



Quality rooms

## Quarterly report 3/2012

*Moelven Nordia AS has supplied glass walls and interior solutions to the Fjordpiren office building on the outskirts of Stavanger.*

*Architect: Lund Hagem Arkitekter AS, Katharina Stuhmeyer. Photograph: Marie Von Krogh.*

**MOELVEN**<sup>®</sup>

Amounts in NOK million	Third quarter		9 months		Total	
	2012	2011	2012	2011	2011	2010
Operating revenues	1 808.1	1 956.6	6 159.2	6 048.4	8 059.9	7 184.5
Operating profit	-13.8	-14.2	50.5	15.0	12.9	254.0
EBITDA	49.4	40.8	237.6	181.3	238.8	466.1
Net operating margin/EBIT	-0.8 %	-0.7 %	0.8 %	0.2 %	0.2 %	3.5 %
Gross operating margin/EBITDA	2.7 %	2.1 %	3.9 %	3.0 %	3.0 %	6.5 %
Value change of financial instruments to fair value	-11.1	-23.4	-5.2	-43.0	-60.1	34.2
Profit before tax	-41.5	-66.3	-7.3	-98.0	-112.4	245.8
Profit per share in NOK	-0.23	-0.34	-0.05	-0.51	-0.66	1.39
Cash flow from operational activities, in NOK per share	1.09	2.73	0.61	0.83	2.06	-0.69
Total equity *	-55.8	-40.4	1 500.0	1 603.8	1 540.0	1 755.4
Equity ratio *	0.7 %	0.9 %	33.4 %	36.4 %	35.5 %	42.1 %
Total assets *	-261.6	-226.2	4 486.7	4 402.0	4 333.9	4 167.7
Investments	78.4	136.4	243.5	276.3	386.6	258.4
Return on capital employed *	-2.2 %	-1.3 %	2.5 %	0.8 %	0.5 %	10.2 %
Capital employed *	-131.2	-221.8	2 762.6	2 825.6	2 652.4	2 671.1
Net interest-bearing liabilities *	-38.9	-152.9	1 243.6	1 137.5	1 086.9	888.6
Net working capital *	-124.0	-209.7	1 964.8	2 017.4	1 730.9	1 771.5
Number of employees *	-24	-28	3 408	3 448	3 482	3 270
Sick leave percentage *	0.1 %	-0.2 %	5.4 %	5.3 %	5.2 %	5.5 %
Frequency of accidents with absence, H1 value *	-1.8	-1.1	15.5	16.3	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 third quarter were NOK 1,808.1 million (NOK 1,956.6 million) and operating profit was minus NOK 13.8 million (minus NOK 14.2 million)
- The Building Systems division continues to have a satisfactory order backlog
- Measures to streamline operations in Timber and Wood contributed to reducing the decline in profit in a challenging market
- Normal level of working capital for the season
- Non-cash items associated with fair value adjustments of unrealised financial instruments were minus NOK 11.1 million (minus NOK 23.4 million)

## Highlights

In the Scandinavian home market, activity level has been somewhat lower than normal in the third quarter, and delivery volumes from the Timber and Wood divisions have been reduced more than expected. Internationally, a large supply of industrial timber in combination with persistent low demand has contributed to low market prices. In addition, a weak Euro has added to reduced profitability in the export-oriented units. In Scandinavia the restorations, modernisations and extensions (RME) market in Norway and Sweden accounts for most of the demand. In Norway housing starts remain at a satisfactory level, while activity in the Swedish market has fallen. The Moelven Group units are not so directly exposed to the decline in housing start activity due to its emphasis on the RME market segment. The timber-consuming units have had satisfactory access to raw materials at normal prices for the season. Wood chip product prices have been pressured since last winter, which was milder than normal and thereby led to a reduction in demand for wood chip products for energy purposes.

As for the Building System companies, activity in the Swedish market has decreased somewhat and become more hesitant during the third quarter. The glulam business in Sweden has particularly noticed a reduced level of building activity. In Norway, System Interiors have experienced a good level of activity. The remaining companies have reported acceptable activity levels.

At the end of August, the new student housing in Bakkenteigen at Vestfold University College was completed and ready to accommodate students. The housing facility was constructed from wooden modules. This building method is a good and cost-effective solution for both students and student welfare associations.

In September the new wood planer at Moelven Tom Heurlin AB was hoisted into place at the newly-built production facility. This investment will make Moelven Tom Heurlin AB one of Europe's most modern planing mills. Ramping up will begin during October.

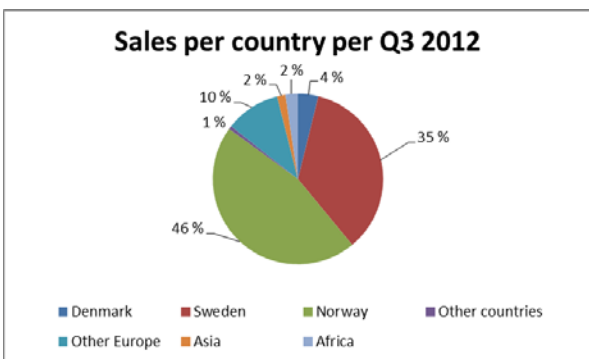
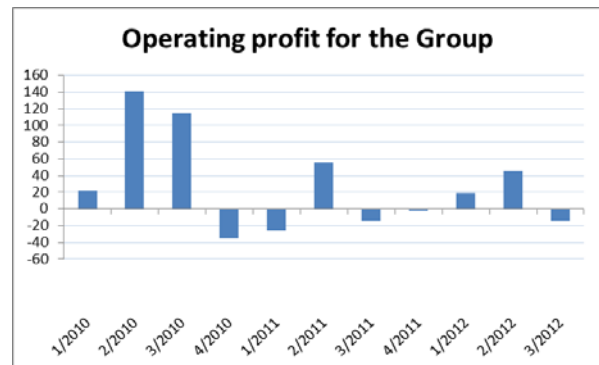
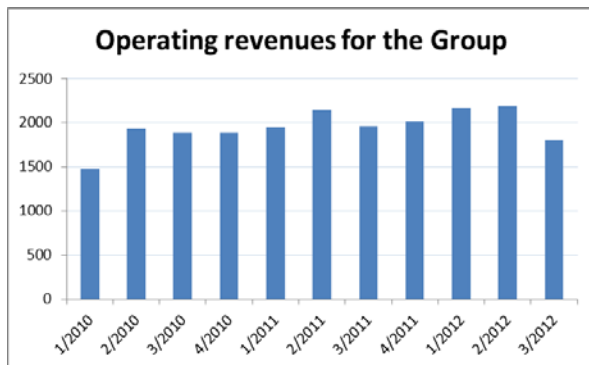
At the start of the fourth quarter there was an outbreak of fire in the dry sorting line at Moelven Valåsen AB in Karlskoga. The fire was quickly brought under control, and was extinguished without any personal injuries. All fire procedures were properly followed, and the sprinkler system installed in the sawmill worked correctly. The interruption of operations in the affected parts of the facility was limited to one and a half days. The incident demonstrates that the systematic work that has been undertaken in recent years to improve safety at the production facilities has yielded results.

# Revenues and results

Revenues in the third quarter were reduced compared to the same period last year. The main reasons for this are a market-based fall in revenues in the Wood division and the Swedish Building System companies, as well as a planned reduction in activity levels in Electrical Installations.

Ongoing continuous improvement efforts in the Group have generated a substantial reduction in processing costs, which continue to develop positively. Raw material costs have also been reduced compared to last year. Nonetheless, these changes do not fully compensate for the decline in finished goods prices within certain market segments. Total operating result for the quarter is on par with last year. However, last year's net income includes a charge for losses on projects within Electrical Installations.

The negative result from fair value changes in unrealised, market-based financial instruments in the third quarter is due to interest rate and currency hedges. The electrical power hedges have had a positive development in the quarter. Total comprehensive income for the period has been charged with the actuarial loss on defined-benefit pension schemes of NOK 51.7 million before tax. The loss is due to the adaptation to the new set of recommended assumptions underpinning pension commitment calculations and does not have any effect on cash flows.



## Investments, balance sheet and funding

Investments scheduled for 2012 relate to upgrading and maintaining the Group's current business operations. Poor market conditions and continued substantial uncertainty about future developments during autumn and the coming winter, has led the management to defer certain individual investment projects which can be deferred without material disadvantage. At the end of the third quarter, the book value of the Group's total assets was NOK 4,487 million (NOK 4,402 million).

At the end of the third quarter net interest-bearing liabilities were NOK 1,243.6 million (NOK 1,137.5 million). Financial leases are included in net interest-bearing liabilities, amounting to NOK 40.9 million (NOK 55.4 million).

Cash flow from operating activities in the third quarter was NOK 141.2 million (NOK 259.7 million), corresponding to NOK 1.09 per share (NOK 2.01).

The liquidity reserve was NOK 485.5 million (NOK 555.6 million).

The reduction in cash flow from operating activities and the liquidity reserve compared with last year is due to normal variations in the composition of working capital.

The short-term credit facility of NOK 200 million which was established for the second and third quarters was paid off as scheduled at the end of the third quarter.

Equity at the end of the third quarter amounted to NOK 1,500.0 million (NOK 1,603.8 million), equivalent to NOK 11.58 (NOK 12.38) per share. The equity ratio was 33.4 per cent (36.4 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 third quarter exchange rate variability resulted in an unrealised increase in equity of NOK 9.4 million (NOK 2.9 million) and for the first nine months an increase of 0.4 (reduction of 14.0)

# Divisions

## Timber

Amounts in NOK million	Third quarter		9 months		Total	
	2012	2011	2012	2011	2011	2010
Sales to external customers	428.7	423.8	1 566.3	1 487.6	1 956.3	2 020.0
Sales to internal customers	67.6	71.8	279.8	317.8	437.8	416.4
Operating revenues	496.3	495.6	1 846.1	1 805.4	2 394.1	2 436.4
Depreciation and impairment	25.0	22.0	74.0	67.0	90.3	85.9
Operating profit	-41.2	-18.7	-37.4	-28.8	-52.4	94.7
Operating margin in per cent	-8.3 %	-3.8 %	-2.0 %	-1.6 %	-2.2 %	3.9 %
Net operating capital (% of operating revenues)	0.7 %	-1.5 %	19.4 %	19.5 %	18.4 %	22.8 %
Total assets *	-31.5	-54.2	1 602.9	1 436.7	1 592.2	1 545.5
Equity *	-36.8	-21.5	698.3	715.6	749.8	767.1
Capital employed *	12.5	-42.6	1 205.6	1 058.3	1 186.6	1 144.8
Return on capital employed *	-4.8 %	-1.6 %	-4.1 %	-3.3 %	-4.3 %	9.1 %
Investments *	36.7	52.3	120.8	83.6	144.2	112.0
Number of employees *	-10	-11	696	656	692	643

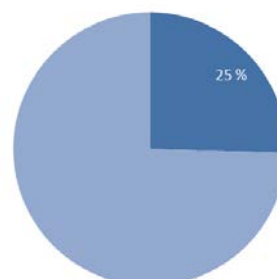
\* The first column shows the change in value during the quarter

During the quarter, the sawmills in the Timber division have faced the most challenging market conditions for many years. Nonetheless, implemented efficiency measures have partially compensated for the fall in gross margins.

The volume of deliveries in the third quarter was lower compared with the same period last year. Price levels have been lower than they were last year due to continued subdued demand. The debt crisis and missing economic growth in Europe remain the primary reasons for the weak international market activity, and also result in increased competition in the home markets as more players target Scandinavia with their product volumes. Moelven principally serves the export markets from the Group's Swedish units. These units are also negatively affected by a strong SEK. SEK has depreciated slightly against the EUR during the quarter, however the current exchange rate will still have a gradually increasing detrimental impact on operating margins as the currency hedges at old exchange rates are gradually realised. The supply of sawlogs has been satisfactory. The sawlog prices are on a downward trend but have not matched the fall in finished goods prices. In addition, a large supply and reduced demand for wood chip products have led to lower price levels and the total gross margin for the saw mills has therefore weakened during the quarter.



Timber's share of the Group's external revenues as of the third quarter of 2012



# Wood

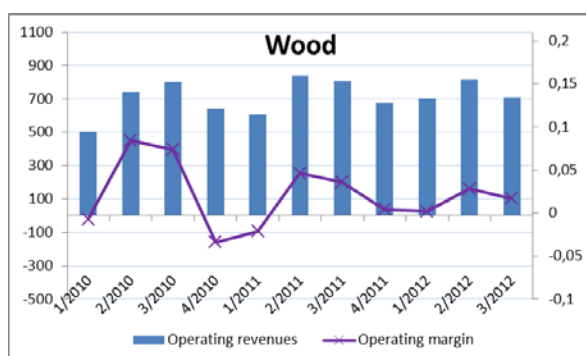
Amounts in NOK million	Third quarter		9 months		Total	
	2012	2011	2012	2011	2011	2010
Sales to external customers	693.2	791.8	2 167.7	2 190.5	2 852.0	2 628.4
Sales to internal customers	13.7	16.4	57.6	64.3	80.4	55.5
Operating revenues	706.9	808.2	2 225.3	2 254.8	2 932.4	2 683.9
Depreciation and impairment	25.2	22.1	74.3	64.9	89.5	83.5
Operating profit	12.3	29.1	36.6	55.2	57.6	95.6
Operating margin in per cent	1.7 %	3.6 %	1.6 %	2.4 %	2.0 %	3.6 %
Net operating capital (% of operating revenues)	-5.1 %	-8.2 %	28.2 %	29.2 %	29.9 %	30.2 %
Total assets *	-63.2	-9.7	1 991.4	2 052.8	1 975.7	1 797.2
Equity *	19.7	28.8	797.4	833.0	768.0	775.6
Capital employed *	-52.3	-36.3	1 360.7	1 435.1	1 362.6	1 271.9
Return on capital employed *	0.1 %	1.6 %	3.8 %	5.6 %	4.6 %	8.5 %
Investments *	32.6	60.5	91.6	138.0	169.5	66.3
Number of employees *	-25	-21	1 066	1 135	1 114	952

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

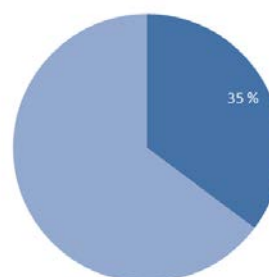
The restorations, modernisations and extensions markets - RME- in Norway and Sweden, and the level of new building activity in Norway have been satisfactory during the quarter. A reduction in new building activity in Sweden and persistent low activity in the Danish construction material market have contributed to the normal seasonal upturn in market activity this year being a little weaker than usual. In addition, prices have been under pressure due to the volume of products that have been redirected to Scandinavia from markets that have become less attractive in the wake of economic developments in Europe. Total delivery volumes are lower than they were last year, and some parts of the product range have seen a reduction in prices.

The timber-consuming units within the Wood division are facing the same challenges as the sawmills within Timber regarding the imbalance between raw material and finished goods prices, in addition to weaker prices for wood chip products.

The operating conditions have been good, and operations have continued satisfactorily. In conjunction with implemented efficiency measures and synergies from acquisitions, this has led to a reduction in unit costs which partially compensates for the weaker market prices.



Wood's share of the Group's external revenues as of the third quarter of 2012



## Building Systems

Amounts in NOK million	Third quarter		9 months		Total	
	2012	2011	2012	2011	2011	2010
Sales to external customers	580.1	615.2	2 038.6	1 911.6	2 651.7	2 159.8
Sales to internal customers	0.6	5.7	0.9	10.3	14.1	11.7
Operating revenues	580.7	620.9	2 039.5	1 921.9	2 665.8	2 171.5
Depreciation and impairment	9.5	8.6	28.7	27.2	36.0	34.9
Operating profit	19.7	-17.5	73.9	19.4	50.8	92.2
Operating margin in per cent	3.4 %	-2.8 %	3.6 %	1.0 %	1.9 %	4.2 %
Net operating capital (% of operating revenues)	2.6 %	-0.8 %	16.3 %	15.8 %	10.4 %	15.1 %
Total assets *	-2.6	18.9	1 186.4	1 119.4	1 217.9	1 208.4
Equity *	23.3	-15.1	542.8	565.6	463.1	549.7
Capital employed *	36.7	-22.7	652.6	647.5	526.7	629.1
Return on capital employed *	-2.4 %	-7.2 %	17.6 %	5.1 %	10.0 %	17.5 %
Investments *	5.8	7.4	23.2	21.5	38.255	61.0
Number of employees *	7	6	1 512	1 524	1 542	1 542

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

Amounts in NOK million	Third quarter		9 months		Total	
	2012	2011	2012	2011	2011	2010
Operating revenues	102.9	115.9	322.6	343.4	470.7	467.9
Depreciation and impairment	4.3	4.5	13.1	13.9	18.2	18.4
Operating profit	4.6	0.4	9.3	1.9	4.3	12.9
Operating margin in per cent	4.5 %	0.3 %	2.9 %	0.5 %	0.9 %	2.8 %
Investments *	4.0	1.7	14.0	7.0	10.2	42.0
Number of employees *	-2	9	249	273	266	300

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

Amounts in NOK million	Third quarter		9 months		Total	
	2012	2011	2012	2011	2011	2010
Operating revenues	110.5	139.3	381.2	371.7	497.4	412.1
Depreciation and impairment	0.4	0.5	1.2	1.4	1.8	1.2
Operating profit	-4.7	-44.6	-5.4	-40.8	-46.6	3.1
Operating margin in per cent	-4.3 %	-32.0 %	-1.4 %	-11.0 %	-9.4 %	0.8 %
Investments *	0.0	0.2	0.1	1.4	1.5	4.0
Number of employees *	-1	10	267	304	302	278

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

Amounts in NOK million	Third quarter		9 months		Total	
	2012	2011	2012	2011	2011	2010
Operating revenues	208.6	249.0	820.1	802.1	1 138.8	740.4
Depreciation and impairment	3.3	2.1	10.1	7.6	10.9	10.6
Operating profit	6.2	18.9	38.6	40.1	59.0	33.7
Operating margin in per cent	3.0 %	7.6 %	4.7 %	5.0 %	5.2 %	4.6 %
Investments *	1.6	4.5	8.1	9.7	23.0	8.0
Number of employees *	9	5	543	513	524	516

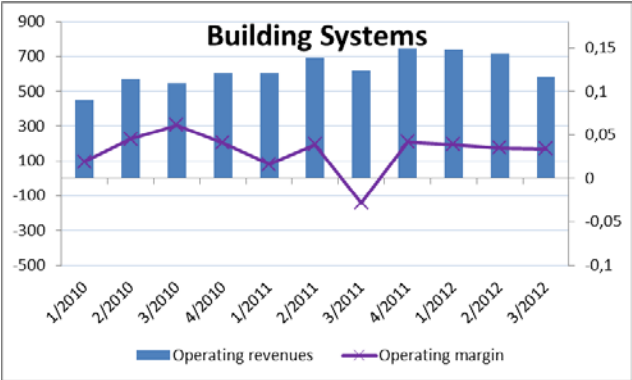
\* The first column shows the change in value during the quarter

Amounts in NOK million	Third quarter		9 months		Total	
	2012	2011	2012	2011	2011	2010
Operating revenues	166.6	128.4	551.5	432.0	605.6	581.7
Depreciation and impairment	1.5	1.4	4.3	4.3	5.0	4.7
Operating profit	13.6	8.0	31.4	18.3	34.0	42.5
Operating margin in per cent	8.2 %	6.2 %	5.7 %	4.2 %	5.6 %	7.3 %
Investments *	0.1	1.0	0.9	3.4	3.5	7.0
Number of employees *	1	-9	453	434	450	448

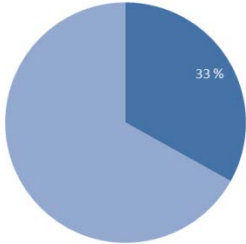


The Building Systems division primarily serves the Norwegian and Swedish markets, and has seen relatively stable market activity. During the third quarter the markets for the Swedish part of the division have weakened somewhat. As a result, adjustments have been made to capacity levels within Glulam, System Interiors and Building Modules. In general, the companies in the division have maintained their market positions in challenging markets with stiff competition. For the division as a whole, the backlog of orders is at a satisfactory level, and higher than it was at the same time last year.

The division is reaping the benefits from measures to raise efficiency and have maintained profitability despite strong price competition. Net profit for the same period last year was charged with the loss from project operations in Electrical Installations - of NOK 42 million.



Building Systems' share of the Group's external revenues as of the third quarter of 2012



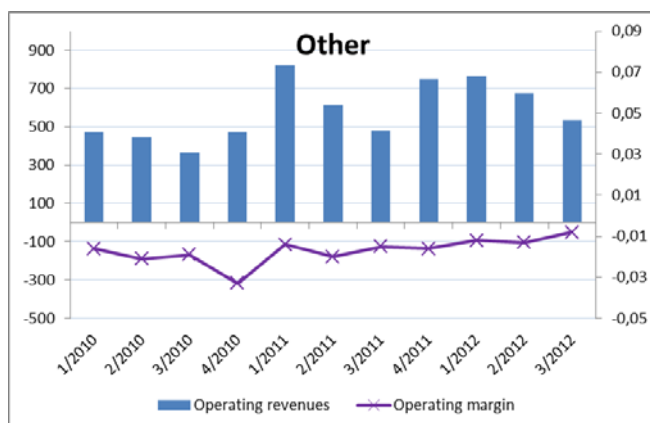
## Other businesses

Amounts in NOK million	Third quarter		9 months		Total	
	2012	2011	2012	2011	2011	2010
Sales to external customers	105.8	125.7	386.4	458.7	599.9	376.3
Sales to internal customers	428.5	326.7	1 589.2	1 426.6	2 077.3	1 379.7
Operating revenues	534.3	452.4	1 975.6	1 885.3	2 677.2	1 756.0
Depreciation and impairment	3.7	2.3	10.2	7.2	10.0	7.9
Operating profit	-4.4	-7.3	-22.5	-30.9	-43.0	-39.4
Operating margin in per cent	-0.8 %	-1.6 %	-1.1 %	-1.6 %	-1.6 %	-2.2 %
Net operating capital (% of operating revenues)	1.8 %	4.9 %	7.8 %	10.6 %	5.1 %	4.4 %
Total assets *	-573.5	81.5	2 310.4	2 871.6	2 343.3	2 077.1
Equity *	-66.9	-39.5	951.1	1 007.9	1 034.1	1 102.7
Capital employed *	-550.2	12.2	1 806.9	2 388.9	1 813.7	1 680.2
Return on capital employed *	-0.8 %	-1.2 %	0.1 %	-1.0 %	0.5 %	1.1 %
Investments *	3.1	16.3	7.6	33.4	34.6	19.1
Number of employees *	4	-2	134	133	134	133

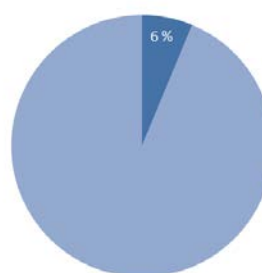
\* The first column shows the change in value during the quarter

Other businesses include Moelven Industrier ASA, with common services in economics, finance, insurance, ICT, communications and HR. Sawlog supplies and sales of wood chips and energy products are included in services provided to Moelven's industrial operations by Moelven Skog AB, Moelven Virke AS and Vänerbränsle AB. Other business also includes Moelven Bioenergi AS, which is a key company in 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 sawlogs in Moelven Skog AB and Moelven Virke AS to the Group's timber-consuming units. These internal sales do not have a material effect on the net profit for this business area. The improvement in operating result compared with the previous year is due to lower costs for other joint functions.



Share of the Group's external revenues attributable to Other as of the third quarter of 2012



# Employees

In the third quarter, total absence due to illness was 5.21 per cent (5.42), where 3.24 per cent (2.34) represents long-term absence. The Group works continuously with measures to reduce absences due to illness below the maximum target level of 5 per cent.

There were 13 (10) personal injuries which resulted in absence during the quarter. 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 third quarter 2012				Per third quarter 2011			
	Male	Female	%Female	Total	Male	Female	%Female	Total
Timber	612	84	13.7 %	<b>696</b>	580	76	13.1 %	<b>656</b>
Wood	887	179	20.2 %	<b>1 066</b>	951	184	19.3 %	<b>1 135</b>
Building Systems	1 411	101	7.2 %	<b>1 512</b>	1 419	105	7.4 %	<b>1 524</b>
Others	102	32	31.4 %	<b>134</b>	102	31	30.4 %	<b>133</b>
The Group	3 012	396	11.62 %	<b>3 408</b>	3 052	396	11.48 %	<b>3 448</b>

Sickness absence rate in %	Per third quarter	
	2012	2011
Timber	4.47 %	3.90 %
Wood	5.24 %	5.39 %
Building Systems	6.02 %	6.08 %
Others	4.00 %	2.77 %
The Group	5.38 %	5.30 %

H1 Value	Per third quarter	
	2012	2011
Timber	16.2	21.4
Wood	21	17.1
Building Systems	12.3	15
Others	0	0
The Group	15.5	16.3

## Outlook

The decline in market activity has necessitated capacity adjustments in the Swedish units in Building Systems, and this will gradually have an increasing impact in the fourth quarter.

We do not expect an increase in demand for sawn timber in Europe in the near term.

Even though the EUR has appreciated somewhat against the Scandinavian currencies during the quarter, the exchange rate continues to be at a level that weakens the competitiveness of the Group's units compared with companies whose cost base is in EUR. Raw material prices in SEK are starting to adjust to the economic cycle and market situation, but with a delay compared with the market pricing of finished goods. The price reductions will gradually have an increasing effect as the raw material inventories are rotated. Positive signals from other areas such as the Middle East, North Africa and the US combined with generally unsatisfactory profitability in the sawmill industry leading to capacity adjustments, indicate that an improvement in the international market balance for industrial timber can be expected in the medium term.

For the Wood companies, activities in Norway and Sweden are expected to remain at acceptable levels, particularly within the RME segment. In the Danish part of operations, capacity has been adjusted to the level of activity in the market. The order backlog for Building Systems ensures a normal and good level of activity in the next six months. 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 further operational restructuring. Investment activity will be adjusted to match ongoing developments in cash flow and market conditions.

Overall, the Board expects the Group's operating profit for 2012 will be somewhat better than in 2011.

## Summary quarterly accounts for the Moelven Group for the third quarter of 2012

### Profit and loss account and total comprehensive income

Amounts in NOK million	Third quarter		9 months		Total
	2012	2011	2012	2011	2011
Operating revenues	1 808.1	1 956.6	6 159.2	6 048.4	8 059.9
Depreciation	63.2	55.0	187.1	166.3	225.9
Cost of goods sold	1 203.8	1 373.9	4 032.0	4 065.5	5 341.1
Payroll expenses	363.7	347.3	1 257.1	1 167.0	1 605.9
Other operating expenses	191.2	194.6	632.5	634.6	874.0
<b>Operating profit</b>	<b>-13.8</b>	<b>-14.2</b>	<b>50.5</b>	<b>15.0</b>	<b>12.9</b>
Income from associates	-0.1	0.4	-1.6	0.0	-0.7
Value change of financial instruments to fair value	-11.1	-23.4	-5.2	-43.0	-60.1
Other financial income	4.5	-8.0	11.3	0.7	15.6
Other financial expenses	-21.1	-21.1	-62.3	-70.7	-80.2
<b>Profit before tax</b>	<b>-41.5</b>	<b>-66.3</b>	<b>-7.3</b>	<b>-98.0</b>	<b>-112.4</b>
Estimate income tax	-12.2	-22.9	-1.3	-32.1	-26.6
<b>Net profit</b>	<b>-29.3</b>	<b>-43.4</b>	<b>-6.0</b>	<b>-65.9</b>	<b>-85.8</b>
Non-controlling interest share	-1.0	-1.1	-1.7	-1.6	-2.6
Owner of parent company share	-28.3	-42.4	-4.3	-64.3	-83.2
Earnings per share (in NOK)	-0.2	-0.3	0.0	-0.5	-0.7
Statement of comprehensive income					
Net profit	-29.3	-43.4	-6.0	-65.9	-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)	-51.7	0.0	-51.7	0.0	-49.0
Income tax on items that are not reclassified to profit or loss	14.5	0.0	14.5	0.0	13.7
	-37.2	0.0	-37.2	0.0	-35.3
<i>Items that may be reclassified subsequently to profit or loss</i>					
Translation differences	9.4	2.9	0.4	-14.0	-0.5
Proportion of other income and costs in associated companies	0.0	0.0	0.0	0.0	0.0
Other changes	1.7	0.7	3.8	13.5	-5.3
Income tax on items that may be reclassified to profit or loss	-0.5	0.0	-1.1	0.0	0.0
	10.6	3.6	3.1	-0.5	-5.8
Other comprehensive income, net of tax	-26.6	3.6	-34.1	-0.5	-41.1
<b>Total comprehensive income for the period</b>	<b>-55.9</b>	<b>-39.8</b>	<b>-40.1</b>	<b>-66.4</b>	<b>-126.9</b>
<b>Comprehensive income assigned to:</b>					
Owners of parent company	-54.9	-38.8	-38.4	-64.8	-124.3
Non-controlling interests	-1.0	-1.1	-1.7	-1.6	-2.6

## Consolidated balance sheet

Amounts in NOK million	Per 30.09		Per 31.12.
	2012	2011	2011
Intangible assets	56.0	55.5	58.1
Tangible fixed assets	1 709.1	1 617.3	1 669.7
Financial fixed assets	12.2	16.4	17.7
<b>Total fixed assets</b>	<b>1 777.3</b>	<b>1 689.2</b>	<b>1 745.5</b>
Inventory	1 255.6	1 266.1	1 343.9
Receivables	1 434.9	1 362.4	1 219.0
Liquid assets	19.0	84.3	25.5
<b>Total current assets</b>	<b>2 709.4</b>	<b>2 712.8</b>	<b>2 588.4</b>
<b>Total assets</b>	<b>4 486.7</b>	<b>4 402.0</b>	<b>4 333.9</b>
Share capital*	647.7	647.7	647.7
Other equity	852.3	956.1	892.3
<b>Total equity</b>	<b>1 500.0</b>	<b>1 603.8</b>	<b>1 540.0</b>
Provisions	316.2	234.5	278.6
Long term interest-bearing liabilities	1 196.2	1 221.8	1 109.4
Long term interest-free liabilities	2.9	3.2	3.1
<b>Total long term liabilities</b>	<b>1 515.2</b>	<b>1 459.4</b>	<b>1 391.0</b>
Short term interest-bearing liabilities	66.5	0.0	0.0
Short term liabilities	1 405.0	1 338.7	1 402.9
<b>Total short term liabilities</b>	<b>1 471.5</b>	<b>1 338.7</b>	<b>1 402.9</b>
<b>Total liabilities</b>	<b>2 986.7</b>	<b>2 798.2</b>	<b>2 793.9</b>
<b>Total equity and liabilities</b>	<b>4 486.7</b>	<b>4 402.0</b>	<b>4 333.9</b>

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

## Consolidated statement of changes in equity

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>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>-64.3</b>	<b>-64.3</b>	<b>-1.6</b>	<b>-65.9</b>
<b>Other comprehensive income</b>							
Translation differences	0.0	0.0	0.0	-14.0	-14.0	0.0	-14.0
Other changes	0.0	0.0	0.0	14.0	14.0	-0.5	13.5
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>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>-0.5</b>	<b>-0.5</b>
<b>Transactions with owners, entered directly against equity</b>							
Purchase of non-controlling interests	0.0	0.0	0.0	-1.0	-1.0	0.0	-1.0
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>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>-85.2</b>	<b>-85.2</b>	<b>0.0</b>	<b>-85.2</b>
<b>Total as at 30.09.2011</b>	<b>647.7</b>	<b>180.7</b>	<b>0.0</b>	<b>760.6</b>	<b>1 589.0</b>	<b>14.8</b>	<b>1 603.8</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>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>-4.3</b>	<b>-4.3</b>	<b>-1.7</b>	<b>-6.0</b>
<b>Other comprehensive income</b>							
Translation differences	0.0	0.0	0.0	0.4	0.4	0.0	0.4
Other changes	0.0	0.0	0.0	3.9	3.9	0.0	3.9
Actuarial gains (losses) on defined-benefit pension schemes	0.0	0.0	0.0	-51.7	-51.7	0.0	-51.7
Income tax on other comprehensive income	0.0	0.0	0.0	13.4	13.4	0.0	13.4
<b>Other comprehensive income (net of tax)</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>-34.0</b>	<b>-34.0</b>	<b>0.0</b>	<b>-34.0</b>
<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>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
<b>Total as at 30.09.2012</b>	<b>647.7</b>	<b>180.7</b>	<b>0.0</b>	<b>660.0</b>	<b>1 488.4</b>	<b>11.6</b>	<b>1 500.0</b>

## Consolidated statement of cash flow

Amounts in NOK million	Per 30.09	
	2012	2011
<b>CASH FLOW FROM OPERATIONAL ACTIVITIES:</b>		
Net profit	-6.0	-65.9
<i>Adjustments to reconcile net profit with net cash flow from operations:</i>		
Depreciation	187.1	166.3
Impairment	0.0	0.0
Income from associated companies	1.6	0.0
Tax paid	-10.7	-6.1
Unpaid pension costs entered as costs and unreceived pension funds entered as income	4.7	5.4
Loss (profit) on sale of fixed assets	-0.8	-0.7
Net value change of financial instruments to fair value	5.2	43.0
Income tax	1.3	32.1
<i>Changes in operating assets and liabilities:</i>		
Changes in inventory	88.4	43.5
Changes in accounts receivable and other receivables	-214.5	-137.1
Changes in trade accounts payable	-57.9	-6.7
Changes in provisions and benefits to employees	52.2	-1.4
Changes in short-term liabilities excluding borrowing	28.5	34.8
<b>Cash flow from operational activities</b>	<b>78.9</b>	<b>107.2</b>
<b>CASH FLOW FROM INVESTMENT ACTIVITIES:</b>		
Investment in plant and equipment exc. acquisition	-243.5	-276.3
Net cash outlay on acquisition	-1.0	-4.7
Receipts from sale of fixed assets	2.4	7.0
Sale of other long-term investments	5.5	-0.1
<b>Cash flow from investment activities</b>	<b>-236.6</b>	<b>-274.1</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES:</b>		
Raising short term debt	208.6	0.0
Repayment of short term debt	-208.6	-11.1
Change in bank overdrafts	66.5	-78.0
Purchase of non-controlling interests	-1.9	-1.0
Change in long term debt (borrowing facility)	97.5	407.7
Changes in other long-term liabilities	-10.9	-8.5
Payment of dividend	0.0	-84.2
<b>Cash flow from financial activities</b>	<b>151.1</b>	<b>225.0</b>
<b>Net increase (reduction) in liquid assets during year</b>	<b>-6.5</b>	<b>58.1</b>
Liquid assets start of period	25.5	26.2
Effect of exchange rate changes on liquid assets	0.0	0.0
<b>Liquid assets end of period</b>	<b>19.0</b>	<b>84.3</b>
<b>Cash and cash equivalents</b>		
Liquid assets	19.0	84.3
Unused drawing rights	466.5	471.3
Restricted bank deposits	0.0	0.0
<b>Cash and cash equivalents</b>	<b>485.5</b>	<b>555.6</b>



## **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 third quarter of 2012 ended 30 September 2012 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 2011 are available at [www.moelven.no](http://www.moelven.no).

### **Note 2 – Statement of conformity**

The consolidated financial statements for the third quarter of 2012 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 2011.

The summary consolidated quarterly financial statements were approved by the Board on 24 October 2012.

### **Note 3 – Accounting policies**

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

### **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 2011 and the principal sources of estimate uncertainty are the same when preparing these summary quarterly accounts as for the consolidated accounts for 2011.

### **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.

As normal, the first quarter has been affected by the low season and increased working capital in advance of the high season.

## Note 7 - Tangible fixed assets

Amounts in NOK million	Per 30.09	
	2012	2011
Book value per 1.1	1 727.8	1 594.6
Acquisitions	243.5	276.5
Business combinations	0.0	0.0
Disposals	-1.6	-7.0
Depreciations	-187.1	-166.3
Transfers	-20.2	-8.2
Translation differences	2.7	-16.7
Book value per 30.06	1 765.1	1 672.9

## Note 8 - Financial instruments

Amounts in NOK million	Per 30.09.2012			Per 31.12.2011		
	Positive fair value	Negative fair value	Net fair value	Positive fair value	Negative fair value	Net fair value
Currency derivatives	5.4	-1.0	4.4	4.8	-0.8	4.0
Interest rate derivatives	0.0	-61.6	-61.6	0.0	-55.1	-55.1
Power derivatives	0.0	-9.8	-9.8	0.0	-10.7	-10.7
Total	5.4	-72.4	-67.0	4.8	-66.6	-61.8

Amounts in NOK million	Per 30.09.2011			Per 31.12.2010		
	Positive fair value	Negative fair value	Net fair value	Positive fair value	Negative fair value	Net fair value
Currency derivatives	0.0	-2.6	-2.6	12.1	-1.6	10.6
Interest rate derivatives	0.0	-48.4	-48.4	0.0	-25.7	-25.7
Power derivatives	0.0	-5.0	-5.0	12.5	0.0	12.5
Total	0.0	-56.0	-56.0	24.6	-27.2	-2.6

## 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 2011 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	Third quarter	
	2012	2011
Timber	-52.3	-42.7
Wood	15.8	33.7
Building Systems	75.1	22.6
Other	-46.0	-111.8
Profit before tax in segments	-7.3	-98.1
Eliminations	0.0	0.0
Profit before tax in Group Accounts	-7.3	-98.1

#### 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. 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 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 - 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 3,408 employees. Moelven also has its own sales offices in Denmark, England, Germany and the Netherlands. 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)

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