Quality Rooms

Quarterly Report 1/2010

MOELVEN®

Profit and Loss Account

NOK mill.	1st Quarter 2010	1st Quarter 2009	1st Quarter 2008	Total 2009	Total 2008
Operating revenues	**1,476.8**	1,456.2	1,951.3	**6,247.8**	7,657.7
Depreciation	**51.4**	46.9	46.7	**202.5**	199.2
Cost of goods sold	**878.9**	959.1	1,222.7	**3,899.2**	4,998.3
Operating expenses	**524.3**	540.3	571.6	**2,055.0**	2,315.5
Operating profit	**22.2**	- 90.1	110.2	**91.1**	144.7
Income from associates	**- 0.5**	0.9	-0.3	**- 1.7**	- 2.2
Interest and other financial income	**3.1**	4.0	6.0	**9.9**	10.8
Interest and other financial expenses	**- 9.4**	- 14.4	-10.4	**- 41.1**	- 45.9
Result before tax	**15.4**	- 99.6	105.5	**58.2**	107.4
Estimated tax cost	**4.3**	- 27.9	29.6	**18.0**	26.2
Net profit	**11.1**	-71.7	76.0	**40.2**	81.2
Minority share	**- 1.0**	- 1.2	1.4	**- 3.1**	- 0.8
Majority share	**12.1**	- 70.5	74.6	**43.3**	82.0

Balance Sheet

NOK mill.	Per 31.03 2010	Per 31.03 2009	Per 31.03 2008	Per 31.12 2009	Per 31.12 2008
Intangible assets	**13.7**	7.1	9.2	**13.3**	7.6
Tangible assets	**1,346.7**	1,326.4	1,221.0	**1,336.7**	1,392.1
Financial assets	**47.0**	49.4	60.2	**45.1**	49.6
Total fixed assets	**1,407.4**	1,382.9	1,290.4	**1,395.1**	1,449.3
Stocks	**1,166.4**	1,151.4	1,468.2	**898.6**	1,174.4
Receivables	**1,060.2**	974.9	1,120.5	**875.7**	936.3
Deposits	**23.1**	28.0	57.3	**70.5**	29.8
Total current assets	**2,249.7**	2,154.3	2,646.0	**1,844.8**	2,140.5
Total assets	**3,657.1**	3,537.2	3,936.4	**3,239.9**	3,589.8
Share capital*	**647.7**	647.7	647.7	**647.7**	647.7
Other equity and capital	**1,021.2**	913.6	1,005.1	**1,001.0**	1,049.0
Total equity	**1,668.9**	1,561.3	1,652.8	**1,648.7**	1,696.7
Long-term liabilities	**893.4**	986.5	704.2	**664.7**	845.6
Current liabilities	**1,094.8**	989.4	1,579.4	**926.5**	1,047.5
Total liabilities	**1,988.2**	1,975.9	2,283.6	**1,591.2**	1,893.1
Total equity and liabilities	**3,657.1**	3,537.2	3,936.4	**3,239.9**	3,589.8

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

Key figures

NOK mill.	1st Quarter 2010	1st Quarter 2009	1st Quarter 2008	Total 2009	Total 2008
Net operating margin /EBIT (in %)	**1.5**	- 6.2	5.6	**1.5**	1.9
Gross operating margin/EBITDA (in %)	**5.0**	- 3.0	8.0	**4.7**	4.5
Earnings per share (in NOK)	**0.09**	- 0.55	0.59	**0.31**	0.63
Cash flow from operations per share (in NOK)	**- 2.17**	- 1.19	- 2.93	**3.43**	1.67
Equity ratio (in %)	**45.6**	44.1	42.0	**50.9**	47.3
Investments	**51.3**	63.3	55.7	**222.2**	345.9
Return on capital employed (in %)	**4.3**	- 13.5	21.8	**3.9**	6.6
Capital employed	**2,395.0**	2,466.7	2,073.9	**2,087.6**	2,326.8
Net interest bearing debt	**703.0**	817.2	443.3	**368.4**	599.9
Net working capital	**1,648.6**	1,598.8	1,981.1	**1,280.5**	1,552.4
Number of employees	**3,005**	3,154	3,427	**2,992**	3,285
Sickness absence rate (in %)	**6.01**	5.98	6.12	**5.97**	5.64
Frequency rate - injuries with absence	**27.8**	16.8	19.4	**16.4**	18.3
Number of shareholders	**969**	969	967	**969**	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 revenues total NOK 1 477 million (1 456)**
- **Operating result totals NOK 22.2 million (minus 90)**
- **Gain of NOK 22 million as a result of a reduction in pension commitments**

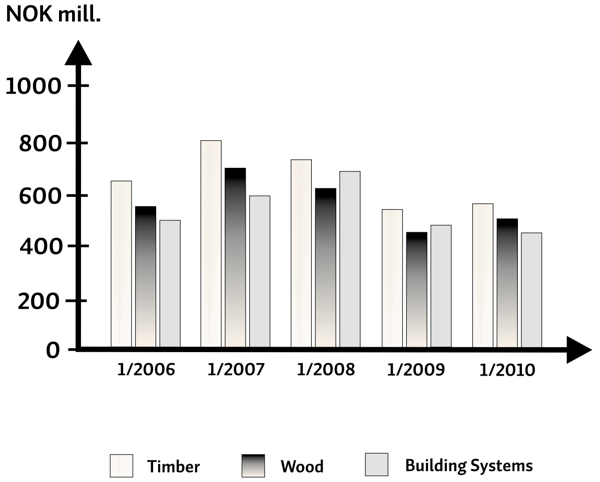
Highlights

The first quarter has been typically slow due to the normal seasonal downturn in demand for the Group's products and services. Even though most markets are showing signs of improved activity, the Group's overall production are generally at the same level as last year. All planned capacity adjustments and cost-reduction measures have now been implemented, and the Group's cost structure is thereby better adapted to current market activity levels.
Some geographic regions have experienced a colder winter with more snow than normal. The extreme weather conditions have had an impact on business activity and caused production problems at some plants due to increased weather-related wear on production equipment and higher costs relating to snow clearing.
The availability of timber has improved through the first quarter compared to the second half of last year. Consistent with company targets, timber stocks have increased to an appropriate level in terms of assortment and production efficiency.
The order situation for the Building Module companies has improved during the quarter. The Swedish market is improving gradually, and Moelven ByggModul AS in Norway received an order that is one of the largest single deliveries Moelven has ever recorded. After a long period with few new orders and ensuing lay-offs, the company received an order to deliver 750 modules for a total value of NOK 120 million. The order represents 40% of Moelven ByggModul AS' budget for 2010. All of the company's employees will by May be back at work full-time.
In February, three warehouse buildings burned down at Moelven Østerdalsbruket AS in Koppang. Fortunately there were no personal injuries. Early alarm and efficient extinguishing efforts by the company's own industrial protection and the public fire department helped prevent the fire from spreading to other production facilities and buildings.
A decision was made to go ahead with stage 2 of the 3-stage investment plan worth a total of approximately SEK 150-180 million at Moelven Nössemark Trä AB in Dalsland. Stage 1 involving the timber intake and debarker was completed in 2009.
Despite additional focus on health, environment and safety issues, both the rate of sick leave and injuries increased in the first quarter compared to the same period last year and the year as a whole. Some of the increase is due to the unusual operating conditions, but the level is still unacceptably high and requires continued vigilance in the company's efforts to reduce the rate of injuries.

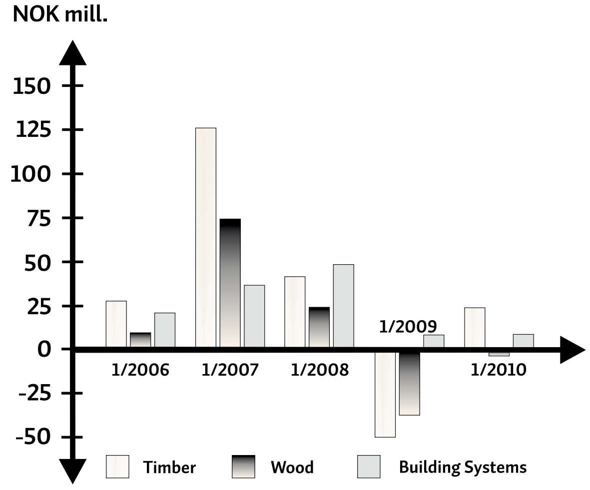
Operating revenues and result

Operating revenues the first quarter increased marginally compared to 2009 and totalled NOK 1 476.8 million (1 456.2). The operating result improved significantly, however, and totalled NOK 22.2 million (minus 90.1).
The result figure includes a one-off gain of NOK 22 million linked to the decision to discontinue the existing early-retirement scheme (AFP) commitments in Norway. The amount is based on actuary calculations of the remaining outstanding financial obligation, adjusted for the provision for remaining premiums to be paid through 2015. The exact final premium can only be determined after the scheme is discontinued at the end of 2010.

Operating revenues



Operating profit



The increase in net result from ordinary operations totalling NOK 90 million is primarily due to implemented cost-reduction efforts combined with price developments for products in the Timber and Wood divisions.
Pre-tax result totalled NOK 15.4 million (minus 99.6), while net profit after taxes and minority interests totalled minus NOK 12.1 million (minus 70.5)

Investments, balance and financing

Investments during the first quarter totalled NOK 51.3 million (63.3).
After having reduced investment activity in the second quarter of 2009, the investment pace is planned to be back on schedule in 2010.
At the end of the first quarter, the Group's overall assets on book totalled NOK 3 657.1 million (3 537.2). The increase is due to an improved stock situation compared to the first quarter last year, in addition to a somewhat higher activity level. Approximately half of the Group's assets are recorded in Swedish kroner, and the currency development from 0.81 at 31.03.09 to 0.82 at 31.03.10 has led to a total increase in balance of NOK 23 mill.
Cash flow from operations in the first quarter totalled minus NOK 281.3 million (minus 153.7), which corresponds to minus NOK 2.17 per share (minus 1.19). The income from the reduced AFP obligation has not had impact on cash holdings.
Equity at the end of the first quarter totalled NOK 1 668.9 million (1 561.3), which corresponds to NOK 12.88 (12.05) per share. The equity ratio amounted to 45.6 percent (44.1). Some of the Group's equity is linked to ownership of Swedish subsidiaries and is therefore exposed to currency rate fluctuations. The risk is within acceptable levels, however, and no exchange hedge agreements have been made. In the first quarter 2009, this led to an unrealised negative effect on equity totalling NOK 63.7 million. In 2009, the overall negative effect amounted to NOK 67.5. In the first quarter of the current year, currency fluctuations resulted in an uncapitalised increase in equity amounting to NOK 9.1 million.
Net interest-bearing debt at the end of the first quarter totalled NOK 703.0 million (817.2). The reduction is primarily due to a lower rate of capital binding at the start of the quarter due to less timber availability combined with a solid demand for wood-based building materials through the second half of 2009. The cold weather have also led to lower production output than planned. Liquidity reserves at the end of the first quarter totalled NOK 653.6 million (540.4).
The Group's long-term financing is in long-term drawing facilities that permit the Group to adapt the debt in pace with seasonal fluctuations in capital requirements. The remaining period for the Group's long-term financing was 1.25 years at the end of the quarter. Refinancing of the debt is underway and will be in place by the end of the second quarter.

Divisions

Timber

Operating revenues the first quarter totalled NOK 562.4 million (535.5), while net result was NOK 24.7 million (minus 50.6). The number of employees at the end of the quarter amounted to 661 (725).
The net result figure includes a one-off gain of NOK 5 million attributable to the reduced AFT obligation.
The activity level in Timber's markets has been as expected after taking into consideration the season and general economic climate. Consumption of sawn timber is slightly increasing, but from a low level. The price level for sawn timber has improved compared to the first quarter last year,

Divisions	1th Quarter			Total	
NOK mill.	**2010**	2009	2008	**2009**	2008
Operating revenues					
Timber	**562.4**	535.5	723.5	**2,166.8**	2,472.4
Wood	**502.1**	451.1	627.6	**2,227.4**	2,634.0
Building Systems	**451.2**	473.6	681.7	**1,933.0**	2,748.0
Laminated Timber	**89.7**	76.3	108.4	**397.1**	524.1
Electrical installations	**94.5**	88.6	99.0	**397.5**	435.5
Modular Buildings	**133.2**	149.8	287.2	**513.0**	1,030.7
Modular System Interiors	**139.9**	162.6	192.2	**644.8**	784.3
Others/Eliminations	**- 38.9**	- 4.0	- 81.5	**-79.4**	-196.7
The Group	**1,476.8**	1,456.2	1,951.3	**6,247.8**	7,657.7
Operating profit/loss					
Timber	**24.7**	- 50.6	42.8	**12.7**	- 143.3
Wood	**- 3.3**	- 37.8	23.1	**43.2**	80.3
Building Systems	**8.5**	6.7	48.9	**61.4**	235.1
Laminated Timber	**- 2.4**	- 3.0	4.8	**4.0**	38.5
Electrical installations	**3.4**	2.6	1.8	**9.0**	8.5
Modular Buildings	**1.5**	- 2.6	24.2	**1.5**	94.2
Modular System Interiors	**6.0**	9.6	18.1	**46.9**	93.9
Others	**- 7.7**	- 8.4	- 4.6	**-26.2**	- 27.4
The Group	**22.2**	- 90.1	110.2	**91.1**	144.7

and has contributed -- together with efficiency measures -- to the higher results.
The months of January and February were particularly challenging for operations due to the cold temperatures, resulting in both a reduction in production output and profitability. Operating conditions improved significantly in March. The reduced production has resulted in no noticeable increases in stocks of finished goods during the quarter.
Investments decided for Moelven Nössemark Trä AB involve modernizing and increasing capacity for green sorting, sticking, trimming and levelling, and will be installed in the summer of 2010. The investment will not lead to a reduction of staff, but will result in a higher output per employee in addition to a better work environment. The investment is a step in a larger expansion planned for Nössemark.

Wood

Operating revenues the first quarter totalled NOK 502.1 million (451.1), while net result was minus NOK 3.3 million (minus 37.8). The number of employees at the end of the quarter totalled 859 (854).
The operating result includes a one-off gain of NOK 9 million attributable to the reduction in AFP obligation.
Business activity in the Wood division's markets has been weaker than normal for the season due to the harsh winter in large parts of Scandinavia. The activity level picked up, however, in March due to normal seasonal trend combined with a slight improvement in activity in the construction industry. For the division as a whole, both sales volumes and price levels are better than for the same period last year. Also for the Wood division the net income was influenced negatively by challenging operational conditions due to the cold weather. This applies particularly for the combined units that have both saw and planing lines; as a result, stocks of finished products are somewhat lower than in the same period last year.
In connection with the fire at Moelven Østerdalsbruket, the NOK 3 million excess for the insurance claim has been booked this period. The fire did not affect production beyond the halt in operations during the extinguishing period, and the existing continuity plans helped maintain market activity and delivery ability at a reasonable level.

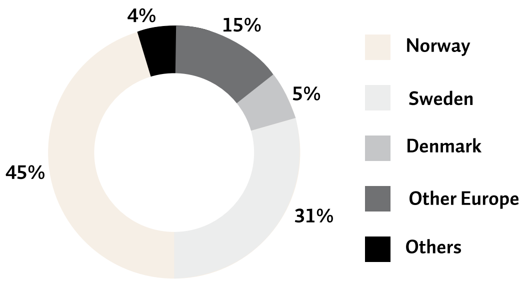
Building Systems

Operating revenues for the first quarter totalled NOK 451.2 million (473.6), while net result was NOK 8.5 million (6.7). The number of employees at the end of the quarter totalled 1 393 (1 483).
The operating result includes a one-off gain of NOK 7 million attributable to the reduction in the AFP obligation.
The order situation in the Building Systems division has significantly improved since the end of 2009. The improvement is due primarily to the Building Module companies, with a gradual increase in market activity in Sweden and an order for 750 modules at Moelven Byggmodul AS. The Interior Systems companies are continuing to experience a difficult market situation, although the activity level is somewhat better in Sweden than in Norway. Deliveries from the glulam companies have – as in the Wood division -- been influenced by the cold weather that has slowed down construction activity. Bridge projects have provided an important contribution to the activity level. Moelven Töreboda AB has sold the first major project based on the new concept Trä8.
Market conditions are still challenging for the electrical services business, but the business is generating positive results and has a satisfactory order reserve.
All market segments are experiencing intense competition and price pressures, but the companies have succeeded in adapting the activity level and cost structure to the current market conditions.

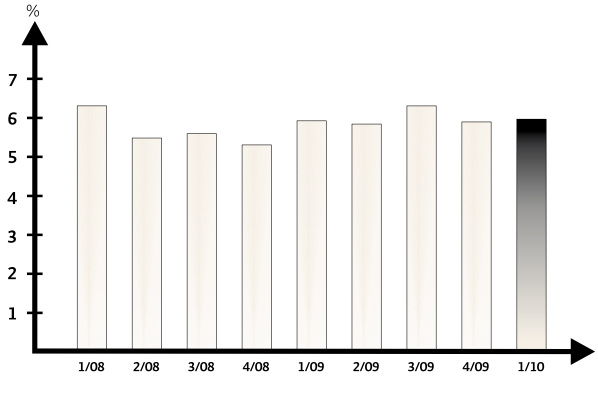
Other businesses

In addition to the parent company, Moelven Industrier ASA, this business division includes common services such as timber acquisition, bio energy, R&D, finance, insurance, IT, communication and HR. A few other smaller business units and assets not related to the Group's core business activities are included in this division as well.
The total number of employees at the end of the quarter was 92 (92). Operating revenues for the division totalled NOK 472.8 million (299.9), while net result was minus NOK 7.7 million (minus 8.4). The operating result includes a one-off gain of NOK 1 million attributable to the reduction in the AFP obligation.

Sales By Market Area 1st Quarter



Sickness absence rate (%)



Quarterly in 2008 - 2010

Employees

The overall rate of sick leave in the first quarter was 6.0 percent (6.0) or 10 582 (11 136) full workdays. In all, there were 167 759 (174 941) workdays in the first quarter. Absenteeism due to long-term sick leave totalled 3.12 percent (2.87).

Continued efforts to reduce the high rate of sick leave is therefore of major importance. One of the efforts that has proven to have a positive effect is health insurance for the employees. During the three years since the scheme was introduced, approximately 890 employees have taken advantage of the service. A one percent increase in absenteeism on an annual basis costs the Group a total of about NOK 25 million, in addition to being a hardship for the employees affected.

The number of personal injuries leading to sick leave was 35 (22), which corresponds to 27.8 (16.8) injury-days per million work hours. The increase from an already high level is grounds for concern.The increase is partly due to a higher workload as a result of the harsh weather conditions this winter. Work is underway to find measures to improve the situation. Increased focus will also be put on already existing measures, such as awareness campaigns, investments in safer machines and equipment, HES training of managers and the establishment of stricter safety regulations. A new reporting tool, fPortal, is now in use in order to increase awareness about the problem and to provide additional knowledge about cause-effect relationships and areas of risk.

At the end of the first quarter, the Group had a total of 3 005 (3 154) employees. In all, 1 678 (1734) of these employees worked in Norwegian companies, 1 279 (1 383) in Swedish companies, 37 (27) in Danish companies and 11 (10) in other countries. In all there are 284 (300) female and 2 721 (2 854) male employees.

International Accounting Standards (IFRS)

The unaudited IFRS figures show the main effect if the accounts had been reported according to IFRS standards. The main differences in using IFRS are in the reporting of pension commitments, the use of financial instruments and the treatment of dividends. The effect of financial instruments will vary in relation to the market value assessment at the time of reporting.

At the end of the first quarter, the market assessment of financial instruments shows uncapitalised losses totalling NOK 21 million, which gives an income gain of NOK 9 million. The improvement in market value since the end of the year is primarily due to exchange rate differences between Norwegian and Swedish kroner, which both are now stronger compared to the EUR. In the accounts based on NGAAP, NOK 20.7 million of the annual result in 2009 was allocated to be paid as dividends. In accordance with IFRS, this amount must be included in the equity figure until the actual payment is made. The Moelven Group's hedging policy is based on the idea that underlying business operations must serve as the basis for profitability. The main reason for hedging interest rates and the exchange rate risk is to reduce rate fluctuations and ensure predictability.

Outlook

The first quarter developed in line with the Board's projections. Construction activity and demand for wood-based building materials is still at a low level, but some positive signs have been registered. For the rest of 2010, the Board anticipates stable markets for rehabilitation and additions, and some increased new-build activity. At the same time, the supply of wood-based building materials is expected to increase due to higher margins and increased availability of raw materials. Timber prices will increase somewhat on the basis of contracts signed at the end of last year, and timber availability is expected to be satisfactory.

A continued low level of activity is expected for the Building Systems division. The rehabilitation and additions market is expected to maintain the current activity level, while the rate of new projects is expected to increase slightly. The Interior Systems companies had a gradual decline in activity in 2009, and this development has continued in 2010. Measures to adapt capacity are therefore being implemented. Market activity for the module companies in Sweden are in the process of improving, while the Norwegian branch of the modular business is still experiencing an unsatisfactory rate of new orders, apart from a major single order. For the glulam companies, the production of bridge projects has provided a stable basis for

IFRS

NOK mill.	1st Quarter 2010	1st Quarter 2009	1st Quarter 2008	Total 2009	Total 2008
Profit and Loss Account					
EBITDA	**73.6**	- 43.2	156.9	**296.6**	352.0
EBIT	**22.2**	- 89,7	111.4	**96.0**	156.0
Result before tax	**24.6**	- 57.5	113.1	**146.0**	5.8

NOK mill.	Per 31.03 2010	Per 31.03 2009	Per 31.03 2008	Per 31.12 2009	Per 31.12 2008
Balance Sheet					
Equity	**1,695.4**	1,491.1	1,966.7	**1,632.6**	1,601.3
Total assets	**3,696.6**	3,528.3	3,949.1	**3,266.8**	3,580.4
Equity ratio	**44.9**	42.3	49.8	**50.0**	44.7

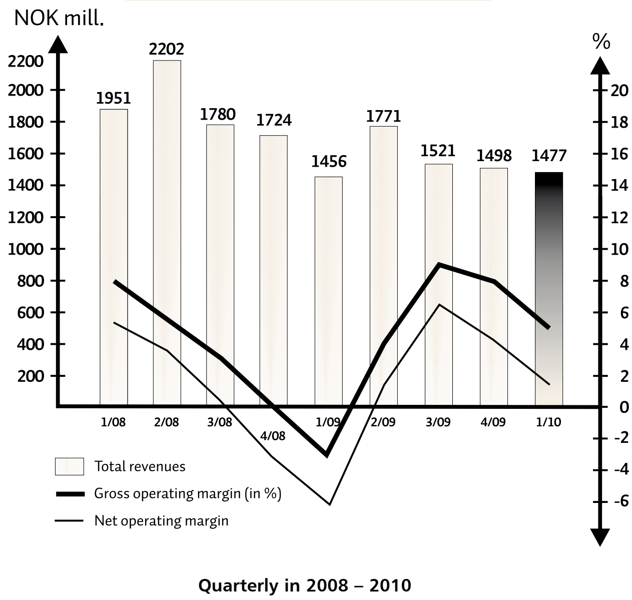
Changes in total equity for the Group

NOK mill.	Per 31.03.			Per 31.12.	
	2010	2009	2008	**2009**	2008
Opening balance	**1,648.7**	1,696.7	1,569.7	**1,696.7**	1,569.7
Profit/loss	**11.1**	- 71.7	76.0	**40.2**	81.2
Foreign currency translation	**9.1**	- 63.7	7.1	**- 67.5**	45.8
Provisions for dividend	**0.0**	0.0	0.0	**- 20.7**	0.0
Changes for year/period	**20.2**	- 135.4	83.1	**- 48.0**	127.0
Total equity NGAAP	**1,668.9**	1,561.3	1,652.8	**1,648.7**	1,696.7
IFRS effects	**- 9.5**	- 70.2	313.9	**- 16.1**	- 95.4
Total equity IFRS	**1,659.4**	1,491.1	1,966.7	**1,632.6**	1,601.3

Cash Flow Statement

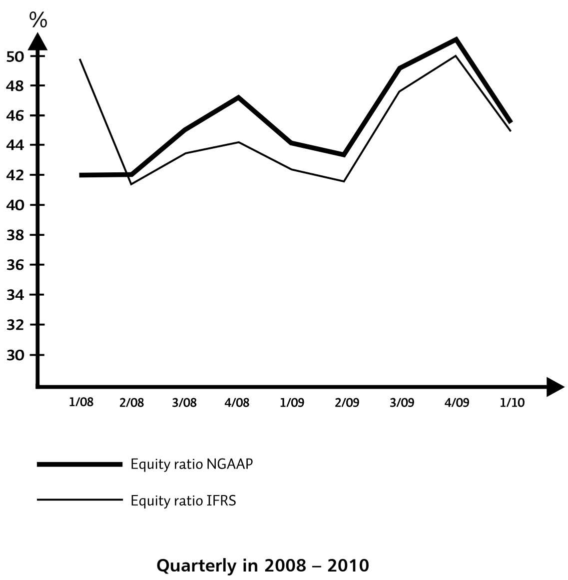
NOK mill.	1st Quarter			Total	
	2010	2009	2008	**2009**	2008
Net cash flow from operations	**- 281.3**	- 153.7	- 379.0	**441.1**	214.5
Cash from operating result	**41.3**	- 52.8	149.3	**248.0**	334.4
Cash flow from working capital	**- 322.6**	- 100.9	- 528.3	**193.1**	- 119.9
Cash flow from/to investments	**- 52.9**	- 63.4	- 51.2	**- 211.8**	- 332.5
Cash flow from/to financing	**286.8**	215.3	409.8	**- 188.6**	70.1
Net cash flow for the period	**- 47.4**	- 1.8	- 20.4	**40.7**	- 47.9
Liquid funds	**23.1**	28.0	57.3	**70.5**	29.8
Unutilised credit facilities	**630.5**	512.4	870.0	**918.0**	752.2
Available liquid funds	**653.6**	540.4	927.3	**988.5**	782.0

Revenues and margins



Quarterly in 2008 – 2010

Equity ratio



Quarterly in 2008 – 2010

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operations. The activity level for the remainder of the business is expected to improve in the summer season as a result of normal seasonal variations. The electrical services business has a solid order reserve for both new installations and service contracts and should maintain a stable activity level throughout the year.

The last part of the year is not expected to be as strong as in 2009, but a moderate improvement in results overall in 2010 compared to the previous year is expected.

Board of Moelven Industrier ASA
Moelv, 26 April 2010

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 deve-loping concepts and systems together with customers and experts within the fields of architecture, design and construction
The Group consists of a total of 45 separate business units in Norway, Sweden and Denmark with a total of 3 005 employees.
The Moelven Group is owned by Glommen Skog (25.1 per cent) Eidsiva MI2 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

www.moelven.com