



Quality rooms

Quarterly Report 4/2010

Moelven Nordia AS provided the furnishings for the Terra Group in Oslo with Nordia Glassfront and Nordia Flush Front. Architect: MAP Arkitekter AS. Photograph: Ketil Jacobsen.

MOELVEN®

Profit and Loss Account	NOK mill.	4 th Quarter			Total		
		2010	2009	2008	2010	2009	2008
Operating revenues		1,885.2	1,498.5	1,724.1	7,184.5	6,247.8	7,657.7
Depreciation		55.7	57.4	55.6	212.8	202.5	199.2
Cost of goods sold		1,213.1	842.5	1,078.4	4,514.8	3,899.2	4,998.3
Operating expenses		652.0	536.9	643.0	2,214.5	2,055.0	2,315.5
Operating profit		- 35.6	61.7	- 52.9	242.4	91.1	144.7
Income from associates		0,0	-1.6	- 1.3	- 2.3	- 1.7	- 2.2
Interest and other financial income		16.2	0.7	0.8	41.2	93.3	10.8
Interest and other financial expenses		- 15.1	- 11.5	- 108.0	- 52.2	- 41.5	- 157.3
Operating result before tax		- 34.5	49.3	- 161.4	229.1	141.2	- 4.0
Estimated tax cost		- 9.0	15.4	- 49.1	62.6	41.2	- 5.0
Net profit		- 25.5	33.9	-112.3	166.5	100.0	1.0
Minority shares		- 1.1	- 0.1	- 1.1	- 1.4	- 3.1	- 0.8
Majority shares		- 24.4	34.0	- 111.2	167.9	103.1	1.8

Balance Sheet	NOK mill.	Change in 4 th Quarter			Per 31.12		
		2010	2009	2008	2010	2009	2008
Intangible assets		2.6	7.3	- 3.7	47.8	13.3	7.6
Tangible assets		18.9	- 30.4	100.9	1,480.5	1,336.7	1,392.1
Financial assets		- 2.1	- 5.5	- 10.1	43.9	45.1	49.6
Total fixed assets		19.4	- 28.6	87.1	1,572.2	1,395.1	1,449.3
Stocks		97.9	93.0	9.9	1,342.9	898.6	1,174.4
Receivables		- 195.8	- 207.6	- 322.9	1,097.5	886.0	945.1
Deposits		- 19.5	17.2	11.9	26.2	70.5	29.8
Total current assets		- 117.4	- 97.4	- 301.1	2,466.6	1,855.1	2,149.3
Total assets		- 98.0	- 126.0	- 214.0	4,038.8	3,250.2	3,598.6
Share capital*		0.0	0.0	0.0	647.7	647.7	647.7
Other equity and capital		- 34.4	1.8	- 71.0	1,189.9	979.3	965.9
Total equity		- 34.4	1.8	- 71.0	1,837.6	1,627.0	1,613.6
Long-term liabilities		- 59.9	- 54.3	- 19.5	997.9	656.2	813.2
Current liabilities		- 3.7	- 73.5	- 123.5	1,203.3	967.0	1,171.8
Total liabilities		- 63.6	- 127.8	- 143.0	2,201.2	1,623.2	1,985.0
Total equity and liabilities		- 98.0	- 126.0	- 214.0	4,038.8	3,250.2	3,598.6

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

Key figures	NOK mill.	4 th Quarter			Total		
		2010	2009	2008	2010	2009	2008
Net operating margin /EBIT (in %)		- 1.9	4.1	- 3.1	3.4	1.5	1.9
Gross operating margin/EBITDA (in %)		1.1	7.9	0.2	6.3	4.7	4.5
Earnings per share (in NOK)		- 0.20	0.26	- 0.87	1.29	0.77	0.01
Cash flow per share (in NOK)		0.20	1.03	0.92	- 0.69	3.41	1.67
*Equity ratio (in %)		0.2	1.9	0.7	45.5	50.1	44.8
Investments		71.5	49.9	128.1	258.4	222.2	345.9
Return on capital employed (in %)		- 5.3	8.5	- 9.5	9.6	3.9	6.6
*Capital employed		- 12.5	- 256.3	159.4	2,680.7	2,087.6	2,326.8
*Net interest bearing debt		51.9	- 92.4	- 16.1	818.1	368.4	599.9
*Net working capital		- 130.3	- 98.2	- 250.2	1,778.0	1,280.5	1,552.4
*Number of employees		83	- 72	- 169	3,270	2,992	3,285
Sickness absence rate (in %)		5.56	5.80	5.32	5.50	5.97	5.64
Number of injuries with absence		16.6	14.8	19.9	19.3	16.4	18.3
Number of shareholders		961	966	969	961	969	969
Average number of shares		129 541 284	129 541 284	129 541 284	129 541 284	129 541 284	129 541 284

* The table shows changes since last quarter.

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

Board of Directors' report

- A higher lever of activity within all divisions
- A decline in prices for industrial timber caused an unsatisfactory operating result for the fourth quarter
- Improvement in result from the Building Systems division
- Operating income for the year 2010 increased to NOK 7,184.5 million (NOK 6,247.8 million)
- Operating result for the year 2010 increased to NOK 242.4 million (NOK 91.1 million)
- Result for first quarter expected to be low.

Highlights

The level of activity during the fourth quarter has been higher for all divisions when compared with the same period last year. However, the quarter has been affected by low prices for industrial timber, both spruce and pine. It was not possible to adapt the prices for raw materials at the same rate as the price decreases and this resulted in unsatisfactory margins. In addition, the Group carried out write-downs of its inventory and certain contracts for goods and project inventories. The Building Systems division reported a result for the quarter which is significantly higher than last year. Despite the poor result for the fourth quarter, the accumulated operating result was higher than last year and can be described as satisfactory, taking into consideration market conditions. 2010 is the first year after the financial crisis which hit in 2008/2009 to see almost a return to normal market conditions. This fact, combined with the measures implemented to reduce costs during the crisis are the main reasons behind the improved results.

Operating revenues and results

Operating revenues for the group in the fourth quarter was NOK 1,885.2 million (NOK 1,498.5 million) with a loss for Q4 of NOK 35.6 million (NOK 61.7 million). For the year in total, operating income was NOK 7,184.5 million (NOK 6,247.8 million) with an operating result of NOK 242.4 million (NOK 91.1 million). The accumulated operating result includes the

booking of the reduced early retirement pension commitment of NOK 22 million. For the year in total, all three divisions reported improved results while only the Building Systems division was able to retain the improvements in the fourth quarter.

Investments, balance sheet and financing

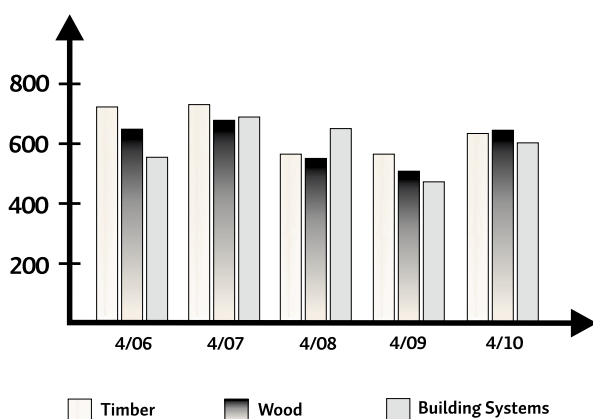
Investments made in the fourth quarter total NOK 71.5 million (NOK 49.9 million) Subsequent to a period of planned reductions in investments, the level of activity is back in line with the group's long-term goals to improve its competitive edge.

Accumulated investments for the year totalled NOK 258.4 million (NOK 222.2 million). In addition to ordinary investments, the acquisition of businesses in the second quarter resulted in an increase in the group's fixed assets of NOK 52 million and the activation of goodwill of NOK 32 million. At year-end, the group's total assets were reported as NOK 4,038,8 million (NOK 3,250,2 million). The increase generated by completed acquisitions amounts to NOK 218 million. The increase in the level of activity has resulted in a corresponding increase in project inventories, warehouse stock and receivables when compared with the same period last year.

Cash flow from operating activities for Q4 was NOK 25.5 million (NOK 133.4 million), corresponding to NOK 0.20 per share (NOK 1.03). In total, cash flow from operating activities

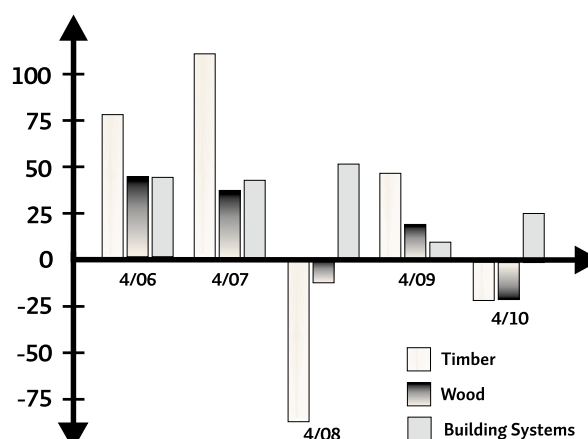
Operating revenues

NOK mill.



Operating profit

NOK mill.



was negative at NOK 89.5 million (positive NOK 441.1 million), corresponding to minus NOK 0.69 per share (plus NOK 3.41). The reduction in cash flow is attributed to the increase in capital tied up in stock, receivables and projects, which is a natural consequence of the increase in levels of activity. Cash flow from result items in the fourth quarter was negative at NOK 17.5 million (NOK 117.8 million), while cash flow for the year in total saw an improvement at NOK 368.7 million (NOK 248.0 million). Net interest-bearing liabilities were NOK 818.1 million (NOK 368.4 million) at year-end. The liquidity reserve thereby saw a decline to NOK 581.4 million compared with NOK 988.5 million for the same period last year. The main share of the group's liabilities are in Swedish kroner and the stronger Swedish kroner has caused a higher exploitation of the total loan facility when calculated into Norwegian kroner.

The financial items for the quarter and the year in total are affected by an amendment in the principles for financial instruments. Both the annual accounts and comparison figures presented are compiled in accordance with the regulations in "Provisional Norwegian Accounting Standard; Financial assets and commitments." The amendment in principle implies that the Norwegian regulations are becoming harmonised with IFRS, implying that market value changes for financial instruments are reported on the profit & loss account to a much higher extent than before. According to former accounting practice, these value changes were not reported on the accounts until the underlying hedging object was recognised. The introduction of the new standard has been made on a quarterly basis with conversion of the comparison figures for 2008 and 2009 according to the same standard.

The main goal for Moelven's policy regarding hedging is to eliminate financial risk as far as is possible so that it is the

industrial business rather than financial transactions which forms the basis for profitability. The hedging policy has been consistently applied for several years and has proven to function as intended during the financial crisis. The posting of items generated by market value changes will result in a more highly fluctuating result but without the corresponding impact on cash flow. For Q4, this has provided an income posting of NOK 14.5 million (negative NOK 4.6 million) while this figure for the year in total is NOK 32.3 million (NOK 83.0 million). The total financial items for Q4 2010 were NOK 1.1 million (negative NOK 12.4 million) with corresponding figures for the year in total being NOK 13.3 million (NOK 50.1 million).

The pre-tax result for the fourth quarter was negative at NOK 34.5 million (NOK 33.9 million) and for 2010 in total NOK 229.1 million (NOK 141.2 million). The annual result for 2010 was NOK 166.5 million (NOK 100.0 million).

Equity has been valued according to the going concern assumption and totalled at the end of the third quarter NOK 1,837.6 million (NOK 1,627.0 million). This corresponds to NOK 14.19 (NOK 12.56) per share. Equity at the end of 2009 is also affected by the amendment in principle when presenting financial instruments and the affected equity corresponds to minus NOK 0.16 per share. The equity ratio was 45.5 percent (50.1 percent).

To date, there has been no allocation of the annual result. A proposal for such allocation will be presented in connection with the processing of the annual accounts during the board meeting in mid February. The company's dividend policy is based on facilitating a predictable and satisfactory cash yield on investments made by Moelven's shareholders. The dividend policy provides guidelines for how much of the group's profits can, in normal conditions, be paid as dividends.

Divisions	4 th Quarter			Total		
	2010	2009	2008	2010	2009	2008
Operating revenues	NOK mill.					
Timber	636.9	560.6	559.7	2,436.4	2,166.8	2,472.4
Wood	642.2	502.3	549.2	2,683.9	2,227.4	2,634.0
Building Systems	605.6	468.0	635.4	2,171.5	1,933.0	2,748.0
Laminated Timber	129.6	109.5	116.2	467.9	397.1	524.1
Electrical installations	126.3	110.0	108.4	412.2	397.5	435.5
Modular Buildings	207.9	91.3	209.4	740.4	513.0	1,030.7
Modular System Interiors	149.9	162.4	206.7	581.7	644.8	784.3
Others/Eliminations	0.5	- 32.4	- 20.2	- 107.3	- 79.4	- 196.7
The Group	1,885.2	1,498.5	1,724.1	7,184.5	6,247.8	7,657.7
Operating profit/loss						
Timber	- 22.6	47.3	- 81.1	94.7	12.7	- 143.3
Wood	- 21.9	19.3	- 13.2	95.6	43.2	80.3
Building Systems	24.8	6.8	50.6	92.2	61.4	235.1
Laminated Timber	2.2	- 2.5	5.9	12.9	4.0	38.5
Electrical installations	3.0	2.1	2.4	3.1	9.0	8.5
Modular Buildings	5.6	- 6.0	12.1	33.7	1.5	94.2
Modular System Interiors	20.0	13.2	30.2	42.5	46.9	93.9
Others	- 15.9	- 11.7	- 9.2	- 40.1	- 26.2	- 27.4
The Group	- 35.6	61.7	- 52.9	242.4	91.1	144.7

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. As the power market has experienced a steady increase in prices in 2010, the market value of the group's power contracts has seen a significant increase 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 fourth quarter was NOK 636.9 million (NOK 560.6 million). The operating result was negative at NOK 22.6 million (NOK 47.3 million). In total, operating income amounted to NOK 2,436.4 million (NOK 2,166.8 million) with an operating result of NOK 94.7 million (NOK 12.7 million). The number of employees at the end of Q4 was 643 (661). The poor result for the fourth quarter is attributed to a number of factors. A strong decline in prices for industrial timber, both spruce and pine, combined with difficulties in adapting raw material costs in line with the rate of decline, is the main reason behind the unsatisfactory margin. Moreover, the strengthening of the Swedish kroner over the past year when compared with other major currencies such as the Euro and pound Sterling has also had an impact. Towards the end of the year, plans were made for limitations to production at certain plants. The valuation of inventory during periods of major price changes has a significant affect on the result. The division has therefore increased its focus on the control of inventory and the stock of finished goods is lower than

normal during similar market situations. The imbalance on the market is caused by a higher rate of production while the demand from a number of European markets remains low. Demand from numerous Asian markets is good and the level of activity in North America is on the increase. In total, the market balance is expected to improve throughout the year. The annual result is significantly higher than the previous year and is satisfactory, taking into consideration the market conditions.

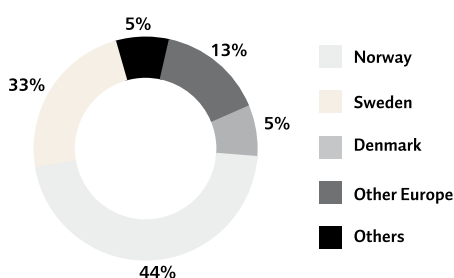
Wood

Operating revenues in the fourth quarter was NOK 642.2 million (NOK 502.3 million). The operating result was negative at NOK 21.9 million (NOK 19.3 million). In total, operating income amounted to NOK 2,683.9 million (NOK 2,227.4 million) with an operating result of NOK 95.6 million (NOK 43.2 million). The number of employees at the end of Q4 was 952 (856). Among the increase in workforce, 68 new employees came from the establishment of new units in the group, while the remaining number was required to cater for an increase in the level of activity. The poor result reported in Q4 is due to a normal seasonal reduction in demand, a price decline for finished goods combined with a time-lag in the adaptation of raw material costs and the write-down of stock. Moreover, a provision of NOK 5 million has been made in connection with the demolition of scrapped buildings at one of the division's production plants. Underlying demand from the ROT market (Norwegian acronym for renovation, rebuilding and extensions) in Sweden and Norway is normal for the time of year, while activity on the Danish market remains significantly lower than normal. The prices for many timber-based building products is indirectly affected by the decline in the prices for industrial timber. The division has a limited direct influence on the prices for industrial timber as the units both sell and buy this type of product. The production units which utilise timber sell industrial timber to be used as packaging, while the planing mills purchase timber qualities most suited to production of construction timber and interior products.

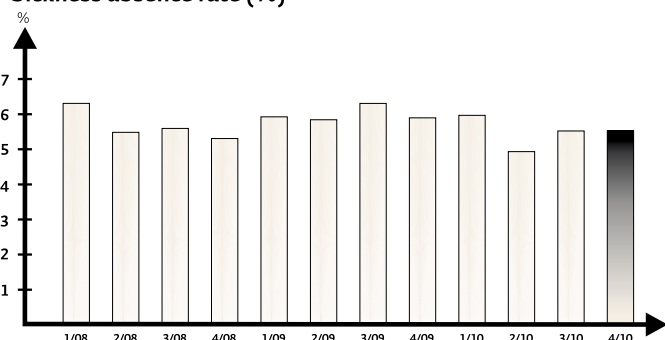
Sales of boards continue to rise and are showing a particularly positive development on the Swedish market. An increasing share of purchased building products also supplements the own-produced product range and is distributed via the existing distribution network.

The annual result has shown a significant improvement when compared with the previous year.

Sales By Market Area Total



Sickness absence rate (%)



Building Systems

Operating revenues in the fourth quarter was NOK 605.6 million (NOK 468.0 million). The operating result amounted to NOK 24.8 million (NOK 6.8 million). In total, operating income amounted to NOK 2,171.5 million (NOK 1,933.0 million) with an operating result of NOK 92.2 million (NOK 61.4 million). The number of employees at the end of Q4 was 1,517 (1,379). The increase in the number of employees was required to cater for the increase in activity within several units. Order reserve for the division was approximately NOK 900 million (NOK 650 million) at year-end.

Demand from a number of sections of the commercial building market is seeing an improvement both in Sweden and Norway, while the division still expects the situation in Denmark to remain difficult. Accommodation modules for building and construction are products often in demand during the early stages of an economic cycle, while interior systems for offices represent the product group for the division which is in demand at a later stage of a building project and therefore last to notice any improvements. This has resulted in increased activity for the Swedish building module units, while demand for interior systems on the Norwegian market has reported the lowest levels. The other units within the division have witnessed a stable or slightly increasing demand.

The annual result has shown a significant improvement when compared with the previous year.

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. Other business also comprises minor operating activities and assets which are not encompassed by the group's core business. At the end of the fourth quarter, this area had a total of 133 (96) employees. This increase is attributed to the fact that timber acquisition in Sweden takes place more often via a wholly-owned company and not a partly-owned company which was not included in the consolidated accounts.

The operating income for the fourth quarter was NOK 473.3 million (NOK 265.0 million) and the operating result was negative at NOK 15.9 million (negative NOK 11.7 million). In total, operating income amounted to NOK 1,755.7 million (NOK 1,282.4 million) with an operating loss of NOK 40.1 mil-

lion (NOK 26.2 million). The main share of the operating income is related to the purchase of raw materials, while the result is mostly affected by the costs related to the group's joint services. In 2010, significant resources were invested in strengthening Moelven as a brand, comprising investments in communications with and behind the group's primary target groups. Last year, the result figure included recognition of the self-insurance fund for general insurance with a figure of NOK 6 million.

Employees

Total sick leave in Q4 was 5.56 percent (5.80 percent). Total sick leave for the year in total was 5.50 percent (6.97 percent). Long-term sick leave was 2.52 percent (2.93 percent) in the fourth quarter with an accumulated figure of 2.78 percent (3.16 percent). Correspondingly, short-term sick leave was 3.04 percent (2.86 percent) in the fourth quarter and 2.72 percent (2.81 percent) for the year in total.

Moelven aims to keep the total sick leave for the group under 5 percent and several units and, at times, several divisions, have reached this goal. Not only is sick leave a difficult time for individual employees, it also represents a significant cost for the company. A change in sick leave of one percentage point would constitute an annual figure of NOK 25 million for the group.

The number of personal injuries resulting in sick leave during the quarter was 24 (19) and 98 (81) for the year in total. For the fourth quarter, this corresponds to 16.6 (14.8) injuries resulting in absence per million hours worked, with the accumulated figures as 19.3 (16.4).

The frequency of injuries unfortunately remains at an unacceptably high level. Measures to prevent injuries have received increased focus within the group and the goal is to reduce the current H1 value by half over the space of the next two years. The group has been making investments in modern safety equipment and physical securing of installations over a long period of time. In addition to physical safety measures, there is a significant focus on measures to change attitudes among employees.

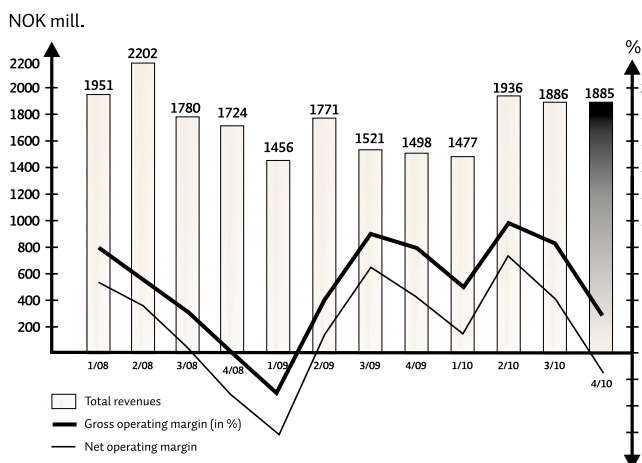
At the end of the year, the group had a total of 3,270 (2,992) employees. In total, 1,824 (1,686) of these are employed within Norwegian companies, 1,390 (1,259) in Swedish companies, 44 (36) in Danish companies and 12 (11) in other countries. The employees comprise 321 (283) women and 2,949 (2,709) men.

IFRS	NOK mill.	4 th Quarter			Total		
		2010	2009	2008	2010	2009	2008
Profit and Loss Account							
EBITDA		20.2	122.0	10.7	455.2	296.6	352.0
EBIT		- 33.9	65.1	- 45.5	245.7	96.0	156.0
Result before tax		- 19.1	54.6	- 156.7	246.3	146.0	5.8
Balance Sheet							
	NOK mill.	Change in 4 th Quarter			Total		
		2010	2009	2008	2010	2009	2008
Equity		- 22.8	17.8	- 62.3	1,836.8	1,623.8	1,601.3
Total assets		- 86.9	- 100.4	- 239.6	4,094.4	3,266.8	3,580.4
Equity ratio		0.4	2.0	1.2	44.8	49.7	44.7

Changes in total equity for the Group	NOK mill.	Change in 4 th Quarter			Total		
		2010	2009	2008	2010	2009	2008
Opening balance		1,872.0	1,625.2	1,684.6	1,627.0	1,613.6	1,566.8
Profit/loss		- 25.5	33.9	- 112.3	166.5	100.0	1.0
Foreign currency translation		- 8.9	- 11.4	41.3	44.1	- 65.9	45.8
Provisions for dividend		0.0	20.7	0.0	0.0	- 20.7	0.0
Change in reclassified assets		- 34.4	1.8	- 71.0	210.6	- 13.4	46.8
Total equity NGAAP		1,837.6	1,627.0	1,613.6	1,837.6	1,627.0	1,613.6
IFRS effects					- 1.4	- 3.2	- 12.3
Total equity IFRS					1,836.2	1,632.6	1,601.3

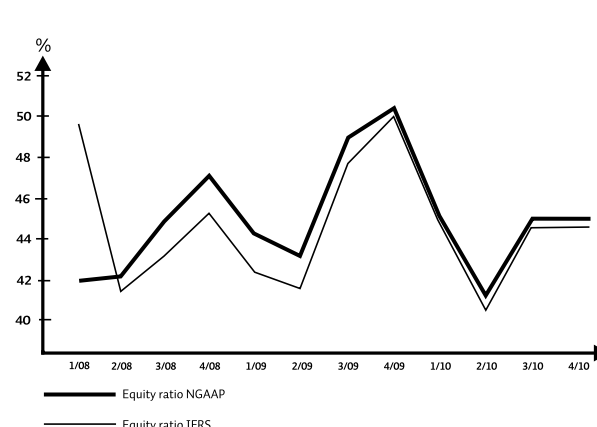
Cash Flow Statement	NOK mill.	Change in 4 th Quarter			Total		
		2010	2009	2008	2010	2009	2008
Net cash flow from operations		25.5	133.4	117.7	- 89.5	441.1	214.5
Cash from operating result		- 17.5	117.8	8.9	368.7	248.0	334.4
Cash flow from working capital		43.0	15.6	108.8	- 458.2	193.1	- 119.9
Cash flow from/to investments		- 74.3	- 40.2	- 112.9	- 345.3	- 211.8	- 332.5
Cash flow from/to financing		29.4	- 76.0	7.1	390.5	- 188.6	70.1
Net cash flow for the period		- 19.5	17.2	11.9	- 44.3	40.7	- 47.9
Liquid funds		- 19.5	17.2	11.9	26.2	70.5	29.8
Unutilised credit facilities		- 86.3	77.0	15.6	555.2	918.0	752.2
Available liquid funds		- 105.8	94.2	27.5	581.4	988.5	782.0

Revenues and margins



Quarterly In 2008 – 2010

Equity ratio



Quarterly in 2008 – 2010

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Future prospects

The Board of Directors expects the positive development with the Building Systems division to continue, but to see an unsatisfactory consolidated result at the start of 2011 due to poor margins in the Timber and Wood divisions. A fall in raw material prices which will affect the result towards the end of the first quarter will help improve margins for both divisions. 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 the improved market conditions for industrial timber in Europe generate a higher result in the Timber industrial product division. In total, the Board of Directors expects the results in 2011 to be slightly lower than those for 2010.

Moelv, 25 January 2011
Board of Moelven Industrier ASA

About Moelven

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

The sawmills in the Timber division supply processed wood products to customers in Scandinavia and the rest of Europe. Customers use products from Moelven as inserts in their own production processes. In addition, chippings and bark products from Moelven are used in the pulp, particle-board and bio fuel industries. The processing companies in the Wood division supply builder's merchants in Scandinavia with a wide range of building and interior products. An important competitive edge is the division's efficient distribution system, which can offer customers quick and accurate deliveries of a wide range of products. The companies in the Building Systems division supply flexible system solutions for interior walls, modular housing, electrical systems and

load-bearing constructions in glulam to contract customers and contractors, primarily in Norway and Sweden. The division focuses heavily on further developing concepts and systems together with customers and experts in the fields of architecture, design and construction. The Group consists of a total of 49 operative business units in Norway, Sweden and Denmark, and there are a total of 3,270 employees.

The following shareholders have ownership interests in the Moelven Group: Glommen Skog BA (25.1 percent), Eidsiva Vekst AS (23.8 percent), Agri MI AS (15.8 percent), Viken Skog BA (11.9 percent), Mjøsen Skog BA (11.7 percent), AT Skog BA (7.3 percent) and Havass Skog BA (4.0 percent). Most of the remaining 0.4 percent is owned by private investors.

Moelven supplying quality rooms

www.moelven.com