

# Quarterly report

3/2005



*The publishing house Bonnier's office layout from Moelven Eurowand AB in the restaurant area of kv. Moraset in Stockholm.*

Member of Finnforest Corporation

**MOELVEN**<sup>®</sup>

Profit and Loss Account	NOK mill.	Change in 3 <sup>rd</sup> Quarter			Nine months			Total	
		2005	2004	2003	2005	2004	2003	2004	2003
		Operating revenues	1,391.2	1,412.7	1,162.6	4,476.8	4,393.1	3,612.7	5,773.2
Depreciation	42.9	45.9	37.1	134.7	130.1	110.1	177.5	146.1	
Cost of goods sold	909.5	942.9	751.4	2,867.1	2,839.0	2,236.2	3,667.3	3,020.7	
Operating expenses	403.9	401.6	355.9	1,361.9	1,359.9	1,172.6	1,858.1	1,596.7	
Operating profit	34.9	22.3	18.2	113.1	64.1	93.8	70.3	100.6	
Income from associates	-1.0	-0.2	-1.1	-2.7	-2.4	-2.4	-3.7	-5.9	
Interest and other financial income	3.4	1.1	6.7	6.7	7.5	17.0	10.6	14.7	
Interest and other financial expenses	-13.8	-13.1	-16.3	-41.5	-44.0	-40.3	-60.6	-44.9	
Operating result before tax	23.5	10.1	7.5	75.6	25.2	68.1	16.6	64.5	
Estimated tax cost	11.6	3.3	2.1	30.2	4.1	19.1	19.0	32.3	
Minority interests	0.6	0.6	0.1	0.9	0.4	-0.1	0.7	-0.3	
Net profit	12.5	7.2	5.5	46.3	21.4	48.9	-1.8	31.9	
<b>Proforma, incl. Are-Group 2003</b>									
Operating revenues	1,391	1,413	1,334	4,477	4,393	4,159	5,773	5,564	
Depreciation	43	46	48	135	130	136	178	177	
Operating profit (in %)	35	22	24	113	64	114	70	128	
Net Operating margin	2.5	1.6	1.8	2.5	1.5	2.7	1.2	2.0	
Total assets	2,976	3,039	3,143	2,976	3,039	3,143	2,884	2,829	
Equity (in %)	36.6	36.3	35.2	36.6	36.3	35.2	36.5	35.0	
No. of employees	3192	3,247	3,230	3,193	3,210	3,202	3,191	3,150	

Balance Sheet	NOK mill.	Change in 3 <sup>rd</sup> Quarter			Per 30.09			Per 31.12	
		2005	2004	2003	2005	2004	2003	2004	2003
		Intangible assets	-1.0	-1.0	-1.1	10.4	9.4	13.9	9.6
Tangible assets	-2.5	8.5	25.8	1,049.2	1,137.1	892.2	1,137.6	860.9	
Financial assets	1.1	-1.0	-0.5	110.9	130.3	154.5	116.6	125.4	
Total fixed assets	-2.4	6.5	24.2	1,170.5	1,276.8	1,060.6	1,263.8	1,015.5	
Stocks	-114.0	-112.8	-118.1	839.6	869.7	649.7	908.3	708.2	
Receivables and deposits	3.6	19.0	85.6	966.1	892.6	861.7	712.1	639.8	
Total current assets	-110.5	-93.8	-32.5	1,805.7	1,762.3	1,511.4	1,620.4	1,348.0	
Total assets	-112.9	-87.2	-8.3	2,976.2	3,039.1	2,572.0	2,884.2	2,363.5	
Share capital*	0.0	0.0	0.0	647.7	647.7	579.8	647.7	579.8	
Other equity and capital	13.3	4.4	4.4	442.0	454.1	407.2	425.1	343.7	
Total equity	13.3	4.4	4.4	1,089.7	1,101.8	987.0	1,053.4	923.5	
Long-term liabilities	-32.1	-24.4	4.8	977.8	1,114.4	876.4	1,012.3	738.6	
Current liabilities	-94.1	-67.3	-17.5	908.7	822.9	708.6	818.5	701.4	
Total liabilities	-126.2	-91.7	-12.7	1,886.5	1,937.3	1,585.0	1,811.4	1,440.0	
Total equity and liabilities	-112.9	-87.2	-8.3	2,976.2	3,039.1	2,572.0	2,884.2	2,363.5	
Net interest bearing debt	-186.2	-100.5	-45	772.4	940.5	746	872.3	624	
Capital employed	-137.1	-96.0	-41	1,932.7	2,042.0	1,733	1,943.7	1,594	
Net working capital	-177.4	-127.0	-67	1,248.3	1,258.0	1,027	1,128.7	895	
<b>Changes in total equity for the Group</b>									
Opening balance	1,076.4	1,097.4	982.6	1,053.4	923.5	918.5	923.5	918.5	
Profit/loss	11.9	7.2	5.5	45.4	21.4	48.9	-2.5	31.9	
Total from share issue	0.0	0.0	0.0	0.0	118.4	0.0	117.9	0.0	
Foreign currency translation	0.8	-2.7	-1.2	-10.0	-2.5	19.3	-5.0	13.0	
Provisions for dividend	0.0	0.0	0.0	0.0	-1.1	0.0	-20.5	-17.9	
Own shares	0.0	0.0	0.0	0.0	38.3	0.0	38.3	0.0	
Change in reclassified assets	0.0	0.0	0.0	0.0	4.5	0.0	1.0	-22.2	
Minority interests	0.6	-0.1	0.1	0.9	-0.4	0.3	0.7	0.2	
Changes for year/period	13.3	4.4	4.4	36.3	178.3	68.5	129.9	5.0	
Total equity	1,089.7	1,101.8	987.0	1,089.7	1,101.8	987.0	1,053.4	923.5	

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

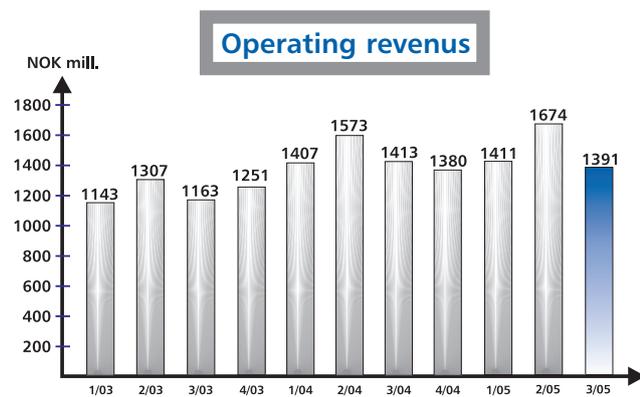
The quarterly report has been prepared using the same accounting principles as those used in the annual accounts and according to NGAAP.

Cash Flow Statement	NOK mill.	Change in 3 <sup>rd</sup> Quarter			Nine months			Total	
		2005	2004	2003	2005	2004	2003	2004	2003
Net cash flow from operations		<b>183.4</b>	110.6	103.2	<b>163.3</b>	-29.5	-36.4	66.5	116.5
Cash from operating result		<b>68.3</b>	44.4	44.6	<b>217.0</b>	140.8	185.8	178.3	227.7
Cash flow from working capital		<b>115.1</b>	66.2	58.6	<b>-53.7</b>	-170.3	-222.2	-111.8	-111.2
Cash flow from/to investments		<b>-37.8</b>	-16.8	-58.9	<b>-78.8</b>	-83.3	-133.8	-180.8	-176.7
Cash flow from/to financing		<b>-109.8</b>	-47.9	0.4	<b>-31.4</b>	136.5	241.9	86.0	68.6
Net cash flow for the period		<b>35.8</b>	45.9	44.7	<b>53.1</b>	23.7	71.7	-28.3	8.4
Liquid funds		<b>35.8</b>	45.8	44.7	<b>70.6</b>	69.1	109.1	16.6	45.4
Unutilised credit facilities		<b>73.7</b>	66.8	19.5	<b>746.5</b>	731.0	395.7	889.8	630.8
Available liquid funds		<b>109.5</b>	112.6	64.2	<b>817.1</b>	800.1	504.8	906.4	676.2
<b>Net. investments from acquisitions and sales</b>									
Fixed assets		-	-	-	<b>0.4</b>	294.8	20.0	294.8	20.0
Current assets		-	-	-	<b>8.6</b>	274.0	36.7	274.0	36.7
Liquid funds		-	-	-	<b>5.3</b>	32.5	0.6	32.5	0.6
<b>Total assets</b>		-	-	-	<b>14.3</b>	601.3	57.3	601.3	57.3
Equity		-	-	-	<b>0.0</b>	186.4	-0.3	186.4	-0.3
Interest bearing debt		-	-	-	<b>2.2</b>	248.0	44.3	248.0	44.3
Interest free debt		-	-	-	<b>12.1</b>	166.9	13.3	166.9	13.3
<b>Total capital</b>		-	-	-	<b>14.3</b>	601.3	57.3	601.3	57.3

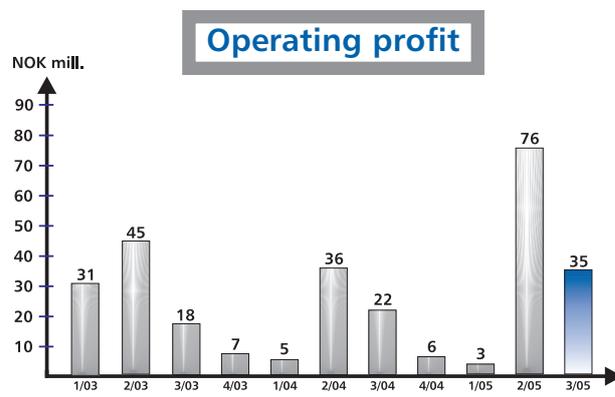
2005: Aquisition of Mesna Installasjon AS.

2004: Aquisition of Are-Group and Mobilarum AB.

2003: Aquisition of Finnforest Danmark A/S, Plyfa Göteborg AB and Woodpaint in Karlstad AB. Deconsolidation of Aicher GMBH as associated company.



Quarterly in 2003 - 2005



Quarterly in 2003 - 2005

Key figures	NOK mill.	3 <sup>rd</sup> Quarter			Nine months			Total	
		2005	2004	2003	2005	2004	2003	2004	2003
Net operating margin (in %)		<b>2.5</b>	1.6	1.6	<b>2.5</b>	1.5	2.6	1.2	2.1
Gross operating margin (in %)		<b>5.5</b>	4.8	4.8	<b>5.5</b>	4.4	5.6	4.3	5.1
Return on capital employed (in %)		<b>7.1</b>	4.3	4.4	<b>7.1</b>	4.4	7.9	3.7	6.8
Earnings per share (in NOK)		<b>0.09</b>	0.06	0.05	<b>0.35</b>	0.17	0.42	-0.02	0.28
Cash flow per share (in NOK)		<b>0.53</b>	0.34	0.38	<b>1.68</b>	1.12	1.60	1.41	1.96
Inv. in fixed assets, excl. acquisition (NOK mill.)		<b>36.7</b>	52	60	<b>78.0</b>	142.0	132	199	189
Equity ratio (in%)		<b>36.6</b>	36.3	38.4	<b>36.6</b>	36.3	38.4	36.5	39.1
Total oper. revenue outside Scandinavia (in %)		<b>19</b>	20	22	<b>19</b>	20	22	21	22
Number of employees		<b>3,192</b>	3,247	2,930	<b>3,193</b>	3,210	2,902	3,191	2,853
Number of shareholders		<b>989</b>	993	999	<b>989</b>	993	999	989	996
Average number of shares		<b>129 541 284</b>	129 541 284	115 953 313	<b>129 541 284</b>	125 846 820	115 953 313	126 778 028	115 954 584

## Directors' report

- Third quarter operating revenues total NOK 1 391 million.
- Third quarter operating profit totals NOK 35 million.
- Sawmills and Moelven Building Systems contribute to increase in profit, combined with profit on sales of non-industrial assets.
- Board anticipates higher profit for year compared to last year.

### Main Points

The demand for the Group's products and services in the third quarter has been normal for the season, which implies a decline in turnover compared to the second quarter due to the summer holiday period. Although the profit figure in 2005 has improved this far, it is still necessary to continue the work that has been ongoing since the second half of 2004 to coordinate and improve efficiency in existing businesses. In addition to the changes made to production processes, changes have also been made to the legal and organisational structure of the business. The number of legal entities has been reduced, and overall operations now consist of 46 companies divided into the three divisions: Timber, Wood and Building Systems.

On 27 September, the Boards of the Metsäliitto Group, Finnforest Oyj and Metsäliitto-Yhtymän Tehdasmittaus Oy approved a plan in which the two last-mentioned companies will merge with the parent company Metsäliitto Osuuskunta. For the Moelven Group, this means that Finnforest Oyj's 51

percent stake in the company will combine with Metsäliitto Osuuskunta's 14.2 percent to give the merged company a total ownership share of 65.2 percent. There will be no other changes to the ownership structure in Moelven, hence there will be no change in the overall ownership share held by Finnish shareholders. President and CEO of Moelven, Mr. Ole Salvén, has been appointed to the position of managing director of Finnforest, and will head up the wood-working division of Metsäliitto Osuuskunta. Mr. Salvén also continues as President and CEO of Moelven.

### Operating revenues and profit

Operating revenues for the third quarter totalled NOK 1 391.2 million, compared to NOK 1 412.7 million for the same period last year. The reduction in operating revenues is primarily due to a weaker Swedish krona compared to 2004. Almost half of the Group's revenues are generated by Swedish subsidiaries. A weaker Swedish krona means that the operating revenues

measured in Norwegian krone are lower than last year, despite the fact that the actual activity level at the Swedish companies has been somewhat higher. The operating profit in the third quarter was NOK 34.9 million, compared to NOK 22.3 million for the same period in 2004. The improvement is due to the implementation of efficiency measures, improved coordination of saw- and planingmills in the Wood division and somewhat better prices in some markets. The sale of non-industrial assets for a profit of NOK 3 million also contributed to the higher third quarter result. Net finance costs totalled NOK 11.4 million (12.2), and ordinary pre-tax profit totalled NOK 23.5 million (10.1). Profit after taxes totalled NOK 11.6 million, compared to NOK 7.2 million for the same period last year.

Overall for the first nine months of the year, operating revenues totalled NOK 4 476.8 million (4 393.1). Operating profit totalled NOK 113.1 million (64.1), and profit after taxes totalled NOK 46.3 mill. (21.4). The increase in taxes in 2005 is due to

Divisions	3 <sup>rd</sup> Quarter			Nine months			Total	
	2005	2004	2003	2005	2004	2003	2004	2003
NOK mill.								
<b>Operating revenues</b>								
Timber	562.0	609.2	548.4	1,979.3	2,006.3	1,787.8	2,619.3	2,398.1
Wood	547.7	543.2	413.7	1,595.1	1,586.5	1,050.9	2,063.9	1,363.0
<b>Building Systems</b>	<b>384.1</b>	385.0	371.2	<b>1,283.7</b>	1,198.9	1,252.2	1,630.0	1,726.2
Laminated Timber	96.9	95.3	92.0	295.7	286.0	292.3	387.2	386.1
Modular Buildings	184.5	171.4	158.6	629.9	541.9	545.1	736.5	762.3
Modular System Interiors	107.4	121.9	121.0	369.1	381.4	416.1	520.4	579.8
<b>Operating profit/loss</b>								
Timber	2.2	(4.0)	2.0	39.2	29.4	75.2	33.0	92.3
Wood	12.8	12.9	10.4	41.5	23.9	15.5	29.6	-0.6
<b>Building Systems</b>	<b>23.6</b>	21.7	11.6	<b>55.3</b>	37.6	29.5	44.9	38.5
Laminated Timber	6.3	6.9	1.8	16.2	12.9	0.9	15.6	1.5
Modular Buildings	10.0	7.4	2.6	19.7	11.6	9.8	7.1	15.7
Modular System Interiors	7.3	7.3	7.2	19.4	13.0	18.8	22.2	21.3

corrections made to tax accrual postings stemming from previous years. The result per share totalled NOK 0.35, compared to NOK 0.17 for the same period last year.

## DIVISIONS

### Moelven Timber

This division's main products - supplied by 17 production units - are sawn timber and wood chips, which are used as raw materials for other wood-processing industries in Scandinavia and Europe. Nine of the units are based in Sweden and eight in Norway, and products in both spruce and pine are supplied. At the end of the third quarter, the division's companies employed 989 (1033) persons. Operating revenues in the third quarter ended at NOK 562.0 million (609.2), and operating profit totalled NOK 2.2 million (-4.0). For the years first nine months operating revenues totalled NOK 1 979.3 million (2006.3) and operating profit totalled NOK 39.2 million (29.4).

Since the second half of 2003, the Swedish units supplying pine products have been struggling with an imbalance between the cost of raw materials and prices for finished products. To take on this challenge, focus has been put on intensifying internal efficiency measures in all business units. Improved efficiency combined with a somewhat improvement in the margins on raw materials is the main reason for the higher profit for Timber.

### Moelven Wood

This division's main products are wood-based construction materials that are primarily sold through builders' merchant chains in Scandinavia. Sales and distribution is coordinated at three customer centres, one in each of the Scandinavian countries, while deliveries are made from 15 plants - eight of which are in Norway and seven in Sweden. The division also sells and distributes a number of commercial products that supplement the division's own range of products. Of the division's production units, four are combined sawmills and planing mills, which stand for the entire process from timber through to finished construction material. Nine units base their production exclusively on acquired sawn timber, which in large part is supplied by Moelven Timber.

At the end of the third quarter, the division employed 775 (803) persons.

Operating revenues of NOK 547.7 million (543.2) for the third quarter were almost similar to the result for the same period 2004. Operating profit totalled NOK 12.8 million, compared to NOK 12.9 the previous year.

Overall for the first nine months of the year, operating revenues totalled NOK 1 595.1 million (1 586.5), and operating profit totalled NOK 41.5 million (23.9). Despite solid market activity and a high rate of housing construction in both Norway and Sweden, there have not been significant changes in market prices. The improved profit figure is therefore primarily the consequence of internal efficiency measures.

### Moelven Building Systems

This division's main products are systems for load-bearing constructions, entire module based buildings and system interiors. Builders and contractors in Scandinavia are the primary customers. The systems represent a competitive alternative to traditional on-site construction. The division also supplies laminated timber and veneer beams, together with services in the area of statics for builders merchants and industrial customers as well. Deliveries take place from 10 facilities, 6 of which are based in Sweden and four in Norway.

At the end of the third quarter, the division employed 1 379 persons (1320). Operating revenues in the third quarter were very similar to the same period last year NOK 384.1 million (385.0), and operating profit increased to NOK 23.6 million (21.7). All of the division's areas have improved their operations, primarily as a result of internal efficiency measures, but also due to positive developments in some markets. The market for commercial interior layouts in Norway is improving, and the Swedish market has shown signs recently of improving as well. Any such improvement will be on top of an already low level, and it will take some time before the price picture will change as a result of increased activities. For the first nine months of the year, operating revenues totalled NOK 1 283.7 million (1 198.9), and operating profit totalled NOK 55.3 million (37.6).

### Other businesses

In addition to the parent company, Moelven Industrier ASA, this business area covers the Group's joint services units, including a unit responsible for

supplying raw material to the sawmills in Timber and Wood. The business area also includes businesses that do not belong to the Group's core business area, such as the management of properties not involved in core operations.

At the end of the third quarter, a total of 50 (54) employees were employed. Operating revenues in the third quarter totalled NOK 20.6 million (16.0), with an operating loss of NOK 3.7 mill (-8.6). In the third quarter, the division carried out sales of non-industrial assets generating a profit of NOK 3 million. In all for the first nine months of the year, operating revenues totalled NOK 53.8 million (52.6), with an operating loss of 22.9 million (-26.7).

### Employees

At the end of the third quarter, the Group employed 3193 persons, which is a decrease of 17 compared to the same period last year. A total of 1689 of the employees were employed in Norwegian businesses and 1485 in Swedish businesses. The rate of absence due to illness for the third quarter was 6.27 percent (6.4). The number of injuries resulting in absence from work per million working hours totalled 24.3 (21). Considerable effort over a long period of time has been invested in trying to reduce the number of injuries and the rate of absence due to illness. The Group's goal is for the general rate of absence to be lower than 5.0 percent, and with no absence-related injuries.

The Group provides employee insurance for Swedish and Norwegian employees in accordance with employment terms in the respective countries. The purpose of the scheme is to provide the employee and the employee's family with a degree of financial security in case of a debilitating injury or death while of working age and after retirement. For Norwegian employees, the pension schemes are being changed from a benefit scheme to a contribution scheme. All Norwegian employees employed in 2005 and later will become part of the deposit scheme, while those who have been hired at an earlier date must choose between the new and old schemes. The primary reason for the change is to increase the flexibility of the system, and the change will not have any major impact on the Group's accounts.

**SENDER:**

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

## Investment, balance sheet and financing

Net interest-bearing debt totalled NOK 772.4 million (940.5). Liquidity reserves in the form of credit facilities and bank deposits totalled NOK 817.1 million (800.1). In the third quarter, NOK 36.7 million (51.4) was invested in fixed assets in the existing business, and consists primarily of maintenance investments and minor renovations. No fixed assets were gained as a result of acquisitions. At the end of the third quarter, the Group controlled assets with a total book value of NOK 2976.2 million (3039.1).

The reduction is due to a lower investment level - operating the business with a lower inventory, as well as currency adjustments. Normal seasonal variations in the Group's activities means that inventories and accounts receivable increase to about NOK 250 million in the first half of the year, but then decline toward the end of the year. Of the Group's total assets, approximately half are linked to businesses in Sweden, and since the end of the third quarter 2004, the book value of these assets has been reduced by just over NOK 120 million as a result of a stronger Norwegian krone vis-a-vis the Swedish krona.

Equity totalled NOK 1089.7 million (1101.8), corresponding to NOK 8.41 per share (8.76). The reduction in equity compared to the same period last year is primarily due to the loss posted in the fourth quarter of 2004 and dividend distribution. The equity ratio was 36.6 % (36.3). The Board's goal is to increase the equity ratio gradually to about 40 %.

Cash flow from operations during the first nine months totalled NOK 217.0 million (140.8), corresponding to NOK 1.68 per share (1.12).

## International Accounting Standard

The effect of reporting pursuant to the International Financial Reporting Standard would be to reduce the Group's profit at the end of the third quarter by NOK 17 million - primarily owing to the fact of using financial instruments to reduce the effects of unforeseen fluctuations in the financial markets (amended market value assessment). Had the accounts been set up pursuant to IFRS, the figure for equity would be NOK 1019.7 million and the equity ratio 34.3 %. The Board is of the opinion that the application of IFRS would not change in any signifi-

cant manner the representation of the Group's financial position.

## Outlook

Moelven Timber anticipates a generally stable demand in the fourth quarter and an improvement in demand for certain pine products. The raw material situation may pose a challenge for sawmills both in Timber and Wood during the autumn, and it may be necessary to reduce production hours or carry out additional structural adjustments if the situation proves to be lasting. In the housing sector, a stable activity level is expected in all three Scandinavian countries, which is important for Moelven Wood. For Moelven Building Systems, the professional building sector is the most important market segment, while the modular systems and laminated timber companies also have a significant share of deliveries to the housing sector. At the start of the fourth quarter, Moelven Building Systems had a satisfactory backlog of orders. The Board anticipates that the Group's results for the year will improve compared to the previous year.

## Board of Moelven Industrier ASA

Moelv, 17 October 2005

*Moelven Industrier ASA is a Scandinavian industrial group that supplies wood-based products and accompanying services to the Scandinavian construction market. The Group's businesses employ a total of 3,200 persons and have a total annual turnover of NOK*

*5.8 billion. The group's forty-six business units are organised into three divisions: Timber, Wood and Building Systems.*

*Moelven is a company in Finnforest Oyj.*

*Owned by Metsäliitto, Finnforest Oyj is Europe's largest industrial wood processing group with annual sales totalling EUR 1.8 billion. Moelven Industrier ASA is Finnforest's majority-owned Norwegian subsidiary. The businesses in Finnforest are organised into two industrial divisions: Engineered Wood and*

*Solid Wood. Finnforest's geographical market is Great Britain, Germany, France, Scandinavia and Finland.*

*Finnforest operates in more than 20 countries and employs a total of 7600 persons.*