

Quality Rooms



Quarterly Report 1/2011

MOELVEN®

Profit and Loss Account	NOK mill.	1 st Quarter			Total	
		2011	2010	2009	2010	2009
		Operating revenues	1,953.4	1,476.8	1,456.2	7,184.5
Depreciation	56.1	51.4	46.9	212.8	202.5	
Cost of goods sold	1,300.3	878.9	959.1	4,514.8	3,899.2	
Operating expenses	623.5	524.3	540.3	2,214.5	2,055.0	
Operating profit	- 26.5	22.2	- 90.1	242.4	91.1	
Income from associates	-	- 0.5	0.9	- 2.3	- 1.7	
Interest and other financial income	12.4	16.2	46.4	41.1	93.3	
Interest and other financial expenses	- 14.3	- 12.7	- 16.1	- 52.0	- 41.5	
Result before tax	- 28.4	25.2	- 58.9	229.2	141.2	
Estimated tax cost	- 7.6	7.1	- 16.5	62.4	41.2	
Net profit	- 20.8	18.1	- 42.4	166.8	100.0	
Minority share	- 0.5	- 1.0	- 1.2	- 1.4	- 3.1	
Majority share	- 20.3	19.1	- 41.2	168.2	103.1	

Balance Sheet	NOK mill.	Per 31.03			Per 31.12	
		2011	2010	2009	2010	2009
		Intangible assets	45.7	13.7	7.1	47.4
Tangible assets	1,475.1	1,346.7	1,326.4	1,480.5	1,336.7	
Financial assets	44.7	47.0	49.4	43.9	45.1	
Total fixed assets	1,565.2	1,407.4	1,382.9	1,571.8	1,395.1	
Stocks	1,537.8	1,166.4	1,151.4	1,342.8	898.6	
Receivables	1,277.7	1,069.7	982.7	1,096.0	886.0	
Deposits	52.1	23.1	28.0	26.2	70.5	
Total current assets	2,867.6	2,259.2	2,162.1	2,465.0	1,855.1	
Total assets	4,432.8	3,666.6	3,545.0	4,036.8	3,250.2	
Share capital*	647.7	647.7	647.7	647.7	647.7	
Other equity and capital	1,092.3	1,006.5	859.2	1,106.1	979.3	
Total equity	1,740.0	1,654.2	1,506.9	1,753.8	1,627.0	
Long-term liabilities	1,305.4	893.4	986.5	992.9	656.2	
Current liabilities	1,387.5	1,118.9	1,051.6	1,290.1	967.0	
Total liabilities	2,692.8	2,012.3	2,038.1	2,283.0	1,623.2	
Total equity and liabilities	4,432.8	3,666.6	3,545.0	4,036.8	3,250.2	

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

Key figures	NOK mill.	1 st Quarter			Total	
		2011	2010	2009	2010	2009
		Net operating margin /EBIT (in %)	- 1.4	1.5	- 6.2	3.4
Gross operating margin/EBITDA (in %)	1.5	5.0	- 3.0	6.3	4.7	
Earnings per share (in NOK)	- 0.16	0.14	- 0.33	1.29	0.77	
Cash flow from operations per share (in NOK)	- 2.00	- 2.17	- 1.19	- 0.66	3.41	
Equity ratio (in %)	39.3	45.1	42.5	43.4	50.1	
Investments	40.9	51.3	63.3	258.4	222.2	
Return on capital employed (in %)	- 4.7	4.3	- 13.5	9.4	3.9	
Capital employed	2,933.4	2,380.3	2,352.1	2,598.0	2,066.0	
Net interest bearing debt	1,121.2	703.0	817.2	818.1	368.4	
Net working capital	2,189.3	1,648.6	1,598.8	1,778.0	1,280.5	
Number of employees	3,245	3,005	3,154	3,270	2,992	
Sickness absence rate (in %)	5.94	6.01	5.98	5.50	5.97	
Frequency rate - injuries with absence	22.4	27.8	16.8	19.3	16.4	
Number of shareholders	961	969	969	961	969	
Average number of shares	129 541 284	129 541 284	129 541 284	129 541 284	129 541 284	

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

Directors' report

- Operating income was NOK 1,953 million (NOK 1,477 million)
- Operating result was NOK minus 26.5 million (NOK plus 22.2 million)

Highlights

Demand for the group's products and services has as usual been affected by the low season. Even so, both production and deliveries have been at a higher level than in the same period last year. Because of higher raw material costs and pressure on the prices of finished goods, results, however, were weaker than last year.

Access to raw materials for the timber consuming units has been good. The price of timber has gradually gone down during the course of the quarter, with a correspondingly positive effect on the accounts, but after the steep rise towards the end of last year, the level is still higher than at the same time last year.

Market conditions for the Building Systems division improved during the first quarter. In terms of market fluctuations, the Swedish market has had a satisfactory level of activity for a time now, and the Norwegian market is now also showing signs of increased activity.

Sick leave and the frequency of injuries declined compared with the same period last year. Sick leave has seen a positive development for some time, but the frequency of injuries has been at an unacceptable level. There has therefore been a focus on measures aimed at reducing the frequency of injuries. In addition to increased efforts in registering and reviewing accidents, incidents and dangerous conditions, a comprehensive awareness and attitude campaign has been commenced in 2011.

To improve financial flexibility, measures have been initiated to increase both long term financing and the short term borrowing facilities available to the group. The liquidity reserve increased in the first quarter as a result of extending the short term borrowing facilities, while an agreement on

increasing long term financing by NOK 300 million will be in place during the course of April.

Investment in the extension of the bioenergy plant at Langmoen in Brumunddal was initiated during the first quarter. A total of NOK 53 million will be invested in the plant, which is planned to be in operation from autumn 2011.

Based on solid bio fuel, the plant will supply "green" energy to industrial companies in the area. The biggest client, Tine SA, will be supplied with between 25 and 30 GWh of process steam for its plant in Brumunddal, which corresponds to the energy needs of about 1,500 homes. These energy needs have previously been covered by burning oil, which will now be phased out.

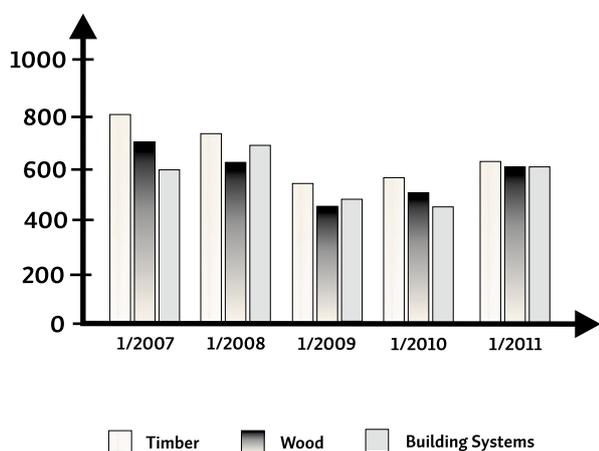
Moelven Elektro AS bought K-elektro AS at the end of the first quarter. The company has annual sales of about NOK 8 million and its activities are entirely in the industrial automation segment, which is one of the focus areas of Moelven Elektro AS.

Moelven Eurowand AB has decided to extend its activities and establish a new branch office in Jönköping. This establishment will start during the autumn and the branch will be operational from 2012.

Moelven Töreboda's design programme for standard laminated timber, which is available free of charge on the company's website, has now been updated to meet the requirements of Eurocode 5. Eurocode 5 is a set of standardised design rules for building materials in Europe and will be used from 2011. The group's timber supply in Sweden has been transferred from Weda Skog AB, of which the Moelven group owned 50%, to Moelven Skog AB. In connection with this change, the group has increased its ownership of Moelven Skog AB from 80% to 100%.

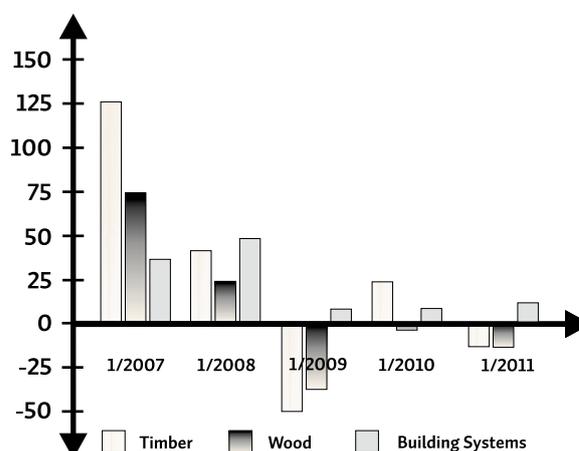
Operating revenues

NOK mill.



Operating profit

NOK mill.



Operating revenues and result

Operating revenues increased in the first quarter compared with last year and ended at NOK 1,953.4 million (NOK 1,476.8 million), but the operating result fell, ending at NOK minus 26.5 million (NOK plus 22.2 million).

The operating result for 2010 includes income of NOK 22 million in connection with the winding up of the former early retirement pension scheme in Norway.

The increase in operating revenues was mainly due to increased activity in the market, the acquisition of Sør-Tre Bruk AS, Granvin Bruk AS and Eco Timber AS, which was completed at the end of the second quarter last year, and that the sale of solid timber and forward selling of timber is now done through the wholly owned subsidiary Moelven Skog AB. This has previously been done via Weda Skog AB. Even though activity levels have increased, the overall capacity in goods and services within the group's markets has been sufficient to put pressure on the prices of finished goods. Raw materials prices for the group's timber consuming units have been reduced during the quarter. The fall in the prices of finished goods has not been fully covered however, and reduced margins as a result of these conditions have been the main reason for the fall in operating results.

The ordinary result before tax was NOK minus 28.4 million (NOK plus 15.4 million). Borrowing costs have increased compared with last year due to the higher debt ratio and that the interest rate margin on the group's long term liabilities increased in connection with the refinancing that was done in the second quarter last year. The result after tax and minority interests was NOK minus 20.3 million (NOK plus 19.1 million).

Investments, balance and financing

Investments made in the first quarter total NOK 40.9 million (NOK 51.3 million). Planned investments for 2011 follow the plan that was determined through the group's long term strategic plan.

At the end of the first quarter, the group's total assets were entered as NOK 4,432.8 million (NOK 3,666.6 million).

About half of the group's assets are entered in Swedish kronor and the change in the exchange rate from 0.82 on 31.03.10 to 0.88 on 31.03.11 has led to an increase on the balance sheet of about NOK 150.0 million.

Cash flow from operating activities for Q1 was NOK minus 259.0 million (NOK minus 281.3 million), corresponding to NOK minus 2.00 per share (NOK minus 2.17). Net interest-bearing liabilities at the end of Q1 had increased compared with last year to NOK 1,121.2 million (NOK 703.0 million).

The increase is mainly due to capital tied up in stock and accounts receivable, as well as the acquisition of Sør-Tre Bruk AS, Granvin Bruk AS and Eco Timber AS. The acquisitions increased the tie up of capital, seen in isolation, by about NOK 100 million. Stocks of raw materials were higher than for the same period last year because of good access to timber, as well as the transfer of the stocks that were previously in the 50% owned supply company Weda Skog AB to the wholly owned subsidiary Moelven Skog AB, meaning that they are now 100% consolidated in the accounts. The increase in stocks of finished goods is based on strategic decisions regarding the location of distribution stocks and the minimum stock levels.

Receivables have also increased due to the higher level of activity than last year. The liquidity reserve at the end

Divisions	NOK mill.	1 st Quarter			Total	
		2011	2010	2009	2010	2009
Operating revenues						
Timber		632.6	562.4	535.5	2,436.4	2,166.8
Wood		607.6	502.1	451.1	2,683.9	2,227.4
Building Systems		606.9	451.2	473.6	2,171.5	1,933.0
Laminated Timber		98.7	89.7	76.3	467.9	397.1
Electrical installations		105.6	94.5	88.6	412.2	397.5
Modular Buildings		264.0	133.2	149.8	740.4	513.0
Modular System Interiors		145.3	139.9	162.6	581.7	644.8
Others		819.4	472.8	299.9	1,755.7	965.2
Eliminations		- 713.0	- 511.7	- 303.9	- 1,863.0	- 1,044.6
The Group		1,953.4	1,476.8	1,456.2	7,184.5	6,247.8
Operating profit/loss						
Timber		- 12.1	24.7	- 50.6	94.7	12.7
Wood		- 12.8	- 3.3	- 37.8	95.6	43.2
Building Systems		9.6	8.5	6.7	92.2	61.4
Laminated Timber		- 1.7	- 2.4	- 3.0	12.9	4.0
Electrical installations		2.2	3.4	2.6	3.1	9.0
Modular Buildings		5.4	1.5	- 2.6	33.7	1.5
Modular System Interiors		3.7	6.0	9.6	42.5	46.9
Others		- 11.2	- 7.7	- 8.4	- 40.1	- 26.2
The Group		- 26,5	22.2	- 90.1	242.4	91.1

of Q1 was NOK 325.0 million (NOK 653.6 million). The reduced liquidity reserve has not limited the group's activities during the quarter, but was still somewhat lower than desirable. During the quarter, therefore, a process was started to increase long term financing by NOK 300 million. The negotiations for this will be completed during April. Equity at the end of Q1 was NOK 1,740.0 million (NOK 1,654.2 million), which corresponds to NOK 13.43 (NOK 12.77) per share. The equity ratio was 39.3 per cent (45.1 per cent). Converting the equity in the group's Swedish subsidiaries to the same exchange rate as at the end of Q1 2010, the equity ratio would have been about 39.6 per cent.

International Accounting Standards (IFRS)

The IFRS figures presented are non-audited comparison figures which indicate the potential main impact of reporting according to IFRS. The main differences emerge when processing pension commitments, dividends, energy contracts and financial instruments. Subsequent to the implementation of "Provisional Norwegian accounting standard: Financial instruments", the differences in this area are significantly reduced, as this has resulted in an increase in reporting of market value changes for financial instruments, also according to NGAAP. An amendment in the group's purchasing agreements for electric power means that these are now recognised according to IFRS. In the accounts prepared according to NGAAP, it is possible to apply hedge accounting with deferred recognition. The result from the hedging operation is recognised when the effect on the result of the underlying hedging object is reported. The market value of the group's power contracts is positive and their recognition according to IFRS represents the one major cause for the difference in result between the two accounting standards.

Divisions

Timber

Operating revenues in the first quarter were NOK 632.6 million (NOK 562.4 million). Operating result was NOK minus 12.1 million (NOK plus 24.7 million). The operating result for 2010 includes entry of reduced pension commitments of NOK 5 million as income. The number of employees at the end

of the quarter was 646 (661). Delivery volumes have been above the level of last year at prices that have been lower than at the same time last year, particularly for the units with large exports. This is largely due to the negative effects of a strengthened currency and the unrest in North Africa. Reduced prices for saw timber, which have had a gradually increasing effect on the accounts during the quarter, have helped to reduce the imbalance between the price of finished goods and the cost of raw materials. Operating conditions during the winter season have been better than last year and there have been no major operational problems. The work of making production ever more efficient is continuing. The introduction of Lean Production began at Moelven Valåsen AB in the first quarter.

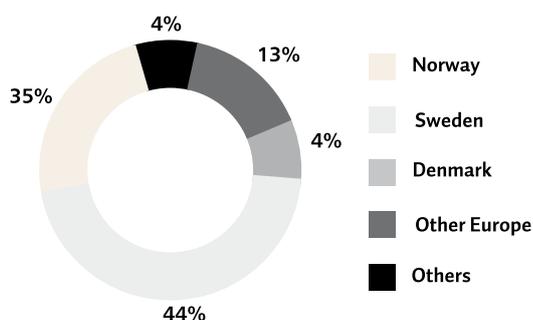
Wood

Operating revenues in the first quarter were NOK 607.6 million (NOK 502.1 million). Operating result was NOK minus 12.8 million (NOK minus 3.3 million). The operating result for 2010 includes entry of reduced pension commitments of NOK 9 million as income. The number of employees at the end of the quarter was 955 (859). The winter season has developed normally, with an increase in market activity towards the end of the quarter. For Wood too, delivery volumes have been somewhat higher than last year, at somewhat weaker prices. For the timber consuming units, the reduced price of saw timber has helped to reduce the imbalance between the price of finished goods and the cost of raw materials. Operations have been satisfactory, with no major problems. The introduction of Lean Production began at Moelven Valåsen Wood AB in the first quarter.

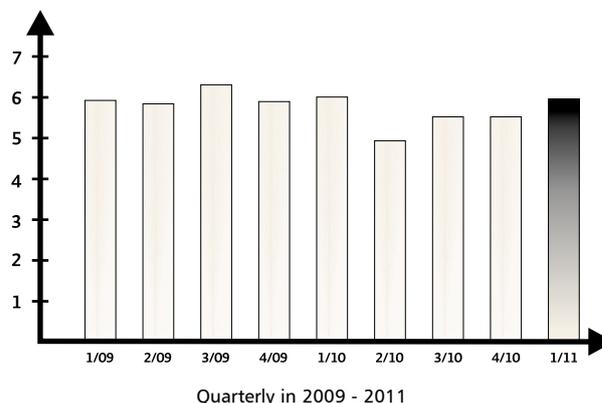
Building Systems

Operating revenues in the first quarter were NOK 606.9 million (NOK 451.2 million). The operating result was NOK 9.6 million (NOK 8.5 million). The operating result for 2010 includes entry of reduced pension commitments of NOK 7 million as income. The number of employees at the end of the quarter was 1,509 (1,483). The season has also been as expected for the Building Systems division. At the end of the quarter, activity levels had started to increase at both the Swedish and Norwegian units. The market situation in Sweden has been at a satisfactory level for some time

Sales By Market Area 1st Quarter



Sickness absence rate (%)



now, and there are now also signs of improvement in the Norwegian units, although activity is still at a low level. Moelven Elektro AS has bought 100% of the shares of the company K-elektro AS. The company has specialist expertise in industrial automation, which is a focus area for Moelven Elektro. Both existing and potential customers have been seeking industrial expertise. With this acquisition, Moelven Elektro has established a good platform for further growth within this specialist area, which is also in demand within the group.

The introduction of Lean Production at Moelven Eurowand AB's Hulån branch has provided improvements during the quarter in the form of more efficient production and reduced tie up of capital.

Other businesses

This includes the parent company Moelven Industrier ASA, which provides joint services such as timber acquisition, bio-energy, innovation, economy, finance, insurance, ICT, communications and HR.

Operating revenues for this area were NOK 819.4 million (NOK 472.8 million) and the operating result was NOK minus 11.2 million (NOK minus 7.7 million). The number of employees at the end of the quarter was 135 (92).

The operating result for 2010 includes entry of reduced pension commitments of NOK 1 million as income. The activities of Moelven Skog AB are included in the other businesses area, which is the main reason for the increase in operating revenues and employees compared with last year.

Employees

Total sick leave in Q1 was 5.94 per cent (6.0). Long term sick leave was 2.69 per cent (2.87).

Sick leave has shown a positive trend over the course of time.

Sickness absence rate in %

	1 ST Quarter 2011	1 ST Quarter 2010
Timber	3,88	5,02
Wood	5,72	6,32
Building Systems	7,31	6,49
Others	2,40	2,96
The Group	5,94	6,01

One of the measures that has been initiated to encourage this trend is health insurance for employees. The insurance scheme ensures the employee rapid access to treatment in the event of illness. By cutting the time spent on waiting lists, the overall effect of the illness is lessened for the individual employee, while the total sick leave for the company is reduced. The scheme has been in frequent use, and as a result of the positive experience with the scheme it has been decided to continue it.

The number of injuries resulting in sick leave during the quarter was 31 (22). This corresponds to 22.4 (27.8) injuries resulting in absence per million hours worked. (H1 value)

H1 Value

	1 ST Quarter 2011	1 ST Quarter 2010
Timber	24,2	34,9
Wood	26,5	32,7
Building Systems	21,0	22,8
Others	0	0
The Group	22,4	27,8

Work is constantly going on to reduce the number of injuries and the focus is directed towards areas such as awareness and attitude creation, investment in safer machines and equipment, HSE training of managers and better safety regulations.

The increased focus on reporting and the safety campaign "Hel Hjem" campaign have so far given positive results. During the course of 2010, 224 incidents and 122 cases of dangerous conditions were recorded. This is information that can be directly applied to the work of creating safer workplaces, but it also gives a signal that the work of creating awareness and attitudes is going in the right direction towards the goal of creating a safety culture within the group.

At the end of the first quarter, the group had a total of 3,245 (3,005) employees.

In total, 1,859 (1,734) of these are employed in Norwegian companies, 1,330 (1,383) in Swedish companies, 44 (27) in Danish companies and 12 (10) in other countries.

Outlook

Developments in 2011 have been in line with the Board of Directors' expectations, with an unsatisfactory consolidated result because of weak margins in the Timber and Wood divisions. Reduced raw material costs will help to improve margins

IFRS

	1 st Quarter			Total	
	2011	2010	2009	2010	2009
NOK mill.					
Profit and Loss Account					
EBITDA	29.7	73.6	- 43.2	455.2	296.6
EBIT	- 24.9	22.2	- 89.7	245.7	96.0
Result before tax	- 37.6	24.6	- 57.5	292.6	146.0

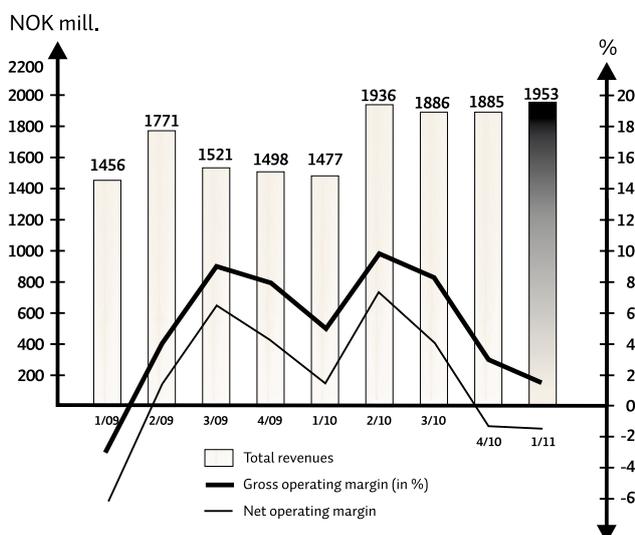
	Per 31.03			Per 31.12	
	2011	2010	2009	2010	2009
NOK mill.					
Balance Sheet					
Equity	1,812.9	1,659.4	1,491.1	1,832.7	1,632.6
Total assets	4,455.4	3,696.6	3,528.3	4,073.3	3,266.8
Equity ratio	40.7	44.9	42.3	45.0	50.0

Employees	1 st Quarter 2011				1 st Quarter 2010			
	Male	Female	% Female	Total	Male	Female	% Female	Total
Timber	582	64	11,0	646	590	71	12,0	661
Wood	826	129	15,6	995	755	104	13,8	859
Building Systems	1411	398	6,9	1509	1310	83	6,3	1393
Others	103	32	31,1	135	66	26	39,4	92
The Group	2922	323	9,95	3245	2721	284	9,45	3005

Changes in total equity for the Group	NOK mill.	Per 31.03.			Per 31.12.	
		2011	2010	2009	2010	2009
Opening balance		1,753.8	1,627.0	1,613.6	1,627.0	1,613.6
Profit/loss		- 20.8	18.1	- 42.4	166.8	100.0
Foreign currency translation		7.0	9.1	- 64.3	40.3	- 65.9
Provisions for dividend		0.0	0.0	0.0	- 84.2	- 20.7
Changes for year/period		- 13.8	27.2	- 106.7	126.8	13.4
Total equity NGAAP		1,740.0	1,654.2	1,506.9	1,753.8	1,627.0
IFRS effects		72.9	5.2	- 15.8	78.9	5.6
Total equity IFRS		1,812.9	1,659.4	1,491.1	1,832.7	1,632.6

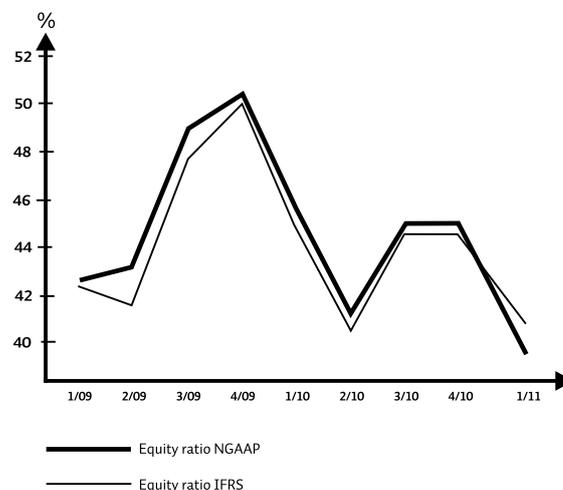
Cash Flow Statement	NOK mill.	1 st Quarter			Total	
		2011	2010	2009	2010	2009
Net cash flow from operations		- 259.0	- 281.3	- 153.7	- 85.9	441.1
Cash from operating result		11.8	41.3	- 52.8	416.5	248.0
Cash flow from working capital		- 270.8	- 322.6	- 100.9	- 502.4	193.1
Cash flow from/to investments		- 41.4	- 52.9	- 63.4	- 339.7	- 211.8
Cash flow from/to financing		326.3	286.8	215.3	381.3	- 188.6
Net cash flow for the period		25.9	- 47.4	- 1.8	- 44.3	40.7
Liquid funds		52.1	23.1	28.0	26.2	70.5
Unutilised credit facilities		272.9	630.5	512.4	555.2	918.0
Available liquid funds		325.0	653.6	540.4	581.4	988.5

Revenues and margins



Quarterly in 2009 – 2011

Equity ratio



Quarterly in 2009 – 2011

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in both divisions in the second quarter. For the wood building product divisions, the normal seasonal improvement in building activity is expected to help improve results with effect from the second quarter. It is expected to take somewhat longer before improved market conditions for industrial timber in Europe generate a higher result in the timber industrial product division.

The Board of Directors anticipates a positive cumulative result for the first half and a total result for the year that is somewhat weaker than the year before.

Board of Moelven Industrier ASA
Moelv, 14 April 2011

About Moelven

Moelven is organised into three divisions: Timber, Wood and Building Systems.

The sawmills in the Timber division supply sawn timber products to businesses in Scandinavia and the rest of Europe. Customers use the products as elements in their own production processes. In addition, chippings and bark products are delivered to and used in the pulp & paper, particle board and bio-energy industries. The processing companies in the Wood division supply the retail chains in Scandinavia with a wide range of construction and interior products. An important competitive advantage is the Wood division's efficient and rational distribution system that can offer customers quick and accurate deliveries from a wideranging product assortment. The businesses in the Building Systems division supply flexible system interiors for interior walls,

modular buildings, electrical installations and load-bearing glulam constructions for project customers, primarily in Norway and Sweden. The division is heavily committed to developing concepts and systems together with customers and experts within the fields of architecture, design and construction

The Group consists of a total of 48 separate business units in Norway, Sweden and Denmark with a total of 3 245 employees.

The Moelven Group is owned by Glommen Skog (25.1 per cent) Eidsiva Vekst AS (23.8 per cent), Agri MI AS (15.8 per cent), Viken Skog BA (11.9 per cent), Mjøsen Skog BA (11.7 per cent), AT Skog BA (7.3 per cent) and Havass Skog BA (4.0 per cent). Private individuals own most of the remaining 0.4 per cent.

Supplying quality rooms

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