

# Quarterly report

1/2008



*Moelven ByggModul AS supplied building modules to structures to Gardermoen Gjestegård.*

**MOELVEN®**

Profit and Loss Account	NOK mill.	1 <sup>st</sup> Quarter			Total	
		2008	2007	2006	2007	2006
		Operating revenues	1,951.3	1,988.5	1,557.0	7,944.0
Depreciation	46.7	44.0	42.9	177.0	177.6	
Cost of goods sold	1,222.7	1,184.7	975.4	4,621.2	4,218.9	
Operating expenses	571.6	534.2	488.0	2,156.2	1,922.7	
<b>Operating profit</b>	<b>110.2</b>	<b>225.6</b>	<b>50.7</b>	<b>986.6</b>	<b>373.2</b>	
Income from associates	-0.3	-1.3	-0.2	0.1	-3.9	
Interest and other financial income	6.0	2.3	3.2	8.8	7.1	
Interest and other financial expenses	-10.4	-8.4	-11.7	-26.3	-40.0	
<b>Operating result before tax</b>	<b>105.5</b>	<b>218.2</b>	<b>42.0</b>	<b>972.2</b>	<b>336.4</b>	
Estimated tax cost	29.6	61.6	12.3	276.8	96.9	
Minority interests	-1.4	-0.9	0.5	-4.1	0.2	
<b>Net profit</b>	<b>74.6</b>	<b>155.7</b>	<b>30.2</b>	<b>691.3</b>	<b>239.7</b>	

Balance Sheet	NOK mill.	Per 31.03			Per 31.12	
		2008	2007	2006	2007	2006
		Intangible assets	9.2	7.6	9.4	7.1
Tangible assets	1,222.1	1,099.0	999.8	1,214.9	1,135.6	
Financial assets	60.2	73.3	95.3	58.9	73.8	
<b>Total fixed assets</b>	<b>1,290.4</b>	<b>1,179.9</b>	<b>1,104.5</b>	<b>1,280.9</b>	<b>1,217.8</b>	
Stocks	1,468.2	1,003.0	1,062.0	1,301.9	846.5	
Receivables	1,120.5	1,138.5	894.0	943.7	955.7	
Deposits	57.3	110.6	19.3	77.7	51.6	
<b>Total current assets</b>	<b>2,646.0</b>	<b>2,252.1</b>	<b>1,975.3</b>	<b>2,323.3</b>	<b>1,853.8</b>	
<b>Total assets</b>	<b>3,936.4</b>	<b>3,432.0</b>	<b>3,079.8</b>	<b>3,604.2</b>	<b>3,071.6</b>	
Share capital*	647.7	647.7	647.7	647.7	647.7	
Other equity and capital	1,005.1	730.5	457.6	922.0	586.0	
<b>Total equity</b>	<b>1,652.8</b>	<b>1,378.2</b>	<b>1,105.3</b>	<b>1,569.7</b>	<b>1,233.7</b>	
Long-term liabilities	704.2	735.0	978.9	408.1	670.9	
Current liabilities	1,579.4	1,318.8	995.6	1,626.4	1,167.0	
<b>Total liabilities</b>	<b>2,283.6</b>	<b>2,053.8</b>	<b>1,974.5</b>	<b>2,034.5</b>	<b>1,837.9</b>	
<b>Total equity and liabilities</b>	<b>3,936.4</b>	<b>3,432.0</b>	<b>3,079.8</b>	<b>3,604.2</b>	<b>3,071.6</b>	

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

Key figures	NOK mill.	1 <sup>st</sup> Quarter			Total	
		2008	2007	2006	2007	2006
		Net operating margin /EBIT (in %)	5.6	11.3	3.3	12.5
Gross operating margin/EBITDA (in %)	8.0	13.6	6.0	14.7	8.2	
Earnings per share (in NOK)	0.59	1.21	0.23	5.28	1.85	
Cash flow per share (in NOK)	1.15	2.09	0.66	9.00	3.71	
Equity ratio (in %)	42.0	40.2	35.9	43.6	40.2	
Investments	55.7	47.1	35.5	292.4	244.6	
Return on capital employed (in %)	21.8	46.0	10.0	52.7	19.6	
Capital employed	2,073.9	1,924.7	2,019.1	1,801.4	1,752.0	
Net interest bearing debt	443.3	424.9	894.5	154.0	466.7	
Net working capital	1,981.1	1,487.5	1,443.4	1,621.4	1,255.6	
Number of employees	3,427	3,262	3,159	3,425	3,210	
Sickness absence rate (in %)	6.12	6.57	6.20	6.32	5.89	
Frequency rate - injuries with absence	19.4	18.8	19.3	17.5	17.3	
Number of shareholders	967	972	984	967	972	
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

- The decrease in demand for sawn wood in Europe has had the expected impact on the activity level and earnings in the sawmill division
- The construction markets in Scandinavia are back to normal
- Operating revenues totalled NOK 1 951.3 (1 988.5)
- Operating profit totalled NOK 110.2 (225.6)
- Quarterly profit down by half compared to first quarter of 2007, but still one of the Group's best quarterly results in recent years

### Highlights

As expected, the decline in demand for sawn wood in Europe that was experienced in the second half of 2007 had an impact on the markets for the Timber division in the first quarter. In Scandinavia, the level of activity in the construction markets normalised following a period of extremely high activity. A seasonal fluctuation was caused by Easter being in March this year (was in April in 2007). The Building Systems division was only slightly affected by market developments, and has developed favourably throughout the quarter.

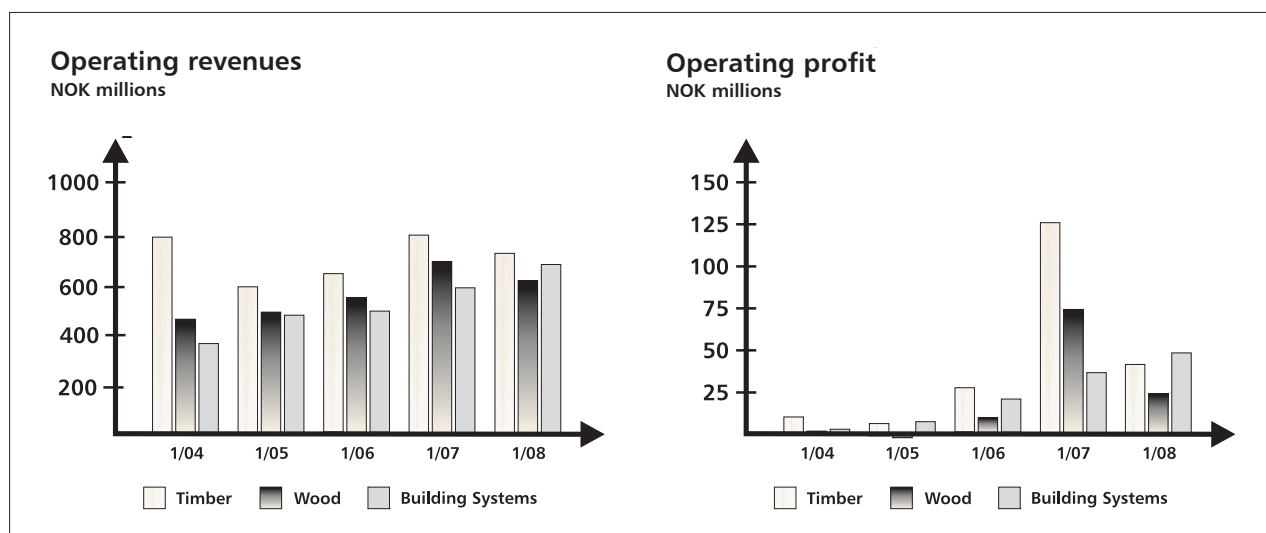
Prices for sawn timber fell somewhat in 2008 compared to the year before, but the decrease was significantly less than the reduction in prices for finished products. The high timber prices in 2007 and at the beginning of 2008 contributed to a high level of felling and corresponding supply of timber.

The uncertain market situation for finished timber products contributed to an accumulation of higher stocks of finished goods compared to the same period last year. The Group implemented only minor capacity adjustments at the wood-working plants and is now at the end of the first quarter better prepared to ensure reliable deliveries through the peak season compared to the same period last year. The build up of both raw materials and stocks of finished products have resulted in an increase in the overall balance sheet, but sufficient consideration has been taken in the Group's long-term financing to meet this variance.

At Moelven Trysil AS, which was included in the Group after being acquired in the fourth quarter 2007, new equipment was installed during the first quarter to optimise the sawing machinery. This investment is the first phase of a plan aimed at adapting both the sawmill line and planing mill to Moelven's overall business concept. The next phase, which is investing in a new planing mill line, will be implemented toward the end of the current year.

In 2008 five Norwegian buildings received the Houen Fund's architectural diploma for outstanding architecture. Two of the buildings, the Terminal Building at Oslo International Airport Gardermoen and Mortensrud church in Oslo, were built using glulam support structures supplied by Moelven Limtre AS. The architectural prize has a history dating back to 1904 and is a collaborative effort between the Norwegian Ministry of Culture and the National Association of Norwegian Architects.

The Moelven Group extended the health insurance agreement that was entered into with Vertikal Helseassistanse AS and Nordisk Hälsoassistans AB in 2007. The health insurance plan covers all employees in the Group with the exception of the employees in Denmark, who are covered by a separate scheme. Experience thus far with the special health insurance plan, which is designed to ensure the fastest possible treatment in case of injuries or illness for employees, has been extremely positive. During the period Apr. 2007-Dec. 2007, approximately 200 employees received treatment as a result of the special health services provided by the plan.



## Operating revenues and profit

Operating revenues and operating profit for the Group in the first quarter ended at NOK 1 951.3 million (1 988.5) and NOK 110.2 million (225.6).

The main reasons for the reduction in operating revenues and profit compared to the previous year are the trade cycle related decrease in demand and the reduced margins in the Timber and Wood divisions. Market conditions remained favourable for the Building Systems division, and the division increased both operating revenues and operating profit compared to the previous year.

Ordinary pre-tax profit was NOK 105.5 million (218.2), and profit after taxes and minority interests totalled NOK 74.6 mill (155.7).

## Investment, balance and financing

Investments totalling NOK 55.7 million (47.1) were made during the first quarter.

The increase in the investment level is consistent with the Group's long-term strategy plan. In 2008, plans call for a significant increase in the investment level compared with the previous year. The main share of the investments will be made during the summer holidays when it is normal to stop production anyway, and this should thus not impact the cash flow or balance sheet until the third quarter.

At the end of the first quarter, total assets on book for the Group amounted to NOK 3 936.4 million (3 432.0). The increase is primarily due to increased stock holdings of both raw materials and finished goods in the Timber and Wood division, combined with the consequences of Moelven Trysil AS becoming part of the Group.

Cash flow from profit and loss items during the first

quarter was NOK 149.3 million (270.2), corresponding to NOK 1.15 per share (2.09). At NOK 443.3 million (424.9), net interest-bearing debt was at the same level as for the same period the previous year. As a result of the previous year's good financial figures, the Board has proposed to pay dividends totalling NOK 336.8 million, which will increase the net-interest bearing debt when the dividends are paid in the second quarter. Liquidity reserves totalled NOK 927.3 million (895.4).

Approximately half of the Group's assets are registered on book in Swedish kroner, and the exchange rate decrease from 0.8687 at 31.03.07 to 0.8568 at 31.03.08 resulted in a reduction in the balance sheet totalling approximately NOK 30 million.

Equity at the end of the first quarter was NOK 1 652.8 million (1 378.2) after accounting for the payment of dividends. The figure represents NOK 12.76 (10.64) per share. The equity ratio was 42.0 per cent (40.2). Converting the figures for the Swedish subsidiaries at the same exchange rate as at the end of the first quarter 2007, the resulting equity figure would be approximately NOK 1 660 million (1 388), which corresponds to an equity ratio of approximately 41.9 per cent (40.0).

## Divisions

### Timber

Operating revenues the first quarter were NOK 723.5 million (830.9), and operating profit totalled NOK 42.8 mill (127.4).

Prices for sawn wood in both domestic and international markets have continued to fall in the first quarter.

Divisions	NOK mill.	1 <sup>th</sup> Quarter			Total	
		2008	2007	2006	2007	2006
<b>Operating revenues</b>						
<b>Timber</b>		723.5	830.9	674.1	3,136.4	2,642.0
<b>Wood</b>		627.6	688.8	511.1	2,914.5	2,453.4
<b>Building Systems</b>		681.7	602.0	467.7	2,382.8	1,937.5
Laminated Timber		108.4	107.2	87.9	483.1	424.9
Electrical installations		99.0	84.8	46.5	358.4	219.4
Modular Buildings		287.2	262.3	206.1	944.4	736.1
Modular System Interiors		158.8	158.8	136.6	633.8	593.6
<b>Others/Eliminations</b>		-136.9	-133.2	-95.9	-489.8	-340.5
<b>The Group</b>		1,951.3	1,988.5	1,557.0	7,944.0	6,692.4
<b>Operating profit/loss</b>						
<b>Timber</b>		42.8	127.4	26.7	544.4	166.7
<b>Wood</b>		23.1	71.7	10.0	324.4	113.0
<b>Building Systems</b>		48.9	37.1	20.4	159.4	121.8
Laminated Timber		4.8	5.3	2.7	24.4	25.4
Electrical installations		1.8	2.7	-0.6	5.9	3.7
Modular Buildings		24.2	17.0	10.5	66.0	37.8
Modular System Interiors		18.1	12.0	7.9	63.0	54.8
<b>Others</b>		-4.6	-10.5	-6.4	-38.6	-28.3
<b>The Group</b>		110.2	225.6	50.7	989.6	373.2

The greatest decline in prices has been for spruce products, and capacity reductions have resulted in reduced supply stocks in some of the major producing nations. The price decline also shows signs of flattening out.

Ample access to raw materials and a high production level have resulted in stocks of both raw materials and finished products being generally high in the industry. Combined with a dormant construction market, the reduced market demand has resulted in reduced prices. The sawmills' raw material expenses, however, have not fallen at the same rate and not as much as prices on finished goods, which has undermined and weakened some product margins. For timber consuming units in the Timber and Wood divisions, it is therefore very important that timber prices are adjusted to more accurately reflect the reduced prices for finished products.

In a slowing market, such as the one we are now experiencing, we can expect a period of weaker margins, and it is very important that the efficiency measures implemented at the plants generate the intended effects. Most measures are targeted toward increasing efficient use of raw materials and reducing processing costs.

### Wood

Operating revenues the first quarter totalled NOK 627.6 million (688.8), and operating profit was NOK 23.1 million (71.7).

Overall demand for Wood's products has been somewhat lower than for the corresponding period last year. The month of March was particularly slow, but this was partly due to the fact that March in 2008 included the Easter week. In terms of the market, the signs indicating slowing market activity in the Norwegian and Danish markets and a stable market in Sweden at the beginning of the year were as forecasted.

Due to slowing market conditions, it has been necessary to adjust price levels down for the Wood division's products. The decrease has however not been as large as for sawn wood. Falling prices are offset to some degree by falling prices for sawn wood used as raw material by many of the Wood division's business units. Of the overall raw material needed for production purposes, approximately two-thirds is obtained via purchases of sawn wood for the division's combined units. But the high timber prices that

still apply at the end of the quarter also put pressure on the Wood division's margins.

### Building Systems

Operating revenues the first quarter totalled NOK 681.7 million (602.0), and operating profit totalled NOK 48.9 million (37.1).

Market conditions in the first quarter were stable for all of the companies in the Building Systems division. The high activity level from 2007 was maintained, and most of the companies have solid order reserves and are operating at full capacity.

The raw material situation normalised for the glulam businesses compared to the first quarter of 2007 when they had problems obtaining sufficient raw materials of a desired quality. Most financial figures have largely been maintained, even though sales of standard glulam beams have to some extent paralleled the trend of a flattening building market.

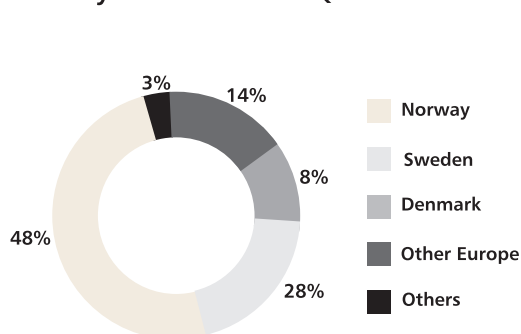
For the Building Modules and Interior Layout businesses, both sales and financial results improved compared to the previous year. The reasons for this are a combination of market development and the implementation of efficiency measures. A tough work market means there is still a scarcity of qualified personnel, particularly in the field of project management.

### Other businesses

In addition to the parent company, Moelven Industrier ASA, this business division includes common services such as timber acquisitions, R&D, finances, insurance, IT, communications and human resources. A few other smaller business units and assets not related to the Group's core business activities are included in this division as well. At the end of the first quarter, there were a total of 86 employees, of which 26 are female. Thirty-five employees work in Sweden and 51 in Norway. The book value of assets not relating to operations totalled approximately NOK 20.0 million (20.0).

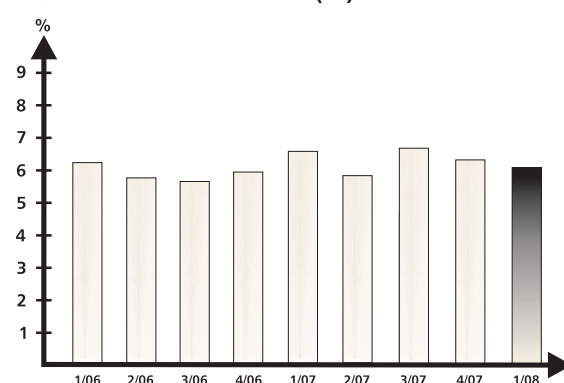
Operating revenues for the division in the first quarter were NOK 104.6 million (49.6) and there was an operating loss of NOK 4.6 million (-10.6).

Sales By Market Area 1<sup>st</sup> Quarter



Quarterly in 2006 - 2008

Sickness absence rate (%)



Quarterly in 2006 - 2008

## Employees

Absenteeism due to illness in the first quarter 2008 was 6.12 per cent (6.57) or 12 408 (12 761) full workdays. In all, there were 192 040 (184 000) workdays during the first quarter. The rate of absenteeism due to long-term sick leave totalled 2.71 per cent (2.85).

The figures for absenteeism have thereby declined again following an increase in 2007. It has not been possible to point to concrete reasons for this, but different efforts to reduce the figures have been targeted in several areas. Experience with the health insurance scheme for Moelven employees that was introduced in 2007 has been very positive. Even though absenteeism went down, there is still a large discrepancy to the goal of 5 per cent, and efforts to reduce the rate of absenteeism will continue as before.

The number of personal injuries resulting in subsequent sick leave was 28 (26). This corresponds to 19.4 (18.8) injuries resulting in subsequent sick leave per million work hours, which is far too high. Efforts aimed at reducing the number of injuries will continue, and as with the absenteeism, efforts will be intensified in several areas simultaneously. Examples of these efforts are campaigns to change attitudes toward safety, investments in safer machinery and equipment, Health, Environment and Safety training of managers and improved safety regulations.

At the end of the first quarter, the Group had a total of 3 427 (3 262) employees. Of the total number of employees, 1796 (1 697) work in Norwegian companies, 1597 (1 539) in Swedish companies, 25 (23) in Danish companies and 9 (3) in other countries. Overall, there are 339 (315) female and 3 088 (2 947) male employees in the Group.

## International Accounting Standards (IFRS)

Since Moelven Industrier ASA is not publicly listed, the company is not obliged to publicise accounts in accordance with International Financial Reporting Standards (IFRS). The accounts have been prepared based on Norwegian accounting standards, while the table below shows the potential effect of reporting using IFRS.

The major differences in using IFRS are in the reporting of pension commitments, the use of financial instruments

and the treatment of dividends. If IFRS had been used starting in 2005, pension commitments would have caused a one-off reduction in equity of some NOK 55 million. The effects of financial instruments will vary in relation to market value assessments at the time of reporting. Allocated dividends influence the equity figure in that IFRS reporting specifies that it must be reported as a part of equity until a formal decision about the allocation has been made by the Board.

## Outlook

The Board anticipates that we will see the end of the decline in 2008 for the sawmills, but that margins will remain weak throughout the year.

For the Wood division, the activity level in the new-build markets in Norway and Denmark are expected to fall, while Sweden should remain at a higher level. Within the renovation and maintenance sectors, activity is expected to remain high. Margins will however also be reduced for the Wood division due to higher timber prices and weakened prices for finished goods.

For the timber consuming units, ample access to raw materials is expected to continue. For the companies in the Building Systems division, order reserves at the end of the first quarter were excellent and the already high activity level is expected to continue throughout the rest of the year.

Payments for planned investments, dividends and taxes will total approximately NOK 1 billion in 2008. Only a small share of this has had any impact on cash flow in the first quarter, and interest-bearing debt and financial costs will therefore increase over the coming quarters, but from a low level, and overall the Group will still operate within an acceptable level.

The three-year investment programme that started in 2006 will continue in 2008 and calls for investments during the year totalling approximately NOK 400 million.

Overall, the Board expects a reduction in operating revenues and a significantly lower result in 2008 compared to 2007, but still good in a historical context.

## Board of Moelven Industrier ASA

Moelv, 17 April 2008

IFRS	NOK mill.	1 <sup>st</sup> Quarter			Total	
		2008	2007	2006	2007	2006
<b>Profit and Loss Account</b>						
EBITDA		156.9	269.6	93.5	1,166.6	560.8
EBIT		111.4	226.4	51.7	992.8	387.7
Result before tax		113.1	210.5	47.1	971.5	361.5
<b>Balance Sheet</b>						
Equity		1,966.7	1,441.2	1,093.7	1,878.0	1,301.9
Total assets		3,949.1	3,434.2	3,082.6	3,607.5	3,060.7
Equity ratio		49.8	42.0	35.5	52.1	42.5

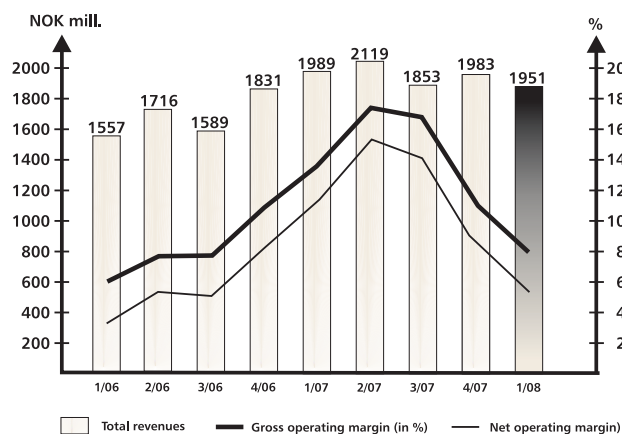
## Changes in total equity for the Group

	NOK mill.	Per 31.03.			Per 31.12.	
		2008	2007	2006	2007	2006
Opening balance		1,569.7	1,233.7	1,076.4	1,233.7	1,076.4
Profit/loss		76.0	156.6	29.7	695.4	239.5
Foreign currency translation		8.5	-11.2	-1.3	-22.6	14.8
Provisions for dividend		0.0	0.0	0.0	-336.8	-97.2
Minority interests		-1.4	-0.9	0.5	0.0	0.2
Changes for year/period		83.1	144.5	28.9	336.0	157.3
<b>Total equity NGAAP</b>		<b>1,652.8</b>	<b>1,378.2</b>	<b>1,105.3</b>	<b>1,569.7</b>	<b>1,233.7</b>
IFRS effects		313.9	63.0	-11.6	308.3	68.2
<b>Total equity IFRS</b>		<b>1,966.7</b>	<b>1,441.2</b>	<b>1,093.7</b>	<b>1,878.0</b>	<b>1,301.9</b>

## Cash Flow Statement

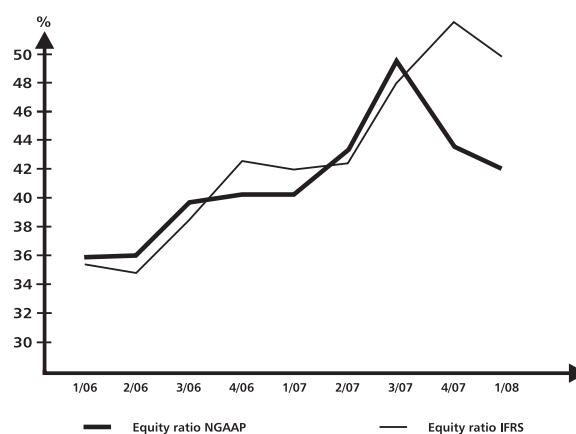
	NOK mill.	1 <sup>st</sup> Quarter			Total	
		2008	2007	2006	2007	2006
Net cash flow from operations		-379.0	-24.5	-104.7	1,013.7	512.3
Cash from operating result		149.3	270.2	85.3	1,165.6	480.6
Cash flow from working capital		-528.3	-294.7	-190.0	-151.9	31.7
Cash flow from/to investments		-52.1	-39.1	-14.4	-304.0	-196.4
Cash flow from/to financing		409.8	122.6	108.8	-683.6	-293.9
<b>Net cash flow for the period</b>		<b>-20.4</b>	<b>59.0</b>	<b>-10.3</b>	<b>26.1</b>	<b>22.0</b>
Liquid funds		57.3	110.6	19.3	77.7	51.6
Unutilised credit facilities		870.0	784.8	541.8	1,160.6	907.6
<b>Available liquid funds</b>		<b>927.3</b>	<b>895.4</b>	<b>561.1</b>	<b>1,238.3</b>	<b>959.2</b>

## Revenues and margins



Quarterly in 2006 - 2008

## Equity ratio



Quarterly in 2006 - 2008



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## **This is Moelven**

The Moelven Group is owned by Eidsiva MI AS (39.6 per cent), Glommen Skog (25.1 per cent), Viken Skog (11.9 per cent), Mjøsen Skog (11.7 per cent), AT Skog (7.3 per cent) and Havass Skog (4.0 per cent). Private individuals own most of the remaining 0.4 per cent.

The overall business is organised into three divisions: Timber, Wood and Building Systems, which sell to industrial and commercial customers, as well as to the professional building trade in Scandinavia and the rest of Europe. The Group consists of 46 operative units in Norway, Sweden and Denmark.

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 and for particleboard, chippings and bark products used in the pulp & paper, particle board and bio-energy industries. The most important end products are wood for building and interior purposes and for packaging. In 2007, production totalled 1.5 million cubic metres of sawn wood and 1.3 million cubic metres of various sorts of chippings. Raw materials represent a large share of the overall production costs, and the division's

business units constantly work to maximise the economic output generated by each individual log.

The processing companies in the Wood division supply the retail chains in Scandinavia with a wide range of construction and interior products, with a total volume of 800,000 cubic metres in 2007. An important competitive advantage is the Wood division's efficient and rational distribution system that can offer customers quick and accurate deliveries from a wide-ranging product assortment, a high level of customer service and an advanced degree of product processing. Product development is a continuous process in the division.

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 goal is to further increase the use of wood materials in the building and property industry by using industrial systems where these offer advantages over more traditional building approaches.

## *Supplying quality rooms*



*Moelven Nordia AS has had responsibility for the interior layouts at the new offices of Framo Engineering AS in Bergen. 260 employees enjoy their new and flexible working environment. products.*

*More information:*  
**www.moelven.com**