

Gode rom



Quarterly report 2/2013

*Impregnated, outdoor pine floor (heavy metal free) from Moelven Wood
Photo: Moelven*

MOELVEN[®]

Amounts in NOK million	Second quarter		6 months		Total	
	2013	2012	2013	2012	2012	2011
Operating revenues	2 181,6	2 185,7	4 030,3	4 351,1	8 121,5	8 059,9
Operating profit	11,1	45,5	-52,8	64,3	16,9	12,9
EBITDA	77,9	109,2	79,4	188,2	267,8	238,8
Net operating margin/EBIT	0,5 %	2,1 %	-1,3 %	1,5 %	0,2 %	0,2 %
Gross operating margin/EBITDA	3,6 %	5,0 %	2,0 %	4,3 %	3,3 %	3,0 %
Value change of financial instruments to fair value	-3,3	-4,4	5,4	5,9	-7,9	-60,1
Profit before tax	-14,4	22,7	-84,2	34,2	-64,3	-112,4
Profit per share in NOK	-0,08	0,11	-0,48	0,18	-0,36	-0,66
Cash flow from operational activities, in NOK per share	0,15	1,00	-1,68	-0,48	1,49	2,06
Total equity *	-8,9	14,6	1 508,2	1 555,8	1 543,6	1 540,0
Equity ratio *	-1,4 %	-0,2 %	31,4 %	32,8 %	35,6 %	35,5 %
Total assets *	183,8	79,0	4 801,4	4 748,3	4 342,1	4 333,9
Investments	73,9	79,1	137,3	165,1	339,4	386,6
Return on capital employed *	5,2 %	2,0 %	-3,6 %	4,7 %	0,5 %	0,5 %
Capital employed *	63,1	-51,7	3 110,5	2 893,8	2 780,7	2 652,4
Net interest-bearing liabilities *	54,6	-78,9	1 567,1	1 282,5	1 211,3	1 086,9
Net working capital *	119,6	17,8	2 083,5	2 088,8	1 719,9	1 730,9
Number of employees *	-30	-33	3 318	3 432	3 375	3 482
Sick leave percentage *	-0,7 %	-0,3 %	5,6 %	5,3 %	5,4 %	5,2 %
Frequency of accidents with absence, H1 value *	-1,6	-1,0	19,1	17,3	15,0	16,4
Number of shareholders	956	961	956	956	956	956
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 2,181.6 million (NOK 2,185.7 million) and operating profit of NOK 11.1 million (NOK 45.5 million)**
- **Improved earnings for the industrial products division Timber.**
- **Stable earnings for building products division Wood in spite of a lower level of activity in the home markets.**
- **Weak earnings in the Building Systems Division attributable to the write-down of projects.**
- **Normal chip product sales in spite of the closures in the pulp and paper industry.**
- **A review of the Group's strategy have been initiated to ensure greater competitiveness and reduce working capital.**

Highlights

The demand was somewhat lower than expected in our Scandinavian home markets. This applied to Denmark and Sweden in particular, but also Norway to some extent. The level of activity in the export markets in the Middle East, North Africa, China and North America has been good. The European markets are marked at the same time by an economic downturn. The euro appreciated, however, during the quarter, which strengthened the competitiveness of the Group's export-oriented units. For the Timber companies, export market sales are the main reason why the delivery volumes increased compared with the same period last year. The Wood companies maintained the same level of activity in the Swedish market, but the downturn in the Norwegian and Danish markets resulted in lower delivery volumes for the division overall, compared with the second quarter last year. Raw material supplies for the saw log consuming units have been good. The saw log prices declined throughout the quarter, and the imbalance between raw material and finished product prices has been reduced. The effect of this, however, has reduced some of the development in the market for chip and fibre products.

The Building Systems companies have experienced challenging market conditions throughout the quarter, particularly in Sweden. The companies have adapted well to the prevailing framework conditions and maintained their market shares. The decline in the level of activity for the division is attributed thus primarily to the ongoing

restructuring of the Electrical Installations business.

In Moelven Elektro AS, extensive changes were made to the organisation during the quarter, including the company's Board of Directors and management. As a result of the lower level of project activity, there has been a significant reduction in the number of contracted electricians, and the number of employees has declined by 46 since the end of last year. A complete review of the receivables and project portfolio was conducted in connection with the changes. As a result of this, write-downs were made and the operating result was a loss of NOK 42.5 million (loss of NOK 6.0 million).

At the Annual General Meeting of Moelven Industrier ASA, Even Mengshoel resigned after being the chairperson of the Corporate Assembly for six years. The new chairperson is the former board member, Egil Magnar Stubbsjøen. The Corporate Assembly elected a new Board of Directors on the same day. The new Board consists of Asbjørn Reinkind (chairperson), Trond Stangeby (deputy chairperson), Sverre A. Larssen, Elisabeth Krokeide, Heidi Hemstad, Martin Fauchald (employee representative) and Lars-Håkan Karlsson (employee representative). Complete information on the Group's governing bodies has been published at www.moelven.com.

Marcus Johansson (44) from Karlstad has been appointed as the new Managing director of Moelven Building Systems. Johansson comes from Skanska Sverige AB, where he has held a number of different positions. He will start in the middle of August.

The companies Moelven Timber AS and Moelven Wood Skandinavia AS merged with Moelven Industrier ASA on 6 June. Three divisions were established in the parent company from the same point in time: Timber Division, Wood Division and Building Systems Division. The organisation of the common services accounting/finance/insurance, communications/HR, ICT, and log purchasing and chip/fibre product sales remains unchanged.

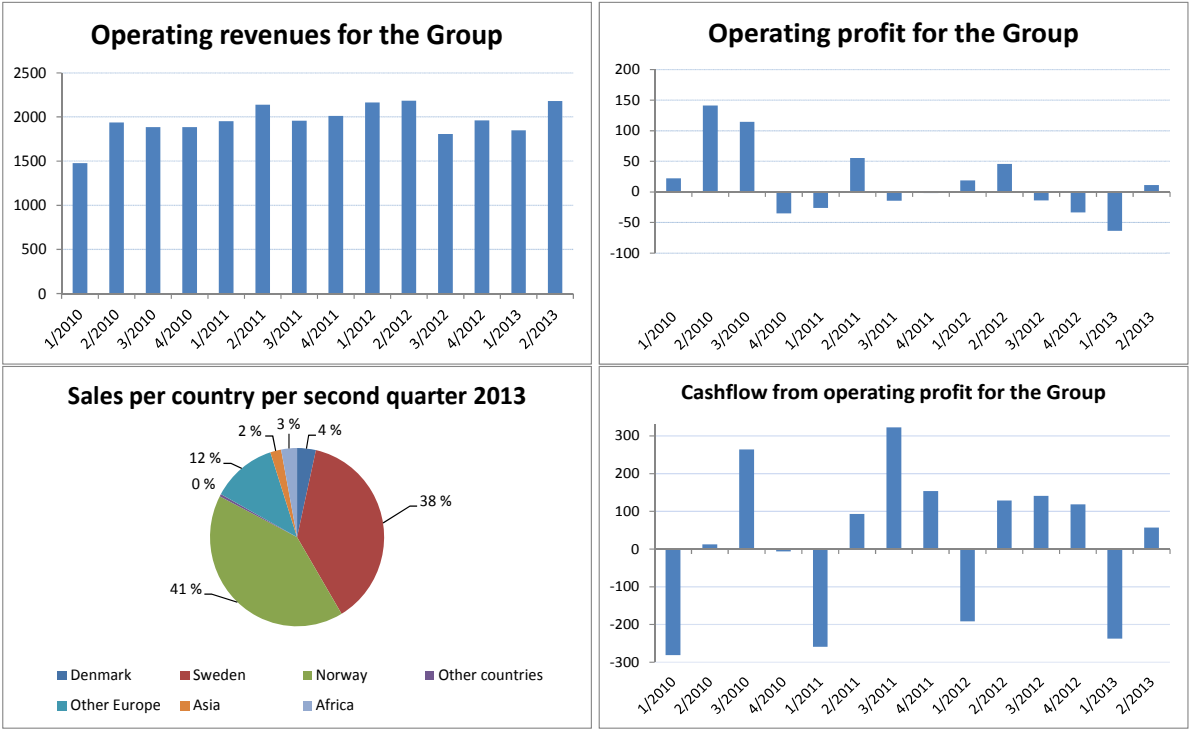
Revenues and results

The operating revenues in the second quarter were on par with the same period last year. The reduction in the level of activity in the Electrical Installations business has been compensated for by higher operating revenues in the Timber Division.

The operating profit has been affected by write-downs and revised project assessments in the Building Systems Division, particularly in the Electrical Installations business. Operational improvements, as well as better market and currency exchange conditions, have improved earnings in the Timber Division. For the Wood Division, the earnings were on par with the same period last year.

Higher working capital and a long period with investments that have been higher than the cash flow from operating activities are the reasons for the increased net interest-bearing liabilities and thus the higher interest expenses compared with the same period last year.

Gains from fair value changes in unrealised, market-based financial instruments in the second quarter are attributed to the development of interest rate hedges. Exchange rate and power hedges show a loss for both the quarter and accumulated.



Investments, balance sheet and funding

During the second quarter, total investments were NOK 73.8 million (NOK 79.1 million).

The investments have been higher than the cash flow from operating activities for a long period of time. It is therefore both necessary and possible to reduce the investment level in order to improve the cash flow. The investments made in 2013 are linked solely to the upgrading and maintenance of the Group's existing operations. The majority of the ongoing investment projects will be completed during the third quarter. The reduction in the investment activity will therefore have a positive effect on the cash flow starting in the fourth quarter.

At the end of the second quarter, the book value of the Group's total assets was NOK 4,801.4 million (NOK 4,748.3 million).

Cash flow from operating activities in the second quarter was NOK 19.4 million (NOK 129.1 million), which corresponds to NOK 0.15 per share (NOK 1.00). The cash flow for the quarter has been greatly affected by higher working capital as a result of the normal increase in sales during the summer months and the build-up of inventory up until the summer holidays. Net interest-bearing liabilities at the end of the second quarter increased compared with the second quarter last year to NOK 1,567.1 million (1,282.5 million). Financial leases are included in net interest-bearing liabilities in the amount of NOK 38.1 million (NOK 43.6 million).

At the end of the second quarter, the liquidity reserve was NOK 370.9 million (NOK 620.2 million). The reduction in the liquidity reserve is attributed to a combination of a weaker cash flow from operating activities, maintenance of working capital, execution of planned investments, and the appreciation of the Swedish krona relative to Norwegian krone. The Group's credit facility limits have not changed significantly, compared with the same time last year.

As in 2012, a short-term loan agreement was entered into in the first quarter, which increases the available liquidity by SEK 250 million in the second quarter. The purpose of this loan, which falls due at the end of the third quarter, is to ensure the Group's financial flexibility during a period with seasonally high working capital. The loan 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 1,508.2 million (NOK 1,555.8 million), which is equivalent to NOK 11.64 (NOK 12.01) per share. The equity ratio was 31.4 per cent (32.8 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 variations in exchange rates are within acceptable risk limits.

In the second quarter, exchange rate fluctuations resulted in an unrealised increase in equity of NOK 2.0 million (reduction of NOK 8.3 million).

Divisions

Timber

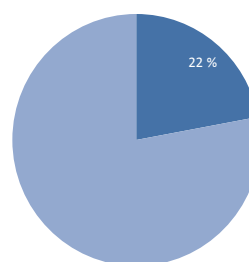
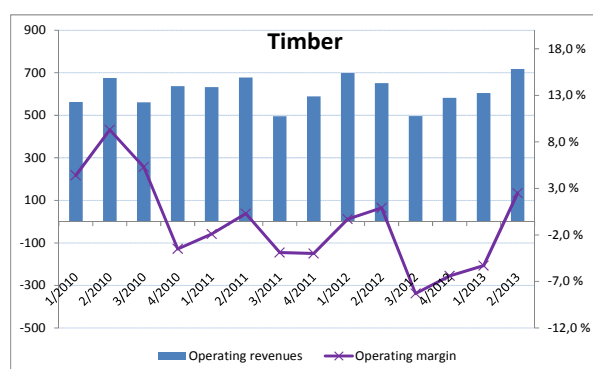
Amounts in NOK million	Second quarter		6 months		12 months	
	2013	2012	2013	2012	2012	2011
Sales to external customers	616,4	551,1	1 134,1	1 137,6	2 047,5	1 956,3
Sales to internal customers	100,3	100,5	187,6	212,2	380,7	437,8
Operating revenues	716,7	651,6	1 321,7	1 349,8	2 428,2	2 394,1
Depreciation and impairment	27,5	24,7	54,5	49,0	99,9	90,3
Operating profit	17,7	6,0	-14,2	3,8	-74,6	-52,4
Operating margin in per cent	2,5 %	0,9 %	-1,1 %	0,3 %	-3,1 %	-2,2 %
Net operating capital (% of operating revenues)	0,2 %	1,8 %	19,6 %	18,7 %	18,6 %	18,4 %
Total assets *	-28,1	16,5	1 609,3	1 634,4	1 579,1	1 592,2
Equity *	-25,8	-0,7	667,7	735,1	710,2	749,8
Capital employed *	-6,3	20,1	1 224,0	1 193,1	1 244,5	1 186,6
Return on capital employed *	8,0 %	1,3 %	-2,2 %	0,7 %	-6,0 %	-4,3 %
Investments *	34,4	41,5	64,7	84,1	151,6	144,2
Number of employees *	-2	-3	686	706	696	692

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

The delivery volumes in the second quarter were higher than in the same period last year, primarily due to the higher volumes in the Middle East and North Africa. The increase does, however, not compensate for the decline in the first quarter, so the accumulated volumes for the first half of the year are somewhat lower than at the same time last year. The price levels for industrial wood improved during the quarter. In the export markets, this effect was reinforced somewhat due to the weakening of both the Norwegian krone and Swedish krona relative to the most important export currencies. The saw log prices declined somewhat and have been at the expected level during the quarter. The supply of raw materials has been satisfactory.

The collocation of the two production units in Moelven Profil AS and the commissioning of the new production plant at Moelven Tom Heurlin AB have had a negative impact on the operating result for the period. At the end of the quarter, both of the projects were essentially completed, and they will make the operations more efficient in the future. There have not been any major operational interruptions.

Timber's share of the Groups sale to external customers



Wood

Amounts in NOK million	Second quarter		6 months		12 months	
	2013	2012	2013	2012	2012	2011
Sales to external customers	792,4	797,6	1 352,0	1 474,5	2 763,7	2 852,0
Sales to internal customers	17,2	18,6	36,0	43,9	73,2	80,4
Operating revenues	809,6	816,2	1 388,0	1 518,4	2 836,9	2 932,4
Depreciation and impairment	25,8	24,7	51,6	49,1	99,1	89,5
Operating profit	25,5	23,1	2,4	24,3	29,6	57,6
Operating margin in per cent	3,1 %	2,8 %	0,2 %	1,6 %	1,0 %	2,0 %
Net operating capital (% of operating revenues)	-1,7 %	-1,9 %	38,6 %	33,3 %	28,7 %	29,9 %
Total assets *	111,2	-18,1	2 078,2	2 054,6	1 905,8	1 975,7
Equity *	17,3	16,6	794,7	777,7	791,4	768,0
Capital employed *	31,1	-31,1	1 493,7	1 413,0	1 362,9	1 362,6
Return on capital employed *	6,8 %	3,2 %	0,4 %	3,7 %	2,4 %	4,6 %
Investments *	26,4	22,8	41,7	59,0	132,7	169,5
Number of employees *	-4	-5	1 049	1 091	1 063	1 114

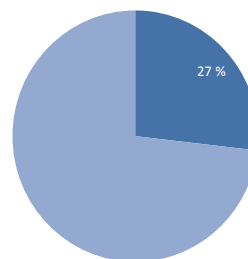
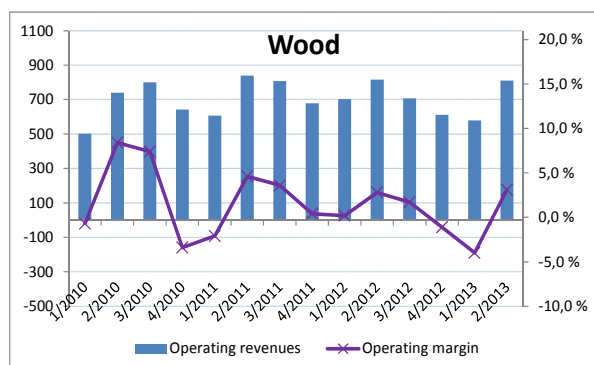
* The first column shows the change in value during the quarter

The market activities at the start of the second quarter were marked by persistent cold and snow in large parts of Scandinavia, which represents the division's main markets. In addition, the general macroeconomic situation has been weaker than the same period last year. From May, the market activities have performed normally, but the pressure on prices in Scandinavia, and the Norwegian market in particular, has continued. As a result of this, the market prices for finished products have in general been somewhat lower than the same period last year.

For the division's log consuming units, the saw log prices declined somewhat and have been at the expected level during the quarter. The supply of raw materials has been satisfactory.

It is still necessary to implement measures to adapt the capacity to the market activities and outlook for the future development of demand, as well as to reduce the production costs. Improvement work takes place continuously, in addition to the capacity adaptation that is taking place now in several of the production units in Norway. As part of this work, a decision was made in the second quarter to move all the moulding production in Norway to Eidsvoll. This means that the operations at Moelven Eidsvoll AS's plant in Brumunddal will cease, and the workforce will be reduced by a total of 16 employees. This fact and the changes implemented earlier have resulted in a temporary reduction in the level of efficiency at the units that have been affected, but savings will be realised gradually as the adaptations are completed in the second half of the year.

Wood's share of the Groups sale to external customers



Building Systems

Amounts in NOK million	Second quarter		6 months		12 months	
	2013	2012	2013	2012	2012	2011
Sales to external customers	643,4	716,3	1 255,3	1 458,5	2 796,1	2 651,7
Sales to internal customers	3,9	-0,3	4,4	0,3	3,2	14,1
Operating revenues	647,3	716,0	1 259,7	1 458,8	2 799,3	2 665,8
Depreciation and impairment	10,4	10,7	20,1	19,2	38,1	36,0
Operating profit	-21,3	25,4	-22,4	54,2	97,0	50,8
Operating margin in per cent	-3,3 %	3,5 %	-1,8 %	3,7 %	3,5 %	1,9 %
Net operating capital (% of operating revenues)	0,5 %	1,0 %	15,4 %	13,7 %	12,5 %	10,4 %
Total assets *	-51,4	-0,6	1 182,2	1 189,0	1 243,3	1 217,9
Equity *	-21,7	29,0	482,5	519,5	494,0	463,1
Capital employed *	-9,1	42,5	616,0	615,9	603,1	526,7
Return on capital employed *	-6,7 %	-2,0 %	-6,7 %	20,0 %	18,3 %	10,0 %
Investments *	11,0	12,8	24,4	17,4	46,3	38,3
Number of employees *	-25	-25	1 454	1 505	1 486	1 542

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

Amounts in NOK million	Second quarter		6 months		12 months	
	2013	2012	2013	2012	2012	2011
Operating revenues	109,4	119,9	183,1	219,7	420,4	470,7
Depreciation and impairment	4,3	4,4	8,5	8,8	16,7	18,2
Operating profit	-0,8	4,4	-6,3	4,7	8,0	4,3
Operating margin in per cent	-0,7 %	3,7 %	-3,4 %	2,1 %	1,9 %	0,9 %
Investments *	4,0	7,0	11,8	10,0	20,8	10,2
Number of employees *	21	-10	244	251	239	266

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

Amounts in NOK million	Second quarter		6 months		12 months	
	2013	2012	2013	2012	2012	2011
Operating revenues	51,1	130,9	143,4	270,7	523,5	497,4
Depreciation and impairment	0,3	0,4	0,7	0,8	1,7	1,8
Operating profit	-42,5	-6,0	-41,0	-0,7	-36,5	-46,6
Operating margin in per cent	-83,1 %	-4,6 %	-28,6 %	-0,2 %	-7,0 %	-9,4 %
Investments *	0,0	0,1	0,0	0,1	0,1	1,5
Number of employees *	-40	-10	208	268	254	302

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

Amounts in NOK million	Second quarter		6 months		12 months	
	2013	2012	2013	2012	2012	2011
Operating revenues	309,2	287,3	598,1	611,5	1 135,1	1 138,8
Depreciation and impairment	3,7	4,5	7,2	6,8	13,8	10,9
Operating profit	6,4	17,5	7,7	32,4	60,2	59,0
Operating margin in per cent	2,1 %	6,1 %	1,3 %	5,3 %	5,3 %	5,2 %
Investments *	4,5	5,0	7,5	6,5	23,6	23,0
Number of employees *	-3	0	558	534	549	524

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

Amounts in NOK million	First quarter		6 months		12 months	
	2013	2012	2013	2012	2012	2011
Operating revenues	189,6	190,9	355,8	384,9	764,1	605,6
Depreciation and impairment	2,0	1,4	3,6	2,8	5,9	5,0
Operating profit	12,4	9,5	17,1	17,8	65,3	34,0
Operating margin in per cent	6,6 %	5,0 %	4,8 %	4,6 %	8,5 %	5,6 %
Investments *	2,6	0,7	5,1	0,8	1,7	3,5
Number of employees *	-3	-5	444	452	444	450

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

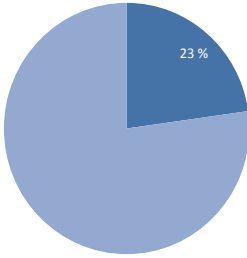
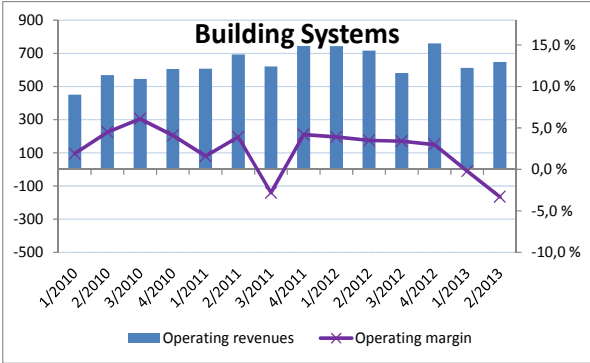
The Building Systems Division has primarily Norway and Sweden as its market. The hesitant attitude in the market continued in the second quarter, especially in the Swedish market. In general, all of the companies in the division are experiencing challenging markets with a high level of competition, but they are also very successful at maintaining and improving their market positions. For the division overall, the order backlog is satisfactory. The Modular Buildings business is still marked by low demand for rental modules in the Swedish market, while there is increasing activity in Norway. The focus on apartment concepts and greater flexibility in the organisation, compared with the situation during the previous downturn, contributes, however, to reducing the consequences of reduced demand for rental modules. The weaker results compared with last year are attributed to lower prices, lower building site activity and lower productivity at certain units, due to a reduction in volume, for example.

The market situation for the Modular System Interiors business remains essentially unchanged, with strong competition in central areas of both Norway and Sweden. The order situation is nevertheless satisfactory, and the measures implemented to improve efficiency and capacity adaptations have contributed to better results compared with the same period last year.

The market conditions for the Laminated Timber business are still challenging as a result of declining building activity in the home market and the economic downturn in Europe. There has been a decline in demand for both standard beams of glulam and project deliveries. The most challenging situation has been in Sweden, where capacity adaptations have been necessary. The weaker results compared with last year are primarily linked to cost overruns for a bridge project in Sweden.

Moelven Elektro AS had a negative impact of NOK 42.5 million (negative NOK 6.0 million) on earnings in the second quarter. The composition of the Board has changed during the quarter. Trygve Toften, the general manager of Moelven Nordia AS is the new chairperson. Atle Bergo is the new general manager. Bergo has managerial experience from the electrical business, both from independent companies and the Lillehammer office of Moelven Elektro AS in recent years. For the future restructuring work, stabilising the organisation after the major changes that have been made will have high priority. The business is also being scaled down and its scope is being limited. There are now 208 employees in the company, supplemented by a few contractors. The annual operating revenues are approximately NOK 250 million, and they will be reduced somewhat more.

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



Other businesses

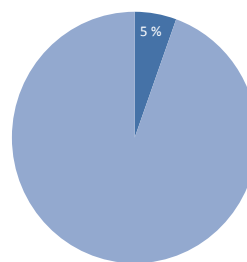
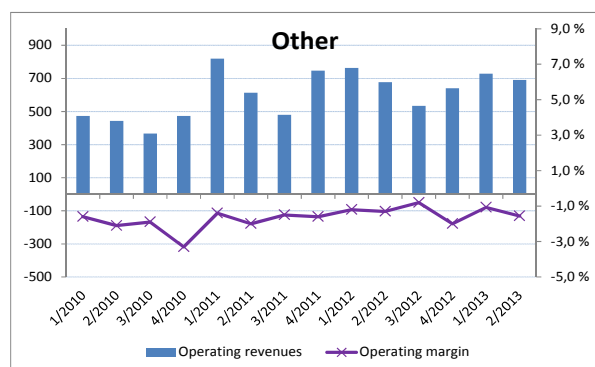
Amounts in NOK million	Second quarter		6 months		12 months	
	2013	2012	2013	2012	2012	2011
Sales to external customers	129,5	120,9	288,9	280,6	514,2	599,9
Sales to internal customers	561,8	556,7	1 130,9	1 160,7	2 102,5	2 077,3
Operating revenues	691,3	677,6	1 419,8	1 441,3	2 616,7	2 677,2
Depreciation and impairment	3,0	3,5	6,0	6,5	13,8	10,0
Operating profit	-10,8	-9,0	-18,6	-18,1	-35,1	-43,0
Operating margin in per cent	-1,6 %	-1,3 %	-1,3 %	-1,3 %	-1,3 %	-1,6 %
Net operating capital (% of operating revenues)	-3,1 %	-1,6 %	3,7 %	6,0 %	4,0 %	5,1 %
Total assets *	75,2	-116,2	2 634,9	2 883,9	2 330,2	2 343,3
Equity *	4,5	-24,6	1 070,8	1 018,0	1 032,5	1 034,1
Capital employed *	89,5	-107,8	2 172,8	2 357,1	1 827,7	1 813,7
Return on capital employed *	-0,1 %	0,0 %	0,0	0,0	-0,4 %	0,5 %
Investments *	2,0	2,0	6,5	4,5	8,9	34,6
Number of employees *	0	0	129	130	130	134

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

Other businesses include Moelven Industrier ASA and the common services, HR and Communications, ICT, and accounting, finance and insurance. Log purchasing and sales of chips, fibre and energy products are included through the companies Moelven Skog AB, Moelven Virke AS and Vänerbränsle AB. Moelven Bioenergi AS is also included.

The variability of 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 saw log 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 change in the operating profit compared with the previous year is due to conditions related to the operation of common 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 2.5 per cent (2.1 per cent) represents long-term absence. The Group works continuously with measures to reduce absence due to illness below the maximum target level of 5 per cent. In the second quarter, a decision was made to maintain the employees' health insurance plan for one more year. Use of the plan is declining marginally, but it still entails 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 company.

There were 25 (23) personal injuries during the quarter that resulted in absence. The H1 figure (number of personal injuries resulting in absence per million hours worked) is still at an unacceptably high level. The Group's target figure for H1 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 second quarter 2013				Per second quarter 2012			
	Male	Female	%Female	Total	Male	Female	%Female	Total
Timber	610	76	12,5 %	686	620	86	13,9 %	706
Wood	875	174	19,9 %	1 049	911	180	19,8 %	1 091
Building Systems	1 355	99	7,3 %	1 454	1 402	103	7,3 %	1 505
Others	97	32	33,0 %	129	99	31	31,3 %	130
The Group	2 937	381	11,5 %	3 318	3 032	400	11,7 %	3 432

Sickness absence rate in %	Per second quarter	
	2013	2012
Timber	4,99 %	4,57 %
Wood	5,43 %	5,12 %
Building Systems	6,33 %	5,85 %
Others	2,36 %	4,09 %
The Group	5,62 %	5,29 %

H1 Value	Per second quarter	
	2013	2012
Timber	32,1	16,5
Wood	19,2	21,3
Building Systems	14,5	16,2
Others	0,0	0,0
The Group	19,1	17,4

Outlook

A continued improvement in the price situation for industrial wood internationally is expected in the third quarter, but there is uncertainty surrounding the market conditions in both Scandinavia and the rest of Europe. The Scandinavian currencies have weakened relative to the euro in the second quarter. This improves the competitiveness of the Group's units compared with actors with a cost base in euros.

No major changes are expected beyond the normal seasonal variations in the building material market in Scandinavia in the second half of the year. The Group's deliveries to this market are more stable, since a major portion is linked to renovation, remodelling and extensions. The focus on this segment continues with improvement of the offerings to the building materials trade through a combination of a good product range and good distribution solutions.

Preparations have been made this spring for the situation that will arise after the closure of Södra Cell Tofte. The Group has a total of six companies that will be affected, either as a supplier of cellulose chips and/or as log consuming units in the relevant geography. Improvements have been made to railway terminals and sidetracks to reduce the cost of long-haul transport. The delivery pattern for chip products has changed at the same time. This has secured the supply of saw logs and chip/fibre product sales for all of the units in the second half of the year. The long-term effects are, however, still uncertain, but a reduction in the overall level of activity in the forestry and timber industry in certain regions is likely. Demand in the building and construction sector in Scandinavia is expected to remain at the current level. The Building Systems Division has an order reserve that is normal for the season, and it has adapted its capacity to the prevailing market conditions.

The Board is not satisfied with the Group's loss before tax of NOK 84.2 million for the first half of the year. NOK 41.9 million of this loss is attributable to the Electrical Installations business, in which extensive changes have been implemented. The other results must, however, be improved significantly in spite of this. The Board has initiated a review of the Group's strategy with regard to what areas should be focused on to ensure the Group's future competitiveness in its home markets in Scandinavia and the export markets. Measures have also been implemented to enhance the efficiency of the company's use of capital.

The Board is of the opinion that the Group has adequate solvency and access to liquidity over the long term to undertake any necessary market adaptations. The level of investment activity will be reduced effective from the fourth quarter.

Overall the Board expects that the Group's operating result for the third quarter will be stronger than the corresponding period last year, but the year as a whole is expected to be somewhat weaker than 2012. There is still uncertainty associated with the long-term consequences in the raw materials market as a result of the major changes in the pulp and paper industry.

The Board of Directors in Moelven Industrier ASA

Moelv, 11 July 2013

Statement by the Board and CEO

We confirm that the consolidated financial statements for the period from 1 January to 30 June 2013 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, 11 July 2013

The Board of Directors of Moelven Industrier ASA

Sign.

Asbjørn Reinkind
Chairman

Sign.

Trond Stangeby

Sign.

Sverre A. Larssen

Sign.

Elisabeth Krokeide

Sign.

Heidi Hemstad

Sign.

Martin Fauchald

Sign.

Lars-Håkan Karlsson

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	
	2013	2012	2013	2012	2012	2011
Operating revenues	2 181,6	2 185,7	4 030,3	4 351,1	8 121,5	8 059,9
Depreciation	66,8	63,6	132,2	123,9	250,9	225,9
Cost of goods sold	1 427,0	1 421,4	2 627,4	2 828,2	5 264,3	5 341,1
Payroll expenses	467,6	443,9	910,5	893,4	1 727,1	1 605,9
Other operating expenses	209,0	211,2	413,0	441,3	862,4	874,0
Operating profit	11,1	45,5	-52,8	64,3	16,9	12,9
Income from associates	0,0	-1,2	0,0	-1,5	-3,7	-0,7
Value change of financial instruments to fair value	-3,3	-4,4	5,4	5,9	-7,9	-60,1
Other financial income	2,2	3,3	12,7	6,7	15,8	15,6
Other financial expenses	-24,4	-20,6	-49,5	-41,2	-85,5	-80,2
Profit before tax	-14,4	22,7	-84,2	34,2	-64,3	-112,4
Estimate income tax	-3,4	7,8	-21,7	11,0	-17,3	-26,6
Net profit	-10,9	14,8	-62,5	23,3	-47,1	-85,8
Non-controlling interest share	0,2	-0,4	-0,8	-0,7	-1,8	-2,6
Owner of parent company share	-11,2	15,2	-61,7	24,0	-45,3	-83,2
Earnings per share (in NOK)	-0,1	0,1	-0,5	0,2	-0,4	-0,7
Statement of comprehensive income						
Net profit	-10,9	14,8	-62,5	23,3	-47,1	-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	0,0	0,0	0,0	0,0	64,8	-49,0
Income tax on items that are not reclassified to profit or loss	0,0	0,0	0,0	0,0	-18,1	13,7
	0,0	0,0	0,0	0,0	46,6	-35,3
<i>Items that may be reclassified subsequently to profit or loss</i>						
Translation differences	2,0	-8,3	27,7	-9,0	-12,6	-0,5
Proportion of other income and costs in associated companies	0,0	0,0	0,0	0,0	0,0	0,0
Other changes	0,0	1,5	1,7	2,1	16,6	-5,3
Income tax on items that may be reclassified to profit or loss	0,0	-0,4	0,0	-0,6	0,0	0,0
	2,0	-7,2	29,5	-7,5	4,0	-5,8
Other comprehensive income, net of tax	2,0	-7,2	29,5	-7,5	50,7	-41,1
Total comprehensive income for the period	-9,0	7,6	-33,0	15,8	3,6	-126,9
Comprehensive income assigned to:						
Owners of parent company	-9,2	8,0	-32,3	16,5	5,4	-124,3
Non-controlling interests	0,2	-0,4	-0,8	-0,7	-1,8	-2,6

Condensed statement of financial position

Amounts in NOK million	Per 30.06		Per 31.12.
	2013	2012	2012
Intangible assets	49,6	57,5	53,3
Tangible fixed assets	1 751,9	1 680,0	1 702,5
Financial fixed assets	6,1	10,3	7,2
Total fixed assets	1 807,6	1 747,9	1 763,0
Inventory	1 337,2	1 379,1	1 289,9
Receivables	1 621,3	1 565,8	1 263,4
Liquid assets	35,2	55,5	25,8
Total current assets	2 993,7	3 000,4	2 579,1
Total assets	4 801,4	4 748,3	4 342,1
Share capital*	647,7	647,7	647,7
Other equity	860,5	908,1	895,9
Total equity	1 508,2	1 555,8	1 543,6
Provisions	166,3	290,3	184,3
Long term interest-bearing liabilities	1 307,0	1 136,2	1 131,0
Long term interest-free liabilities	2,5	2,8	2,7
Total long term liabilities	1 475,8	1 429,4	1 318,1
Short term interest-bearing liabilities	295,3	201,8	106,0
Short term liabilities	1 522,1	1 561,3	1 374,4
Total short term liabilities	1 817,4	1 763,1	1 480,4
Total liabilities	3 293,2	3 192,5	2 798,5
Total equity and liabilities	4 801,4	4 748,3	4 342,1

*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 1.1.2012	647,7	180,7	0,0	698,3	1 526,7	13,3	1 540,0
Comprehensive income for the period							
Net profit	0,0	0,0	0,0	24,0	24,0	-0,7	23,3
Other comprehensive income							
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
Other comprehensive income (net of tax)	0,0	0,0	0,0	-7,5	-7,5	0,0	-7,5
Transactions with owners, entered directly against equity							
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
Total transactions with owners	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Total as at 30.06.2012	647,7	180,7	0,0	714,8	1 543,2	12,6	1 555,8
Total per 1.1.2013	647,7	180,7	0,0	706,1	1 534,5	9,1	1 543,6
Comprehensive income for the period							
Net profit	0,0	0,0	0,0	-61,7	-61,7	-0,8	-62,5
Other comprehensive income							
Translation differences	0,0	0,0	0,0	27,7	27,7	0,0	27,7
Other changes	0,0	0,0	0,0	1,7	1,7	0,0	1,7
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
Other comprehensive income (net of tax)	0,0	0,0	0,0	29,4	29,4	0,0	29,4
Transactions with owners, entered directly against equity							
Purchase of non-controlling interests	0,0	0,0	0,0	0,0	0,0	-2,4	-2,4
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
Total transactions with owners	0,0	0,0	0,0	0,0	0,0	-2,4	-2,4
Total as at 30.06.2013	647,7	180,7	0,0	673,9	1 502,3	5,9	1 508,2

Cashflow statement for the Group

Amounts in NOK million	Per 30.06	
	2013	2012
CASH FLOW FROM OPERATIONAL ACTIVITIES:		
Net profit	-62,5	23,3
<i>Adjustments to reconcile net profit with net cash flow from operations:</i>		
Depreciation	132,2	123,9
Impairment	0,0	0,0
Income from associated companies	0,0	1,5
Tax paid	-1,2	-6,3
Unpaid pension costs entered as costs and unreceived pension funds entered as income	14,6	38,8
Loss (profit) on sale of fixed assets	0,0	0,0
Net value change of financial instruments to fair value	-5,4	-5,9
Income tax	-21,7	11,0
<i>Changes in operating assets and liabilities:</i>		
Changes in inventory	-47,3	-35,1
Changes in accounts receivable and other receivables	-359,7	-344,3
Changes in trade accounts payable	49,7	45,9
Changes in provisions and benefits to employees	-1,5	-0,8
Changes in short-term liabilities excluding borrowing	84,9	85,8
Cash flow from operational activities	-218,0	-62,3
CASH FLOW FROM INVESTMENT ACTIVITIES:		
Investment in plant and equipment exc. acquisition	-137,3	-165,1
Net cash outlay on acquisition	0,0	-1,0
Receipts from sale of fixed assets	0,0	0,0
Sale of other long-term investments	0,0	6,1
Acquisition of subsidiary, net of cash	0,0	0,0
Cash flow from investment activities	-137,3	-160,0
CASH FLOW FROM FINANCING ACTIVITIES:		
Raising short term debt	223,0	226,0
Repayment of short term debt	-0,4	0,0
Change in bank overdrafts	-33,4	0,0
Purchase of non-controlling interests	0,0	-0,3
Change in long term debt (borrowing facility)	180,1	2,4
Changes in other long-term liabilities	-4,3	0,0
Payment of dividend	0,0	0,0
Cash flow from financial activities	365,0	228,1
Net increase (reduction) in liquid assets during year	9,7	5,8
Liquid assets start of period	25,5	25,5
Effect of exchange rate changes on liquid assets	0,0	0,0
Liquid assets end of period	35,2	31,3
Cash and cash equivalents		
Liquid assets	35,2	31,3
Unused drawing rights	335,7	588,9
Restricted bank deposits	0,0	0,0
Cash and cash equivalents	370,9	620,2

Notes to the summary consolidated quarterly financial statements

Note 1 – General information

Moelven Industrier ASA is a public limited liability company, registered in Norway. The company's head office is at Industriveien 2, 2390 Moelv, Norway. The summary consolidated financial statements for the second quarter of 2013 ended the 30th of June 2013 include Moelven Industrier ASA and its subsidiaries (collectively referred to as the “Group”) and the Group's interests in associated companies. The annual accounts for 2012 are available at www.moelven.no.

Note 2 – Statement of conformity

The consolidated financial statements for the second quarter of 2013 have been prepared in accordance with the requirements of IAS 34 “Interim Financial Reporting” which have been approved by the EU. The interim financial statements do not include all the information required in a complete annual report and ought to be read in conjunction with the consolidated financial statements for 2012.

The summary consolidated quarterly financial statements were approved by the Board on 11 July 2013.

Note 3 – Accounting policies

The accounting policies adopted in the quarterly financial statements are the same as those in the consolidated financial statements for 2012.

Note 4 – Critical judgements and estimates

The preparation of quarterly financial statements requires management to make judgements, estimates and assumptions that affect both which accounting policies are applied and the reported amounts of assets, liabilities, revenues and expenses. Actual amounts may differ from the estimated amounts.

In preparing these summary quarterly financial statements management has applied the same critical judgements in applying the accounting policies as it made when preparing the consolidated financial statements for 2012 and the principal sources of estimate uncertainty are the same when preparing these summary quarterly accounts as for the consolidated accounts for 2012.

Note 5 – Pensions and taxes

The calculations of pension costs and pension liabilities are undertaken annually by actuaries. In the quarterly accounts pension costs and pension liabilities are based on forecasts from actuaries. The income tax expense is determined in each quarter on the basis of the expected annual income tax expense.

Note 6 – Seasonal fluctuations

Demand for the Group's products and services is normally subject to variability throughout the year. This involves a low season during the first quarter, increasing activity and a peak season over the second and third quarters, and diminishing activity in the final part of the fourth quarter.

Due to the annual seasonal variation in raw material access and market activity, the Group's working capital varies by NOK 300 million to NOK 400 million from its highest level in May/June to its lowest in November/December.

The second quarter has, as normally, been characterized by increasing market activity. Thus, the capital employed has also been increasing, and the level is normal for the season.

Note 7 - Tangible fixed assets

Amounts in NOK million	Per 30.06	
	2013	2012
Book value per 1.1	1 744,4	1 715,3
Acquisitions	137,2	165,1
Business combinations	0,0	0,0
Disposals	0,0	-0,2
Depreciations	-132,2	-119,4
Transfers	-4,9	-24,4
Translation differences	45,6	-10,9
Book value per 31.03	1 790,1	1 725,6

Note 8 - Financial instruments

Amounts in NOK million	Per 30.06.2013			Per 31.12.2012		
	Positive fair value	Negative fair value	Net fair value	Positive fair value	Negative fair value	Net fair value
Currency derivatives	2,8	-10,0	-7,2	3,2	-2,0	1,2
Interest rate derivatives	0,0	-44,3	-44,3	0,0	-62,0	-62,0
Power derivatives	0,0	-12,8	-12,8	0,0	-8,9	-8,9
Total	2,8	-67,1	-64,3	3,2	-72,9	-69,7

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

Note 9 – Operating segments

The divisions are divided in accordance with Moelven's three core activities: Timber (industrial goods), Wood (building products) and Building Systems (projects). 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 consolidated financial statements for 2012 for further information about segments.

Below is a reconciliation of the profit before taxes in the reporting segments with the company's profit before taxes.

Amounts in NOK million	Per 30.06	
	2013	2012
Timber	-31,6	-5,9
Wood	-11,9	12,3
Building Systems	-22,9	55,5
Other	-17,9	-27,7
Profit before tax in segments	-84,3	34,2
Eliminations	0,0	0,0
Profit before tax in Group Accounts	-84,3	34,2

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 saw logs, 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. Eidsiva Energi Marked AS trade 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 saw log 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 - Events after the balance sheet date

There have not been any events after the balance sheet date which would have an impact on the income, expenses, assets and liabilities disclosed in the quarterly financial statements.

Moelven is organised into four divisions: Timber, Wood, Building Systems and Other. The sawmills in Timber supply sawed wood products and components to industrial customers in Scandinavia and the rest of Europe. These use the products as intermediate goods in their own production. Shavings, chip and bark products are also supplied and are used in the pulp, chipboard and biofuel industry. The processing companies in Wood supply the building products trade in Scandinavia with a broad range of building and interior products. A critical competitive advantage is the division's efficient distribution system which offers customers rapid and precise deliveries of a broad range of products. The companies within Building Systems deliver flexible system solutions for interior walls, modular buildings, electrical installations and load-bearing structures in glulam to projects and contractor clients, principally in Norway and Sweden. Other comprises holding companies, supply businesses and bioenergy companies. The division is heavily focused on developing concepts and systems in collaboration with the customers and experts within architecture, design and construction. In total, the Group is composed of 52 operating units in Norway and Sweden and has 3,348 employees. Moelven also has its own sales offices in Denmark, England, Germany and the Netherlands. The Moelven Group is owned by Glommen Skog SA (25.1 per cent), Eidsiva Vekst AS (23.8 per cent), Agri MI AS (15.8 per cent), Viken Skog SA (11.9 per cent), Mjøsen Skog SA (11.7 per cent), AT Skog SA (7.3 per cent) and Havass Skog SA (4.0 per cent). Most of the remaining 0.4 per cent is owned by private individuals.

Quality rooms

More information:

www.moelven.com

Head office

Moelven Industrier ASA
Org.no. NO 914 348 803 VAT
P.O. Box 134, NO-2391 Moelv
Tel. +47 62 34 70 00
Fax. +47 62 34 71 88

www.moelven.com

post@moelven.com