



Quality rooms

# Quarterly report 2/2012

*Photo: Moelven Wood AS supplies thermo-treated ash decking.*

**MOELVEN**<sup>®</sup>

Amounts in NOK million	Second quarter		6 months		Total	
	2012	2011	2012	2011	2011	2010
Operating revenues	2 185.7	2 138.6	4 351.1	4 091.8	8 059.9	7 184.5
Operating profit	45.5	55.4	64.3	29.3	12.9	254.0
EBITDA	109.2	110.9	188.2	140.6	238.8	466.1
Net operating margin/EBIT	2.1 %	2.6 %	1.5 %	0.7 %	0.2 %	3.5 %
Gross operating margin/EBITDA	5.0 %	5.2 %	4.3 %	3.4 %	3.0 %	6.5 %
Value change of financial instruments to fair value	-4.4	-18.7	5.9	-19.6	-60.1	34.2
Profit before tax	22.7	4.5	34.2	-31.6	-112.4	245.8
Profit per share in NOK	0.11	0.04	0.18	-0.17	-0.66	1.39
Cash flow from operational activities, in NOK per share	1.00	0.05	-0.48	-1.90	2.06	-0.69
Total equity *	14.6	-112.1	1 555.8	1 644.2	1 540.0	1 755.4
Equity ratio *	-0.2 %	-3.0 %	32.8 %	35.5 %	35.9 %	42.1 %
Investments	79.1	97.3	165.1	139.9	386.6	258.4
Return on capital employed *	2.0 %	5.8 %	4.7 %	2.1 %	0.5 %	10.2 %
Capital employed *	-51.7	33.1	2 893.8	3 047.4	2 652.4	2 671.1
Net interest-bearing liabilities *	-78.9	105.8	1 282.5	1 290.4	1 086.9	888.6
Net working capital *	17.8	67.1	2 088.8	2 227.1	1 730.9	1 771.5
Number of employees *	-33	231	3 432	3 476	3 482	3 270
Sick leave percentage *	-0.3 %	-0.4 %	5.3 %	5.5 %	5.2 %	5.5 %
Frequency of accidents with absence, H1 value *	-1.0	-5.0	17.3	17.4	16.4	19.3
Number of shareholders	961	961	956	961	956	961
Average number of shares (mill)	129.5	129.5	129.5	129.5	129.5	129.5

\* The first column shows the change in value during the quarter

- Revenues in the second quarter of NOK 2,185.7 million (NOK 2,170.2 million) and operating profit of NOK 45.5 million (NOK 55.4 million)
- Favourable order backlog in Building Systems
- Favourable level of activity in the RME market in Norway and Sweden for the Wood Division
- Optimisation of the operations in the Timber Division contributed to a result on par with last year in a challenging market
- Normal level of working capital for the season
- Non-cash items associated with fair value adjustment of unrealised financial instruments totalled minus NOK 4.4 million (minus NOK 18.7 million)

## Highlights

The level of market activity in the second quarter has been normal for the season.

The delivery volumes from Timber and Wood Divisions have been as expected. A high supply of industrial wood combined with continued low demand has contributed to weak market prices. In addition, the appreciation of the Swedish and Norwegian kroner against the euro as a result of the debt crisis in Europe has contributed to weakened profitability for the export-oriented units. In Scandinavia it is the RME market in Norway and Sweden that accounts for most of the demand. The construction of new homes, which is at a low level in Sweden and a somewhat more satisfactory level in Norway contributes to a lesser extent to the overall demand for the Wood Division's products. Several market players have increased their level of activity in the Scandinavian market as a result of the challenging situation in the export markets, and this has thus contributed to greater pressure on the prices for processed products.

The timber-consuming units have had a satisfactory supply of saw timber at a normal price level for the season. The prices for chip products have been under pressure after a mild winter and the associated low demand for chip products for energy purposes.

For the Building Systems companies, the level of activity in the Swedish market has declined somewhat and become more hesitant throughout the second quarter. In Norway the level of activity in Building Interior Solutions has been favourable, and the level of activity has been acceptable in the other companies.

The existing Corporate Assembly was re-elected at the Annual General Meeting of Moelven Industrier ASA. The Corporate Assembly elected a new Board of Directors on the same day. Grete Sønsteby was elected as a new board member to replace Elisabeth Bjørre.

Ole Helge Aalstad (42) from Hamar was appointed as Managing Director of the Timber Division. Aalstad was formerly the Managing Director at Moelven Våler AS. He will start no later than 1 October. Ingmar Karlsen will be the acting head of the division until Aalstad takes office.

The Vennesla Library and Cultural Centre was awarded the architecture prize *Statens Byggeskikkpris 2012* early in June. In the opinion of the jury, the building represents an encounter between technological and architectural innovation, and contributes to development of the local area and good public spaces. Moelven Limtre AS has supplied laminated timber structures for the building.

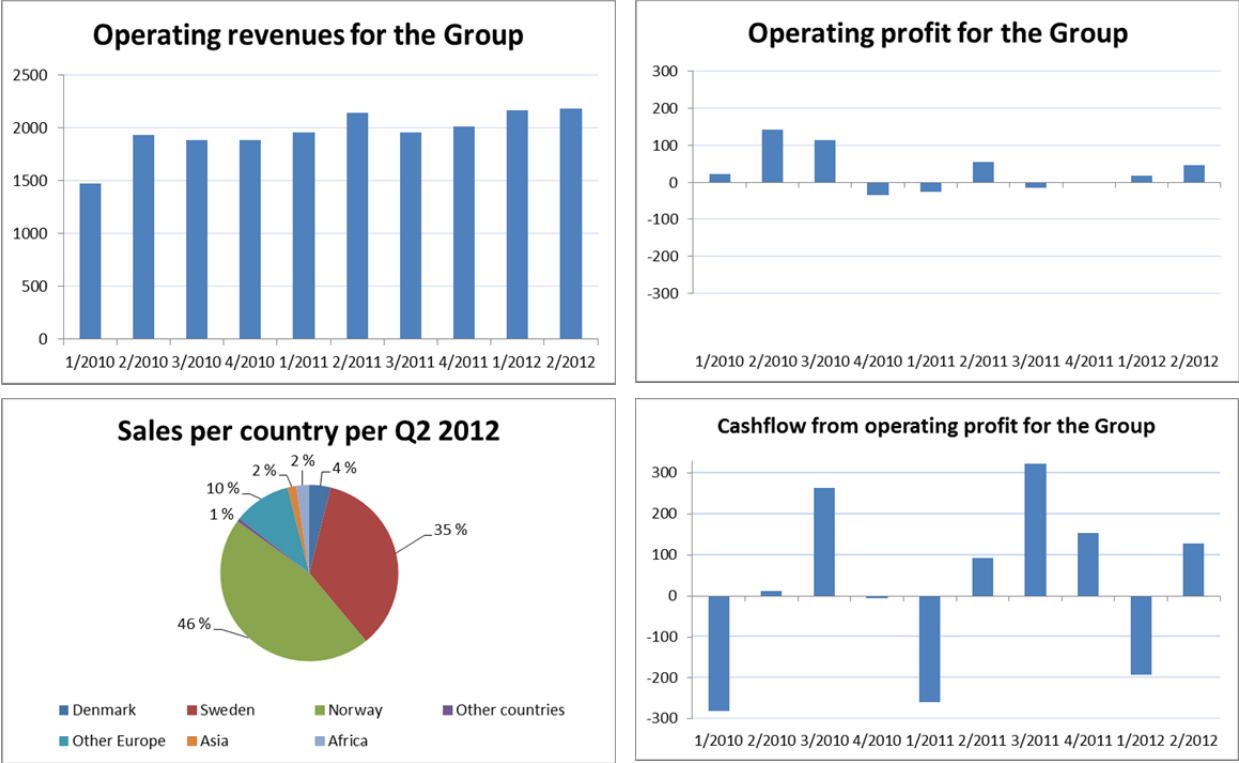
The new Tretten bridge was opened to traffic on 15 June. The bridge is the most complex ever supplied by Moelven Limtre. The challenge has been the manner in which the steel has been used in combination with laminated timber. A high level of precision in the production process has been decisive for the assembly of the truss. This project represents yet another step in the development of Moelven's bridge concepts.

Moelven Byggmodul AB delivered its first project on Åland. A day care centre consisting of 18 modules with a total floor space of 800 m<sup>2</sup> was assembled at Mariehamn in June. The day care centre can accommodate 100 children and consists of four divisions and a commercial kitchen. It took four weeks to manufacture the modules at the factory, while it took six weeks to assemble the modules at the building site.

## **Operating revenues and results**

The operating revenues in the second quarter were on par with the same period last year. The operational performance has been good during the period, and in combination with the continuous improvement work, this has contributed to a positive development in the processing costs. The raw material costs have also declined compared with last year. Overall, however, this does not compensate in full for the falling finished good prices in certain market segments, and the overall operating results for the quarter are lower than the same period last year.

An increase in working capital, as a result of acquisitions undertaken in 2011, is the reason for the rise in interest expenses compared with the second quarter last year. Losses from fair value changes in unrealised, market-based financial instruments in the second quarter are attributed to the development of interest rate and power hedges. The development of exchange rate, interest rate and power hedges has been positive since the end of last year.



## Investments, balance sheet and financing

Investments scheduled for 2012 relate to upgrading and maintaining the Group's current business operations. At the end of the second quarter, the book value of the Group's total assets was NOK 4,748 million (NOK 4,628 million).

Cash flow from operating activities in the second quarter was NOK 129.1 million (NOK 12.6 million), which corresponds to NOK 1.00 per share (NOK 0.05). This improvement is attributed to more efficient management and use of the Group's working capital.

At the end of the second quarter, net interest-bearing liabilities were NOK 1,282.5 million (NOK 1,290.4 million). Financial leases are included in net interest-bearing liabilities and amounted to NOK 47.4 million (NOK 59.0 million).

At the end of the second quarter the liquidity reserve was NOK 620.2 million (NOK 369.1 million). This increase is due to a new short-term loan agreement that raises the liquidity available by NOK 200 million in the second and third quarters. This agreement safeguards the Group's financial flexibility in a period of seasonally high levels of working capital. The conditions reflect market conditions at the time the contract was signed, and the contract has

the same provisions for breach of contract as the Group's other loan agreements.

Equity at the end of the second quarter amounted to NOK 1,555.8 million (NOK 1,644.2 million), which is equivalent to NOK 12.01 (NOK 12.69) per share. The equity ratio was 32.8 per cent (35.5 per cent). Parts of the Group's equity are linked to ownership interests in foreign subsidiaries, principally in Sweden, and are thereby exposed to exchange rate fluctuations. The extent and consequences of likely exchange rate fluctuations are within acceptable risk limits. In the second quarter exchange rate fluctuations resulted in an unrealised reduction in equity of NOK 0.7 million (NOK 21.7 million) and NOK 9.0 million (NOK 16.9 million) for the first half of the year.

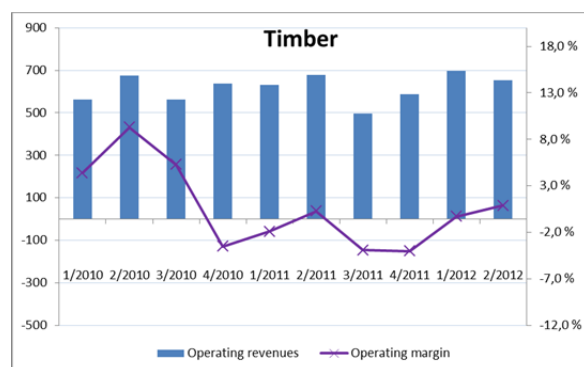
# Divisions

## Timber

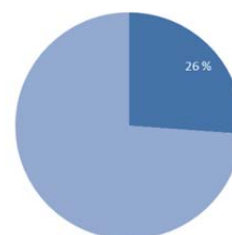
Amounts in NOK million	Second quarter		6 months		Total	
	2012	2011	2012	2011	2011	2010
Sales to external customers	551.1	548.7	1 137.6	1 063.8	1 956.3	2 020.0
Sales to internal customers	100.5	128.5	212.2	246.0	437.8	416.4
Operating revenues	651.6	677.2	1 349.8	1 309.8	2 394.1	2 436.4
Depreciation and impairment	24.7	22.4	49.0	45.0	90.3	85.9
Operating profit	6.0	2.0	3.8	-10.1	-52.4	94.7
Operating margin in per cent	0.9 %	0.3 %	0.3 %	-0.8 %	-2.2 %	3.9 %
Net operating capital (% of operating revenues)	1.8 %	-0.5 %	18.7 %	21.0 %	18.4 %	22.8 %
Total assets *	16.5	-68.6	1 634.4	1 490.9	1 592.2	1 545.5
Equity *	-0.7	-17.7	735.1	737.1	749.8	767.1
Capital employed *	20.1	-12.5	1 193.1	1 100.9	1 186.6	1 144.8
Return on capital employed *	1.3 %	2.5 %	0.7 %	-1.7 %	-4.3 %	9.1 %
Investments *	41.5	10.4	84.1	31.3	144.2	112.0
Number of employees *	-3	21	706	667	692	643

\* The first column shows the change in value during the quarter

The volume of deliveries in the second quarter was higher than for the same period last year. Price levels, particularly in the export markets in Europe, have been lower than they were last year due to continued low demand in these markets. The debt crisis in Europe is still the main reason why there has been no improvement in market activity. The export markets are principally served by the Group's Swedish units, which have also been affected negatively by a stronger Swedish krona and fierce competition in the raw materials market in Sweden. The strong appreciation of SEK against EUR towards the end of the quarter will – if the exchange rate holds at the same rate as at the end of the quarter – gradually have a greater impact as the exchange rate hedges expire. The saw timber prices have been at the expected level. There have not been any major operational problems, and, in combination with continuous optimisation of the operations, this has entailed a reduction in the processing costs compared with the first quarter last year. Several major investment projects will be technically completed in the summer of 2012. The new sawmill feeding system at Moelven Valåsen AB, camera sorting facility at Moelven Nössemark Trä AB and packing plant at Moelven Ransbysågen AB will be ready for operation in August 2012.



Timber's share of the Groups sale to external customers



# Wood

Amounts in NOK million	Second quarter		6 months		Total	
	2012	2011	2012	2011	2011	2010
Sales to external customers	797.6	811.3	1 474.5	1 398.7	2 852.0	2 628.4
Sales to internal customers	18.6	27.8	43.9	47.9	80.4	55.5
Operating revenues	816.2	839.1	1 518.4	1 446.6	2 932.4	2 683.9
Depreciation and impairment	24.7	21.4	49.1	42.8	89.5	83.5
Operating profit	23.1	38.6	24.3	26.1	57.6	95.6
Operating margin in per cent	2.8 %	4.6 %	1.6 %	1.8 %	2.0 %	3.6 %
Net operating capital (% of operating revenues)	-1.9 %	-3.2 %	33.3 %	37.4 %	29.9 %	30.2 %
Total assets *	-18.1	178.1	2 054.6	2 062.5	1 975.7	1 797.2
Equity *	16.6	40.6	777.7	804.2	768.0	775.6
Capital employed *	-31.1	121.2	1 413.0	1 471.4	1 362.6	1 271.9
Return on capital employed *	3.2 %	7.7 %	3.7 %	4.0 %	4.6 %	8.5 %
Investments *	22.8	60.8	59	77.5	169.5	66.3
Number of employees *	-5	201	1 091	1 156	1 114	952

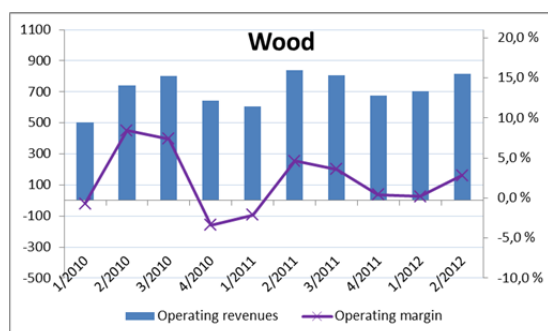
\* The first column shows the change in value during the quarter

It has been a normal season, with an increase in market activity throughout the quarter. The delivery volumes have overall been on par with last year, with somewhat lower prices in some markets. A good RME market in Norway and Sweden and satisfactory new building activity in Norway have contributed to an overall satisfactory level of activity in Norway and Sweden. The level of activity in the Danish building materials market has been weak throughout the entire quarter.

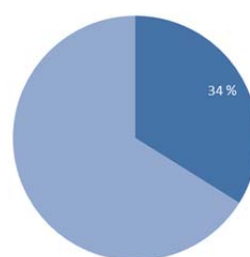
The operating conditions have been good, and operations have continued satisfactorily without any significant problems. In combination with the realisation of greater efficiency and synergies after the acquisition of Moelven Sør Tre and Moelven Granvin in 2010, this has resulted in lower unit costs that compensate in part for the lower market prices.

In May the Board decided to make a major investment in Moelven Vänerply AB, which was acquired by the Moelven Group in June 2011. This investment, which will be the largest investment since the factory was built in the 1970s, entails a modernisation of a major portion of the manufacturing process and an improvement in productivity. The investment will start in the summer of 2012 and technical completion will be in the autumn of 2013.

The investment project to build five new channel driers at Moelven Soknabruket AS has started. Two new plank channels to the planing mill will be built in 2012. The next step in the investment programme, which will entail increased storage capacity and three additional new driers will be completed in 2015.



Wood's share of the Groups sale to external customers



## Building Systems

Amounts in NOK million	Second quarter		6 months		Total	
	2012	2011	2012	2011	2011	2010
Sales to external customers	716.3	690.5	1 458.5	1 296.4	2 651.7	2 159.8
Sales to internal customers	-0.3	3.6	0.3	4.6	14.1	11.7
Operating revenues	716.0	694.1	1 458.8	1 301.0	2 665.8	2 171.5
Depreciation and impairment	10.7	9.2	19.2	18.6	36.0	34.9
Operating profit	25.4	27.3	54.2	36.9	50.8	92.2
Operating margin in per cent	3.5 %	3.9 %	3.7 %	2.8 %	1.9 %	4.2 %
Net operating capital (% of operating revenues)	1.0 %	0.5 %	13.7 %	16.6 %	10.4 %	15.1 %
Total assets *	-0.6	-38.8	1 189.0	1 100.5	1 217.9	1 208.4
Equity *	29.0	16.3	519.5	580.7	463.1	549.7
Capital employed *	42.5	25.8	615.9	670.2	526.7	629.1
Return on capital employed *	-2.0 %	5.2 %	20.0 %	12.3 %	10.0 %	17.5 %
Investments *	12.8	9.7	17.4	14.1	38.255	61.0
Number of employees *	-25	9	1 505	1 518	1 542	1 542

\* The first column show s the change in value during the quarter

Amounts in NOK million	Second quarter		6 months		Total	
	2012	2011	2012	2011	2011	2010
Operating revenues	119.9	128.8	219.7	227.5	470.7	467.9
Depreciation and impairment	4.4	4.6	8.8	9.4	18.2	18.4
Operating profit	4.4	3.2	4.7	1.5	4.3	12.9
Operating margin in per cent	3.7 %	2.5 %	2.1 %	0.7 %	0.9 %	2.8 %
Investments *	7.0	3.4	10.0	5.3	10.2	42.0
Number of employees *	-10	1	251	264	266	300

\* The first column show s the change in value during the quarter

Amounts in NOK million	Second quarter		6 months		Total	
	2012	2011	2012	2011	2011	2010
Operating revenues	130.9	126.8	270.7	232.4	497.4	412.1
Depreciation and impairment	0.4	0.5	0.8	0.9	1.8	1.2
Operating profit	-6.0	1.6	-0.7	3.8	-46.6	3.1
Operating margin in per cent	-4.6 %	1.3 %	-0.2 %	1.6 %	-9.4 %	0.8 %
Investments *	0.1	0.7	0.1	1.2	1.5	4.0
Number of employees *	-10	7	268	294	302	278

\* The first column show s the change in value during the quarter

Amounts in NOK million	Second quarter		6 months		Total	
	2012	2011	2012	2011	2011	2010
Operating revenues	287.3	289.1	611.5	553.1	1 138.8	740.4
Depreciation and impairment	4.5	2.8	6.8	5.5	10.9	10.6
Operating profit	17.5	15.8	32.4	21.2	59.0	33.7
Operating margin in per cent	6.1 %	5.5 %	5.3 %	3.8 %	5.2 %	4.6 %
Investments *	5.0	4.2	6.5	5.2	23.0	8.0
Number of employees *	0	-5	534	508	524	516

\* The first column show s the change in value during the quarter

Amounts in NOK million	Second quarter		6 months		Total	
	2012	2011	2012	2011	2011	2010
Operating revenues	190.9	158.3	384.9	303.6	605.6	581.7
Depreciation and impairment	1.4	1.5	2.8	2.9	5.0	4.7
Operating profit	9.5	6.6	17.8	10.3	34.0	42.5
Operating margin in per cent	5.0 %	4.2 %	4.6 %	3.4 %	5.6 %	7.3 %
Investments *	0.7	1.3	0.8	2.4	3.5	7.0
Number of employees *	-5	-3	452	443	450	448

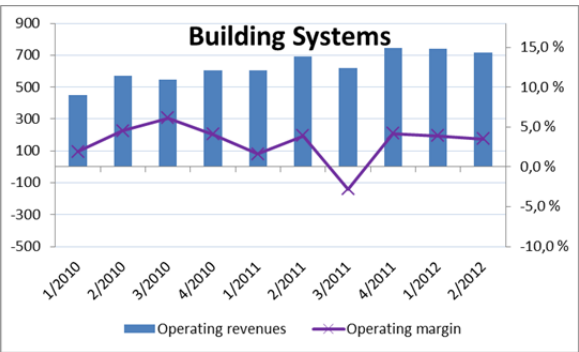


The Building Systems Division has primarily Norway and Sweden as its market, and has therefore experienced a more stable market activity during the recent years. The Swedish market weakened somewhat in the second quarter, and the Swedish Building Systems companies are experiencing a wait-and-see attitude in the market. In general all of the companies in this division are experiencing challenging markets and strong competition. For the overall division, however, the order backlog is at a satisfactory level and higher than at the same time last year.

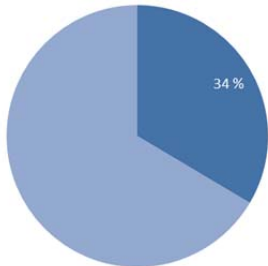
The completion of efficiency-enhancing measures has contributed to improved profitability in spite of pressure on the prices, and a certain level of preparedness for capacity adaptations is being maintained if the market outlook should worsen.

The operating profit includes non-recurring costs of NOK 8.0 million in connection with the discontinuation of the electrical business in Sweden.

Moelven Töreboda AB installed a new CNC-controlled processing machine in June that will give added capacity. This investment also makes all types of adaptations to the laminated timber beams that are manufactured possible, such as drilling holes, cutting and milling. Earlier such adaptations have often represented production bottlenecks. Now that these bottlenecks have been eliminated, our delivery reliability will increase.



Building System's share of the Groups sale to external customers



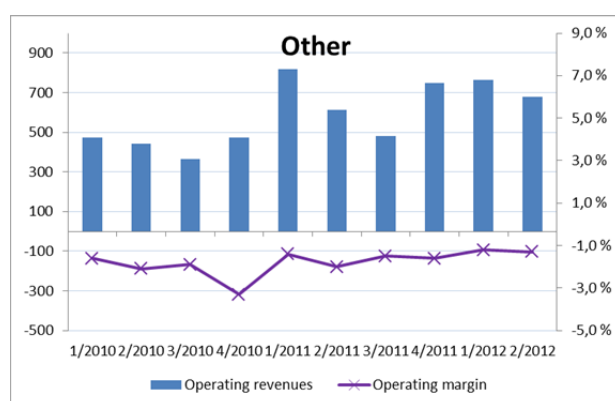
## Other businesses

Amounts in NOK million	Second quarter		6 months		Total	
	2012	2011	2012	2011	2011	2010
Sales to external customers	120.9	88.3	280.6	333.0	599.9	376.3
Sales to internal customers	556.7	525.2	1 160.7	1 099.9	2 077.3	1 379.7
Operating revenues	677.6	613.5	1 441.3	1 432.9	2 677.2	1 756.0
Depreciation and impairment	3.5	2.5	6.5	4.9	10.0	7.9
Operating profit	-9.0	-12.4	-18.1	-23.6	-43.0	-39.4
Operating margin in per cent	-1.3 %	-2.0 %	-1.3 %	-1.6 %	-1.6 %	-2.2 %
Net operating capital (% of operating revenues)	-1.6 %	-1.6 %	6.0 %	5.7 %	5.1 %	4.4 %
Total assets *	-116.2	-77.3	2 883.9	2 790.1	2 343.3	2 077.1
Equity *	-24.6	-36.8	1 018.0	1 047.4	1 034.1	1 102.7
Capital employed *	-107.8	103.7	2 357.1	2 376.7	1 813.7	1 680.2
Return on capital employed *	0.0 %	-0.9 %	0.9 %	0.2 %	0.5 %	1.1 %
Investments *	2	16.4	4.5	17.1	34.6	19.1
Number of employees *	0	0	130	135	134	133

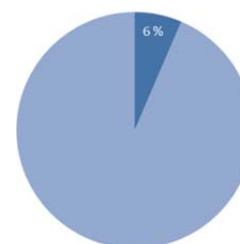
\* The first column shows the change in value during the quarter

Other businesses include Moelven Industrier ASA and shared services such as innovation, finance, accounting, insurance, ICT, communications and HR. Lumber supplies and sales of wood chips and energy products are included in services provided by Moelven's industrial operations through the companies Moelven Skog AB, Moelven Virke AS and Vänerbränsle AB. It also includes Moelven Bioenergi AS, which is a key company for the Group's efforts in the field of bioenergy.

Variability in revenues in this area is largely due to changes in revenues from sales of saw timber in Moelven Skog AB and Moelven Virke AS to the Group's timber-consuming units in the Timber and Wood Divisions. These internal sales do not have a material effect on the income statement for this business area. The improvement in the operating profit compared with the previous year is due to conditions related to the operation of shared functions.



Other's share of the Groups sale to external customers



## Employees

In the second quarter, total absence due to illness was 5.0 per cent (5.0 per cent), where 2.1 per cent (2.6 per cent) represents long-term absence. The Group works continuously with measures to reduce absence due to illness to below the maximum target level of 5 per cent. In the second quarter a decision was made to maintain the employees' health insurance for one more year. This plan has been used almost 1,500 times since it was established in 2007 and entails thus a significant contribution to our efforts to ensure that our employees enjoy good health and that there is thus less absence due to illness in the Group.

There were 23 (17) personal injuries during the quarter that resulted in absence. The H-1 rate (number of personal injuries resulting in absence per million hours worked) is still at an unacceptably high level. The Group's target for LTI-1 is below 10. Efforts are being directed towards a number of areas, which include raising employee awareness, investments in safer machinery and equipment, management training programmes in HSE and improved safety regulations and routines.

Employees	Per 30.06.2012				Per 30.06.2011			
	Male	Female	%Female	Total	Male	Female	%Female	Total
Timber	620	86	13.9 %	706	592	75	12.7 %	667
Wood	911	180	19.8 %	1 091	965	191	19.8 %	1 156
Building Systems	1 402	103	7.3 %	1 505	1 417	101	7.1 %	1 518
Others	99	31	31.3 %	130	103	32	31.1 %	135
The Group	3 032	400	11.66 %	3 432	3 077	399	11.48 %	3 476

Sickness absence rate in %	Per 30.06	
	2012	2011
Timber	4.57 %	4.06 %
Wood	5.12 %	5.42 %
Building Systems	5.85 %	6.49 %
Others	4.09 %	2.51 %
The Group	5.29 %	5.52 %

H1 Value	Per 30.06	
	2012	2011
Timber	16.5	19.4
Wood	21.3	18.1
Building Systems	16.2	17.6
Others	0	0
The Group	17.4	17.4

## Outlook

The market development in 2012 has been somewhat weaker than the primary scenario that was assumed at the start of the year. Europe is marked greatly by the debt crisis and poor economic performance. The contingency plans for restructuring and capacity adjustments are being maintained in order to quickly implement measures if they are deemed necessary.

We do not expect an increase in demand for industrial wood in Europe in the near future. The weak euro also weakens the competitiveness of market players with a cost base in other currencies. The raw material prices in SEK are adapting to the economic and market situation. However, there is a delay in relation to the pricing in the finished goods market. Positive signs from other areas such as the Middle East, North Africa and the USA are indicating that an improvement in the international market balance for industrial wood can be expected.

For the Wood companies, the level of activity in Norway and Sweden is expected to remain at an acceptable level, particularly within the RME segment. In our Danish operations, the capacity is being adapted to the level of activity in the market. The order backlog for Building Systems ensures a normal and good level of activity in the second half of the year. This division is mainly exposed to the building and construction markets in Norway and Sweden. The Board is of the opinion that the Group has adequate solvency and access to liquidity over the long term to undertake any further operational restructuring. Investment activity during the year will be adjusted to match ongoing developments in cash flow and market conditions. Overall, the Board expects the Group's profit for 2012 to be better than in 2011.

The Board of Directors in Moelven Industrier ASA

Moelv, 12 July 2012

## Statement by the Board and CEO

We confirm that the consolidated financial statements for the period from 1 January to 30 June 2012 have been prepared to the best of our judgement in accordance with IAS 34 Interim Reporting, and that the information presented in the financial statements for the first half of the year provide a fair representation of the Group's assets, debt, financial situation and overall results, in addition to providing a fair overview of important events during the accounting period and their influence on the financial statements for the first half of the year, the most central risk factors and factors of uncertainty that the business faces in the next accounting period, and significant transactions with related parties.

Moelv, 12 July 2012

The Board of Directors of Moelven Industrier ASA

Sign.  
Sverre Leiro  
Chairman

Sign.  
Elisabeth Krokeide

Sign.  
Terje Johansen

Sign.  
Grete Sønsteby

Sign.  
Egil Magnar Stubsjøen

Sign.  
Martin Fauchald

Sign.  
Stig Gunde Haglund

Sign.  
Hans Rindal  
President and CEO

## Condensed quarterly financial statements for Moelven Group second quarter 2012

### Profit and loss and total comprehensive income

Amounts in NOK million	Second quarter		6 months		Total
	2012	2011	2012	2011	2011
Operating revenues	2 185.7	2 138.6	4 351.1	4 091.8	8 059.9
Depreciation	63.6	55.5	123.9	111.3	225.9
Cost of goods sold	1 421.4	1 388.8	2 828.2	2 691.6	5 341.1
Payroll expenses	443.9	418.3	893.4	819.7	1 605.9
Other operating expenses	211.2	220.6	441.3	440.0	874.0
<b>Operating profit</b>	<b>45.5</b>	<b>55.4</b>	<b>64.3</b>	<b>29.3</b>	<b>12.9</b>
Income from associates	-1.2	-0.2	-1.5	-0.4	-0.7
Value change of financial instruments to fair value	-4.4	-18.7	5.9	-19.6	-60.1
Other financial income	3.3	3.4	6.7	8.7	15.6
Other financial expenses	-20.6	-35.4	-41.2	-49.6	-80.2
<b>Profit before tax</b>	<b>22.7</b>	<b>4.5</b>	<b>34.2</b>	<b>-31.6</b>	<b>-112.4</b>
Estimate income tax	7.8	-0.9	11.0	-9.2	-26.6
<b>Net profit</b>	<b>14.8</b>	<b>5.4</b>	<b>23.3</b>	<b>-22.4</b>	<b>-85.8</b>
Non-controlling interest share	-0.4	0.0	-0.7	-0.5	-2.6
Owner of parent company share	15.2	5.5	24.0	-21.9	-83.2
Earnings per share (in NOK)	0.1	0.0	0.2	-0.2	-0.7
Statement of comprehensive income					
Net profit	14.8	5.4	23.3	-22.4	-85.8
Other comprehensive income					
<i>Items that are not reclassified subsequently to profit or loss</i>					
Actuarial gains (losses) on defined-benefit pension schemes (note 5)	0.0	0.0	0.0	0.0	-49.0
Income tax on items that are not reclassified to profit or loss	0.0	0.0	0.0	0.0	13.7
	0.0	0.0	0.0	0.0	-35.3
<i>Items that may be reclassified subsequently to profit or loss</i>					
Translation differences	-8.3	4.8	-9.0	-16.9	-0.5
Proportion of other income and costs in associated companies	0.0	0.0	0.0	0.0	0.0
Other changes	1.5	16.9	2.1	12.8	-5.3
Income tax on items that may be reclassified to profit or loss	-0.4	0.0	-0.6	0.0	0.0
	-7.2	21.7	-7.5	-4.1	-5.8
Other comprehensive income, net of tax	-7.2	21.7	-7.5	-4.1	-41.1
<b>Total comprehensive income for the period</b>	<b>7.6</b>	<b>27.1</b>	<b>15.8</b>	<b>-26.5</b>	<b>-126.9</b>
<b>Comprehensive income assigned to:</b>					
Owners of parent company	8.0	27.1	16.5	-26.0	-124.3
Non-controlling interests	-0.4	0.0	-0.7	-0.5	-2.6

## Condensed statement of financial position

Amounts in NOK million	Per 30.06		Per 31.12.
	2012	2011	2011
Intangible assets	57.5	56.1	58.1
Tangible fixed assets	1 680.0	1 556.5	1 669.7
Financial fixed assets	10.3	19.1	17.7
<b>Total fixed assets</b>	<b>1 747.9</b>	<b>1 631.7</b>	<b>1 745.5</b>
Inventory	1 379.1	1 451.5	1 343.9
Receivables	1 565.8	1 432.3	1 219.0
Liquid assets	55.5	112.7	25.5
<b>Total current assets</b>	<b>3 000.4</b>	<b>2 996.5</b>	<b>2 588.4</b>
<b>Total assets</b>	<b>4 748.3</b>	<b>4 628.2</b>	<b>4 333.9</b>
Share capital*	647.7	647.7	647.7
Other equity	908.1	996.5	892.3
<b>Total equity</b>	<b>1 555.8</b>	<b>1 644.2</b>	<b>1 540.0</b>
Provisions	290.3	267.0	278.6
Long term interest-bearing liabilities	1 136.2	1 401.3	1 109.4
Long term interest-free liabilities	2.8	3.3	3.1
<b>Total long term liabilities</b>	<b>1 429.4</b>	<b>1 671.5</b>	<b>1 391.0</b>
Short term interest-bearing liabilities	201.8	1.9	0.0
Short term liabilities	1 561.3	1 310.5	1 402.9
<b>Total short term liabilities</b>	<b>1 763.1</b>	<b>1 312.4</b>	<b>1 402.9</b>
<b>Total liabilities</b>	<b>3 192.5</b>	<b>2 984.0</b>	<b>2 793.9</b>
<b>Total equity and liabilities</b>	<b>4 748.3</b>	<b>4 628.2</b>	<b>4 333.9</b>

\*129.542.384 shares á NOK 5,-, adjusted for 1.100 own shares.

## Statement of changes in equity for the Group

Amounts in NOK million	Equity assigned to owners of parent company					Non-controlling interests	Total equity
	Share capital	Share premium funds	Own shares	Other equity	Total		
Total per 1.1.2011	647.7	180.7	0.0	910.1	1 738.5	16.9	1 755.4
<b>Comprehensive income for the period</b>							
<b>Net profit</b>	0.0	0.0	0.0	-21.9	-21.9	-0.5	-22.4
<b>Other comprehensive income</b>							
Translation differences	0.0	0.0	0.0	-16.9	-16.9	0.0	-16.9
Other changes	0.0	0.0	0.0	12.8	12.8	-0.5	12.3
Actuarial gains (losses) on defined-benefit pension schemes	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Income tax on other comprehensive income	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>Other comprehensive income (net of tax)</b>	0.0	0.0	0.0	-4.1	-4.1	-0.5	-4.6
<b>Transactions with owners, entered directly against equity</b>							
Purchase of non-controlling interests	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Effect of acquisition	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Dividend to owners	0.0	0.0	0.0	-84.2	-84.2	0.0	-84.2
Share based payment transactions	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>Total transactions with owners</b>	0.0	0.0	0.0	-84.2	-84.2	0.0	-84.2
<b>Total as at 30.06.2011</b>	<b>647.7</b>	<b>180.7</b>	<b>0.0</b>	<b>799.9</b>	<b>1 628.3</b>	<b>15.9</b>	<b>1 644.2</b>
Total per 1.1.2012	647.7	180.7	0.0	698.3	1 526.7	13.3	1 540.0
<b>Comprehensive income for the period</b>							
<b>Net profit</b>	0.0	0.0	0.0	24.0	24.0	-0.7	23.3
<b>Other comprehensive income</b>							
Translation differences	0.0	0.0	0.0	-9.0	-9.0	0.0	-9.0
Other changes	0.0	0.0	0.0	2.1	2.1	0.0	2.1
Actuarial gains (losses) on defined-benefit pension schemes	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Income tax on other comprehensive income	0.0	0.0	0.0	-0.6	-0.6	0.0	-0.6
<b>Other comprehensive income (net of tax)</b>	0.0	0.0	0.0	-7.5	-7.5	0.0	-7.5
<b>Transactions with owners, entered directly against equity</b>							
Purchase of non-controlling interests	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Effect of acquisition	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Dividend to owners	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Share based payment transactions	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>Total transactions with owners</b>	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>Total as at 30.06.2012</b>	<b>647.7</b>	<b>180.7</b>	<b>0.0</b>	<b>714.8</b>	<b>1 543.2</b>	<b>12.6</b>	<b>1 555.8</b>



## Cashflow statement for the Group

Amounts in NOK million	Per 30.06	
	2012	2011
<b>CASH FLOW FROM OPERATIONAL ACTIVITIES:</b>		
Net profit	23.3	-22.4
<i>Adjustments to reconcile net profit with net cash flow from operations:</i>		
Depreciation	123.9	111.3
Impairment	0.0	0.0
Income from associated companies	1.5	0.4
Tax paid	-6.3	-3.3
Unpaid pension costs entered as costs and unreceived pension funds entered as income	38.8	38.0
Loss (profit) on sale of fixed assets	0.0	0.0
Net value change of financial instruments to fair value	-5.9	19.6
Income tax	11.0	-9.2
<i>Changes in operating assets and liabilities:</i>		
Changes in inventory	-35.1	-141.9
Changes in accounts receivable and other receivables	-344.3	-201.1
Changes in trade accounts payable	45.9	12.1
Changes in provisions and benefits to employees	-0.8	-2.0
Changes in short-term liabilities excluding borrowing	85.8	-47.9
<b>Cash flow from operational activities</b>	<b>-62.3</b>	<b>-246.4</b>
<b>CASH FLOW FROM INVESTMENT ACTIVITIES:</b>		
Investment in plant and equipment exc. acquisition	-165.1	-139.9
Net cash outlay on acquisition	-1.0	0.0
Receipts from sale of fixed assets	0.0	6.0
Sale of other long-term investments	6.1	0.0
Purchase of subsidiaries, reduced by cash in company	0.0	0.0
<b>Cash flow from investment activities</b>	<b>-160.0</b>	<b>-133.9</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES:</b>		
Changes in short-term loans and overdraft	226.0	8.9
Purchase of non-controlling interests	-0.3	-1.0
Changes in long-term liabilities	2.4	482.8
Payment of dividend	0.0	-84.2
<b>Cash flow from financial activities</b>	<b>228.1</b>	<b>406.5</b>
<b>Net increase (reduction) in liquid assets during year</b>	<b>5.8</b>	<b>26.2</b>
Liquid assets start of period	25.5	86.6
Effect of exchange rate changes on liquid assets	0.0	0.0
<b>Liquid assets end of period</b>	<b>31.3</b>	<b>112.8</b>
<b>Cash and cash equivalents</b>		
Liquid assets	31.3	112.8
Unused drawing rights	588.9	256.3
Restricted bank deposits	0.0	0.0
<b>Cash and cash equivalents</b>	<b>620.2</b>	<b>369.1</b>

## **Notes to the condensed consolidated quarterly financial statements**

### **Note 1 – General information**

Moelven Industrier ASA is a public limited company registered in Norway. The company's headquarters are located at Industriveien 2, 2390 Moelv, Norway.

The condensed consolidated financial statements for the first quarter of 2012, ended 30 June 2012, includes Moelven and its subsidiaries (together referred to as the "Group") and the groups share of ownership in associates.

The annual report for 2011 is available at [www.moelven.com](http://www.moelven.com).

### **Note 2 – Statement of compliance**

The condensed consolidated financial statement for the first quarter of 2012 has been prepared in accordance with IAS 34 "Interim Financial Reporting" as adopted by the EU. The quarterly financial statement does not include all information required for full annual financial statements and should be read in conjunction with the consolidated financial statements for 2011.

The condensed, consolidated quarterly financial statements were approved by the Board at 12 July 2012.

### **Note 3 – Accounting principles**

The accounting policies used in the quarterly financial statements are the same as in the consolidated financial statements for 2011.

### **Note 4 – Estimates**

Preparation of quarterly financial statements includes judgments, estimates and assumptions that affect the accounting principles used and the reported amounts of assets, liabilities, revenues and expenses. Actual amounts may differ from estimated amounts.

In preparing this consolidated quarterly financial statements, management has applied the same critical assessment related to the application of accounting principles that formed the basis for the annual report for 2011, and the key sources of estimation uncertainty are the same for the preparation of these consolidated quarterly financial statements as for the annual report for 2011 .

### **Note 5 – Pension and tax**

Calculation of pension costs and pension obligations are calculated annually by an actuary. In the quarterly report, the pension costs and pension liabilities are based on actuarial projections. Actuarial gains and losses are only booked in the fourth quarter. Income taxes are calculated in the quarterly financial statements based on an estimated annual tax.

## Note 6 – Seasonal variations

Demand for the Group's products and services normally have a variation throughout the year. This means low season through the first quarter, increasing activity and high season throughout the second and third quarter, and decreasing activity in the latter part of the fourth quarter.

As a result of the annual seasonal variations in the access to raw materials and the market activity, the Groups working capital varies with probably NOK 300-400 million from the highest point in May / June to the lowest in November / December.

The first quarter has as normally been characterized by low season and increasing capital employed ahead of the high season.

## Note 7 – Tangible fixed assets, intangible assets and goodwill

Amounts in NOK million	Per 30.06	
	2012	2011
Book value per 1.1	1 669.7	1 539.8
Acquisitions	165.1	139.9
Business combinations	0.0	0.0
Disposals	-0.2	-6.5
Depreciations	-119.4	-111.3
Transfers	-24.4	13.8
Translation differences	-10.9	-19.2
Book value per 30.06	1 680.0	1 556.5

## Note 8 – Financial instruments

Amounts in NOK million	Per 30.06.2012			Per 31.12.2011		
	Positive fair value	Negative fair value	Net fair value	Positive fair value	Negative fair value	Net fair value
Currency derivatives	6.2	-0.5	5.7	4.8	-0.8	4.0
Interest rate derivatives	0.0	-50.4	-50.4	0.0	-55.1	-55.1
Power derivatives	0.0	-11.3	-11.3	0.0	-10.7	-10.7
Total	6.2	-62.3	-56.1	4.8	-66.6	-61.8

Amounts in NOK million	Per 30.06.2011			Per 31.12.2010		
	Positive fair value	Negative fair value	Net fair value	Positive fair value	Negative fair value	Net fair value
Currency derivatives	9.6	-10.2	-0.6	12.1	-1.6	10.6
Interest rate derivatives	0.0	-21.1	-21.1	0.0	-25.7	-25.7
Power derivatives	0.0	-0.5	-0.5	12.5	0.0	12.5
Total	9.6	-31.7	-22.2	24.6	-27.2	-2.6

## Note 9 – Operating segments

The divisions are divided in accordance with Moelven's three core activities: Timber, Wood and Building Systems. There is also a division named "Other" in which the remaining units are placed. The divisions are built up around independent subsidiaries with activities clearly defined within the divisions. All transactions between the divisions are conducted on normal commercial terms. The split into divisions differs from the formal legal ownership structure.

See the annual report 2011 for more information regarding the operating segments.

Reconciliation the profit before tax:

Amounts in NOK million	Second quarter	
	2012	2011
Timber	-5.9	-19.4
Wood	12.3	12.5
Building Systems	55.5	38.8
Other	-27.7	-63.6
Profit before tax in segments	34.2	-31.6
Eliminations	0.0	0.0
Profit before tax in Group Accounts	34.2	-31.6

## Note 10 – Related parties

Transactions with the owners are performed in some areas of the ordinary activities. Among other things, this relates to purchase of timber, where the Norwegian forest owner cooperatives are suppliers. There will also be deliveries of biofuel from the Moelven group to a bioenergy plant owned by Eidsiva Energi AS, with possible buy-back of bioenergy for Moelven's industries in connection with the energy plant. Also, Eidsiva Energi Marked AS sells electric power to Moelven's Norwegian industrial operations. All these transactions have in common that the arm's length principle shall be applied. Where other suppliers can offer better prices or terms, these will be used. About 40 per cent of Moelven's total purchasing requirement for timber of 4 million cubic metres comes via the Norwegian forest owner cooperatives.

Moelven' supply of energy raw materials to Eidsiva's bioenergy plant represents between 40 and 50 GWh on an annual basis, while buying back energy represents between 20 and 30 GWh. Net delivery of energy raw materials is 20 GWh.

The extent of the sale of electrical power corresponds to about 40 per cent of Moelven's total consumption of 185 GWh.

Moelven has a long tradition of running its operations in accordance with all the laws and ethical guidelines of the industry and is of the opinion that competition is positive for all parties in industry. In order to ensure that this culture is maintained, ethical guidelines and guidelines for complying with legislation on competition have been devised.

## Note 11 – Subsequent events

There have been no events after the reporting period that have importance for the quarterly accounts recognized income, expenses, assets or liabilities.

Moelven is organised into three divisions: Timber, Wood and Building Systems. There is also a division named "Others" in which the remaining companies are placed. The sawmills of Timber supply sawn timber products to industrial customers in Scandinavia, the rest of Europe, Middle East, Asia and Africa.. These use the products as intermediate products in their own manufacturing. Shaving, chip and bark products are also supplied to the pulp, particle board and biofuel industries. The processing companies of Wood supply the building goods trade in Scandinavia with a wide range of building and interior products. An important competitive advantage for this division is its streamlined apparatus, which can offer customers rapid and exact deliveries of a wide product range. The companies of Building Systems provide flexible system solutions for interior walls, modular buildings, electrical installations and loadbearing structures in laminated wood to projects and contractors, mainly in Norway and Sweden. The division is putting in a strong effort to further develop concepts and systems along with customers and experts on architecture, design and construction. Altogether, the group consists of 52 operational units in Norway, Sweden and Denmark and has 3,432 employees. The Moelven group is owned by Glommen Skog BA (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). Most of the remaining 0.4 per cent is owned by private individuals.

## Quality rooms

More information:

[www.moelven.com](http://www.moelven.com)

### Head office

Moelven Industrier ASA

Org.nr. NO 914 348 803 MVA

P.O. Box 134, NO-2391 Moelv

Tel. +47 62 34 70 00

Fax. +47 62 34 71 88

[www.moelven.com](http://www.moelven.com)

[post@moelven.com](mailto:post@moelven.com)