10	13	7
No. of employees	259	244	251	303	322
Modular Buildings					
Operating revenues	886.3	736.5	762.9	655.8	590.0
Depreciation & write-downs	13.3	12.3	13.9	12.9	8.5
Operating profit	23.8	7.1	15.7	10.3	30.5
Net operating margin in per cent	2.7	1.0	2.1	1.6	5.2
Investments	8	14	4	7	21
No. of employees	669	633	469	534	514
System Interiors					
Operating revenues	496.7	520.4	579.8	586.9	641.9
Depreciation & write-downs	5.3	7.0	9.2	9.9	9.6
Operating profit	32.1	22.2	21.3	31.4	41.4
Net operating margin in per cent	6.5	4.3	3.7	5.4	6.4
Investments	1	1	3	3	5
No. of employees	453	457	519	589	566
OTHER BUSINESSES					
Operating revenues	71.8	69.8	46.7	89.3	56.5
Depreciation & write-downs	16.9	12.6	8.8	8.2	6
Operating profit	-34.9	-37.2	-29.6	-31.4	-3.5
Financial items	-13	-15.8	-6	-3.9	-12.1
Operating result before tax	-47.9	-53.0	-35.6	-35.3	-15.6
Cash flow from operating profit	-18.0	-24.6	-20.8	-23.2	2.5
No. of employees	51	54	58	60	50

The Group

Important 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.
- 1948**
Johs. Mageli is appointed Director of AS Moelven Brug. He was the founder of the modern Moelven.
- 1950**
A new type of transportable forest hut and rest barracks, the "Moelven House on Wheels," is developed.
- 1959/60**
The laminated timber factory at Moelv starts production in collaboration with Ringsaker Almanning.
- 1960/61**
Agricultural products, loaders, dumpers and mobile cranes are developed. Deck cranes are developed later.
- 1964**
Moelven House Units is expanded – sales offices are established in Sweden and Norway.
- 1965**
A/S Ringsakerhus is founded in collaboration with OBOS (house building cooperative in Oslo). This signals the start of housing field development.
- 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.
- 1980**
Mjøsbruket is established. This is Moelven's first sawmill.
- 1981**
Moelven is listed on the Oslo Stock Exchange. Total share capital: NOK 17.5 million.
- 1982**
Moelven takes over the majority of shares in Töreboda Limträ AB in Sweden, and becomes one of the largest glulam producers in Europe.
- 1985**
Acquisition of Dalaträ AB in Sweden and LNJ Limträ AS in Denmark.
- 1988**
Moelven sells the majority of its mechanical industry.
- 1989**
Moelven takes over Norema's residential and business building divisions from Aker.
- 1990/92**
The recession in the Norwegian housing market results in the stopping of house production, which is the Group's largest business area. The Group undergoes a major reorganisation and refinancing process.



1899



1959/60



1925 – Horse vehicles were an important product.



1948



1950

1993/1994

Deliveries to the Olympic halls (Viking Ship, Håkons Hall and Hamar Olympic Amphitheatre) for the 1994 Winter Olympic Games.

1995

Load-bearing constructions in laminated timber are delivered for the international airport terminal building at Gardermoen.

1998

Acquisition of Notnäs AB and the Westwood Group in Sweden almost doubles Moelven's Timber Group.

1999

Moelven celebrates its 100th anniversary.

2000

Moelven takes over Forestia's timber-manufacturing business, along with 820 employees, 12 production plants and an increase of NOK 1.3 billion in revenue.

2001

New owners. The Finnish company, Finnforest, acquires 59.1 per cent of Moelven shares, and the Norwegian and Swedish forestry owners retain 37.6 per cent. Moelven strengthens its

position in the Swedish modular building market by acquiring Sandsjöfors Modulbyggen AB in Sandsjöfors, Småland.

2002

Moelven Industrier ASA is delisted from the Oslo Stock Exchange. Runar Lillandt, chairman of Forvaltningsrådet in the Finnish Metsäliitto Group, takes over as new chairman for Moelven Industrier ASA.

Bo B. Borgström becomes new CEO and Managing Director after Frode Alhaug.

The Norwegian forestry owners' associations, Mjøsen and Glommen, agree with the Finnish majority shareholders in the Moelven Group regarding a new shareholders' agreement for Moelven Industrier ASA. Finnforest Sverige AB is integrated into Moelven.

Moelven Modular Buildings enters into a major contract with Statoil for the production and delivery of modules in connection with the development of the Snøhvit gas field.

2003

Collaboration between Moelven and Finnforest leads to the establishment of a new company in Denmark: Moelven Danmark AS. The company markets and sells products both

from Moelven and Finnforest in Denmark.

The world's longest wooden bridge is opened at Flisa, Norway. The bridge is built using glue laminated wooden beams delivered by Moelven.

2004

The Glommen, Mjøsen, Haldenvassdraget and Agder Telemark forestry associations increased their holdings of Moelven shares from 22 to 35 percent. Finnish forestry owners remain majority shareholders with a 65 per cent shareholding.

After formal approval by the Norwegian and Swedish competition authorities, Moelven Industrier ASA acquired the Are Group as of 1 January 2004, leading to the addition of six new companies, five of which are wood-based industrial businesses.

The competition authorities in Sweden approved Moelven's purchase of the Swedish modular housing producer Mobilarum AB, which consists of the two production companies Kils Volymbyggen in Kil and Nordmodul in Torsby. The two companies were renamed Moelven ByggModul Kil AS and Moelven ByggModul Torsby AB, respectively.



1987 – Acquisition of Valåsen Sågverk AB



2002



1994



2003

The Group

Timber Supplies

Moelven's industrial production is based primarily on timber, and the Group purchases 3.9 million solid cubic metres of spruce and pine annually valued at a total of approx. NOK 1.7 billion, including transport costs.

Since Moelven does not own any forests, all the raw materials are purchased from external suppliers, such as private forestry owners, forestry associations and industrial forestry companies. Most purchases are made locally from suppliers placed close to where the processing plants are located.

Access to raw materials

Local spruce and pine timber is the basis for Moelven's business activities, and the individual sawmill has adapted its production to the local forestry resources. Spruce represents 60 per cent of the Group's total timber raw material and pine 40 per cent.

The Group's purchases are made based on detailed specifications ensuring that the individual plants obtain the raw materials they need to be able to extract maximum value from each log at minimum cost. A pine or spruce tree ready for felling suited for sawmill production is approximately 70-120 years old.

Raw materials harvested from local forests

The Moelven Group does not own any forests, so all raw materials are purchased from external suppliers, such as private forestry owners, forestry associations and industrial forestry companies that own and manage their own forestry resources. In addition to the cross-border trade of logs between Norway and Sweden, approximately 80 000 solid cubic metres of timber is purchased from other countries. In cases where Moelven purchases raw materials from Group shareowners, this is done consistent with the Group's "armlength's" policy.

The timber used in the Group's production are harvested and purchased primarily within close proximity of the Group's sawmills. For Moelven's Norwegian sawmills, most of the logs are felled in forests in south-eastern Norway and the Trøndelag district, as well as from the border districts in mid-Sweden. The Swedish plants obtain their timber

primarily from the western parts of mid-Sweden, from Dalarna and southwards.

For Moelven, the price of raw materials represents a major share of the production cost, and the Group is heavily dependent on long-term and predictable delivery situation in order to be able to secure production and profitability.

When harvesting timber, the forestry owner receives a higher price for sawn wood than for pulp wood, which means that the forestry owners depend on a competitive industry in order to be able to sell their timber at acceptable prices.

Moelven's sawmills process 3.9 million solid cubic metres of sawn timber annually. Our purchases in Norway total approx. 20 percent of the total Norwegian consumption for industrial applications within the sawmill and other wood-processing industries. In Sweden, our purchases total 3.5 per cent of the total Swedish volume of timber harvested for industrial applications.

Organising purchases and transport

None of Moelven's plants in Sweden and Norway purchase logs independently. Moelven's raw material purchases amount to NOK 1.7 billion including transport costs.

Purchases in Norway

For the Norwegian businesses in the Timber and Wood divisions, Moelven has a centralised timber purchasing organisation, Moelven



Morten Kristiansen

Position: Director

Company: Moelven Industrier ASA

Age: 47 years old

Interests: Family, sports and outdoor recreation



From Moelven Østerdalsbruket AS.

Virke, which employs six persons. Most of the timber is purchased from forestry associations in Norway.

Purchases in Sweden

The Group purchases raw materials for the Swedish businesses through the companies Moelven Skog AB and Weda Skog AB, in both of which the Group has partial ownership. Both of these companies have large field staffs that purchase approximately 30 per cent of the timber direct from forestry owners, while the remainder is obtained from forestry associations, forestry companies and other purchasing channels.

Transport in Norway

Moelven does not own any vehicles for timber transport. In Norway, Moelven has partial ownership in three regional timber transporting companies that hire external transport services.

All of these companies endeavour to reduce the costs for transport and logistics, from the forest through to the processing plants. The transport companies carry out these services with a high service level to the forestry owners, and work closely with the owners to improve road and rail conditions for transporters in Norway. The timber freight companies must pay close attention to environmental concerns in connection with their activities.

Transport in Sweden

Timber transports are carried out by external transport companies in Sweden.

Conditions for Transporters

Timber transport costs Moelven approximately NOK 200 – 210 million annually, this transport costs represent approx. 12 per cent of the total acquisition price for the log.

Moelven transports 7.5 million cubic metres of timber, by-products and finished goods annually by vehicle transport on the public road systems in Norway, Sweden and Denmark. The regulations for transporting goods on the public roads are stricter in Norway than in Sweden. In Sweden, a transport vehicle can be up to 25 metres long

and weigh up to 60 tons. In Norway, the respective maximum figures are 18 metres in length (with dispensation available for vehicles up to 22 metres) and 50 tons in weight; however the Group has been given positive signals that 56 tons may be permitted in the near future.

Both Moelven and the companies that the Group has ownership interests in are engaged in changing the rules for transport on Norwegian public roads to be harmonised with the rules in Sweden. Since the Group is responsible for a large amount of the vehicle transport in the south-eastern parts of Norway and the western parts of mid-Sweden, the Group is anxious to influence the authorities to ensure a safe and high road standard. This issue is not only important in terms of the safety of our employees, but also for other road users as well as the affected local communities. If the rules in Norway are adapted to those in Sweden, Moelven will reduce their annual transport costs with more than NOK 15 million.

Long-term outlook

The rate of felling in Norway reached its top volume at the end of the 1980s and up until the early 1990s, but has slowed ever since. In Sweden, the rate of felling has increased in recent years.

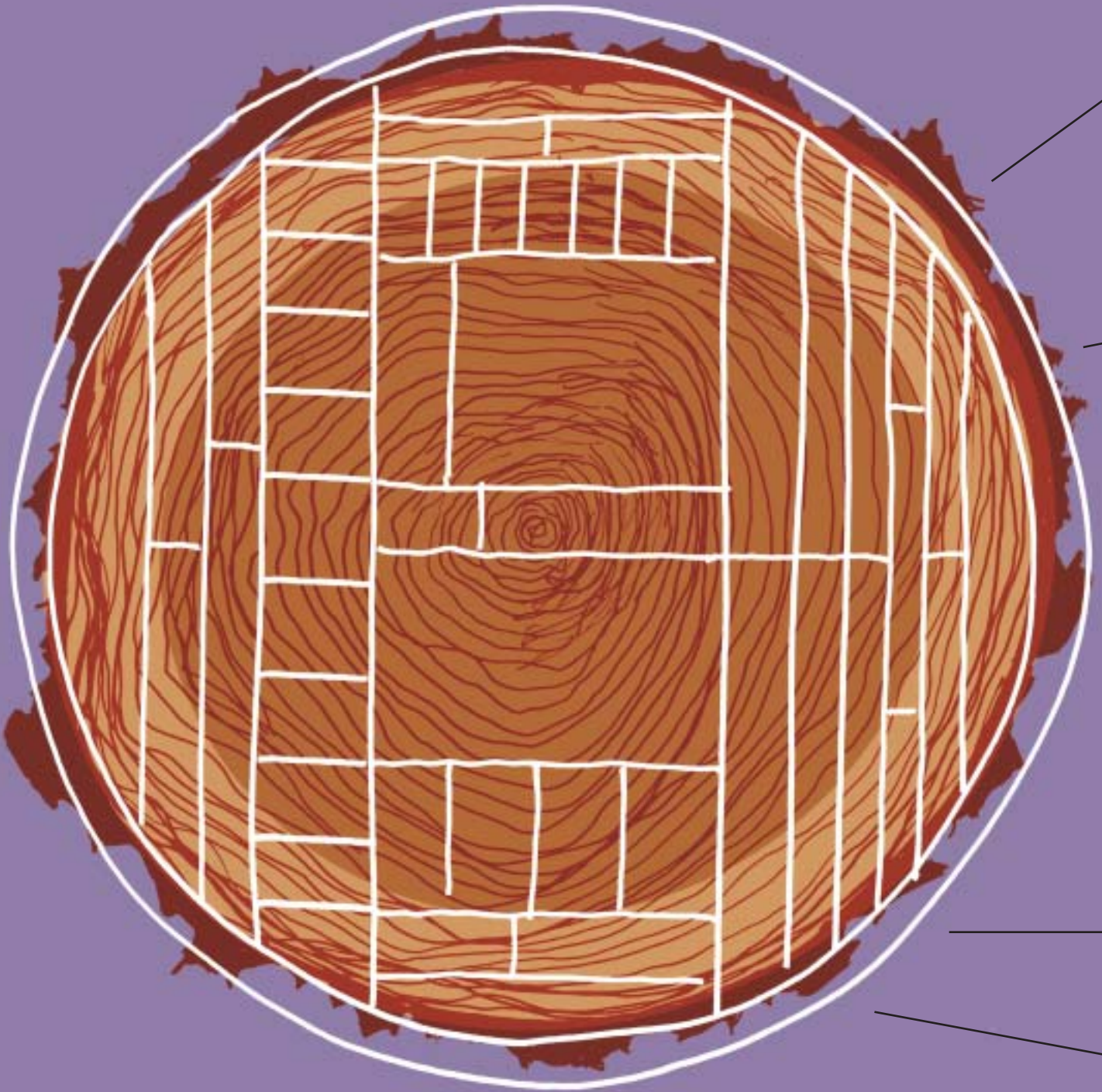
The amount of forest harvested at any one time is to a large degree determined by the prices forestry owners receive for the raw materials, the net price for the log. The net price is determined not just by timber prices, but also by taxes and fees, as well as by costs for felling and replanting.

The price of raw materials has increased in recent years, and this trend seems to be continuing. Today, raw material costs represent between 60-70 per cent of the total production costs for the sawmill, depending on the degree of processing involved.

Tree growth in the forest is now higher than the rate of felling, which will ensure long-term sustainability for the forestry business.

An important issue discussed vividly these days is whether there is enough forest for the wide variety of potential uses - recreational purposes, nature reserves and industrial production. Moelven's perspective is that there is currently an imbalance in the supply and demand of timber – the demand for logs by industrial buyers now being much higher than the available supply.

Timber



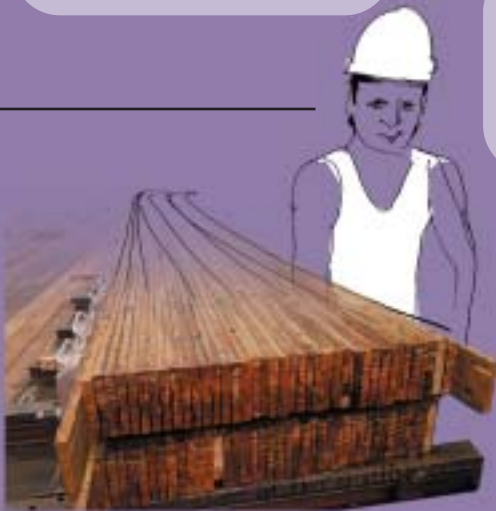
Nothing left to waste.

Every inch of the trunk of a spruce tree can be used for some building application. Based on the log's diameter and customer wishes, the logs can be sawn into boards, moulding, panelling or sections that can be glued together to form solid laminated timber beams.

The innermost part of the pine tree that over the decades has grown slowly and particularly dense is ideal for use in the production of window frames subject to rough weather conditions. The heartwood of the tree can also be used to make panelling, moulding, flooring and materials for furniture. Fresh knots in the wood provide a rustic look, while minimal knots offer a calmer surface. The type of wood must be chosen according to design and desire.



The whole becomes stronger than its parts when carefully selected sections of the pine tree are glued together to make laminated timber beams and columns. A glulam structure is extremely strong in relation to its weight, and can be used for wide spans. A light bridge made of laminated timber, for example, can easily support heavy traffic across wide rivers.



Wood is a natural material and some logs may have defects making them unsuitable for building purposes. The wood from such logs, primarily the outer parts, are used by some of our customers, however, to make solid packaging material that will protect other high quality products during transport.



The entire log is a valuable commodity, and the parts of the tree that cannot be used to make sawn wood can be used in other important applications. Barked chips, for example, are an essential raw material for the paper and pulp industry, while shavings are in strong demand by the particleboard and bio-energy industries. Annually, Moelven sells chip products totalling some NOK 400 million.

Timber

Managing Director



«We generate the most value out of each individual log for the least amount of cost.»

Anders L. Fossum

Position: Managing Director

Division: Timber

Age: 57 years old

Interests: Family and recreational activities

Who is Anders L. Fossum?

I am a person who loves sawmills, hunting and fishing. I have strong bonds to inland Norway and became an industrial leader early on in my career – first in the Kværner Group, then in Langmoen and later in various leadership positions in the Moelven Group. I am married, have children and live in Brumunddal.

Why do you and your employees go to work?

First and foremost I go to work to realise the goals I have set for myself, and I hope my colleagues go to work to try to achieve the goals they have committed themselves to reaching.

What is the most unique aspect of your job at Moelven?

The most unique aspects are my colleagues and the fantastic challenge of trying to generate the most value out of each individual log for the least amount of cost. There are infinite possibilities for dividing up a log – it is an entire philosophy in itself.

What is the most important aspect of your job at Moelven?

Hunting has always been an important part of my life, and it has taught me something about leadership skills. My most important activity at Moelven is to use my time to coach others so that they can contribute as much as possible to the rest of the team. That is also my main job at Moelven.

What type of leader are you?

I do not need to have spectators to enjoy my job, and I work just as well on simple as on complex tasks. I feel I am a quite steady, reliable person, and am known to take on challenges one step at a time. I identify myself with Moelven's core values, being very results-oriented.

Moelven runs a very decentralised organisation, which is rather uncommon in this field. How do you feel about that?

For me it is reassuring to have a complete and accountable organisation in each company that I manage and to be able to depend on them 100%. Our industry consists of many business units spread across large geographical distances but all with a local base and all facing unique challenges – this is why I believe in having the staff and expertise based locally at the site. Some things obviously must be coordinated centrally, such as marketing and purchasing, but one cannot centralise the responsibility for generating value in our type of industry because that is something that happens on a local level.

Towards whom do you feel your prime responsibility?

It needs to be equally divided: the owners, the board, the President/CEO and my colleagues on the one side; the customers and all our suppliers on the other.

Is the responsibility sometimes a burden?

I don't think so. From a very early age I have always had plenty of responsibility – that is just the way things are. And I have tremendous respect for the burdens of having a great deal of responsibility on one's shoulders. One must constantly assess whether one is succeeding in reaching one's goals or not. At the same time, one must be critical of the process and how things are done. One cannot succeed without having a good reputation.

How do you view Moelven Timber's social responsibility?

We are very lucky to be working with a renewable resource – this gives me a good feeling. We are renewing the forest in order to ensure that there are trees left for later generations to harvest. We are working at all times with an environmental perspective: the trees in the forest bind CO₂ as they grow, and we conserve it when we build using wood. Energy consumption is also very low in our industry. If you compare us with our competitors in the steel and concrete industries, our environmental record is far better. And many of our plants are cornerstone industries when it comes to the local rural communities in which they operate.

Is there anything you and your colleagues can improve on?

We must always believe that we can improve, and the past is the best evidence of this. Our industry is in a constant state of development, and it is the future that counts. We must constantly weigh on a scale all the revenues, costs, renewal of technology and expertise, and then try to improve in all these areas. Our competitors have access to the same machinery, so it is our attitude, expertise and commitment that must be unique.

In what way do you share the accountability with your staff?

I always think ahead, and we adjust our three-year strategy plan on an annual basis. The future goals and the road to achieving them need to be communicated to the staff. It is important to have clear and easily communicable goals for both the short and long terms. One advantage I have is that after many years' experience in the field I am very familiar with the industry I am leading. And one way I make myself accountable is by showing respect for other people's expertise and skills.

Why should customers purchase from you and not from your competitors?

We are the "big" supplier who supplies the many "small" customers, and we penetrate deep into the market. We have a considerable number of business units, which means that we can reliably supply a wide-reaching product range both in terms of dimensions, quality and delivery times. We can take advantage of the entire value chain for the benefit of our customers, and new technology makes us able to supply the same quality from several different units. In all ways the market sees us as a serious and reliable supplier.

Where is Moelven Timber in three years' time?

In three years' time we will have carried out an ambitious and well-defined strategic investment program, involving both developing new skills and expertise and renewing our technology. Customer satisfaction will have increased in line with us being able to communicate a more concise business concept, and we will also have increased cost efficiency and profitability significantly. All this should please our owners and the many colleagues and families who depend on us.

Timber

Division description

The sawmills in the Timber division produce sawn pine and spruce used for further processing in other wood processing plants. A significant amount of by-products are generated in the production process, such as chips, shavings and bark. A total of 15 production units belong to the Timber division, with a total annual production just above 1.5 million cubic metres of sawn wood. Timber has 968 employees, 381 of which are in Norway and 587 in Sweden. Total annual sales for all the units amount to NOK 2.7 billion.

Products

The businesses in Timber process timber into 1.5 million cubic metres of sawn wood.

The division's customers are largely industrial customers who use Timber's products as raw materials for their own production. The end-products are primarily wood-based products, such as furniture, flooring, moulding, panelling and laminated timber, or components used to make products such as stairs, window frames and doors. A large and increasing share of the production is tailored to individual customers' needs with regard to drying, lengths, qualities and non-standard sizes. Timber's strategy is to establish close relationships with its customers in order to be able to meet their unique needs.

Timber also produces approximately 1.0 million solid cubic metres of cellulose chips, which are supplied to regional paper and pulp producers, in addition to approximately 0.4 million solid cubic metres of shavings and chips, which is sold to the particle board industry and producers of bio-energy. Bark is primarily used to generate energy for the division's own plants.

Market

Sawn Timber

Approximately 70 per cent of overall production output is supplied to customers in Scandinavia, which is Timber's main market. The division's units also supply large amounts to England, the Netherlands, Germany, France, Italy, Spain and Japan. Moelven and Finnforest co-operate closely on the most important export markets through common sales offices.

The division's marketing focus is on major global customer groups as well as the many small, local customers. For many years, the division has put a great deal of emphasis on specialisation and concept development in order to satisfy various customer groups' specific needs. The division's industrial customers include the majority of the wood mechanical industry, they are typically planing mills, laminated timber factories or window and floor manufacturers. Approximately 20 per cent of the sawn timber that Timber produces is sold to other companies in the Group for further processing.

Industrial chips

Timber's sales of chips and shavings total approximately NOK 300 million per year. The increasing focus on the environment in the society means that bio-energy is becoming a more attractive energy source and thus increasing the value of the division's by-products.

Raw materials

The sawmills in the Timber division consume approximately three million solid cubic metres of solid timber every year. Most of the timber is obtained locally from forests close to the sawmills. In Norway, the raw material is purchased from private forestry owners and through forestry owners' associations. In Sweden, the timber is purchased primarily from forestry associations and industrial forestry companies, but also through direct purchases from forestry owners.

The volume of raw materials consumed corresponds to just under four per cent of the total timber harvested in Sweden suitable for industrial applications in sawmills and wood pulp industries, and approximately 20 per cent of the total harvest of timber in Norway. Of the total amount of raw material consumed by the division, spruce represents 60 per cent and pine 40 per cent.

For Timber, the cost of raw materials is the largest share of the overall production cost, while it is the sawn timber that creates the largest share of value from the harvested product. This results in a strong and mutually dependent relationship between the forestry owners and the sawmill industry. The forestry owners are reliant on a competitive industry to be able to sell sawn timber at acceptable prices, and the sawmills depend on predictable supplies in order to ensure production stability and profitability.

Outlook

The division's main strategy is to continue to focus on cost-cutting measures and concept development. Timber has identified the future direction and development of each company in the division. Based on this analysis, the division has prepared a strategic investment program that stretches over many years and where the goal is to strengthen the division's competitive edge by increasing customer satisfaction, boosting efficient use of raw materials and cutting costs.

The bio energy market is developing favourably and Timber will be an active partner in the development of the potential this market segment represents.

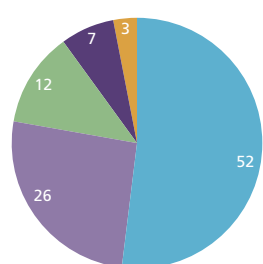


Sawn wood to additional processing.



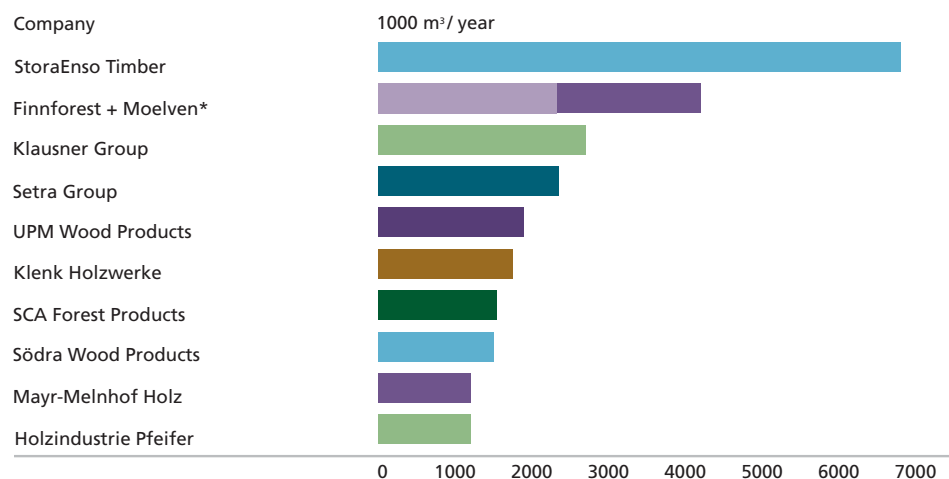
Wood chips.

Operating revenues per segment in per cent



- Planing mills
- Distribution
- Furniture, doors, windows
- Structural Timber
- Packaging

The largest European producers of industrial wood products.



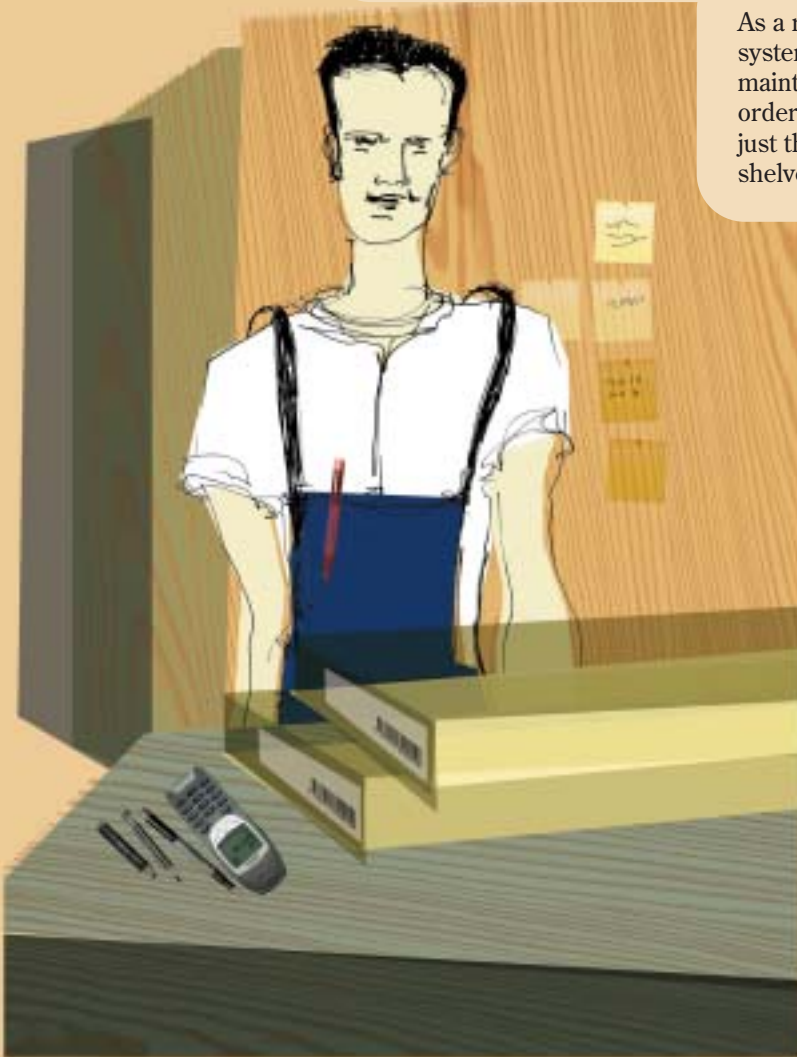
Source: Holzkurier, January 2006 * Corrected by Moelven

Timber	Volume m³	Revenue		Products	No of employees
		MNOK			
Moelven Dalaträ AB	134 000	216		Industrial pine	71
Moelven Norsälven AB	81 000	134		Industrial pine	47
Moelven Notnäs AB	171 000	266		Industrial spruce	96
Moelven Ransbysågen AB	65 000	103		Industrial spruce and pine	33
Moelven Valåsen AB	319 000	467		Industrial spruce and pine	150
Moelven Nössemark Trä AB	77 000	115		Industrial spruce and pine	41
Moelven Årjäng Säg AB	109 000	164		Industrial spruce and pine	45
Moelven Løten AS	42 000	78		Industrial pine	36
Moelven Mjøsbruket AS	77 000	128		Industrial spruce	41
Moelven Numedal AS	58 000	94		Industrial spruce	42
Moelven Telemarksbruket AS	29 000	46		Industrial spruce and pine	27
Moelven Våler AS, avd Våler	165 000	275		Industrial spruce and pine	102
Moelven Våler AS, avd Elverum	33 000	60		Industrial spruce and pine	18
Moelven Soknabruket AS	134 000	210		Industrial spruce and pine	96
Moelven Tom Heurlin AB	70 000	167		Industrial spruce	63
UJ Trading AB	-	44		Wood mech. Equipm. trade to Wood proc. incl.	15
Moelven Timber AS	-	37		Parent company functions	19
Moelven Timber AS, avd Virke	-	922		Timber procurement	-
Moelven Skog AB	-	353		Timber procurement	26
Other / Eliminations	-	(1 222)			-
Timber total	1 564 000	2 657			968

Wood

BUILDING MATERIALS

As a result of Moelven's highly efficient distribution system, builders' merchant chains no longer need to maintain large and expensive own stocks. The goods ordered from our customers are timed to arrive at just the right time in the ordered volume so that the shelves in the stores are always full.



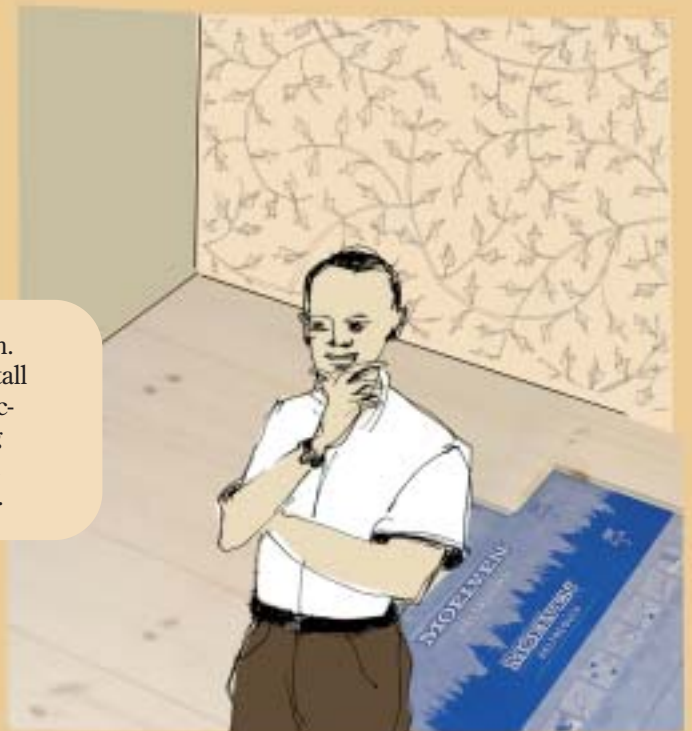
Market know-how and efficient distribution make customers satisfied.

Mom chose special boards that have been impregnated with a material free of hazardous heavy metals for our new balcony. She says this is better for the environment and for my little brother who hasn't learned to walk yet.



Exterior finished primed panelling saves time and energy, even for professional carpenters and contractors. The panelling is already protected against rot on the back side and all the customer needs to do is to apply one coat of paint. All the wood products needed for building are now readily available in builders' merchants chains, where everything from interior and exterior building material, as well as sheet material, moulding and other fine-processed wood products, are available at one and the same place from a reliable and trusted supplier. The high quality of the product also means that there is less waste, which keeps costs down.

We are extremely satisfied with our new living room. The package of ready-oiled flooring was easy to install with the aid of the accompanying installation instructions, and we were able to move back into the living room after just one weekend of work. And we could even use the packaging as underlay for the flooring.



Wood

Managing Director



«We cultivate the principle of individual freedom, where tasks and improvements people believe in are initiated so that everyone is motivated to work independently.»

Dag E. Sand

Position: Managing Director

Division: Wood

Age: 60 years old

Interests: Family and exercising

Who is Mr. Dag E. Sand?

I am a competitive person. As for recreational activities outside of my family, I put priority on keeping fit. Every year I "grind" my way through the marathon Birkebeineren ski and bicycle races. I am married, have two children and come from Jessheim.

Why do you and your employees go to work?

Because I have an interesting job and an attractive workplace. Of course, all days are not equally enjoyable – I don't like the days when I am not able to achieve the goals I have set out for myself. As for my colleagues, I am lucky to have an excellent staff. Still, sometimes it is difficult to communicate sufficiently well. The objective in any organisation should be that when things are not happening according to plans, a collective effort is required. I feel this works rather well.

What is the most unique aspect of your job at Moelven?

The goal is to have a company culture that is independent of the owners. We cultivate the principle of individual freedom, where tasks and improvements people believe in are initiated so that everyone is motivated to work independently. There must be room for mistakes, but not for the same mistakes to be made again and again.

What is the most important aspect of your job at Moelven?

Achieving results through collective effort.

What type of leader are you?

Intense and probably a bit unpredictable. I may sometimes focus on details. When I have initiated and started on something, I don't give up easily. Sometimes I can be excessively concerned with details. I think it is important to find my own style, be conscious of my weaknesses and select colleagues who are strong in areas that I do not fully master.

Moelven runs a very decentralised organisation, which is rather uncommon in this field. How do you feel about that?

We are more centralised than Moelven's two other divisions. After the acquisition of Forestia in 2000, we had many planing mills producing the same products. This led to the establishment of a centralized sales office, which means that our separate operating companies' guidelines are given by others. There are advantages as well as disadvantages linked to this. As of today, no better solution has emerged on how to serve the best interests of the entire organisation. Many of our customers are large chains that do not want to work with many individual Moelven companies. But the more we can decentralise, the better. We believe in initiative from the individual employee and people taking responsibility for their own workplace. The key factor is having the opportunity to influence your own results. This is our approach in Moelven Wood.

Toward whom do you feel your prime responsibility?

First of all, I would say to the CEO/President and our owners. Next, I

am responsible for ensuring that my colleagues and employees have an attractive workplace to come to that offers them opportunities for personal and professional development. I also have a responsibility to give our customers a positive impression of our products and organisation. Doing business with Moelven shall be associated with something positive. It is important that the Moelven image is positive, and perceived as trustworthy.

Is the responsibility sometimes a burden?

Once in a while you feel the pressure. In the end I am responsible for Moelven Wood's overall results, although this is not a continuous concern. My focus is always on achieving results.

How do you view Moelven Wood's social responsibility?

The less local job opportunities available, the more important it is that our business is sound and alive. In rural districts this is even more important, this being where our plants are located. I feel a very strong social responsibility to the people living in the local communities where we operate. When it comes to the environmental responsibility, we are fortunate to be in an environmentally friendly industry.

Is there anything you and your colleagues can improve on?

Obviously – If the day comes when we as managers lean back and believe nothing can be improved, then we might just as well stay at home. We need to improve every single year. What is best practice today may not be so in four years. There are essentially two types of managers: Those who roll up their sleeves always striving to improve, and those opening the champagne bottles saying "This is good enough". Although it is important to savour the successes, you need to get on with the work at hand and set new goals.

In what way do you share the accountability with your staff?

You have to enjoy competition to be a good Moelven manager. The driving force shall be the motivation to win and to be the best. I try to inspire my employees to adopt this same attitude. Being a manager might be thought of as being very lonely, and it is if you sit in your office all day behind a closed door, trying to solve all the problems on your own. As a manager, you need to become actively involved in the life of the company and make full use of the skills and competence of your colleagues.

Why should the customers purchase from you and not your competitors?

We have invested substantial amounts in order to offer more end-user friendly products to our customers. In addition, we have an excellent distribution system, a wide range of products and a one stop shop for orders – just a call away! Our customers shall be confident that doing business with us is easy and know that the goods will be delivered on time every time.

Where is Moelven Wood in three years' time?

We are going to prioritize higher earnings above higher growth in the years ahead. Overall sales is not the problem, the problem is too small margins. We are going to focus much more on surface treated products, for outdoor cladding as well as for our wide range of interior products. We have already strengthened our position significantly in this field in Sweden, Norway and Denmark. Our product packaging shall also become more customer-friendly. As for concepts, we are developing a shop and interior concept that will make us the most attractive supplier in this product field.

Wood

Division description

Moelven's Wood division consists of 16 production units, four of which are combined sawmills and processing plants that produce planed structural wood, and one also impregnating wood. The remaining 12 plants produce moulding, flooring, panelling, wood components and impregnated wood.

The overall objective is to supply builders with wood products with a maximum degree of processing. Almost 80 per cent is supplied to builders' merchant chains.

The division has 759 employees, 453 of which are in Norway, 287 in Sweden and 19 in Denmark. The business units generate a total annual turnover of NOK 2.1 billion.

Products

Wood supplies two main types of products: sawn wood for building purposes and wood products for interiors. Total production volume in 2005 was 706 000 cubic metres, of which 433,200 cubic metres was natural wood and 116,500 cubic metres of impregnated wood resistant to rot or fire.

In 2005, the processing plants produced 22 500 cubic metres of moulding, 88 500 cubic metres of panelling and 17 300 cubic metres of flooring. The production of components for doors and windows totalled 28 000 cubic metres.

Wood products for interiors are largely designed to fit the end user needs, and developing products for the DIY market has been given priority by the division. Moelven Wood is working on developing more consumer-friendly products that do not require any further processing or extensive exterior treatment before installation and use. Among the products arising from these development efforts are painted moulding, ragged indoor panelling and exterior panelling, which can be supplied primed or with a final surface coat of paint.

Wood chips are important by-products for Moelven Wood. The chips are an important raw material for the paper and pulp industries, while shavings and sawdust are used in the particle board industry and for bio-energy production. Bark is used primarily to generate energy to run own sawmills' drying facilities, but is also sold for use in gardens.

Market

As much as 90 per cent of Moelven Wood's income is generated in Scandinavia. Builders' merchant chains account for 79 percent of sales, industrial customers 16 percent and five percent is supplied to project customers. Remodelling and renovation of buildings are the most important applications for Wood's products.

There is currently a high level of demand for Wood's products. This is expected to remain stable during 2006, but with a later slow-down.

Distribution

The division is concentrating on gaining new market shares in Scandinavia, an important step in this direction is to establish close partnerships with the largest customers – the builders' merchant chains. Among the competitive advantages Moelven Wood can offer are short delivery times and an extensive distribution network.

The division's very functional distribution system enables the

company to reliably deliver shipments uniquely tailored to the end users' as well as our own customers', the merchant chains', precise needs, providing the right amount of goods at the right time, without the customers having to build up a large inventory of products. Wood's distribution system is based on centralised distribution centres in Sweden, Norway and Denmark. In Sweden, the distribution centres are located in Karlskoga and Lovene south of Lidköping, while in Norway they are in Brumunddal, Spydeberg and Namsos. In Denmark, the distribution centre is in Århus. All market activities, customer service and sales in each country are organised at the customer centres designated for that country: Karlstad (Sweden), Eidsvoll (Norway) and Glostrup (Denmark). The centres coordinate direct deliveries for goods supplied in large amounts, while regular delivery routes are able to take care of more personalised deliveries.

Moelven Wood aims at being a full-range product supplier of wood-based building products.

Road transport by lorries/trucks are the most common form of transport for the division's products, and in order to ensure maximum transport efficiency, the company is working to increase the utilisation per vehicle in order to limit the amount of driving without load to a minimum.

Outlook

Wood is the market leader in several important segments. In Norway, Wood has 35 per cent of the market for structural wood products and 32 per cent of the market for interior wood products. The corresponding figure for Sweden is 12 per cent. In Denmark, Wood supplies eight per cent of the market for wood-based products.

In addition to competitive prices and a stable and high product quality, perhaps the most important competitive selling point is the division's efficient distribution system that allows customers to limit the amount of stock in the stores.

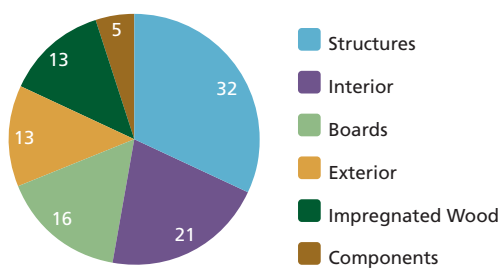
By focusing on developing a wide range of products, improving transport efficiency and supplying customers with the right product at the right time, Wood's goal is to further strengthen its market position in Norway, Sweden and Denmark during 2006.

In the long term, a closer relationship with a selection of builders' merchant chains, continued product development efforts and customised solutions for DIY customers will be decisive factors in achieving the division's goal of maintaining its competitive edge.

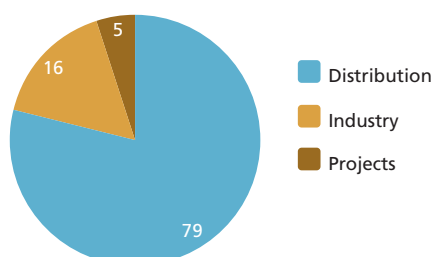


Interior panelling from Moelven Wood in cosy home setting.

Operating revenues per product in per cent

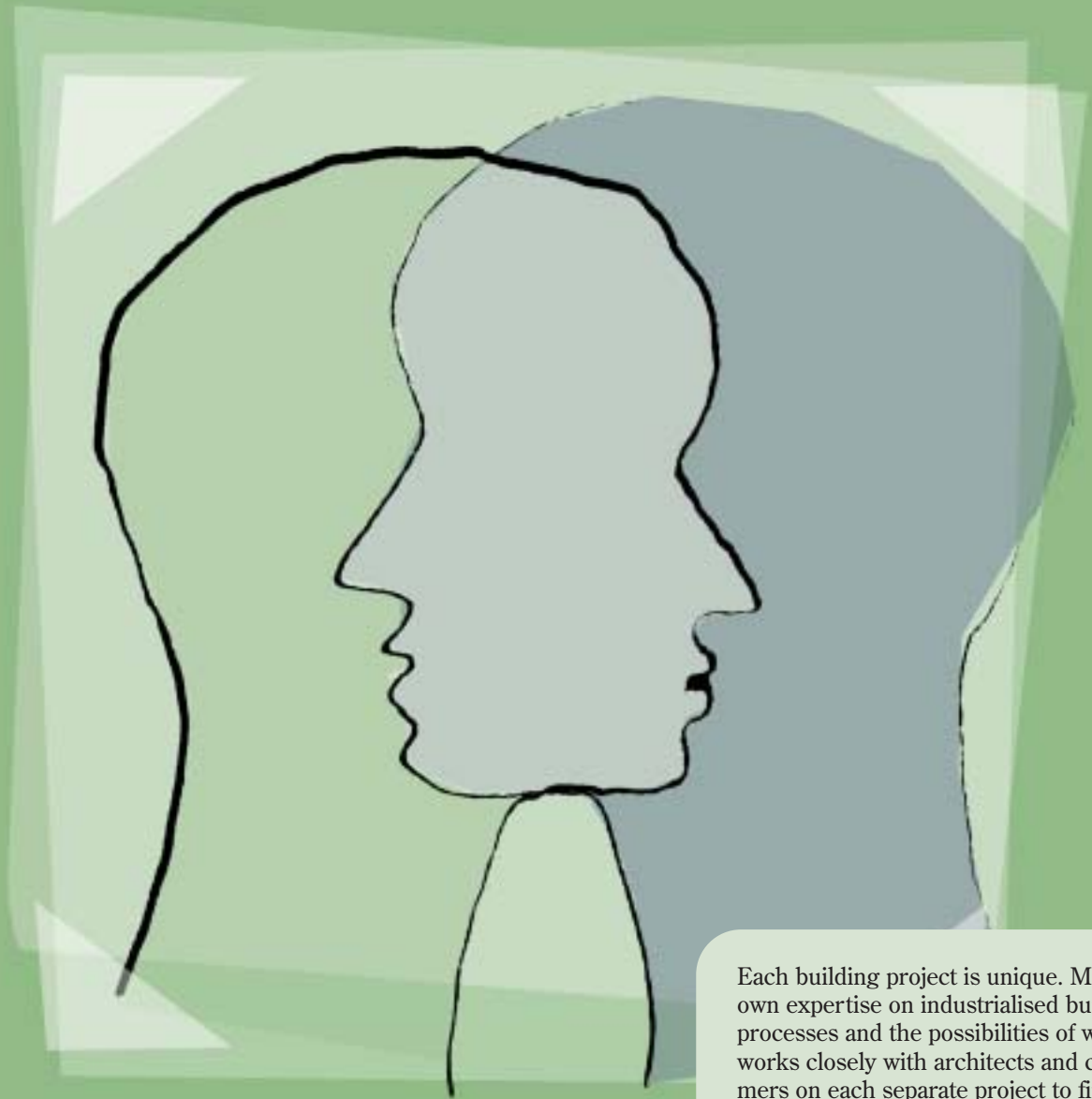


Operating revenues per segment in per cent



Wood	Revenue NOK mill.	No of employees
Moelven Component AB	71	36
Moelven List AB	71	39
Moelven Notnäs Wood AB	100	29
Moelven Valåsen Wood AB	181	33
Moelven Värmlands Trä AB	94	27
Moelven Eidsvoll AS	96	66
Moelven Langmoen AS	215	88
Moelven Treinteriør AS	51	19
Moelven Edanesågen AB	274	92
Moelven Eidsvold Værk AS	171	83
Moelven Van Severen AS	199	81
Moelven Østerdalsbruket AS	101	53
Moelven Are AS	245	28
Moelven Wood AS	1 061	35
Moelven Wood AB	235	31
Moelven Danmark A/S	202	19
Other / Eliminations	(1 277)	-
Wood total	2 090	759

Building Systems



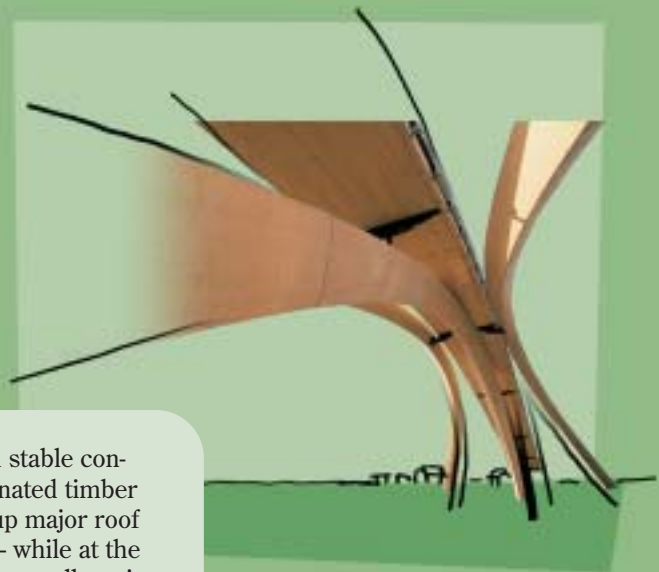
Each building project is unique. Moelvans own expertise on industrialised building processes and the possibilities of wood works closely with architects and customers on each separate project to find the best possible solution.

We consult our customers when developing new projects.

With ready-made building modules, it takes only a few days for a multi-story complex to be erected on site with a solid roof in place to protect the interior from the natural elements of wind and rain. The short construction period reduces construction costs so that even more people can now afford well-designed housing.



Many persons with a wide range of needs and expectations use an office complex in the course of its lifetime. Module-based system interiors can quickly and easily be adapted to changing needs over time and offer high-quality solutions for dynamic office environments, without sacrificing functionality or budget limits.



Laminated timber made of the highest quality wood is a strong and stable construction material that is competitive in price and durability. A laminated timber bridge can support heavy trailers, elegant glulam beams can hold up major roof structures and solid glulam columns can reinforce open buildings – while at the same time providing unique architectural and aesthetic properties, as well as significant environmental benefits.



«We have been able to maintain a decentralised system in which responsibility is kept as close to the customer as possible, which is critical for us.»

Who is Reidar Mo?

I am a results-oriented person who has had management responsibility in the construction field for the past 40 years.

Why do you and your employees go to work?

Because we feel that we have meaningful tasks and that we contribute to a positive development that ensures this also in the future.

What is the most unique aspect of your job at Moelven?

I feel that I am working in a business that is important for a great many people. Most people have a relationship to construction and having a home.

Reidar Mo

Position: Managing Director

Division: Building Systems

Age: 62 years old

Interests: Family, mountains, skiing and travelling

What is the most important aspect of your job at Moelven?

To contribute in creating a dynamic business that generates positive results. The results are a confirmation that we are doing the right things. This is not a goal in itself, but a necessary component for long-term survival.

What type of leader are you?

In my own opinion, open and direct. In the Building Systems division, the temperature might get a bit hot once in a while, but we are always fair and to the point. As a manager, it is important to be able to separate issue from person.

Moelven runs a very decentralised organisation that is not so common in this field. How do you feel about that?

We have been able to maintain a decentralised system in which responsibility is kept as close to the customer as possible, which is critical for us. But this depends on the rules of the game for the players being clear, a central follow-up is required. This means that one cannot do whatever one likes. We operate in a decentralised system, connected to a solid and sound management system.

Who do you mainly feel a responsibility toward?

Up the administrative chain of command – first and foremost the President/CEO and the board/owners. But I also feel just as much responsibility toward the managers who report to me and my close associates. I also feel a strong responsibility toward all the employees and the various interest groups in the local communities.

Is all the responsibility sometimes difficult?

Of course, sometimes. It's always more difficult when things are going poorly. The fact that certain units from time to time are not doing so well is definitely not the easiest part of being a leader. You feel the responsibility 24-hours a day at such times.

How do you view Moelven Building System's social responsibility?

Although we generate value for ourselves and the company, we are by

all means an organisation that generates substantial values for the community around us. The Norwegian business organisation NHO carried out a study to look at the financial benefits to the local communities generated by one of our subsidiaries, Moelven ByggModul AS. The study showed that the financial benefits to the local community were enough to pay the wages for 70 public-sector employees in Ringsaker local authority. This responsibility is also in our minds when we have to make difficult decisions that will have an impact on the local community. We take this responsibility very seriously.

Is there anything you and your staff can improve on?

Most certainly, there are many things both I and the rest of the system can develop further. If we were perfect, we would have no future potential.

In what way do you make yourself and your staff accountable?

By setting goals for the business collectively, and then follow up activities to assess progress toward these goals. The goals are followed up through reports, action plans, staff meetings and board meetings. Even though we already have a good system for securing accountability in Building Systems, this shall be further developed and improved.

Why should customers purchase from you and not your competitors?

Product development efforts are a priority, but it is also important that the products and services that the division launches are so well designed that they will be attractive for many years to come, both in terms of application and production. A major share of the market is interested in traditional solutions, while a smaller share demands something very unique. We are operating in a field that is a long way from the mobile telephone industry where constant innovation is a critical success factor. Our competitive edge is developing solutions together with our customers. We carry out systematic studies on a regular basis to find out whether the customers are satisfied with our work. If the job is done well, then the customers will prefer us – also in the future.

Where is Building Systems in three years' time?

For some time the goal has been to become market leader in Modular Buildings in Sweden, and that goal has now been achieved. We have acquired several companies and we have carried out a number of restructuring processes, now having reached the right constellation. By the year 2008, we will have improved further the structure we have now put in place. We shall generate significant organic growth in the apartment segment in Norway and Sweden. Toward the end of the three-year period, we will have to make new investments in order to be able to build apartments in an even more industrialised fashion. All of the companies in Moelven Building Systems work exclusively with professional customers. We shall not develop into being a full scale contractor, therefore we will not take on total contracting jobs. What is important is that we develop in pace with our customers and continuously make sure that we become more efficient, thus maintaining a positive profit development also in the coming years.



Building Systems

Division description

All of the companies in the Building Systems division supply customer-adapted, flexible and cost-effective building and interior systems for builders and contractors in the Scandinavian countries.

Building Systems includes the business areas Laminated Timber, Building Modules and System Interiors and has a total annual turnover of NOK 1.8 billion. The division has 1,381 employees, with 793 in Norway, 585 in Sweden and three in England.

Laminated Timber

Moelven is the leading producer of laminated timber in Norway and Sweden, with two factories in Norway and one in Sweden: Moelven Limtre AS in Norway, with plants at Moelv and Vatnestrøm (Agder) and Moelven Töreboda AB in Sweden. Total sales for the companies is NOK 400 million, and there are a total of 259 employees, 116 in Norway and 140 in Sweden, as well as three in England.

Compared to other materials of equal weight and dimension, laminated timber is an extremely strong material that allows for high flexibility in architectural design. The materials' solid environmental and fire-retardant properties are often decisive factors when customers select laminated timber for use in load-bearing structures for larger buildings.

After a comprehensive development process, wooden bridges have become an additional important segment. In Steinkjer, for example, Moelven Limtre AS has delivered a bridge that is the first wooden bridge on a major European highway; the bridge is also the wooden bridge with the highest traffic in the world. In Sweden, Moelven Töreboda AB is supplying an ever-increasing number of bridge projects with laminated timber.

Market

Laminated Timber has strengthened its market position over the past years by focusing strategically on tailored solutions and flexible deliveries to builders and contractors. Laminated timber beams in standard dimensions still represents almost half of the company's turnover, but an increasing share of laminated timber deliveries are tailored to the specific needs of customers.

The lack of skilled labour, in combination with efforts to develop cheaper and safer building methods, has opened up the market for industrial-scale buildings that minimise the work needed at the building site. Pre-cut and pre-treated laminated timber beams are important ingredients in a highly industrialised building process.

Products

The laminated timber business supplies standard and customised beams for project deliveries to commercial buildings, sports halls, churches and bridges. A large share of the production is also sold to builders' merchants and to producers of a variety of housing.

Laminated timber and solid wood elements have also become popular alternatives to concrete and steel for other types of load-bearing support structures. Among the benefits of using laminated timber are the wide range of dimensions, the solid form stability and the

excellent strength characteristics in relation to weight and volume. The material is also quite easy to work with at the building site and can be easily integrated into a modular system for commercial buildings. Laminated timber and solid wood elements is an environmentally friendly material that is 100% recyclable.

Distribution

Laminated timber from Moelven is sold primarily through builders' merchants. An efficient sales and marketing apparatus with a flexible and customer-oriented distribution policy has gained Moelven new market shares over the past few years. Moelven has built an efficient logistics system, with a closely coordinated distribution network in Sweden and Norway. Deliveries of laminated timber are coordinated with products from Finnforest's assortment of sheet products and Kerto beams.

Outlook

By challenging alternative materials such as steel and concrete, laminated timber and solid wood elements is poised to gain market shares in



Holiday apartments at Trysil. Supplied by Moelven ByggModul AS.



New-build at Hedmarksmuseet with laminated timber from Moelven.

the project markets in Scandinavia. The demand for customised building solutions is increasing, and Moelven's efficient distribution system and ability to customise deliveries will be critical success factors in the years ahead.

Building Modules

Moelven is Scandinavia's leading producer of modular buildings, and production takes place inside five factories – one in Norway and four in Sweden. The modules are supplied ready for installation at the building site.

Modular design is ideal for temporary structures in connection with construction and building sites, as well as for permanent buildings, such as offices, service buildings and residential housing. As a result of successful development efforts in close collaboration with customers, Moelven has also developed products and flexible building systems for multi-family housing. Multi-family apartment housing is one expanding sector for Moelven's module-based building system.

With an annual turnover of NOK 890 million, Building Modules has 669 employees, 350 of which are in Norway and 319 in Sweden.

Market

Building Modules has long been a market leader within its market segment in Norway, and has gained this same leadership position in Sweden as a result of strategic acquisitions. Module-based buildings for offices, building projects and residential housing are supplied to builders, contractors and rental companies throughout Scandinavia.

Products

Modules from Moelven are used both for temporary and permanent buildings. Since the modules easily and inexpensively can be moved as needed, they are ideal for use where needs are known to change over time, such as at day care centres, health care facilities and schools. The modular building business also supplies modules for housing – in the form of residential housing and multi-family housing as well as youth and student housing.

A major product segment is rental modules for companies that supply the construction and building markets with offices and staff quarters.

Industrialised production

The industrialised building process produces ready-to-install modular solutions featuring complete interiors, as well as pre-installed connections for electricity, water and sewage. Modular buildings are a cost-efficient way to build that reduces both construction time and the need for skilled labour at the building site.

Heated and dry indoor production facilities, easy to manage and control, ensure a high quality product, reduce the risks for errors and moisture damage, while at the same time provide a better work environment for employees.

Moelven's goal-oriented product development efforts have produced an industrial concept featuring a number of flexible systems that can be used in a wide range of products for various purposes. Ongoing product development efforts are carried out with a view to gain new market shares from traditional on-site builders of multi-storey housing. Building Module's close collaboration with engineers, architects and contractors guarantees well-designed housing.

Customers and production units

The four production facilities in Sweden are organised into one company with a joint sales and marketing force. Contractor's huts and rental modules are built at Kil; smaller offices and service buildings are produced at Torsby; modular housing and larger projects are produced at Sandsjöfors; and Säffle (the most specialised production unit) supplies add-on modules, as well as components and elements. In Norway, Building Modules is organised in one company based at Moelv.

The modules are supplied to public and private builders, contractors and rental companies throughout Scandinavia.

Electrical Services

Moelven Elektro who offers engineering and electrical services and maintenance of high and low voltage systems, is part of the Building

Systems division. The company has four branch offices in south-eastern Norway. In addition to installation work in the module-based buildings and system interiors produced by the Building Systems division in Norway, Moelven Elektro also carries out contracts for external customers in the new build as well as in the service market.

System Interiors

The System Interiors business area consists of two companies: Moelven Nordia AS in Norway and Moelven Eurowand AB in Sweden. In all, there are 453 employees, 327 of which are in Norway and 126 in Sweden, and with annual turnover totalling NOK 500 million. Both of the companies are market leaders in their respective markets and supply flexible system interiors, such as moveable walls, floors and ceilings, primarily for offices in Scandinavia. Property management companies and contractors are among the major customer groups.

Being located close to the customers is important, which is why Moelven Nordia AS has 14 sales offices, in addition to the main office at Jessheim. In Sweden, the main office for Moelven Eurowand AB is located at Örebro, with five regional offices located around the country. In each of the countries, there is a central logistics centre that assembles, organises and coordinates all deliveries.

Market

Moelven Nordia AS and Moelven Eurowand AB operate in their respective domestic markets in Scandinavia. The Norwegian part of the business has traditionally been the largest. System interiors solutions and ready-made walls, flooring and ceilings are primarily produced for installation in new buildings and renovated commercial buildings. Contractors and property companies are the main customers.

The market is sensitive to market fluctuations, and after some years of a strong decline in demand, the current trend is positive with the companies registering an ever increasing number of orders. Renovation and additions are increasingly important market segments, and it is important to establish long-term and solid customer relations

that generate repeat deliveries. Many of the customers enter into long-term delivery contracts.

Moelven Nordia AS and Moelven Eurowand AB aim to gain market shares from competing solutions such as traditional on-site builds using plaster boards for office and shop areas. The benefit of modular system interiors is that they are flexible, simple and easy to move, while at the same time being cost efficient and easy to tailor to customers' needs. The industrial production process ensures high quality products. The customer benefits by being able to have one single partner from the initial need analysis until the product is delivered and built. The same applies for any later adjustments needed to satisfy changing needs.

Products

Moelven Nordia AS and Moelven Eurowand AB produce, supply and install flexible system interiors for offices and shops. The system includes all types of interior walls, including windows and doors as well as ceilings. All units are delivered as interchangeable modules.

Both companies have to a large degree harmonised their assortment and coordinate their product development efforts. The interior systems are tailored to customers' needs and are easily adapted or moved as the use of the area or the partitioning requires change.

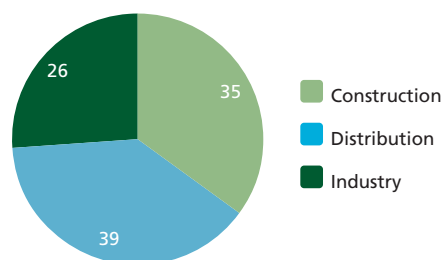
Both companies produce most of the products they offer at their own plants, while the range of products is complemented with purchased components, such as ceilings, shelves, cabinets, moulding and other interior products. The share of own products made by the companies has increased through acquisitions. The products are supplied surface treated and ready for installation, with electricity and other cabling already installed, thus reducing the amount of waste and construction time needed at the building site.

By purchasing ready-to-install systems, the customer significantly reduces the amount of his own efforts required for the building project.

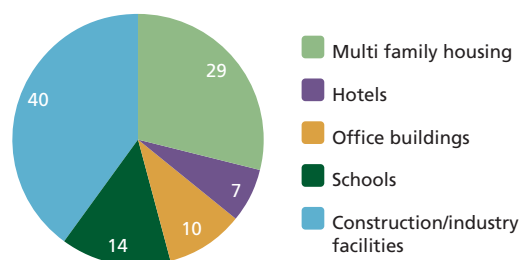


Laminated timber structures at Hedmarksmuseet from Moelven Limtre AS.

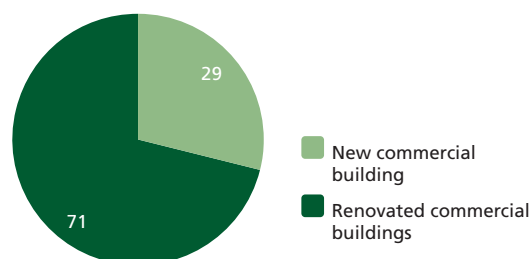
Laminated Timber
Operating revenues in per cent
per megasegment



Modular Buildings
Operating revenues per module category in per cent



System Interiors
Operating revenues per market segment in per cent



Office system interiors from Moelven Nordia AS at DnB Nor, Aker Brygge.

Building Systems	No of modules	Revenue NOK mill.	Products	No of employees
Moelven Töreboda AB		200	Standard- and customised laminated timber	140
Moelven Limtre AS		196	Standard- and customised laminated timber	116
Moelven Laminated Timber Str Ltd		16	Standard- and customised laminated timber	3
Moelven ByggModul Säffle AB	406	83	Flexible module-based commercial	62
Moelven ByggModul Sandsjöfors AB	410	114	Flexible module-based commercial	80
Moelven ByggModul Kil AB	873	111	Flexible module-based commercial	94
Moelven ByggModul Torsby AB	350	71	Flexible module-based commercial	64
Moelven ByggModul AS	1 985	326	Flexible module-based commercial	183
Moelven Elektro AS		170	Electrical installations, high and low voltage	144
Mesna Installasjon AS		28	Electrical installations, high and low voltage	23
Moelven Eurowand AB		120	Flexible system interiors for offices	126
Moelven Nordia AS		366	Flexible system interiors for offices	321
Moelven Nordia Prosjekt AS		15	Flexible system interiors for offices	4
Other / Eliminations		-46		21
Building Systems total	4 024	1 770		1 381

Responsibility



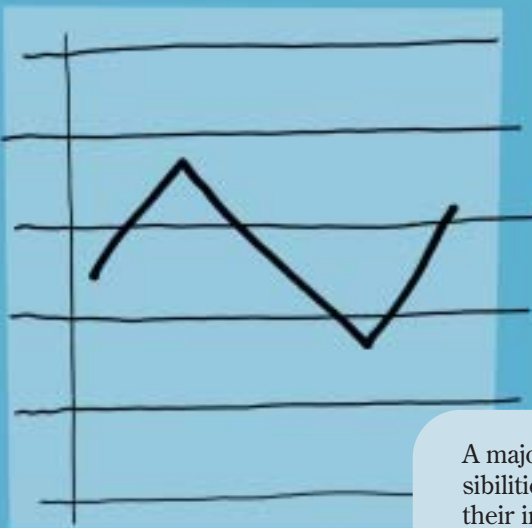
A sawmill generates a considerable number of jobs – from the people felling trees and replanting the forest, via those transporting the products around the country, to the people running the processing plants and selling the finished products. The forest and wood products have traditionally been the most important source of income in many of the rural inland regions of Sweden and Norway, with plenty of forest, but little in the way of fish, oil and shipping. Moelven's businesses contribute to sustaining these vibrant local communities.

A sustainable community is built on commitment.



The basis for our business culture is a focus on results, willingness to take on responsibility, respect for colleagues and honesty & openness at all levels. Equally important as the Group's business concept is our employee philosophy: "Moelven shall allow willing people to succeed".

Wood is a natural material that is 100% recyclable. Wood also serves as a storehouse for the greenhouse gas carbon dioxide, which the tree absorbs during photosynthesis and binds for the lifetime of the wood. When the wood product is ready to be scrapped, it can be burned up to generate bio-energy in place of fossil fuels that are a net contributor of greenhouse gases.



A major business enterprise such as Moelven has considerable financial responsibilities, and not just toward the owners who expect to receive a fair return on their investment. The company needs to be competitive and profitable in order to ensure stable employment conditions for the company's 3 159 employees and their families; the forestry owners depend on a long-term, solid and sustainable industry that can pay for their timber deliveries; and the customers depend on purchasing high quality wood products at an acceptable price.



Moelven contributes in creating living local communities.

Moelven generates employment

Both in Sweden and Norway, Moelven's businesses are concentrated in rural areas rich in forests, but with few other natural resources. In the western parts of Sweden and southeast Norway, the most important economic basis for local communities has traditionally been forests and forestry. Moelven's businesses, contribute in creating living local communities by offering employment opportunities for local residents.

In Norway, approximately 2.3 million cubic metres of sawn wood is produced annually. Figures provided by the Norwegian Central Bureau of Statistics and the Norwegian Forestry Owners' Association show that about 22 man-years of employment outside of the sawmill industry are generated per thousand cubic metres of sawn timber.

A simple calculation based on this figure reveals that Moelven's Norwegian production of sawn wood generates more than 16 300 jobs along the entire value chain from forest to finished building on an annual basis.

This means that one man-year of work at the sawmill or planing mill at Moelven generates eight jobs in other parts of the value chain, such as in forestry, building, construction and trade and commerce.

A "nesting box" for the building trade

For some time now Moelven has been working on a pilot project in Moelv that would stimulate entrepreneurs to start new businesses locally. In 2005 these efforts began to show results. Together with the industrial investment company SIVA, the Group entered into an agreement regarding the establishment of an incubator facility for the industry – a development project that would provide an attractive environment for people wanting to develop new services, solutions and products for the building trade. The idea behind the project was to energise developments in existing industries by establishing a broader and stronger base of sub-contractors to the industry.

Open dialogue with the authorities...

Moelven is a dynamic and positive force in the local communities in which it operates. The Group maintains a close, ongoing dialogue with the authorities regarding conditions that influence the Group's business interests. Moelven is particularly concerned about ensuring competitive financial conditions for the forestry industry and the wood processing industry.

An example of the Group's involvement in local affairs is its concern for the regulations for transport on the main roads in Norway, which deviates considerably from those in Sweden. In Sweden the maximum

weight permitted for vehicles, including load, is 60 tons, while in Norway it is 56 tons. The two Scandinavian countries also have different rules with regard to the permitted length of transport vehicles. If the regulations in Norway are adapted to those in Sweden, Moelven would be able to reduce transport costs by more than NOK 15 million per year.

Other relevant issues are the cost of raw materials, the effect of the tax rate on this cost, rules for depreciating investments, expenses for health, environment and safety insurance for employees and availability of qualified employees.

...and with organisations

The basis for Moelven's operations is nature and the raw materials harvested from this nature. The Group therefore has a responsibility to protect this environment. All of Moelven's sawmills in Norway and several of the Group's Swedish sawmills are certified in accordance with PEFC (Programme for the Endorsement of Forest Certification schemes). The objective of the PEFC certification process is to recognise the environmental responsibility of the forestry industry and ensure that forest resources are managed in an environmentally responsible manner. If at least 70 per cent of the timber at a sawmill is supplied from certified suppliers, then the sawmill may label the finished product with the official PEFC (chain of custody) label.

The Group also supports the Norwegian Society for the Conservation of Nature and carries on a dialogue with organisations on issues relating to the environment.

Openness

Moelven's company culture is characterised by openness, within and outside the Group. The company identity, commitment and good relations throughout the whole organisation can only be maintained when all employees are treated with respect and allowed to be recognised as individuals. The Group recognises that the trade unions are an important discussion partner in these efforts. Moelven has a stable and open dialogue with the employee representatives, which contributes to maintain a favourable working relationship based on applicable laws and agreements as well as on the Group's basic values honesty, openness and willingness to take on responsibility.

Sponsorship and social responsibility

The Group is committed to support local communities at many levels. For Moelven it is important to support values consistent with the company's policies and identity, within as well as outside the company. One step in this effort is a strategy for sponsorship and donations to charitable causes. Locally and nationally, the Group contributes to sports and culture in the local communities where the Group is active. On a national level in Norway, Moelven is one of the main sponsors of the top football club Ham Kam, and also supports the top ice hockey team Storhamar.

At an international level, the Group contributes financially when there are major collection efforts for humanitarian purposes. Moelven does not contribute financially to any political or religious organisations.

Ethics

In all of the Group's business activities, Moelven and its employees shall practice sound ethical and moral principles toward colleagues, customers, suppliers and business contacts. This policy is dependent on exemplary behaviour on the part of all employees. Employees are strictly prohibited from accepting gifts or bribes, and must not offer such gifts or bribes to external contacts and customers.



Moelven sponsors World Champion Tore Brovold.



Moelven shall allow
willing people to
succeed.



Participants in the management development programme "Mjøs kompetanse".

Moelven's human resources philosophy

Moelven's HR philosophy reflects our basic view of our employees and of the relationship between them and the Group. Our HR philosophy encompasses the whole process from recruitment and employment at the Group, through to when the employee leaves us. The HR basic view that "Moelven shall allow people to succeed" is just as important as our business philosophy.

Our HR philosophy helps to achieve the aims and targets of the Group in a wide range of areas. It is about which type of persons we want to recruit, what skills we need, the pay and terms we offer, how we introduce new employees, the career and development opportunities that we offer and how we deal with the termination of employment. But the development of the individual employee within the Group is just as dependent on personal qualities as on motivation and ability. Together, these things add up to the Group's human capital total.

The four core values of our business culture

Moelven's business culture consists of four core values, which act as important guidelines for the way we work:

- A focus on results
- Willingness to take on responsibility
- Respect for your colleagues
- Honesty and openness

The flat organisational structure of the Group creates a unique proximity between senior managers, the day-to-day running of the company, and employees at the units. This contributes to a high degree of openness and increased respect for employees at all levels, at the same

time as encouraging employees to take on responsibility for both their own work and for the Group's overall activities.

Recruitment and redundancies

Moelven aims for long-term employment relationships, with motivated and skilled employees being asked and encouraged to continue their personal development. We also employ several hundred new employees each year. Over the coming years, a large number born in the 1940s will approach retirement age. Several of these people hold key positions, and over the years they have gained unique skills and experience that we want to keep and to continue developing.

Most of the Group's activities are located in places with stable job markets and good access to qualified personnel.

There must always be the right balance between capacity and profitability, and over time competition will mean that each person has to produce more.

When redundancies are required, Moelven emphasises that everything is done in accordance with the relevant laws and regulations. The Group also plays a proactive role in assisting employees to find new opportunities.

One of the important parameters in these situations is the cooperation agreement between the Group and the employee representatives: "Moelven Industrier ASA: Restructuring and change – the relationship to our employees". The agreement sets out guidelines for how restructuring should be carried out.

Personal development and skills

One of the important principles behind the Group's HR policy is that education, experience and personal qualities, along with motivation at employee and company level, create good results. These results in turn create new opportunities, experiences and further motivation. This creates a virtuous circle of good results and personal development that benefits the Group as well as our employees.

Within the Moelven Group there are many opportunities for personal and career development. Motivated employees who want new challenges can, for example, be offered specialisation in a particular area, or job rotation. We also offer various forms of training and skills development.

Management Development Programme

For more than ten years Moelven has, in co-operation with other companies in south-eastern Norway, run a programme to continue developing the skills of their senior and middle managers. The "Mjøskompetanse" programme is also open to Moelven's Swedish managers.

The programme's content is based on the individual's experience and their current work situation, and aims to increase their ability to achieve results in collaboration with other people. Since the programme was established, over 300 of the Group's managers at various levels have participated.

Trainee Programme

Since 1998 Moelven has, through its co-operation with Vikinglauget ("The Viking Guild") – which Moelven initiated in 1993 – participated in a joint trainee programme in the Hamar region. The aim is to recruit young people with higher education as future employees of the companies in the region, thus contributing towards local growth and development. The trainee programme, which runs over two years, has become a popular educational opportunity. The Moelven Group has employed a number of trainees after their completion of the programme, and in 2005 the Moelven Group had two people participating in the programme.

"The Moelven School"

On the initiative of the Moelven Group, and in co-operation with the Norwegian College of Building and Hammarø Education Centre in



Mr. Alf Martin Andersen works in the sawmill at Moelven Mjøsbruket AS.

Sweden, a skills development programme was set up for employees at the Group's Norwegian and Swedish companies. Through the "Moelven School", they are given the opportunity to further develop their skills and "top up" their technical expertise, thus enhancing both their personal development and career opportunities.

Co-operation with university colleges

Together with other companies in the counties of Hedmark and Oppland, Moelven works closely with the university colleges in the region. This allows Moelven and the other companies to help ensure that the course syllabuses are up-to-date and provide students with the necessary education.

Pensions and insurance

In addition to statutory pension and insurance schemes, Moelven has supplementary pensions and personal insurance. It is important for Moelven that its employees and their families feel secure about their financial situation, even in the event of them being unable to continue their employment. Coverage depends on the country, seniority, age, salary level and certain other criteria. In Norway approx. 25 percent of the workforce has transferred to individual occupational pensions.

Inclusive working life

Around half of Moelven's Norwegian units have entered into inclusive working life agreements. The purpose behind these agreements is to reduce absenteeism due to illness, to keep more people with partial incapacities in work and to increase the effective retirement age.

The agreement commits the company to help people with illnesses, injuries or those who are undergoing rehabilitation to get back into work. This is done by evaluating the individual case and find personal solutions in each separate case.

Absenteeism due to illness and occupational injuries

During 2005, absenteeism due to illness fell to 6.2% of the total number of man-years in the Group. 3.2% was due to long-term absenteeism. There were 159 workplace accidents, 98 of which resulted in absenteeism. In 2005 there were no work-related deaths at the Moelven Group.

The Group works systematically to reduce absenteeism and the number of workplace accidents. It is both a question of changing attitudes and implementing preventive actions in terms of physical and psychological issues at the workplace, and also of eliminating physical tasks that are particularly strenuous. In addition, Moelven views the reporting of potential risks and unwanted incidents that could affect people, plant and the external environment as very important. Since the beginning of 2003/2004 the Group has also had a rewards system, which aims at motivating measures that reduces absenteeism. Low rates of absenteeism and good operating margins are rewarded, with a maximum reward of NOK 2000 per employee.

The system has been successful, and two companies have achieved the maximum result. They are Moelven Treinteriør AS, and UJ Trading AB. The reward is to be invested in increasing the well-being of employees, and gives them an additional recognition over and above their contractual entitlements.

Apart from more healthy employees, the systematic work on reducing absenteeism results in significant cost reductions for the Group.



Moelven offers various programs for skill development.

Health, safety and the environment

All managers have attended an HSE course. The course lasts three days, and trains managers in HSE management and preventive measures. Participants also learn about their responsibilities, and about current regulations on HSE monitoring. To help all employees, the group has published its own HSE manual.

On a voluntary basis, almost half of the companies in the Group carry out annual surveys measuring how employees look at cooperation at work, management and communication, customer relations and corporate identity. The results of these surveys are used as a basis for internal discussions in the company at hand, aimed at increasing the understanding of Moelven's business culture. The surveys also give us further basis for improving our work on HSE and personal development.

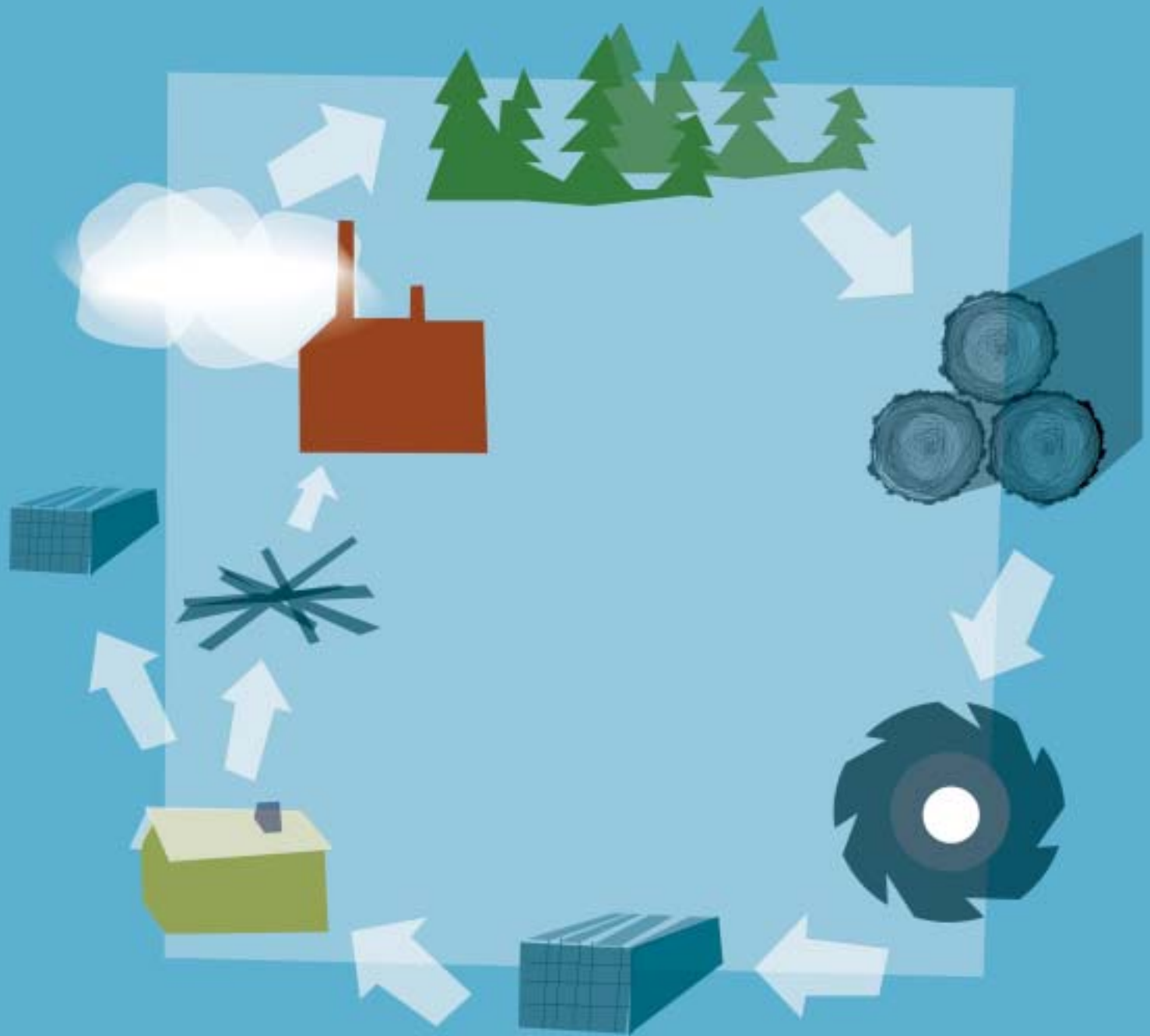
Equal opportunity

The timber industry has traditionally been male dominated, a fact

which is also reflected at Moelven. 316 of the Group's 3159 employees are women, which means that only ten percent of the workforce is female. However, the proportion of female employees varies greatly from one Moelven Group company to another.

The Group Executive Board is entirely male, but there are many women in key positions at the individual companies in the Group. We wish to increase the proportion of women working at all levels of the Group, but without using positive discrimination in our recruitment decisions.

We have a proactive equal opportunity policy, which applies to all of our divisions and units. This involves a ban on sexual harassment and discrimination, a requirement for annual reports on wage differentials between women and men carrying out the same work, as well as a policy of vacancies being advertised and made available to both women and men.



Trees and wood products bind carbon dioxide.



Wood shavings used for sheet production, fuel and covering.

Carbon Lifecycle

Harvesting trees in forests reduces the amount of carbon dioxide in the environment and plays an important role in countering the threat of climatic change. Trees in the forest absorb CO₂ from the air, and through photosynthesis store the chemical in the tree until it is burned up or desintegrates biologically whereafter the CO₂ returns to the atmosphere and is again absorbed by the growing forest.

Wood products and wooden buildings are important stores of CO₂ and hold the gas for long periods. When the wood nears the end of its lifecycle, or when a house is demolished, the wood can be recycled and converted into other products that continue to bind the CO₂. The wood can also be used for heating instead of fossil fuels such as oil, or returned to nature in the form of decomposed organic material. Then the CO₂ is again released, and once more absorbed by the growing forest.

Moelven contributes to efforts designed to improve the environment in that all of Moelven's business units practice a policy of recycling and using raw materials as efficiently as possible.

Environmental Certification

Wood is the only renewable building material that is commonly available and plays an important role in efforts to reduce the use of limited resources. The harvested timber must be based on a sustainable forestry policy that takes into account the overall economic, social and ecological factors.

Responsible forestry practices is verified through third-party certification, and all of Moelven's sawmills are PEFC certified (Programme for the Endorsement of Forest Certification).

In Norway, this means that if at least 70 per cent of the timber at a sawmill is supplied by certified suppliers, then the sawmill can market its finished products with the environmental label. The Swedish sawmills are permitted to sell a volume of finished products labelled as certified equalling the amount of certified raw material that they acquire.

Certified raw materials can be traced throughout the chain of production from the time the timber is harvested, processed and packaged, until the product is delivered to the customer. The sawmill is

thus an important link in the environmental lifecycle of the tree from forest to finished product.

Environmentally Sound Raw Materials

Timber is the basis for nearly all of Moelven's industrial production. The processing and laminated timber factories in Moelven purchase timber from environmentally certified sawmills, either from Group owned plants or from other suppliers. Wood also represents a significant share of the finished products in Building Modules.

Laminated Timber is a very environmentally sound building material in which there is only approx. 6-10 kg of glue in every 470 kg of glulam. The total amount of glue used in Group companies in 2005 was 530 tons.

Moelven's building modules and system interiors companies represent businesses where an environmentally friendly life-cycle approach is central to the design of the products, with extensive reuse of the products throughout the lifetime of the product.

One of the by-products generated by the sawmill business, industrial chips, is being used in an increasing number of applications. The reason for this is the building of distance heating facilities based on bio-energy in which industrial chips and briquettes play an important role as fuel. The Group's own heating facilities use industrial chips and bark as fuel as well. Bark is also sold for use in gardens.

In 2005 the Group consumed 3.9 million solid cubic metres of timber and 155 000 solid cubic metres of wood products purchased from external sources.

Recycling

To maintain environmental issues well, it is important that the products can be reused several times over. Moelven has paid special attention to this issue, especially with respect to building modules and system interiors. Modular-based buildings are flexible in their use, designed for remodelling or moving when needs change. The same flexibility that characterises the modular products also applies to Moelven's system interior products. When needs change, the products can easily be adapted to new conditions and requirements, which ensures reuse instead of demolition and disposal.

Moelven's goal is to be able to recycle 100 per cent of its raw materials. The Group practices source sorting in all business units, and has entered into agreements with suppliers for necessary return arrangements. All businesses in the Group follow a recycling plan, and in this way create a win-win situation for both the environment and the company.

Transport

Trucks and lorries is the most important means for transporting Moelven's raw materials, by-products and finished products. In order to reduce the negative impact of this activity on the environment, the Group is strategically working to improve the capacity utilisation of each and every vehicle. By coordinating the flow of goods and communicating closely with other purchasers of transport services, the negative environmental impact can be reduced.

Lorries transport 7.5 million solid cubic metres of timber, industrial chips and finished products annually. Since the Group's business is geographically dispersed across a wide-reaching area in the western parts of Mid-Sweden and southeastern Norway, the Group is responsible for a great many of the transport vehicles operating in these areas. Moelven is therefore seriously trying to influence the authorities to ensure safe and adequate roads – not just with eye to the safety of our employees – but also with respect to the local communities and other road users.

Moelven also transports 260 000 solid cubic metres sawn timber and finished products by train and 320 000 solid cubic metres by ship on an annual basis.

Environmental Impact of Business Activities

Environmental issues are given considerable attention in the Group,

and the President and CEO has the overall responsibility for these environmental issues. All Moelven managers are responsible for the environmental record of their company's activities, and report directly to the President and CEO on this issue. The Group operates in strict compliance with all laws and regulations in Norway and Sweden. There is a continuous discussion internally about ways in which operations can be altered in order to reduce any negative effects to the environment and to improve the general work environment at the various Group companies.

Energy consumption

Pine and spruce timber harvested from the major forests in Sweden and Norway are the basis for most of Moelven's products. Our production process requires small amounts of energy, the most energy-consuming part of producing industrial wood is the drying process, consuming more than 90 per cent of the energy used in the entire production process.

70 per cent of the heat energy used for drying wood products and heating offices is generated by the Group's units through the burning of its own by-products bark and wood shavings. Moelven's production facilities meet all regulations regarding emissions, and use approximately 250 000 solid cubic metres of biomass and 800 000 litres of oil per year.

In addition to its own energy production, which is approximately 420 000 megawatt hours, Moelven purchases 170 000 megawatt hours per year from external sources to run the drying facilities. Total power consumption is at approximately 203 000 megawatt hours.

Moelven is engaged in the technological development of and the market for bio-energy and is working on several concrete projects in



TMF (free of heavy metals) impregnated balcony boards.

this area at the moment. The Group's units sell 12 000 megawatt hours of thermal energy to customers in local communities annually. The Group also sells 400 000 cubic metres of biomass for energy production to customers outside the Group.

Waste

Ash and soot from the heat-generating activities are transported to approved landfills. Waste oil and chemicals are treated according to return agreements with approved sanitation companies and receiving stations. Plastic, metal and packaging is sorted and transported to recovery plants and sites in accordance with established arrangements.

Moelven's building modules and system interiors companies utilise order-based industrial factory production with source sorting that reduces waste to a minimum, leaving very little residual material. The system interiors operations use factory-treated surfaces and finished materials that reduce gas emissions and require a minimum amount of speckling, cutting, polishing and painting at the building site.

Noise, dust and drainage

The environmental issue is always carefully considered when making any new investment. Each year, various major and minor measures are implemented to reduce noise level and emissions and increase resource efficiency. In 2005, the Moelven Group invested ten million NOK in a new surface-treatment production line for lacquer at the Eidsvoll plant. The new system has resulted in a much better work environment for the employees and a more environmentally sound alternative compared to the old system.

The three most important causes of noise at Moelven companies are the handling of logs, fan systems and rolling internal transportation. For the facilities close to populated areas, this has entailed taking special measures to reduce the noise to accepted levels.

Processing chips creates dust, and some facilities have implemented special measures to reduce the spread of dust.

The drainage of water from timber storage can cause algae growth in nearby river systems, and so the recycling of water and the strict control of sprinkler systems are important measures to counteract this effect, being continuously monitored and worked on.

Environmental Impact of Products

Carbon Binding

A "normal" wooden house requires approximately 50 cubic metres of timber. This quantity of timber binds approximately 15 tons of CO₂ that otherwise would have been released through decomposition in the forest or when burned. Wooden houses in principle have an equal lifetime to that of a tree in the forest – about 100 years. This illustrates that timber used in buildings or for other purposes counteracts global warming.



New surface treatment production line at Moelven Eidsvoll AS.

Lifecycle

Timber is a natural, renewable resource with a positive impact on the environment when reused for new purposes or recovery by using scrap timber for energy production or recycling through biological breakdown in the soil.

Energy potential

If wood products are used for energy purposes after completed use in the primary application areas, the end energy potential will be released. The total energy released from a normal wooden house is 1 650 kWh, which corresponds to one month of consumption for an average household.

Special Products

Production of products that are impregnated with CCA (heavy metals) has been stopped in Norway and in principle also in Sweden. Moelven has developed alternative products that do not have the same negative environment impact. One of Moelven Wood's production facilities, which produces impregnated timber, is now taking advantage of heavy-metal free wood protection (TMF). TMF has been approved in NTR category AB.

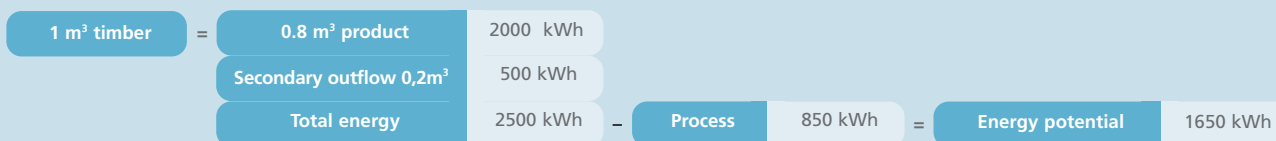
Moelven also produces copper impregnated wood that complies with the Norwegian Ministry of the Environment's regulations. The alternative products are not considered hazardous waste.

Packaging

Every year Moelven consumes approximately 600 tons of plastic packaging.

The product packaging that Moelven uses is recyclable, and a large share of the packaging is recycled plastic that has been collected and produced in Sweden. The remaining packaging is paper-based. For Furugulvet®, Moelven has contributed to the development of packaging cardboard that can be used as substrate cardboard.

Energy potential





Results orientation

The Group's operations is based on a results-oriented business culture, with our employees having prime responsibility for maintaining that culture and the values on which it is based. For the Moelven Group, the values and the results-oriented business culture provide important guidelines for how we perform our work, representing a useful and cost-efficient supplement to our more formal management systems.

The core values that underlie the corporate culture are as follows: A focus on results, Willingness to take on responsibility, Respect for your colleagues, Honesty and openness.

Business ethics

All work involving ethics and morality is extremely important, and is a continuous process. In its business operations, Moelven undertakes to always act in an ethically and morally responsible manner in relation to its employees, customers, suppliers and other business contacts. This in turn demands model behaviour from our employees in relation to Moelven, and requires them to carry out their work to the best of their abilities. Employees' actions shall always aim to serve the interests of the Moelven Group in the best possible way. The Group does not allow employees to accept gifts or bribes, nor should Moelven's employees offer such incentives to business contacts outside the Group.

Management structure

The Corporate Assembly is the Group's highest body. Shareholders exercise their right to participate in the decision-making processes of the company through the Corporate Assembly, as it elects the Board of Directors and monitors its work. The Corporate Assembly has 12 members, four of whom are elected by the employees. The five largest shareholders control 99.7% of the Group, but in total there are 990 shareholders.

Moelven Industrier ASA is now owned by Finnish and Norwegian forest owners' associations, with Metsäliitto Andelslag and Finnforest Oyj as the majority owners, and Glommen Fond AS, Mjøsen Skog BA, AT Skog BA and Havass Skog BA as the largest minority owners.

A change to the organisational structure of the majority shareholder coming into force on 1 April 2006 means that Metsäliitto Andelslag will take over Finnforest's shareholding. As a result of this, Metsäliitto Andelslag will own 65.2% of Moelven.

The current shareholders' agreement states that Moelven shall be an independent subsidiary, coordinated with Metsäliitto Andelslag's mechanical wood business. The shareholders' agreement also states that the Moelven brand shall be maintained.

The Moelven Group's operations are run on a results-oriented basis.

The Board of Directors

The Board has a duty to safeguard the overall interests of the Group, and has overall responsibility for ensuring that Moelven acts properly and responsibly at all levels and in all of its business activities.

The Board of Directors works in accordance with the stipulations of the Norwegian Companies Act, and consists of eight members, two of whom are elected by the employees.

President and CEO

The President and CEO has the overall responsibility for daily operations at Moelven, and must follow guidelines laid down by the Board, as well as inform the Board regarding the status of all business operations. The President and CEO must also monitor the financial accounts and administration to ensure that the business is run consistent with all applicable laws, rules, agreements and guidelines.

Group Executive Board

Day-to-day operations are the responsibility of the respective business unit managers, who report to the division managers. Division managers are part of the Group Executive Board and report directly to the President and CEO.

Business dealings with the owners

In some areas of the Group's ordinary activities there are business transactions between the Group and its owners. This is of the case for the purchase of logs, for example, which are supplied by the Norwegian forest owners' associations. Moelven's marketing organisation in Scandinavia is also used for the distribution of goods from Finnforest, which is part of Metsäliitto's mechanical wood division. Occasionally Moelven takes advantage of the majority owner's marketing organisation in the European market. There are also some currency exchange transactions with Metsä Group Financial Services OY.

What all of these transactions have in common, is that they are done at "arm's length", where other business partners are to be chosen if they offer better prices and/ or terms.

Independence of the Board of Directors

None of the Directors have personal commercial relationships with the business. Nor do they, with the exception of the employee representatives, have any personal jobs for the Group other than being on the Board, representing the Group and safeguarding its interests.

Auditor

The Norwegian Companies Act stipulates the auditor's role and responsibilities. The auditor's main responsibility is to ensure that Moelven's financial accounts and accompanying notes and documentation comply with all applicable laws and regulations, including the Norwegian Accounting Act and generally accepted accounting practices. The auditor must also provide an assessment of whether Moelven has organised its asset management and control routines in an acceptable manner.

Directors' fees and executive compensation

The Corporate Assembly determines the Directors' fees. The CEO and other managers are remunerated in accordance with relevant rules and agreements, with the majority of the remuneration paid as a fixed salary. The Group also has an incentive scheme that at a company level rewards units with low levels of absenteeism and high operating margins. These rewards are paid by the holding company to the individual units, and shall be used collectively to increase the well-being of employees at the workplace.

Communication with shareholders and lenders

Moelven is dependent on gaining the trust of its shareholders and lenders by meeting advertised targets in accordance with the strategy of the Group.

The Group's reports adhere to current Norwegian accounting practice and routines, and correspond to the reports provided by listed companies. The only exception to this is that the Group does not publish complete accounts in accordance with IFRS (International Financial Reporting Standards), but instead inserts comments in its accounts with additional information showing the effect of not reporting in accordance with IFRS.

Safeguarding of assets

Moelven safeguards its assets by always maintaining a strategic approach to insurance coverage and risk abatement. The group is insured against financial disasters and damage that would result in significant financial loss in excess of three million NOK.

The Group's strategy for insurance and risk management is approved by the Group Executive Board and the Board of Directors, and is revised annually.

Every other year, potential risks are mapped at all units. The mapping is carried out locally, but is coordinated centrally.

The Moelven Group has drawn up a continuity plan for the business, which must be followed if there is a serious accident such as a fire. The plan consists of three parts, with the first part, the action plan, describing how primarily human life and secondarily production equipment shall be rescued. The second part, the disaster plan, describes how relatives shall be notified and how the media shall be handled. The third part is a recovery plan, setting out how the company can safeguard its customers' interests by using its own production capacity, or that of other Moelven units, to complete all agreed deliveries.

Financial strategy

Moelven Industrier aims to generate value for its shareholders. As the Group is no longer listed, there is a strong emphasis on providing its shareholders with a stable return.

The Group has the following financial targets:

- Our operating margin shall be higher than 5%.
- Our return on capital employed shall be higher than 12%.
- Our liquid asset ratio shall exceed 35%.
- The capital turnover rate shall be higher than 2.

Information as a competitive tool

The Group Executive Board occasionally uses medieval knights as a metaphor for the mechanisms that create a successful business.

The knights valued qualities such as honourable behaviour, defence of their faith, courtesy towards their enemies and protection of the weak and poor. If we transfer this to the modern world and to Moelven's business culture, we can see these qualities reflected in the Group's four core values.

In battle the knights carried weapons and wore armour. At Moelven this corresponds to the need of key personnel in sales and marketing, for example, to have access to the right tools. Expertise, information about available products, possible delivery dates and prices are every bit as important to them, in their battle for customers, as the weapons and armour were to the knights.

The flow of information to the market and to our customers, through salespeople and the marketing department, is just as important to the Group as the flow of information to shareholders.

Key financial figures

Moelven Industrier – The Group

Amounts in NOK millions	Explanation	2005	2004	2003	2002	2001	
PROFIT AND LOSS							
Operating revenues		6 005	5 773	4 864	4 618	4 517	
Depreciation and write-downs		178	178	146	147	161	
Operating profit		159	70	101	139	93	
Net interest and financial items		-46	-54	-36	-40	-54	
Operating result before tax		113	17	64	99	39	
BALANCE							
Investments in fixed assets	A	112	199	189	119	105	A Capitalised investments less investments due to acquisitions
Total capital		2 964	2 884	2 364	2 140	2 393	B Equity + interest-bearing debt
Total equity		1 076	1 053	923	919	879	C $\frac{\text{Operating profit}}{\text{Operating revenues}}$
Net interest-bearing debt		751	872	624	498	773	D $\frac{\text{Operating profit} + \text{depreciation and write-downs}}{\text{Operating revenues}}$
Capital employed	B	1 857	1 943	1 593	1 454	1 698	E $\frac{\text{Operating result}}{\text{Average equity}}$
INNTJENING/RENTABILITET							
Net operating margin	C	2.6%	1.2%	2.1%	3.0%	2.1%	F $\frac{\text{Operating profit} + \text{interest income}}{\text{Average capital employed}}$
Gross operating margin	D	5.6%	4.3%	5.1%	6.2%	5.6%	G $\frac{\text{Operating result} + \text{financial costs}}{\text{Financial cost}}$
Return on equity	E	6.3%	-0.3%	3.5%	7.9%	3.0%	H $\frac{\text{Total equity}}{\text{Total capital}}$
Return on capital employed	F	7.6%	3.7%	6.8%	9.1%	5.7%	I $\frac{\text{Operating revenues}}{\text{Average total capital}}$
Interest cover	G	2.4	1.2	2.4	3.0	1.6	J $\frac{\text{Current assets}}{\text{Current liabilities}}$
CAPITAL							
Equity ratio	H	36.3%	36.5%	39.1%	42.9%	36.7%	K $\frac{\text{Liquid funds} + \text{financial investments} + \text{receivables}}{\text{Current liabilities}}$
Capital turnover rate	I	2.1	2.2	2.2	2.0	1.9	L Operating result before tax – taxes payable + depreciations and corrections regarding other non liquid items
LIQUIDITY							
Current ratio	J	1.79	1.98	1.92	1.79	1.98	M $\frac{\text{Operating result}}{\text{Average number of shares}}$
Quick ratio	K	0.84	0.87	0.91	0.76	0.91	N $\frac{\text{Cashflow from operating result}}{\text{Average number of shares}}$
Cash flow from operating result (NOK millions)	L	295.9	178.3	227.7	237.9	194.8	O Market price in 2001
SHARES							
Earnings per share in NOK	M	0.52	-0.02	0.28	0.64	0.23	P Overall RISK for Group Estimated RISK at 1 January 2006 is NOK -0.25
Average number of shares (millions)		129.5	126.8	116.0	116.0	115.4	Q Dividend proposal – 2005
Cash flow per share in NOK	N	2.28	1.41	1.96	2.05	1.69	
Tax value in NOK at 31 December	O	6.25	5.20	6.16	4.13	11.0	
RISK-amount in NOK at 1 January	P	-0.16	-0.11	-0.16	-0.12	-0.21	
Dividend in NOK per share	Q	0.25	0.15	0.15	0.25	0.25	
PERSONNEL							
Number of employees at 31 December		3 159	3 191	2 853	3 120	3 149	
Average number of employees		3 175	3 022	2 987	3 135	3 057	

Amounts in NOK millions	Note	2005	2004	2003
Revenue		5 969.6	5 720.2	4 838.4
Other operating income		35.3	53.0	25.7
Operating revenues	2, 3, 20	6 004.9	5 773.2	4 864.1
Raw materials and consumables used	4	3 785.9	3 676.1	3 060.5
Change in stock of work in progress, finished goods and projects		23.5	-15.3	-39.8
Payroll expenses	17	1 214.0	1 211.3	1 070.9
Depreciation on fixed assets and intangible assets	14, 16	178.0	177.5	146.1
Other operating expenses		644.9	653.3	525.8
Operating expenses		5 846.3	5 702.9	4 763.5
Operating profit		158.6	70.3	100.6
Income from associates	19	-3.4	-3.7	-5.9
Other interest income		2.0	2.9	2.2
Other financial income		2.5	7.6	12.5
Other interest expenses		-43.4	-52.5	-41.6
Other financial expenses		-3.3	-8.0	-3.3
Financial income/financial expenses		-45.6	-53.7	-36.1
Operating result before tax		113.0	16.6	64.5
Tax on ordinary result	5, 6	45.7	19.0	32.3
Operating result		67.3	-2.5	32.2
Minority interests	20	0.6	0.7	-0.3
Net profit for the year		67.9	-1.8	31.9
Profit per share		0.52	-0.02	0.28
Average number of shares		129 541 284	126 778 028	115 954 584

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, 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.

Effects of reporting according to IFRS

Amounts in NOK mill.	2005 IFRS	Effects IFRS	2005 NGAAP	2004 IFRS	2003 IFRS
Profit and loss account					
Operating revenues	6 004.9		6 004.9		
Raw materials	3 790.9	5.0	3 785.9		
Payroll expenses	1 212.1	-1.9	1 214.0		
Depreciations	174.4	-3.6	178.0		
Operating profit	159.1	0.5	158.6		
Net financial items	-47.5	-1.9	-45.6		
Pre-tax profit/loss	111.6	-1.4	113.0		
Taxes	44.3	-1.4	45.7		
Ordinary profit/loss	67.3	0.0	67.3		
Balance sheet					
Deferred tax assets	0.0	0.0	0.0	0.0	39.6
Goodwill	17.7	7.9	9.8	0.0	0.0
Net pension funds	26.9	-28.2	55.1	24.6	31.2
Other receivables	151.2	2.2	149.0	148.0	119.2
Total assets	2 946.0	-18.1	2 964.1	2 857.5	2 353.0
Equity	1 060.8	-15.6	1 076.4	1 010.6	881.9
Pension liabilities	120.5	40.0	80.5	116.1	107.6
Deferred tax	1.1	-22.7	23.8	15.1	0.0
Dividends payable	0.0	-32.4	32.4	0.0	0.0
Other short-term liabilities	418.0	12.6	405.4	295.7	253.0
Total equity and liabilities	2 946.0	-18.1	2 964.1	2 857.5	2 353.0

IFRS figures have not been audited.

Balance sheet at 31 December

Moelven Industrier – The Group

Amounts in NOK millions	Note	2005	2004	2003
ASSETS				
Deferred tax asset	6	0.0	0.0	16.5
Goodwill	14	9.8	8.0	12.7
Other intangible assets		0.8	1.6	0.0
Total intangible fixed assets		10.6	9.6	29.2
Land		68.0	64.6	47.2
Buildings and other real property		340.4	380.2	337.2
Machinery and plant		578.7	627.2	408.2
Fixtures and fittings, tools, office machinery etc.		48.7	65.6	68.3
Total tangible assets	15, 16	1 035.8	1 137.6	860.9
Investments in associated companies	19	21.1	20.7	19.9
Investments in shares	18	12.5	22.4	25.0
Bonds and other receivables	7	5.7	12.7	13.1
Net pension funds	17	55.1	60.8	67.4
Total financial fixed assets		94.4	116.6	125.4
Total fixed assets		1 140.8	1 263.8	1 015.5
Stocks	8	967.1	908.3	708.2
Accounts receivable	7	677.3	556.1	477.4
Other debtors	7	149.3	138.5	116.6
Total debtors		826.6	694.6	594.0
Bank, deposits, cash in hand, etc.	10, 11	29.6	17.5	45.8
Total current assets		1 823.3	1 620.4	1 348.0
Total assets	20	2 964.1	2 884.2	2 363.5
EQUITY AND LIABILITIES				
Share capital		647.7	647.7	595.2
Own shares		0.0	0.0	-15.4
Share premium reserve		180.7	180.7	67.1
Total paid-in capital		828.4	828.4	646.9
Other equity		236.8	213.2	264.0
Minority interests	20	11.2	11.8	12.6
Total equity	21	1 076.4	1 053.4	923.5
Pension liabilities	17	80.5	76.1	67.6
Deferred tax	6	23.8	39.3	0.0
Other provisions	9	16.9	6.2	8.9
Total provisions		121.2	121.6	76.5
Liabilities to financial institutions	10	749.3	865.2	646.1
Other long-term liabilities	9	6.2	25.4	16.0
Total long-term liabilities		755.5	890.6	662.1
Liabilities to financial institutions	10	30.8	24.7	23.5
Trade creditors		394.1	340.0	290.8
Tax payable	5	36.1	4.1	0.5
Public duties payable		148.4	154.4	124.8
Dividends		32.4	19.4	17.9
Other short-term liabilities	9	369.2	276.0	243.9
Total short-term liabilities		1 011.0	818.6	701.4
Total liabilities		1 887.7	1 830.8	1 440.0
Total equity and liabilities	20	2 964.1	2 884.2	2 363.5
Mortgages	13	37.3	52.7	46.2
Guarantees	12	81.4	96.7	69.2

1 February 2006
Moelven Industrier ASA



Runar Lillandt
Chairman



Ole V. Salvén
Deputy Chairman



Martin Lillandt



Arimo Uusitalo



Iver Melby



Even Mengshoel



Torstein A. Opdahl



Arne Rødø



Gunde Haglund
(permanent alternate)



Hans Rindal
CEO

Amounts in NOK millions	Note	2005	2004	2003
CASH FLOW FROM OPERATIONS				
Operating result before tax		113.0	16.6	64.5
Tax paid	5	-16.1	-0.5	-5.0
Ordinary depreciations	16	178.0	177.5	146.1
Gain/loss from the sale of fixed assets		-6.9	-15.1	-9.6
Restructuring costs		12.0	-18.9	7.0
Pension costs, provided for but not paid / pension funds taken to income but not paid in	17	12.5	15.0	18.8
Income from associates	19	3.4	3.7	5.9
Changes in current assets excl. liquid funds and deposits		-182.5	-25.9	-154.8
Changes in current liabilities excl. loans		172.7	-85.9	43.6
Net cash flow from operations		286.1	66.5	116.5
CASH FLOW FROM INVESTMENTS				
Payments to purchase fixed assets excl. acquisitions	15	-107.2	-201.7	-188.8
Net cashflow from acquisition / sale of subsidiaries		-10.2	-21.5	-13.0
Sale of fixed assets	15	9.9	37.0	20.9
Long-term investments, financial		22.2	5.4	4.2
Net cash flow from investments		-85.3	-180.8	-176.7
CASH FLOW FROM FINANCING				
Changes in short-term liabilities and overdrafts		6.1	-33.6	-16.3
Liquid share of income from associates		0.2	2.2	0.0
Changes in long-term debt		-175.6	-19.9	114.0
Issue of equity		0.0	156.3	0.0
Payment of dividends and purchase/sale of own shares		-19.4	-19.0	-29.1
Net cash flow from financing		-188.7	86.0	68.6
LIQUID FUNDS				
Net change in liquid funds during the year		12.1	-28.3	8.4
Liquid funds at 1 January		17.5	45.8	37.4
Liquid funds at 31 December	10	29.6	17.5	45.8
AVAILABLE LIQUID FUNDS				
Liquid funds at 31 December		29.6	17.5	45.8
Unutilised credit facilities at 31 December		705.0	889.8	630.8
Restricted deposits		0.0	0.9	0.4
Available liquid funds at 31 December		734.6	906.4	676.2
Additional information in connection with acquisition/sale of subsidiaries				
<i>Additions</i>				
Fixed assets		4.4	294.8	20.0
Current assets		8.6	274.0	36.7
Liquid funds		5.3	32.5	0.6
Total equity		0.0	186.4	-0.3
Interest-bearing debt		4.7	248.0	44.3
Non interest-bearing debt		13.6	166.9	13.3
Total balance from acquisitions		18.3	601.3	57.3

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

2004: Acquisition of Are Group and Mobilaram AB.

2003: Acquisition of Moelven Danmark A/S, Plyfa Göteborg AB and Woodpaint i Karlstad AB. Deconsolidation of Aicher GmbH as associated company.

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 completion 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 liabilities and pension costs

Most of the Group's Norwegian companies have collective pension plans through insurance companies. These are plans, which entitle employees to an agreed future pension. The benefits are based on the number of years of service and the salary level reached at retirement. Defined contribution plans were introduced in 2005. Employees have earned rights pursuant to this scheme, which is recorded as a future pension commitment. For the Group's foreign companies, the pension plans are based on the employer's contributions in accordance with agreed schemes. The pension schemes are dealt with in the accounts according to NRS (Norwegian Accounting

Standards) for pension costs. Liabilities which are based on schemes are calculated actuarially. The liabilities are reduced by the value of the total pension funds and aggregated with the net present value of uninsured liabilities. The liabilities for contract pensions are included in the calculations. For some of the Group's contracts, the pension funds are larger than the pension liabilities. The overfunding is shown as "net pension funds" under financial investments on the balance sheet. Premium financing is applicable based on the Group's composition and alternative uses of the pension funds. Pension costs, which encompass the current value of the year's pension savings with accrued interest costs of pension liabilities reduced by the expected returns on pension funds, are dealt with as operating costs under "payroll expenses".

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.

Notes

Moelven Industrier – The Group

1

PURCHASE AND SALE OF BUSINESSES

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 Mobilarum 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.
- 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.

Pro forma figures for Moelven – as if Are had been part of the Moelven Group in 2003 (figures have not been audited) – are as follows:

Amounts in NOK millions	2005	2004	2003
Operating revenues	6 005	5 773	5 564
Write-offs and depreciation	178	178	177
Operating profit	159	70	128
Net operating margin in per cent	2.6	1.2	2.3
No. of employees	3 159	3 191	3 150

Events in 2003

- The Swedish-Norwegian industrial Group Are is acquired of Moelven Industrier AB. Are is a sawmill and planing mill group with business activities in Sweden and Norway. Are's production facilities are located in West Sweden, and the Group has 300 employees and sales of NOK 800 millions. The takeover is scheduled for 1 January 2004. A precondition for the sale was approval by the competition authorities.
- Moelven Wood AB purchases Bejer Byggmaterial AB's planing business in Karlstad. The company has 7 employees and will become a production unit under Moelven Valåsen Wood AB.
- Moelven Industrier ASA purchases shares in Finnforest Danmark AS. The company markets, sells and distributes wood products from both Moelven and Finnforest for the Danish market. The company, which has changed its name to Moelven Danmark AS, has 17 employees and sales of DKK 170 millions.
- Moelven Industrier ASA sells its ownership interests in the Russian planing mill OOO Moelven Energo to Finnforest Oyj.
- Agder – Telemark Skogeierforening takes over 49 per cent of the shares in Moelven Telemarksbruket AS via a private placing. The company will be run as a subsidiary of Moelven. The company has 26 employees and sales totalling NOK 40 millions.

OPERATING REVENUES

In "Group operating revenues", deliveries and services between group companies totalling NOK 3 573 millions (NOK 3 106 millions in 2004) have been eliminated.

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		
	2005	2004	2003	2005	2004	2003	2005	2004	2003	2005	2004	2003
Amounts in NOK millions												
Operating revenues	6 004.9	5 773.2	4 864.1	2 656.8	2 619.3	2 398.1	2 089.5	2 064.1	1 363.0	1 770.1	1 630.0	1 726.2
Depreciations and write-downs	178.0	177.5	146.1	77.6	78.0	74.3	53.3	54.2	25.8	30.2	32.7	37.2
Operating profit	158.6	70.3	100.6	61.4	33.0	92.3	56.2	29.6	-0.6	75.9	44.9	38.5
Financial items	-45.6	-53.7	-36.1	-15.2	-17.7	-17.7	-13.1	-18.0	-11.2	-4.3	-2.2	-1.2
Operating result before tax	113.0	16.6	64.5	46.2	15.3	74.6	43.1	11.6	-11.8	71.6	42.7	37.3
Gross operating margin	2.6	1.2	2.1	2.3	1.3	3.8	2.7	1.4	0.0	4.3	2.8	2.2
Cash flow from operations	336.6	247.8	246.7	139.0	111.0	166.6	109.5	83.8	25.2	106.1	77.6	75.7
Total capital	2 964.1	2 884.2	2 363.5	1 509.0	1 448.5	1 258.3	1 155.8	1 059.2	631.8	897.7	801.2	790.4
Interest bearing debt	750.5	890.0	669.6	359.5	398.7	281.3	338.1	287.1	247.7	108.9	97.4	107.2
Interest free debt	1 137.2	940.8	770.4	508.8	443.5	385.8	384.7	339.8	226.6	405.6	338.9	336.1
Equity ratio (%)	36.3	36.5	39.1	42.5	41.9	41.7	37.5	40.8	38.3	42.7	45.5	43.8
Investments	112	199	189	53	107	123	33	70	41	22	22	17
Number of employees	3 159	3 191	2 853	968	1 019	979	759	784	577	1 381	1 334	1 239

3.2 – Operating revenues by geographical markets

Amounts in NOK millions	Group			Timber			Wood			Building Systems		
	2005	2004	2003	2005	2004	2003	2005	2004	2003	2005	2004	2003
Scandinavia	4 847	4 618	3 772	1 712	1 775	1 594	1 942	1 863	1 184	1 704	1 520	1 617
Euro-countries	590	549	470	521	452	387	60	86	73	9	12	10
Rest of Europe	317	367	333	204	206	187	84	110	100	28	51	46
Japan	110	144	161	79	93	104	3	4	5	28	47	53
Rest of the world	142	95	128	141	93	126	0	1	2	1	0	0
Total	6 005	5 773	4 864	2 657	2 619	2 398	2 090	2 064	1 363	1 770	1 630	1 726

3.3 – Distribution of operating revenues by producing country

Amounts in NOK millions	Group			Timber			Wood			Building Systems		
	2005	2004	2003	2005	2004	2003	2005	2004	2003	2005	2004	2003
Norway	3 069	2 898	2 689	1 053	992	1 204	1 201	1 196	734	1 077	947	1 003
Sweden	2 936	2 876	2 035	1 604	1 627	1 194	889	868	489	693	683	723
Denmark			140						140			
Total	6 005	5 773	4 864	2 657	2 619	2 398	2 090	2 064	1 363	1 770	1 630	1 726

3.4 – No. of employees per division

	Group			Timber			Wood			Building Systems		
	2005	2004	2003	2005	2004	2003	2005	2004	2003	2005	2004	2003
Norway	1 672	1 630	1 686	381	403	546	453	475	353	793	707	736
Sweden	1 465	1 542	1 147	587	616	433	287	292	207	585	625	500
Denmark	19	17	17				19	17	17			
England	3	2	3							3	2	3
Total	3 159	3 191	2 853	968	1 019	979	759	784	577	1 381	1 334	1 239

There were 51 employees in Other businesses at the end of 2005 (45 in Norway and 6 in Sweden). This business area consists of the parent company Moelven Industrier ASA 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		
	2005	2004	2003	2005	2004	2003	2005	2004	2003	2005	2004	2003
Raw materials and purchased goods	967.1	908.3	708.2	409.7	401.7	286.1	445.8	382.4	311.0	111.5	124.1	111.0
Accounts receivables	677.3	555.9	477.4	306.0	273.0	201.2	190.0	124.5	129.3	314.0	242.1	203.7
Gross operating capital	1 644.4	1 464.2	1 185.6	715.7	674.7	487.3	635.8	506.9	440.3	425.5	366.2	314.7
As per cent of operating revenues	27	25	24	27	26	20	30	25	32	24	22	18
Trade creditors	394.1	340.0	290.8	243.5	189.8	153.1	153.5	158.9	91.3	94.6	89.4	98.6
Net operating capital	1 250.3	1 124.2	894.8	472.2	484.9	334.2	482.3	348.0	349.0	330.9	276.8	216.1
As per cent of operating revenues	21	19	18	18	19	14	23	17	26	19	17	13

4

COST OF GOODS SOLD

Amounts in NOK millions	2005	2004	2003
Purchase of raw materials, semi-finished goods for resale and services, incl. increased provision for warranty and service commitments	3 543.7	3 448.4	2 765.0
Transport costs of goods sold	347.6	300.9	257.4
Changes in stocks of raw materials and purchases	-105.4	-73.2	38.1
Cost of goods sold	3 785.9	3 676.1	3 060.5

5

TAXATION

Amounts in NOK millions	2005	2004	2003
Operating result before tax	113.0	16.6	64.5
Nominal tax in Norway 28 per cent	31.6	4.6	18.0
Re-consideration of deferred tax asset ¹⁾	12.0	13.0	14.3
Net tax effect of tax exempt items and effect of other tax rates abroad	2.1	1.4	0
Tax	45.7	19.0	32.3
<i>Taxes consist of payable taxes in</i>			
Norway ¹⁾	46.8	3.4	0.5
Sweden	0.1	0.6	0
Denmark	1.1	1.4	0
Total taxes payable	48.0	5.4	0.5
Changes in deferred tax	-2.3	13.6	31.8
Total taxes	45.7	19.0	32.3

1) NOK 12 million relates to an amended tax post from 2004, and was fully paid in 2005.

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	2005	2004	2003
Temporary differences			
Provision for receivables	-1.0	-0.7	-0.9
Provision for stocks	14.0	13.3	6.7
Cost provisions according to generally accepted accounting principles	-6.0	-4.5	-2.4
Other short-term temporary differences	0.6	0.4	-2.4
Subtotal short-term differences	7.6	8.5	1.0
Temporary differences			
Accumulated excess tax depreciation	36.3	44.1	6.1
Gain/loss account	4.9	4.9	7.5
Pension funds	14.8	17.0	18.3
Pension liabilities	-22.1	-19.9	-17.0
Other long-term items	-0.1	8.4	-25.9
Subtotal long-term items	33.8	54.5	-11.0
Accommodated tax carry-forwards	-17.6	-23.7	0.0
Tax reducing differences (-), tax increasing differences (+)	23.8	39.3	-10.0
Deferred tax liability	23.8	39.3	0.0

6.2 – Deferred tax asset

Amounts in NOK millions	2005	2004	2003
Non-accomodated negative differences	0.0	0.0	10.0
Non-accomodated carry-forwards	0.0	0.0	19.6
Deferred tax asset	0.0	0.0	29.6
Deferred tax asset capitalised in the accounts	0.0	0.0	16.5

6.3 – Deferred tax benefit from deficits carried forward

Amounts in NOK millions	2005	2004	2003
Norway	0.0	2.8	1.9
Sweden	17.6	20.9	17.7
Denmark and others	0.0	0.0	0.0
Deferred tax benefit from deficits carried forward	17.6	23.7	19.6

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.

7

OTHER RECEIVABLES

7.1 – Short-term items

Amounts in NOK millions	2005	2004	2003
Accounts receivables			
Accounts receivables, gross	681	560.5	483.8
Provision against losses	-3.0	-4.4	-6.4
Accounts receivables, net	677.3	556.1	477.4
This year's recorded losses	2.1	4.9	1.4
Changes in provision for loss	-0.7	-2.0	3.0
Losses on accounts receivables	1.4	2.9	4.4
Other debtors			
VAT receivables	68.4	72.6	47.1
Other receivables	80.9	65.9	69.5
Total other debtors	149.3	138.5	116.6

Other receivables consists of accruals, prepayments and other items related to operations. More than half of the Group's trade debtors are covered by credit insurance.

7.2 – Long term items

Of the total amount of bonds and other receivables totalling NOK 5.7 millions in 2005 (12.4 in 2004) NOK 0.8 millions (0.9 in 2004) is bonds and security and NOK 4.1 millions (4.0 in 2004) is receivables from SIVA Moelv Næringspark AS. Long-term receivable of refund pension fees in Sweden amounts to NOK 0.8 millions (3.6 in 2004).

8

STOCK AND ORDERS

Amounts in NOK millions	2005	2004	2003
Raw materials and purchased semi-finished goods	361.9	275.9	203.6
Work in progress	127.5	142.4	105.4
Finished goods	457.7	460.4	380.0
Orders	10.1	21.6	16.4
Prepayments to suppliers	9.9	8.0	2.8
Total stocks and orders	967.1	908.3	708.2
Spesification of projects			
Own projects 31 December	0.0	0	0
Contracts at 31 December	584.2	496.3	183.9
Payments on account/part invoiced	-574.1	-474.7	-167.5
Total projects – net	10.1	21.6	16.4

Project holdings totalling NOK 10.1 million refers to the net worth of incurred, but not yet recorded costs, and earned, but not yet invoiced, income on projects.

9

OTHER LIABILITIES

9.1 – Short-term liabilities

Other short-term liabilities of NOK 369.2 millions (276.0 in 2004) essentially consists of accruals and provisions related to the operation of the Group's more than 45 operating units. Included in the figures are holiday allowances totalling NOK 100.5 million (90.1 in 2004) and timber expenses totalling NOK 60.9 million (51.8 in 2004)

9.2 – Long-term liabilities

The figure for other long-term liabilities is NOK 6.2 mill. (25.4 in 2004) and includes NOK 3.0 million (3.0 in 2004) for a loan from minority shareholders of Moelven Telemarksbruket AS and NOK 0.6 million (0.7 in 2004) for loans from Vamo KS.

NOK 1.8 million (0.0 in 2004) is also included in the figure and refers to the remaining value of grants received from Innovasjon Norge.

Other provisions for financial commitments totals NOK 16.9 million (6.2 in 2004) and includes guarantee and service commitments totalling NOK 6.5 million (3.9 in 2004) and environmental provisions amounting to NOK 6.5 million (1.6 in 2004).

10

LIQUID HOLDINGS AND DEBT

10.1 – Interest-bearing receivables and debt

Amounts in NOK millions	Average interest rate 2005	2005		
		2005	2004	2003
Restricted bank deposits		0.0	0.0	4.5
Other bank deposits		29.6	17.5	41.3
Total bank deposits/receivables		29.6	17.5	45.8
Bank overdraft and other short term interest bearing debt		30.8	24.7	23.5
Long-term interest-bearing debt				
NOK	7.32%	38.9	37.1	93.6
SEK	3.73%	694.3	811.5	552.5
DKK	2.74%	16.1	16.6	0.0
EUR		0.0	0.0	0.0
Total long-term interest-bearing debt		749.3	865.2	646.1
Net interest-bearing debt		750.5	872.3	623.8

10.2 – Repayment plans on long-term loans

Amounts in NOK millions	2005	2004	2003
Long-term debt falling due within			
1 year	36.1	119.8	83.0
2 years	93.8	12.8	108.6
3 years	325.8	100.3	2.5
4 years	256.3	280.9	0.0
5 years	0.9	314.1	417.0
6 years and more	36.4	37.4	35.0
Total	749.3	865.3	646.1

10.3 – Interest adjustment

Amounts in NOK millions – according to currency	NOK	SEK
Interest adjustment for the following years		
2006	0.0	2.3
2007	0.0	0.0
2008	0.0	233.9
2009	0.0	148.8
2010	0.0	0.0
2011	35.0	0.0
2012 and later	0.0	21.3
Sum	35.0	406.3

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 and long-term financing

Amounts in NOK millions	2005	2004	2003
at 31 December	1 154.9	1 296.5	983.6
in 1 year	1 132.7	1 263.9	936.1
in 2 years	1 027.6	1 150.3	807.5
in 3 years	612.6	1 038.9	785.0
in 4 years	35.0	617.6	765.0
in 5 years	35.0	35.0	435.0
in 6 years or more	0.0	35.0	35.0

Short-term financing

In addition to the long-term liquidity situation, the Group has loan arrangements that are renewed every year. As of 31 December 2005 these were NOK 100 million, SEK 100 million, EUR 4 million, DKK 40 million and GBP 0.5 million. Total available short-term financing is NOK 279.2 million. The Group has long-term loan arrangements that cover the net interest-bearing debt at the end of the year and up until 2007. As a result of normal seasonal variations, the Group's net interest-bearing debt at its peak in autumn 2005 was NOK 1 050 million. The long-term loan arrangements are assumed to cover the liquidity needs in the coming two years, assuming a steady cash flow from operations.

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	2005	2004	2003
Loan guarantees/financial guarantees	81.1	94.2	69.0
Surety and prepayment guarantees	0.3	2.4	0.0
Joint guarantees other companies	0.0	0.1	0.2
Total	81.4	96.7	69.2

13

MORTGAGES – SECURED LOANS

13.1 – Loans with security in assets

Amounts in NOK millions	2005	2004	2003
Bank overdraft	0.0	12.8	0.0
Long-term loans	37.3	39.9	46.2
Total	37.3	52.7	46.2

13.2 – Book value of pledged assets

Amounts in NOK millions	2005	2004	2003
Other receivables and prepayments	0.0	93.0	5.9
Stocks	0.0	145.9	31.2
Machinery, installations	19.2	102.3	28.0
Buildings	6.6	56.8	29.4
Land	3.3	7.2	0.5
Shares	0.0	8.0	10.1
Total	29.1	413.2	105.1

15

INVESTMENTS IN AND SALE OF FIXED ASSETS

Amounts in NOK millions	2005		2004		2003		2002		2001	
	Invest.	Sale	Invest.	Sale	Invest.	Sale	Invest.	Sale	Invest.	Sale
Fixtures and fittings	6.7	1.2	13.9	2.6	21.6	1.2	21.5	1.4	28.2	0.4
Machines and plant	80.6	2.4	352.5	25.7	122.8	61.0	118.9	20.3	70.2	8.3
Buildings and other property	25.3	6.3	107.3	30.8	62.9	3.1	29.5	18.7	50.6	8.8
Land	3.4	0.0	20.1	2.0	1.5	6.2	0.2	0.7	2.2	0.0
Total	116.0	9.9	493.8	61.1	208.8	71.5	170.1	41.1	151.2	17.5

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 Mobilarum 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.

14

FINANCIAL GOODWILL IN CONNECTIONS WITH ACQUISITION OF SUBSIDIARIES

Amounts in NOK millions	2005	2004	2003
Historical cost of capitalised goodwill at 01.01.	43.3	43.7	43.7
Acquisition/sale – Timber	0.0	0.0	0.0
Acquisition/sale – Wood	1.3	0.0	0.0
Acquisition/sale – Building Systems	4.0	-0.4	0.0
– Cost price of depreciated goodwill	-8.9	0.0	0.0
Historical cost of capitalised goodwill at 31.12.	39.7	43.3	43.7
Depreciation for year	-3.5	-4.3	-4.6
– Depreciated goodwill	8.9	0.0	0.0
Accumulated depreciation	-29.9	-35.3	-31.0
Book value of capitalised goodwill at 31.12.	9.8	8.0	12.7

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.

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	69.2	600.0	1 380.0	117.9	2 167.1
Additions 2005	3.4	25.3	80.6	6.7	116.0
Value at disposal		14.1	12.8	3.7	30.6
Acquisition value at 31 December	72.6	611.2	1 447.8	120.9	2 252.5
Acc. ord. depreciation at 1 January	4.6	244.4	766.4	54.6	1 070.0
Disposals acc. depreciation		12.8	12.1	2.7	27.6
Depreciation current year¹⁾		39.2	114.8	20.3	174.3
Acc. ordinary depreciation at 31 December	4.6	270.8	869.1	72.2	1 216.7
Net book value at 1 January	64.6	380.2	627.2	65.6	1 137.6
Net book value at 31 December	68.0	340.4	578.7	48.7	1 035.8
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 174.3 millions, and depreciation on intangible assets of NOK 3.7 millions.

16.2 – Annual operating leasing costs

Amounts in NOK millions	2005	2004	2003
Vehicles	10.3	11.2	7.2
Machines and equipment	2.3	2.2	2.3
Buildings and property	0.0	0.0	1.0
Total	12.6	13.4	10.5

17

WAGES AND PENSION COSTS/PENSION LIABILITIES

17.1 – Payroll expenses

Amounts in NOK millions	2005	2004	2003
Wages and salaries	902.1	888.9	814.7
Employer's national insurance contribution and social expenses	267.5	281.2	228.1
Other social costs and benefits ¹⁾	44.4	41.2	28.1
Total	1 214.0	1 211.3	1 070.9

1) Costs relating to defined contribution plans and various other pension costs have been included in the figure above, which is the reason for the discrepancy between the figures for pension costs above and in Note 17.2.

17.2 – Pension costs

Amounts in NOK millions	2005	2004	2003
Earnings for the year	21.1	17.4	14.3
Interest cost on pension liabilities	17.1	17.3	16
Pension costs (gross)	38.2	34.7	30.3
Expected return on pension assets	-14.2	-16.2	-17.9
Changes in estimates	6.8	10.4	5.8
Deferred employers' national insurance contributions	1.3	2.0	0.6
Pension costs (net), insured and uninsured plans	32.1	30.9	18.8
Pension costs for contractual pensions (AFP)	7.4	12.0	6.6

17.3 – Pension liabilities

Amounts in NOK millions	2005	2004	2003
Balance at 1 January			
Accumulated earnings	268.5	234.5	194.9
Pension based on future salary increases	48.2	37.6	29.6
Pension liabilities (gross)	316.7	272.1	224.5
Pension funds	-248.6	-231.5	-244.5
Estimated change and variance, not charged	-61.0	-47.5	-15.0
Uninsured employers' national insurance contributions	8.2	6.7	6.1
Pension liabilities (net), surplus	15.3	-0.2	-28.9
Balance at 31 December			
Pension liabilities (gross)	373.1	316.7	272.1
Pension funds (anticipated)	-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
Total net pension funds, permissible insured schemes	-55.1	-60.8	-67.4
Insured schemes not allowed to be offset by over-financed schemes	30.2	23.6	19.8
Pension liabilities, contractual pensions (AFP)	51.0	52.5	47.8
Total pension liabilities	81.2	76.1	67.6

Changes in pension scheme for Moelven companies in Norway

The companies' defined benefit plans were discontinued as of 01.01.2005, after a decision was made that all new employees would participate instead in a defined contribution plan. Since autumn 2005, all employees have been able to choose between retaining their old benefit plan or switching to the new scheme. Approximately 25% of the employees have chosen to switch to the new pension scheme. The effect this will have on the Group's pension commitments has not yet been calculated. In addition to the defined contribution pension scheme, a coverage equalling approximately 60% of wages (with open policy earnings) in case of disability will also be added to the figure for future pension commitments.

The Group's total pension commitments (TBO) for insured schemes is estimated to be NOK 422 millions at the end of the year 2005 (NOK 321 millions in 2004). TBO refers to the current value of likely future pension commitments, assuming the members remain in the scheme until retirement. Pension funds and liabilities relate 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. Pension schemes in the Group's foreign companies are grouped into separate schemes.

17.4 – Financial assumptions

	2005	2004	2003
Return on pension funds	6.0%	7.0%	7.5%
Discount rate	5.0%	6.0%	6.5%
Growth in annual salaries and state pension	3.0%	3.3%	3.3%
Annual adjustments of pensions being drawn	2.5%	2.5%	2.5%

The pension liabilities that apply to the Group's Norwegian companies cover a total of 2 010 people (1 934 in 2004) for the insured schemes, of whom 1 657 are active and 353 are pensioners. The pension liabilities in connection with contractual pensions encompass a total of 1 728 persons. The annual cost regarding the deviation from estimate is distributed over the next 12 years based on the total anticipated remaining years of employment of the members. As is clear from the above, we have – as a consequence of the falling interest rate – reduced the discount rate.

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. 2005
Vamo AS ¹⁾	45.0	100	4 500	45	45
Mjøskompetanse AS	15.4	130	2	20	20
SIVA Moelv Næringspark AS	40.0	20 000	8 000	8 000	8 000
Såkorinvest Innlandet AS	3.3	7 500	2 500	250	100
Støren Trelast AS	14.3	8 647	12 400	1 240	1 100
Others					181
Total Moelven Industrier ASA					9 446
SB Sågbränsle AB	70.0	SEK 112	784	SEK 40	35
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	1 205	SEK 120	130
Transportfellesskapet 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	118
Jures Medis AB	15.0	LT 6 033	180 982	LT 905	878
Svenskt Limträ AB	33.0	SEK 100	333	SEK 33	28
Moelven MassivTre AS ¹⁾	47.2	21 200	10 000	10 000	10 000
Others					205
Total others					21 944
Total					31 390

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	10 000
Total companies treated by equity method in the Group account	18 845
Total for the Group	12 545

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. 2005	Balance: Additions/Disp.	Value at 31 Dec. 2005	Share profit
Vamo KS	40.5	49	-24	25	-12
Vamo AS	45.0	45		45	
Moelven Elementbygg KS (closing down)	100.0	230		230	
Moelven Elementbygg AS (Moelven Virke AS)	100.0	46	-46		
ANS Land Sag Eiendom	30.0	1 546	25	1 571	119
Nye Land Sag AS	30.0	2 327		2 327	
Weda Skog AB	50.0	7 300		7 300	
Moelven MassivTre AS	47.2	9 140	456	9 596	-3 554
Total for the Group		20 683	411	21 094	-3 447

COMPANIES TREATED AS SUBSIDIARIES, WITH MINORITY OWNERSHIP SHARES

The Group accounts for 2005 include the following companies with minority interests

	2005	2004	2003
Moelven Telemarksbruket AS	49.0%	49.0%	49.0%
Moelven Laminated Timber Str. Ltd	0.0%	7.5%	7.5%
Moelven Skog AB	20.0%	20.0%	0.0%

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

Profit and loss items	2005	2004	2003	Balance sheet items	2005	2004	2003
Operating revenues	94.5	58.3	18.0	Equity	11.2	11.8	12.6
Net profit for the year	-0.6	-0.7	0.3	Total capital	46.0	41.8	22.0

EQUITY

21.1 – Changes in equity

Amounts in NOK millions	Share capital	Share premium reserve	Own shares	Other equity	Minority interest	Profit/loss	Total equity
Balance at 31 December 2004	647.7	180.7	0.0	213.2	11.8		1 053.4
Net profit						67.9	67.9
Allocation of net profit				67.9		-67.9	0.0
Foreign currency translation				-8.9			-8.9
Provision for dividend				-32.4			-32.4
Change of category, tangible assets				-3.6			-3.6
Minority interests				0.6	-0.6		0.0
Balance at 31 December 2005	647.7	180.7	0.0	236.8	11.2	0.0	1 076.4

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 2005 a total of 1 100 own shares.

21.3 – The largest shareholders at 2 February 2005

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

Cont. note 21.3

Shareholder		No. of shares	Percentage of voting shares
Finnforest Oyj	Finland	66 066 616	51.00%
Metsäliitto Osuuskunta	Finland	18 334 532	14.15%
Glommen Fond AS	Norway	22 662 374	17.49%
Mjøsen Skog BA	Norway	11 945 097	9.22%
AT Skog BA	Norway	6 168 509	4.76%
Havass Skog BA	Norway	3 886 271	3.00%
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		129 249 154	99.77%
Other 976 shareholders		292 130	0.23%
Total		129 541 284	100.00%

RISK adjustment

Up until 01.01.2006, Norwegian shareholders selling their shares had to adjust the taxable cost price by the RISK amount (Adjustment of Shareholders' taxable purchase price with changes in taxable assets). Due to changes in the tax laws in Norway, the RISK system will discontinue as of 2006. Thus, the last time RISK is applicable (at 01.01.2006) will be for the accounting year 2005.

Even though the RISK system will no longer be in use, private Norwegian shareholders retain the RISK amount that they have already earned on their shares. This means that Norwegian shareholders who will be taxed when selling shares at a later time should save information regarding the earned RISK amount. Earned RISK will be specified on the shareholders' forms sent by the authorities to all shareholders in the mail. Starting in 2006, a new model for private shareholders inside of EEA/EU will be in place where risk-free yields will be exempt from taxes. In this model, the cost price including RISK will be the basis for the calculation. Risk-free yield is set equal to a standard interest rate that is determined by the Ministry of Finance and is based on the average interest rate on government bonds (0-3 months).

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 (estimated)	-0.25

21.4 – Shareholders' agreement and close association**Shareholders' agreement**

The share capital at Moelven Industrier ASA consists of 129,542,384 shares with a face value of NOK 5 and a single share category. In all, the shares are distributed among approx. 990 shareholders, while the 6 largest owners control a total of 99.7%.

A shareholders' agreement has been entered into between Metsäliitto Osuuskunta/ Finnforest Oyj (100% owned by Metsäliitto), Glommen Fond AS (95% owned by Glommen Skog BA), and Mjøsen Skog BA in 2002. The shareholders' agreement has sections regulating the following: representation in the corporate assembly and on the Board, decision-making rules on certain issues and transfer of shares. In connection with the purchase of shares in Moelven Industrier ASA in 2004 by AT Skog BA and Havass Skog BA, these companies have also signed on to the shareholders' agreement from 2002.

The Moelven Group's two Finnish owners, Metsäliitto Osuuskunta and Finnforest Oyj, will be merged into one company in the first quarter of 2006. The merged company, Metsäliitto Osuuskunta, will thereby have a direct ownership share in Moelven Industrier ASA totalling 65.2%. The other ownership shares in Moelven will remain unchanged. The merger will not affect the shareholders' agreement with the Norwegian forestry associations.

Close association

The existing shareholders' agreement specifies that Moelven shall remain an independent subsidiary operating within strategy guidelines laid down by Finnforest.

In some of the Group's business areas, transactions are carried out with the owners. This applies, for example, to the purchase of timber, where Norwegian forest owners are suppliers. Moelven's marketing apparatus in Scandinavia is also used to promote Finnforest products in the Scandinavian market, while Moelven in some contexts makes use of Finnforest's marketing network in Europe. Transactions involving interest rates and foreign exchange are also made with the Metsä Group Financial Services Oy. All transactions and collaboration between individual shareholders and Moelven must take place at an "arm's length", and if other companies can offer better prices and/or terms, then these are to be preferred. The shareholder's agreement also specifies that the Moelven trademark shall be maintained.

21.5 – Shares in Moelven Industrier ASA – owned by members of the

Corporate assembly

Name	No. of shares
Jaakko Punkari (chairman)	
Heikki Asunmaa	
Mikael Aminoff	
Marti Asunta	
Lars-Ole Gimming	
Børre Rogstadkjernet	
Kjersti Solberg	
Christian Ramberg	
Harald Løkkesveen ¹⁾	100
Rolf Ellevold ¹⁾	
Lars-Håkan Karlsson ¹⁾	
Per W. Gunro ¹⁾	

Alternates

Hannu Järvinen
Juha Mäntylä
Halvard Sæther
Helge Urstrømmen
Kritian M. Noer
Knut Aas
Jonny Lindberg ¹⁾
Jan Arve Sinnerud ¹⁾

¹⁾Employee representatives

Board of Directors

Name	No. of shares
Runar Lillandt (chairman)	
Ole V. Salvén	1 000
Arimo Uusitalo	
Martin Lillandt	
Torstein A. Opdahl	
Even Mengshoel	
Iver Melby ¹⁾	
Arne Rødø ¹⁾	

Alternate, attending all meetings

Gunde Haglund ¹⁾

Alternates

Kjersti Narum
Terhi Koipijärvi
Ole Theodor Holth
Mika Paljakka
Leif Kristensen ¹⁾
Kåre Kastbakken ¹⁾
Odd Henning Kalager ¹⁾

Group Executive Board

Name	No. of shares
Hans Rindal (CEO)	200
Anders L. Fossum	100
Dag E. Sand	200
Reidar Mo	200

21.6 – 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 ASA¹⁾

Amounts in NOK millions	Note	2005	2004	2003
Operating revenues	1	67.7	132.5	35.7
Payroll expenses	8	32.8	32.7	19.7
Depreciations and write-downs	7	15.7	11.1	3.8
Other operating expenses		44.1	57.2	79.0
Operating expenses		92.6	101.0	102.5
Operating profit		-24.9	31.5	-66.8
Income from subsidiaries ²⁾		96.0	64.3	51.6
Income from associates	13	0.0	0.0	0.0
Interest income from group companies		56.0	57.3	58.4
Other interest income		0.7	0.9	1.2
Other financial income		3.3	5.5	13.5
Other interest received and financial income		-10.6	-7.4	-20.6
Other interest expenses		-35.2	-41.5	-34.4
Other financial expenses		-4.2	-4.3	-2.0
Financial income/financial expenses		106.0	74.8	67.7
Operating result before tax		81.1	106.3	0.9
Tax on ordinary result	2, 3	35.3	23.4	-5.1
Operating result		45.9	82.9	6.0
Net profit for the year		45.9	82.9	6.0
The Board's proposal for allocation of net profit and capital transfer				
Provision for dividends, NOK 0.25 per share (0.15 in 2004/03)		-32.4	-19.4	-17.9
Other equity		-13.5	-63.5	11.9
Total	14	-45.9	-82.9	-6.0

1) On 1 January 2004, the subsidiaries Moelven Treindustri AS and Moelven Service AS merged with Moelven Industrier ASA. The comparative profit and loss account and balance sheet figures for 2003 have not been restated.

2) Including group contributions.

Balance sheet at 31 December

Moelven Industrier ASA

Amounts in NOK millions	Not	2005	2004	2003
ASSETS				
Deferred tax asset	3	0,0	0,0	38,6
Land	7	3,5	3,7	3,7
Buildings and other real property	7	8,7	12,7	20,1
Machinery and plant	7	1,3	1,4	1,3
Fixtures and fittings, tools, office machinery etc.	7	33,7	44,3	0,3
Total tangible fixed assets		47,2	62,1	25,4
Investments in subsidiaries	11	1 017,3	954,1	930,8
Investments in associates	13	0,3	0,3	0,3
Loan to group companies	9	1 038,5	1 087,2	873,5
Investments in shares	12	9,4	18,7	28,4
Bonds and other receivables	4	4,1	4,0	6,7
Net pension funds	8	32,1	33,1	34,7
Total financial fixed assets		2 101,7	2 097,4	1 874,4
Total fixed assets		2 148,9	2 159,5	1 899,8
Accounts receivable		0,8	1,1	0,4
Receivables from group companies		3,8	2,6	2,1
Loans to group companies		123,1	92,2	108,4
Other receivables		2,6	6,8	1,8
Total receivables		130,3	102,7	112,7
Bank deposits, cash in hand		0,2	0,3	0,1
Total current assets		130,5	103,0	112,8
Total assets		2 279,4	2 262,5	2 051,2
EQUITY AND LIABILITIES				
Share capital		647,7	647,7	595,2
Own shares		0,0	0,0	-15,4
Share premium reserve		180,7	180,7	67,1
Total paid-in capital		828,4	828,4	646,9
Other equity		305,1	291,7	106,0
Total equity	14	1 133,5	1 120,1	752,9
Pension liabilities	8	18,4	12,9	9,3
Deferred tax	3	11,0	19,1	0,0
Total provisions		29,4	32,0	9,3
Debt to credit institutions	10	675,2	781,3	594,4
Long-term, non interest-bearing debt to group companies		0,0	0,0	227,5
Long-term, interest-bearing debt to group companies		22,4	24,0	0,0
Other long-term liabilities		0,6	10,6	10,6
Total long-term liabilities		698,2	815,9	832,5
Bank overdraft within the group account system		305,2	217,5	354,8
Trade creditors		4,6	4,0	2,1
Accounts payable to group companies		0,4	2,6	4,7
Short-term, non interest-bearing debt to group companies		19,4	24,9	52,5
Public duties payable		1,7	2,0	1,8
Dividends		32,4	19,4	17,9
Payable tax		31,2	1,7	0,0
Other short-term debt	5	23,4	22,4	22,7
Total current liabilities		418,3	294,5	456,5
Total liabilities		1 145,9	1 142,4	1 298,3
Total equity and liabilities		2 279,4	2 262,5	2 051,2
Mortgages		0,0	0,0	0,0
Guarantee	6	323,2	253,4	236,3
Number of shares (face value per share NOK 5.-)	14	129 542 384	129 542 384	119 042 384

Cash flow statement

Moelven Industrier ASA

Amounts in NOK millions	Note	2005	2004	2003
CASH FLOW FROM OPERATIONS				
Operating result before tax		81.1	106.3	0.9
Payable tax in financial period		-13.6	0.0	0.0
Write-down of long-term receivables		0.0	3.3	0.0
Ordinary depreciation	7	15.7	11.1	3.8
Reverse write-down of shares in subsidiaries		0.9	-76.0	6.0
Gain/loss from sale of fixed assets		-5.2	8.9	43.0
Paid, but not charged, pension premium		6.6	5.7	-1.5
Change in current assets, excl. liquid funds and deposits		3.3	-6.2	-3.6
Change in current liabilities, excl. loans		-0.5	-1.6	-10.1
Net cash flow from operations		88.3	51.5	38.5
CASH FLOW FROM INVESTMENTS				
Payments to purchase fixed assets excl. acquisitions		-2.3	-4.3	-2.9
Net cash expenditure for purchase of subsidiaries		-54.8	-197.9	58.5
Sale of fixed assets		6.6	4.4	0.0
Refund of excess paid pension premium		0.0	0.0	25.0
Long-term investments, financial		47.9	-212.4	-872.9
Changes in long-term financing stemming from merger between parent and subsidiary companies		0.0	260.7	116.4
Short-term lending		-30.9	16.2	-4.5
Cash flow from investments		-33.5	-133.3	-680.4
CASH FLOW FROM FINANCING				
Changes in short-term borrowings and overdraft		82.2	-164.9	286.3
Changes in long-term debt		-117.7	32.3	383.8
Net effect from merging subsidiaries		0.0	77.1	0.0
Issue of equity		0.0	118.3	0.0
Payment of dividends		-19.4	-19.0	-29.0
Purchase/sale of own shares		0.0	38.2	0.0
Net cash flow from financing		-54.9	82.0	641.1
LIQUID FUNDS				
Net change in liquid funds during the year		-0.1	0.2	-0.8
Liquid funds at 1 January		0.3	0.1	0.9
Liquid funds at 31 December		0.2	0.3	0.1

1

OTHER OPERATING REVENUES

Amounts in NOK millions	2005	2004	2003
Net gain from sale of fixed assets	5.2	0.8	0.0
Net gain from sale of securities	0.0	0.6	0.0
Reverse write down of shares in subsidiariesp	0.0	76.0	0.0
Subsidiaries' share of joint expenses	26.4	22.4	26.9
IT-services	23.4	20.2	0.0
Income from rentals – external	1.9	1.8	1.5
Income from rentals – internal	3.9	2.6	3.2
Other	6.9	8.1	4.1
Total other operating revenues	67.7	132.5	35.7

2

TAXES

Amounts in NOK millions	2005	2004	2003
Operating result before tax	81.1	106.3	0.9
28 per cent tax	22.7	29.8	-0.3
Tax effect of tax exempt items	0.9	-18.2	-1.9
Tax effect of differences not affecting tax payable	-0.3	25.6	0.0
Correction of previous years	12.0	-13.8	-2.9
Total taxes	35.3	23.4	-5.1
<i>Taxes consist of</i>			
Tax payable	43.3	1.6	0.1
Change in deferred tax	-8.0	21.8	-5.2
Total taxes	35.3	23.4	-5.1

3

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

3.1 – Deferred tax liability

Amounts in NOK millions	2005	2004	2003
<i>Short-term temporary differences</i>			
Provision for receivables	0.0	0.0	-13.7
Cost provisions according to generally accepted accounting principles	-4.7	-2.7	-3.1
Subtotal short-term temporary differences	-4.7	-2.7	-16.8
<i>Long-term temporary differences</i>			
Accumulated excess tax depreciation	8.6	10.8	-5.9
Gain/loss account	3.3	3.1	0.5
Pension funds	9.0	9.3	9.7
Pension liabilities	-5.2	-3.6	-2.6
Other long-term items	0.0	2.2	-23.5
Subtotal long-term items	15.7	21.8	-21.8
Tax reducing differences (-), tax increasing differences (+)	11.0	19.1	-38.6
Deferred tax liabilities	11.0	19.1	0.0

3.2 – Deferred tax asset

Amounts in NOK millions	2005	2004	2003
Non-accommodated tax reducing differences	0.0	0.0	38.6
Non-accommodated carry forwards	0.0	0.0	0.0
Deferred tax asset	0.0	0.0	38.6

4

RECEIVABLES – BONDS AND OTHER RECEIVABLES, LONG TERM

Other receivables, totally NOK 4.1 millions includes NOK 4.1 millions in loan to SIVA Moelv Næringspark AS (4.0 in 2004) and loans to employees NOK 0.0 million (0.0 in 2004).

5

OTHER SHORT-TERM LIABILITIES

This post consists in large part of accrued expenses.

6

GUARANTEES/-COMMITMENTS

Amounts in NOK millions	2005	2004	2003
Loans guarantees/financial guarantees	201.3	123.2	104.6
Surety and repayment guarantees	91.3	98.5	102.4
Guarantees for employee tax deductions	30.6	31.7	29.3
Total	323.2	253.4	236.3

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	3.7	49.0	3.7	64.2	120.6
Additions	0.0	0.0	0.3	2.0	2.3
Value at disposal	0.2	6.0	1.2	1.9	9.3
Acquisition value 31 December	3.5	43.0	2.8	64.3	113.6
Accumulated ordinary depreciations 1 January	0.0	36.3	2.3	19.9	58.5
Disposals accumulated depreciation	0.0	4.8	1.1	1.9	7.8
Depreciations current year	0.0	2.8	0.3	12.6	15.7
Accumulated ordinary depreciations 31 December	0.0	34.3	1.5	30.6	66.4
Net book value 1 January	3.7	12.7	1.4	44.3	62.1
Net book value 31 December	3.5	8.7	1.3	33.7	47.2
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	2005	2004	2003
Wages	19.9	20.5	14.7
Employer's national insurance contribution	3.2	3.2	3.0
Pension costs	9.3	8.3	1.8
Other contributions/other personnell costs, incl. amount charged to subsidiaries	0.4	0.7	0.2
Total	32.8	32.7	19.7

8.2 – Pension costs

Amounts in NOK millions	2005	2004	2003
Earnings for the year	2.7	2.9	2.3
Interest cost on pension liabilities	3.0	3.2	2.9
Pension costs (gross)	5.7	6.1	5.2
Expected return on pension funds	-3.1	-3.9	-5.5
Changes in estimates and deviation	5.2	5.1	1.5
Deferred employer's national insurance contributions	0.7	0.5	0.2
Costs related to defined contribution plans and other various costs	0.8	0.5	0.4
Pension costs (net), insured and uninsured plans	9.3	8.3	1.8

8.3 – Pension liabilities

Amounts in NOK millions	2005	2004	2003
Balance at 1 January			
Accumulated earnings	55.2	48.3	39.3
Pensions based on future salary increases	2.9	3.0	2.3
Pension liabilities (gross)	58.1	51.3	41.6
Pension funds	-59.1	-56.4	-73.6
Uninsured employers' national insurance contributions	1.7	1.2	1.0
Pension liabilities (net), surplus	-20.2	-25.4	-48.7
Balance at 31 December			
Pension liabilities (gross)	64.7	58.1	49.2
Pension funds (anticipated)	-55.0	-59.1	-54.3
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
Total net pensin funds, permissible insured schemes	-32.1	-33.1	-34.7
Insured schemes not allowed to be offset by over-financed schemes	18.4	12.9	9.3

The company's total pension liabilities (TBO) for insured schemes are estimated at NOK 59.5 millions at the end of 2005. 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. In 2003, the company had reversals of NOK 25.0 millions in taxes, a reduction in accordance with law on company pensions.

8.4 – Financial assumptions

	2005	2004	2003
Return on pension funds	6.0%	7.0%	7.5%
Discount rate	5.0%	6.0%	6.5%
Growth in annual salaries and state pensions	3.0%	3.3%	3.3%
Annual adjustment of pensions being drawn	2.5%	2.5%	2.5%

The pension liabilities, secured schemes, cover a total of 153 people, of whom 76 are active and 77 are pensioners. The annual cost regarding the deviation from estimate is distributed over the next 13 years based on the total anticipated remaining years of employment of the members.

New pension scheme

Moelven has decided that all new employees starting on or after 01.01.2005 shall participate in the company's defined contribution plans.

In the autumn 2005, all employees that with old pension scheme were given the chance to either remain in the earlier pension scheme or join the new scheme. Approx. 40% of the employees in the company have chosen to join the new pension scheme.

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).

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SHARES IN SUBSIDIARIES

Amounts in NOK millions	Type			Credit			Remaining term in months		
	2005	2004	2003	2005	2004	2003	2005	2004	2003
Drawing rights	0.0	0.0	252.4	0.0	0.0	139.0	0.0	0.0	0.0
Drawing rights	370.0	390.0	410.0	233.9	182.6	328.0	28.5	40.5	52.5
Drawing rights	400.0	400.0	400.0	127.6	159.8	0.0	36.0	48.0	60.0
Drawing rights	50.0	50.0	0.0	16.1	16.6	0.0	45.0	57.0	0.0
Term loan	0.0	102.7	127.4	0.0	102.7	127.4	0.0	5.0	17.0
Term loan	297.7	319.6	324.4	297.7	319.6	0.0	36.0	48.0	60.0
Total	1 117.7	1 262.3	1 514.2	675.2	781.3	594.4			

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.

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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. 2005
Moelven Industrier ASA owns					
Moelven Timber AS	100.0	100 000	10 000	100 000	120 902
Moelven Van Severen AS	100.0	35 000	3 500	35 000	35 006
Moelven Østerdalsbruket AS	100.0	18 000	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	5 500	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
Moelven Hen 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 Byggindustri 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 Elektro AS	100.0	12 000	40 000	8 000	12 000
Mocon Holding AS	100.0	68 000	68 000	68 000	74 167
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 36	3 600	GBP 6	1
Moelven Are AS	100.0	300	3 000	300	50 116
Moelven Mjøsbruket 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	15 479	1 549	4 151
Moelven Virke AS	100.0	5 000	50 000	5 000	4 546
Total Moelven Industrier ASA					1 017 323

Moelven Industrier AB owns

Moelven Notnäs AB	100.0	SEK 3 250	650 000	SEK 3 250	42 525
Moelven List AB	100.0	SEK 5 500	55 000	SEK 5 500	18 739
Moelven Byggmodul AB	100.0	SEK 50 000	5 000	SEK 50 000	42 012
Moelven Norsälven AB	100.0	SEK 3 500	35 000	SEK 3 500	38 273
Moelven Ransbysågen AB	100.0	SEK 1 000	10 000	SEK 1 000	14 459

Cont. note 11

Moelven Värmlands Trä AB	100.0	SEK	3 000	3 000	SEK	3 000	27 981
Moelven Component AB	100.0	SEK	2 580	25 800	SEK	2 580	6 630
UJ-Trading AB	100.0	SEK	1 500	15 000	SEK	1 500	7 655
Skåre Kontorshotell AB	100.0	SEK	100	1 000	SEK	100	617
Moelven Wood AB	100.0	SEK	9 000	90 000	SEK	9 000	8 536
Modulpoolen i Sandsjöfors AB	100.0	SEK	100	1 000	SEK	100	27 778
Moelven Notnäs Wood AB	100.0	SEK	3 800	38 000	SEK	3 800	13 098
Plyfa Göteborg AB	100.0	SEK	250	100	SEK	250	510
Moelven Valåsen Wood AB	100.0	SEK	20 100	201 000	SEK	20 100	24 143
Moelven Valåsen AB	100.0	SEK	50 000	500 000	SEK	50 000	127 575
Moelven Dalaträ AB	100.0	SEK	20 000	200 000	SEK	20 000	46 778
Moelven Eurowand AB	100.0	SEK	40 000	40 000	SEK	40 000	51 540
Areco Holding Sweden AB	100.0	SEK	200	2 200	SEK	200	204
Mobilarum AB	100.0	SEK	100	1 000	SEK	100	20 597
Moelven Edanesågen AB	100.0	SEK	400	4 000	SEK	400	62 024
Moelven Nössemark Trä AB	100.0	SEK	300	3 000	SEK	300	47 816
Moelven Årjängs Såg AB	100.0	SEK	300	3 000	SEK	300	42 525
Moelven Tom Heurlin AB	100.0	SEK	1 500	1 500	SEK	1 500	42 525
Moelven Skog AB	80.0	SEK	3 200	400	SEK	3 200	3 402
Edane Skogs AB	100.0	SEK	100	1 000	SEK	100	111
Moelven Byggmodul Kil AB	100.0	SEK	1 000	10 000	SEK	1 000	2 892
Moelven Byggmodul Torsby AB	100.0	SEK	630	9 000	SEK	630	1 021
Mobilarum Rental AB	100.0	SEK	2 000	20 000	SEK	2 000	1 892
Moelven Byggfinansiering AB	100.0	SEK	275	2 750	SEK	275	6 841
Sandsjöfors Byggleasing AB	100.0	SEK	1 000	1 000	SEK	1 000	425
Total Moelven Industrier AB							731 124

Moelven ByggModul AB owns

Moelven ByggModul Sandsjöfors AB	100.0	SEK	3 600	36 000	SEK	3 600	0
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Moelven Byggindustri 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 Byggindustri AS							56 860

Mocon Holding AS owns

Moelven Limtre AS	100.0		11 000	11 000		11 000	43 028
Moelven Töreboda AB	100.0	SEK	12 000	120 000	SEK	12 000	42 000
Moelven Holzleimbau GmbH	100.0	EUR	200	20	EUR	0	0
Total Mocon Holding AS							85 028

Moelven Elektro AS owns

Mesna Installasjon AS	100.0		100	100		100	6 000
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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. 2005
Vamo AS	45.0	100	4 500	45	45
Mjøskompetanse AS	15.4	130	2	20	20
SIVA Moelv Næringspark AS	40.0	20 000	8 000	8 000	8 000
Såkorinvest Innlandet AS	3.3	7 500	2 500	250	100
Støren Trelast AS	14.3	8 647	12 400	1 240	1 100
Others					181
Total Moelven Industrier ASA					9 446

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SHARES (20 PER CENT -) AND INTERESTS IN ASSOCIATED COMPANIES, BY EQUITY METHOD

Amounts in NOK 1 000	Share of ownership	Value at 1 Jan. 2005	Balance: Additions/Disp.	Value at 31 Dec. 2005	Share of profit
Vamo KS ¹⁾	40.5	37	-12	25	-12
Moelven Elementbygg KS (closing down)	100.0	230		230	
Total		267	-12	255	-12

1) Vamo KS has granted a loan to Moelven Industrier ASA amounting to NOK 0.6 million at 31 December 2005 (0.7 in 2004).

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EQUITY

Amounts in NOK millions	Share capital	Share premium reserve	Own shares	Other equity	Net profit	Total
Balance at 1 January 2005	647.7	180.7	0.0	291.7		1 120.1
Net profit					45.9	45.9
Allocation of net profit				13.5	-13.5	0.0
Provision for dividend					-32.4	-32.4
Balance at 31 December 2005	647.7	180.7	0.0	305.1	0.0	1 133.5

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NUMBER OF EMPLOYEES

Average number of employees in 2005 was 44 (46 in 2004).

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

Amounts i NOK 1 000, paid during the year	2005	2004	2003
Auditor's fee	375.0	325.0	290.0
Consultancy fees to auditors for other services	71.0	273.0	552.7
Remuneration of board members	822.0	850.0	845.0
Remuneration of corporate assembly members	235.0	185.0	170.0
Salary to President and CEO	1 493.0	2 025.2	1 843.5
Other benefits to President and CEO	179.0	128.1	168.4

In 2005, the Auditor's fee for the Group as a whole amounted to NOK 4.0 millions (NOK 3.9 millions in 2004).

Auditor's report for 2005

We have audited the annual financial statements of Moelven Industrier ASA as of December 31, 2005, showing a profit of NOK 45.936.000 for the parent company and a profit of NOK 67.934.000 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, 2005, 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 1, 2006
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 1 February 2006, the Corporate Assembly considered the report of the Board of Directors and Managing Director and proposals for the annual accounts 2005 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 2005 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.

1 February 2006



Jaakko Punkari
Chairman of the Corporate Assembly

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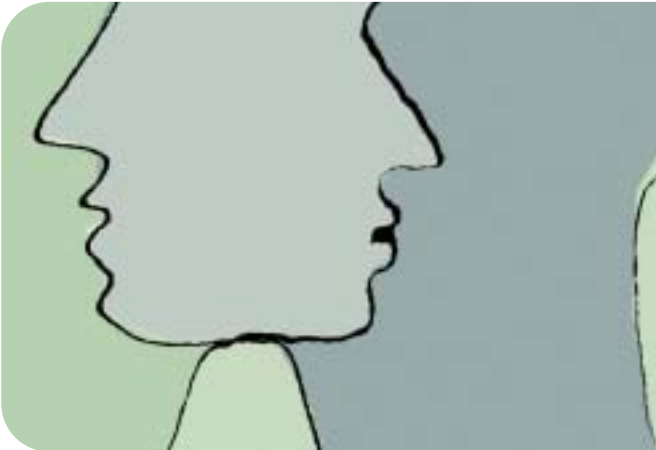
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