



Quality rooms

## Quarterly Report 3/2010

*In connection with the planning of the new Ringsted High School, the planned acoustic wall panels were converted into an art object. Team Visual, a group within Moelven Denmark, designed and supplied the beautiful Studio acoustic plywood panels.*

**MOELVEN®**

## Profit and Loss Account

| NOK mill.                             | 3rd Quarter  |             |             | Nine months  |             |              | Total       |              |
|---------------------------------------|--------------|-------------|-------------|--------------|-------------|--------------|-------------|--------------|
|                                       | 2010         | 2009        | 2008        | 2010         | 2009        | 2008         | 2009        | 2008         |
| Operating revenues                    | 1,885.6      | 1,521.4     | 1,780.0     | 5,299.3      | 4,749.3     | 5,933.6      | 6,247.8     | 7,657.7      |
| Depreciation                          | 56.8         | 50.0        | 48.6        | 157.1        | 145.1       | 143.6        | 202.5       | 199.2        |
| Cost of goods sold                    | 1,216.1      | 935.1       | 1,221.9     | 3,301.7      | 3,056.7     | 3,919.9      | 3,899.2     | 4,998.3      |
| Operating expenses                    | 498.3        | 440.8       | 503.4       | 1,562.5      | 1,518.1     | 1,672.5      | 2,055.0     | 2,315.5      |
| <b>Operating profit</b>               | <b>114.4</b> | <b>95.5</b> | <b>6.1</b>  | <b>278.0</b> | <b>29.4</b> | <b>197.6</b> | <b>91.1</b> | <b>144.7</b> |
| Income from associates                | -0.4         | -0.5        | -0.5        | -2.3         | -0.1        | -0.9         | -1.7        | -2.2         |
| Interest and other financial income   | 5.6          | 3.5         | 0.8         | 11.7         | 9.2         | 10.0         | 9.9         | 10.8         |
| Interest and other financial expenses | -19.4        | -9.6        | -10.0       | -41.6        | -34.3       | -33.2        | -41.1       | -45.9        |
| <b>Result before tax</b>              | <b>100.2</b> | <b>88.9</b> | <b>-3.6</b> | <b>245.8</b> | <b>4.2</b>  | <b>173.5</b> | <b>58.2</b> | <b>107.4</b> |
| Estimated tax cost                    | 27.3         | 24.9        | -1.0        | 66.6         | 1.2         | 48.6         | 18.0        | 26.2         |
| <b>Net profit</b>                     | <b>72.9</b>  | <b>64.0</b> | <b>-2.6</b> | <b>179.2</b> | <b>3.0</b>  | <b>124.9</b> | <b>40.2</b> | <b>81.2</b>  |
| Minority shares                       | 0.5          | -0.9        | -1.3        | -0.3         | -3.0        | 0.3          | -3.1        | -0.8         |
| Majority shares                       | 72.4         | 64.9        | -1.3        | 179.5        | 6.0         | 124.6        | 43.3        | 82.0         |

## Balance Sheet

| NOK mill.                           | Change in 3rd Quarter |               |               | Per 30.09.     |                |                | Per 31.12.     |                |
|-------------------------------------|-----------------------|---------------|---------------|----------------|----------------|----------------|----------------|----------------|
|                                     | 2010                  | 2009          | 2008          | 2010           | 2009           | 2008           | 2009           | 2008           |
| Intangible assets                   | -1.2                  | -0.5          | 1.6           | 45.2           | 6.0            | 11.3           | 13.3           | 7.6            |
| Tangible assets                     | 52.1                  | -2.6          | 47.2          | 1,461.6        | 1,367.1        | 1,291.2        | 1,336.7        | 1,392.1        |
| Financial assets                    | -0.7                  | 0.4           | 0.2           | 46.0           | 50.6           | 59.7           | 45.1           | 49.6           |
| <b>Total fixed assets</b>           | <b>50.2</b>           | <b>-2.7</b>   | <b>49.0</b>   | <b>1,552.8</b> | <b>1,423.7</b> | <b>1,362.2</b> | <b>1,395.1</b> | <b>1,449.3</b> |
| Stocks                              | -90.7                 | -133.4        | -213.6        | 1,245.0        | 805.6          | 1,164.5        | 898.6          | 1,174.4        |
| Receivables                         | -91.2                 | -146.2        | -37.6         | 1,296.0        | 1,083.3        | 1,259.2        | 875.7          | 936.3          |
| Deposits                            | 0.0                   | -16.6         | -21.9         | 45.7           | 53.3           | 17.9           | 70.5           | 29.8           |
| <b>Total current assets</b>         | <b>-181.9</b>         | <b>-296.2</b> | <b>-273.1</b> | <b>2,586.7</b> | <b>1,942.2</b> | <b>2,441.6</b> | <b>1,844.8</b> | <b>2,140.5</b> |
| <b>Total assets</b>                 | <b>-131.7</b>         | <b>-298.9</b> | <b>-224.1</b> | <b>4,139.5</b> | <b>3,365.9</b> | <b>3,803.8</b> | <b>3,239.9</b> | <b>3,589.8</b> |
| Share capital*                      | 0.0                   | 0.0           | 0.0           | 647.7          | 647.7          | 647.7          | 647.7          | 647.7          |
| Other equity and capital            | 100.8                 | 57.9          | 2.4           | 1,233.5        | 995.8          | 1,051.4        | 1,001.0        | 1,049.0        |
| <b>Total equity</b>                 | <b>100.8</b>          | <b>57.9</b>   | <b>2.4</b>    | <b>1,881.2</b> | <b>1,643.5</b> | <b>1,699.1</b> | <b>1,648.7</b> | <b>1,696.7</b> |
| Long-term liabilities               | -148.4                | -295.4        | -218.2        | 1,061.5        | 717.7          | 838.4          | 664.7          | 845.6          |
| Current liabilities                 | -84.1                 | -61.4         | -8.3          | 1,196.8        | 1,004.7        | 1,266.3        | 926.5          | 1,047.5        |
| <b>Total liabilities</b>            | <b>-232.5</b>         | <b>-356.8</b> | <b>-226.5</b> | <b>2,258.3</b> | <b>1,722.4</b> | <b>2,104.7</b> | <b>1,591.2</b> | <b>1,893.1</b> |
| <b>Total equity and liabilities</b> | <b>-131.7</b>         | <b>-298.9</b> | <b>-224.1</b> | <b>4,139.5</b> | <b>3,365.9</b> | <b>3,803.8</b> | <b>3,239.9</b> | <b>3,589.8</b> |

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

## Key figures

| NOK mill.                                      | 3rd Quarter |             |             | Nine months |             |             | Total       |             |
|------------------------------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
|                                                | 2010        | 2009        | 2008        | 2010        | 2009        | 2008        | 2009        | 2008        |
| Net operating margin /EBIT (in %)              | 6.1         | 6.3         | 0.3         | 5.2         | 0.6         | 3.3         | 1.5         | 1.9         |
| Gross operating margin/EBITDA (in %)           | 9.1         | 9.6         | 3.1         | 8.2         | 3.7         | 5.8         | 4.7         | 4.5         |
| Earnings per share (in NOK)                    | 0.56        | 0.49        | -0.02       | 1.38        | 0.02        | 0.96        | 0.31        | 0.63        |
| Cash flow for operations per share (in NOK)    | 2.04        | 2.61        | 3.64        | -0.89       | 2.38        | 0.75        | 3.41        | 1.67        |
| * Equity ratio (in %)                          | 3.8         | 5.6         | 2.5         | 45.4        | 48.8        | 44.7        | 50.9        | 47.3        |
| Investments                                    | 83.0        | 37.8        | 90.9        | 186.9       | 172.3       | 217.8       | 222.2       | 345.9       |
| Return on capital employed (in %)              | 16.5        | 16.9        | 0.7         | 14.9        | 2.4         | 12.3        | 3.9         | 6.6         |
| * Capital employed                             | -79.9       | -130.7      | -105.9      | 2,693.2     | 2,343.9     | 2,167.4     | 2,087.6     | 2,326.8     |
| * Net interest bearing debt                    | -180.8      | -304.5      | -196.5      | 766.2       | 460.8       | 616.0       | 368.4       | 599.9       |
| * Net working capital                          | -106.1      | -291.2      | -280.7      | 1,908.3     | 1,378.7     | 1,802.6     | 1,280.5     | 1,552.4     |
| * Number of employees                          | 12          | -3          | -49         | 3,187       | 3,064       | 3,454       | 2,992       | 3,285       |
| Sickness absence rate (in %)                   | 5.53        | 6.30        | 5.80        | 5.47        | 6.03        | 5.79        | 5.97        | 5.64        |
| Lost time injury rate per million hours worked | 21.0        | 14.2        | 13.0        | 20.3        | 16.9        | 17.8        | 16.4        | 18.3        |
| Number of shareholders                         | 969         | 970         | 968         | 969         | 970         | 968         | 969         | 969         |
| Average number of shares                       | 129 541 284 | 129 541 284 | 129 541 284 | 129 541 284 | 129 541 284 | 129 541 284 | 129 541 284 | 129 541 284 |

\* The table shows changes since last quarter.

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

## Director's report

- Operating revenues in the third quarter was NOK 1,886 million (1,521) and operating profit NOK 114.4 million (95.5).
- After three quarters, the accumulated operating revenue was NOK 5,299.3 million (4,749.3) and the operating profit NOK 278.0 million (29.4).
- The integration of Moelven Sør-Tre AS, Moelven Granvin Bruk AS and Eco Timber AS, is going according to plan.

### Highlights

As usual, the third quarter has been a period of good seasonal demand for the Group's goods and services. The demand for industrial timber produced by the Timber companies together with the combined units in Wood, has been good and at satisfactory prices. However, total production and competition in the market are rising. This, combined with the fact that prices for sawlogs, particularly in Sweden, rose substantially, has put the margins for the timber-consuming units under pressure during the end of the period. The demand for timber-based building products produced by the Wood division companies has been good. The products are sold mainly on the Scandinavian market where restoration, conversion and extension activity (ROT) have helped keep up demand during a period of reduced new building activity. The building system division obtains the majority of its orders from the non-residential market in Norway and Sweden. The market situation for the division's Swedish units has improved and is the main reason for the improved profit. The situation for some of the Norwegian units remains more challenging.

Moelven has terminated the timber purchase cooperation agreement with AB Karl Hedin and Bergkvist-Insjön AB in Sweden through the Weda Skog AB company. Moelven's holding in Weda Skog AB is 50 percent. The reasons for terminating the cooperation are the changes in the timber market and changes in the timber purchasing requirements by the parties involved. MBL negotiations (bargaining under the Co-Determination Act) at Weda Skog AB were concluded on 22 September and company activities will be wound down or partly continued in accordance with the owners' plans.

Moelven will put the main part of its future timber supply in Sweden over to the wholly-owned subsidiary Moelven Skog AB. Cooperation with Bergkvist-Insjön AB will be continued through Weda Skog AB in the Dalarna-Härjedalen-Hälsingland region, where Moelven's holding will be 30 percent. The other 70 percent is owned by Bergkvist-Insjön AB.

The new project factory at Moelven Töreboda AB was officially opened in September. Over time, Moelven Töreboda has been concentrating more on custom tailoring rather than volume production. The new project factory is part of this strategy and will produce laminated beams that provide high flexibility with customisation in mind.

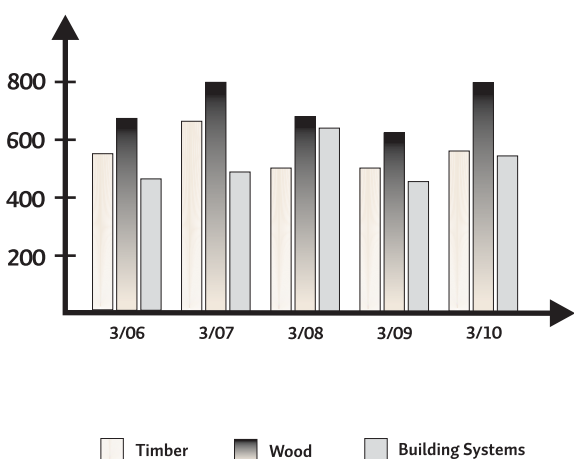
During the third quarter, Moelven Töreboda has delivered a 181.5-metre bridge to Solnabron in Stockholm. This is the largest timber bridge in Sweden so far, and solves the diversion of traffic at Tomtebodan in Solna where the E4 is under reconstruction. The laminated bridge from Töreboda has two lanes in each direction plus a pedestrian and cycling bridge on each side.

Moelven Våler AS has been fined NOK 1.5 million after an fatal accident in December 2009. Moelven Våler AS has accepted the fine and is focusing on ongoing preventive measures to ensure that no similar event is repeated in the future.

The company Moelven Massivtre AS, in which Moelven holds 47.2 percent has incoming orders that are below the volume required for profitable operation. Consequently, the Board of the company has decided to look for other partners that will take all or parts of the business forward. If no such partners are found, the company will be discontinued. In

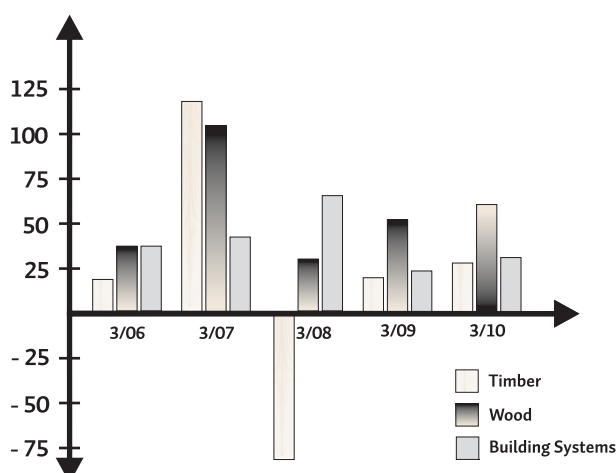
### Operating revenues

NOK mill.



### Operating profit

NOK mill.



spite of this, Moelven continues to have faith in solid wood as a building material and wants to continue offering solid wood in the future but based on traded elements.

## Operating revenues and profit

Operating revenues and operating profit in the third quarter totalled NOK 1,885.6 million (1,521.4) and NOK 114.4 million (95.5) respectively.

The accumulated operating revenues and operating profit were NOK 5,299.3 million (4,749.3) and NOK 278.0 million (29.4) respectively. The accumulated operating profit includes taking to income a reduction of NOK 22 million AFP (contractual pensions) obligations.

All three divisions improved their operating profit compared to the same period last year. The improvement is due to a combination of good operating conditions, improved margins based on implemented cost reduction measures, and a certain economic upswing and positive prices in individual markets. On an accumulated basis, the Timber and Wood divisions have made the greatest progress compared to last year. The reason for this is that during the first half of 2009, both divisions continued to be influenced by weak earnings following the financial crisis.

Ordinary pre-tax result for the three first quarters of the year, was NOK 245.8 million (4.2). Profit after tax and minority interests was NOK 179.2 million (3.0).

## Investments, balance and financing

Investments totalling NOK 83.0 million (37.8) were made in the third quarter.

Investment activity in the third quarter of 2009 was reduced in order to maintain an acceptable cash flow in a period where earnings were weak. The reductions related primarily to projects that could be postponed. From 2010, the investment activity returned to the level as described in the Group's strategic plan, and several larger investment projects

are completed during the year. For the first three quarters of the year, accumulated investments amounted to NOK 186.9 million (172.3). In addition to ordinary investments, the acquisition of businesses in the second quarter has led to an increase of NOK 52 million in the Group's fixed assets and a NOK 32 million capitalisation of goodwill.

At the end of the quarter, the total booked assets of the Group stood at NOK 4,139.5 million (3,365.9). The increase as a result of acquisitions made was NOK 218 million. A higher level of activity has meant that project holdings, stock levels, and receivables base are higher than at the same time last year.

A little less than half of the Group's assets are booked in Swedish kroner and the Group's balance sheet total will therefore vary with the exchange rate between NOK and SEK. The change from 0.83 as of 30.09.2009 to 0.87 as of 30.09.2010 has given an increase of about NOK 88 million in the balance sheet.

Cash flow from operations in the third quarter was NOK 264.4 million (338.7), equivalent to NOK 2.04 per share (2.61). Accumulated, the cash flow from operations was minus NOK 115.0 million (plus 307.7), corresponding to minus NOK 0.89 per share (plus 2.38). The cash flow reduction is due to the increase in capital tied up in stocks, receivables, and projects. Cash flow from profit and loss items that are included as part of the operational activity improved when compared to last year.

Net interest-bearing liabilities were NOK 766.2 million (460.8) at the end of the third quarter. The liquidity reserve fell to NOK 687.2 million (894.3). The main reasons for this are the company acquisitions in the second quarter, more capital tied up and a stronger Swedish krona. The largest part of the Group's liabilities are in Swedish kroner and consequently, a strengthening of the Swedish krona will mean higher utilisation of the total borrowing limit measured in Norwegian kroner.

| Divisions                    | NOK mill. | 3rd Quarter    |                |                | Nine months    |                |                | Total          |                |
|------------------------------|-----------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
|                              |           | 2010           | 2009           | 2008           | 2010           | 2009           | 2008           | 2009           | 2008           |
| <b>Operating revenues</b>    |           |                |                |                |                |                |                |                |                |
| <b>Timber</b>                |           | 561.0          | 495.0          | 499.0          | 1,799.5        | 1,606.2        | 1,912.7        | 2,166.8        | 2,472.4        |
| <b>Wood</b>                  |           | 799.6          | 616.9          | 674.1          | 2,041.7        | 1,725.1        | 2,084.8        | 2,227.4        | 2,634.0        |
| <b>Building Systems</b>      |           | 545.7          | 445.1          | 633.2          | 1,565.9        | 1,465.0        | 2,112.6        | 1,933.0        | 2,748.0        |
| Laminated Timber             |           | 126.7          | 107.2          | 139.8          | 338.3          | 287.6          | 407.9          | 397.1          | 524.1          |
| Electrical installations     |           | 94.5           | 92.6           | 107.4          | 285.9          | 287.5          | 327.1          | 397.5          | 435.5          |
| Modular Buildings            |           | 199.1          | 107.3          | 217.3          | 532.5          | 421.7          | 821.3          | 513.0          | 1,030.7        |
| Modular System Interiors     |           | 133.1          | 144.4          | 175.0          | 431.8          | 482.4          | 577.6          | 644.8          | 784.3          |
| <b>Others/Eliminations</b>   |           | -20.7          | -35.6          | -26.3          | -107.8         | -47.0          | -176.5         | -79.4          | -196.7         |
| <b>The Group</b>             |           | <b>1,885.6</b> | <b>1,521.4</b> | <b>1,780.0</b> | <b>5,299.3</b> | <b>4,749.3</b> | <b>5,933.6</b> | <b>6,247.8</b> | <b>7,657.7</b> |
| <b>Operating profit/loss</b> |           |                |                |                |                |                |                |                |                |
| <b>Timber</b>                |           | 29.5           | 19.9           | -80.8          | 117.3          | -34.6          | -62.2          | 12.7           | -143.3         |
| <b>Wood</b>                  |           | 58.5           | 50.9           | 27.9           | 117.5          | 23.9           | 93.5           | 43.2           | 80.3           |
| <b>Building Systems</b>      |           | 33.4           | 23.8           | 65.4           | 67.4           | 54.6           | 184.5          | 61.4           | 235.1          |
| Laminated Timber             |           | 6.2            | 6.4            | 16.2           | 10.7           | 6.5            | 32.6           | 4.0            | 38.5           |
| Electrical installations     |           | 0.6            | 2.1            | 1.7            | 6.1            | 6.9            | 6.1            | 9.0            | 8.5            |
| Modular Buildings            |           | 15.9           | 2.5            | 24.6           | 28.1           | 7.5            | 82.1           | 1.5            | 94.2           |
| Modular System Interiors     |           | 10.7           | 12.8           | 22.9           | 22.5           | 33.7           | 63.7           | 46.9           | 93.9           |
| <b>Others</b>                |           | -7.0           | 0.9            | -6.4           | -24.2          | -14.5          | -18.2          | -26.2          | -27.4          |
| <b>The Group</b>             |           | <b>114.4</b>   | <b>95.5</b>    | <b>6.1</b>     | <b>278.0</b>   | <b>29.4</b>    | <b>197.6</b>   | <b>91.1</b>    | <b>144.7</b>   |

Equity has been valued on a going concern assumption and, at the end of the third quarter stood at NOK 1, 881.2 million (1,643.5). This is equivalent to NOK 14.52 (12.69) per share. Equity ratio was 45.4 percent (48.8).

## Divisions

### Timber

Operating revenues in the third quarter was NOK 561.0 million (495.0). Operating profit was NOK 29.5 million (19.9). Operating revenues for the first three quarters of the year were NOK 1,799.5 million (1,606.2) and operating profit NOK 117.3 million (34.6 loss).

The accumulated operating profit includes the posting of NOK 5 million as income from the reduced AFP obligation.

The demand for industrial timber was good during the third quarter but price levels are no longer rising. This is because an increased total production has meant there is no longer a shortfall in industrial timber in the market. The supply of raw materials has been satisfactory but the prices for sawlogs have risen. In some regions, this has meant margins are too low for the business to live with over time. Throughout the third quarter, operating conditions have been good and in combination with the efficiency measures introduced, this has contributed to an improved profit.

The reorganisation of raw material dry sorting and trimming line at Moelven Nössemark AB was completed and implemented according to plan.

### Wood

Operating revenues in the third quarter was NOK 799.6 million (616.9). The operating profit was NOK 58.5 million (50.9). Operating revenues for the first three quarters was NOK 2,041.7 million (1,725.1) and the operating profit NOK 117.5 million (23.9).

The accumulated operating profit includes the posting of NOK 9 million as income from the reduced AFP obligation.

The demand for wood-based building products has been normally good for the season and the price levels have been acceptable. Interior material trends show signs of moving towards greater use of wood. This applies in particular to the use of pine for surface-treated interior products. The supply of raw materials, both in the form of sawlogs for the combined units and industrial timber for the planing mills, has been satisfactory. However, the cost of raw materials, for sawlogs in particular, has been rising and is leading to pressure on the combined unit margins. The profit in the third quarter includes the results from the new companies Moelven Sør-Tre AS, Moelven Granvin Bruk AS, and Eco Timber AS from the date of take-over on 20 May.

The operating conditions in the third quarter have generally been good. The profit improvement compared with last year is mainly due to improved operations in the individual plants and a positive effect on profits provided by the new companies acquired.

The reconstruction of two storage buildings at Moelven Østerdalsbruket AS has been completed after their fire last winter. The company has also commenced investment in new timber log intake facilities.

Moelven Valåsen Wood AB has started up a new surface coating line for external cladding and a new plant for briquette production. The briquette production means that all dry shavings from the planing mill will now be delivered as raw material for briquette production.

## Building Systems

Operating revenues for the third quarter was NOK 545.7 million (445.1). The operating profit was NOK 33,4 million (23.8). The accumulated operating revenues was NOK 1,565.9 million (1,465.0) and the operating profit NOK 67.4 million (54.6). The accumulated operating profit includes the posting of NOK 7 million as income from the reduced AFP obligation.

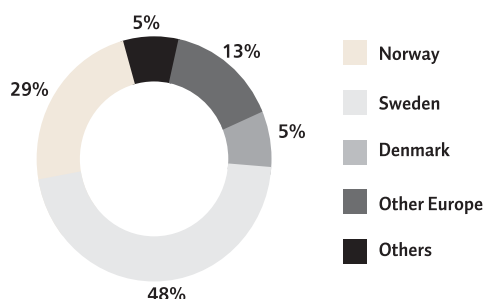
In general, the Swedish part of the division's activities experienced an improved market situation because of economic upswing. From a situation where activities in the ROT (restoration, conversion and extension) market have been the main driving force, one is now also seeing an increase in new-build activity in the residential segment. In Norway, as far as new-build is concerned, the market continues to be dormant. The companies' activity level therefore largely depends on the ROT market.

Improvement in the residential segment is being noted principally by the module companies in Sweden that now have a satisfactory order stock balanced to current production capacity. On the Norwegian side, one is more dependent on large individual orders. The order backlog is shorter than for the Swedish units but capacity utilisation is presently satisfactory.

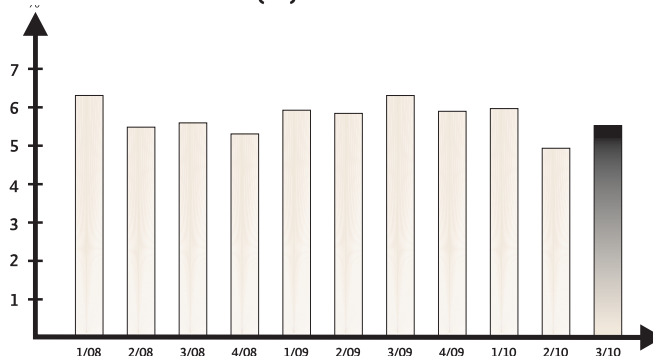
The interior companies have adjusted capacity and cost levels to the prevailing market conditions. The companies have also been successful in their marketing strategy to increased market shares in a reduced total market. In summary, the results are satisfactory in the present market situation.

Part of the glulam companies' business is directed at the building trade and they have benefited from a good level of activity in the ROT market. The inflow of new project orders has been unstable. A solid market position within laminated timber bridges in both Norway and Sweden has however made a positive contribution.

## Sales By Market Area 3 Quarters



## Sickness absence rate (%)



For a long time, the electrical business has achieved a strong position in the service market and has a satisfactory order backlog.

## Other businesses

In addition to the holding company Moelven Industrier ASA, this business division includes the common services timber acquisition, bio-energy, new development, economics, finance, insurance, IKT [information and communication technology], communications, and HR. This field also covers some smaller, operational activities and assets that do not come within the Group's core activity. At the end of the third quarter there was a total of 97 (96) employees of which 27 (26) were women. 46 (47) work in Sweden and 51 (49) in Norway.

Operating revenues in this field in the third quarter was NOK 365 million (195.9) and the operating result was a deficit of NOK 6.9 million (minus 0.8). The operating result for the third quarter 2009 included a positive one-off effect from taking earlier provisions to a captive reserve of NOK 6 million as income.

Accumulated operating revenues was NOK 1,282.4 million (700.1) with an operating loss of NOK 24.2 million (minus 14.5).

Accumulated operating result for 2010 includes the posting of NOK 1 million as income from the reduced AFP obligation.

## Employees

The overall rate of sick leave in the third quarter was 5.53 percent (6.3) or 13,974 (9,443) full working days. Total absence in the first three quarters of the year was 5.47 percent (6.03) or 27,833 (31,235) full working days. In total, 146,100 (140,640) workdays were worked during the third quarter and 485,163 workdays (487,878) during the first three quarters altogether. Long-term absences accounted for 2.87 percent (3.59) in the third quarter and 2.88 percent (3.24) on an accumulated 2010 basis. Short-term absences in the third quarter were 2.65 percent (2.70) and 2.59 percent (2.79) on an accumulated basis.

Moelven's target for absences through sickness in the Group shall not exceed 5 percent overall. Several units, and at times also divisions, have scored below this. Apart from being a burden on individual employees, absence through sickness represents a substantial cost. A change of one percentage point in absences amounts to around NOK 25 million for the Group on an annual basis.

The number of injuries to persons with resulting absences from work during the quarter was 23 (15) and 74 (62) for the

three first quarters of the year. This is equivalent to 21.0 (14.2) absences through injury per million hours worked, and 20.3 (16.9) accumulated.

The frequency of injury stands at an unacceptable high level and efforts made to reduce this are given high priority in all of the Group's companies. The aim is to half the H1 value from today's level in the course of two years. After a drop in the second quarter, the frequency of injury has risen again in the third quarter. Reporting injuries, near misses and dangerous situations using the fPortal reporting system has given increased understanding of injury causes and has facilitated the planning of targeted measures. Investment in modern safety equipment and physical protection has been going on for a long time. In addition to physical protection, considerable emphasis is being given to building attitudes and to measures that focus on and demonstrate that safety has high priority.

At the end of the third quarter, the Group had a total of 3,187 (3,064) employees. A total of 1,818 (1,711) of these are employed in Norwegian companies, 1,316 (1,305) in Swedish, 41 (37) in Danish and 12 (11) in companies in other countries. There are 302 (289) women and 2,885 (2775) men employed.

## International Accounting Standards (IFRS)

The IFRS figures presented are unaudited comparative figures that show what the main effect of IFRS reporting would be. The greatest differences when compared with NGAAP arise as a result of the treatment of pension obligations, financial instruments and dividends. The effects of financial instruments are unrealised gains and losses that will vary in accordance with the market valuation of the financial instruments at the time of reporting. At the end of the third quarter, the market valuation of financial instruments showed an unrealised loss of NOK 26.3 million. This produces a posting to income in the second quarter of NOK 3.0 million. The market valuation for the first three quarters of the year gives a posting to income of NOK 3.6 million.

The main aim of Moelven's hedging policy is to eliminate as far as possible the financial risks so that it is the core business rather than financial transactions that serve as the basis for profitability.

## Outlook

For normal seasonal reasons, building activity falls off in the fourth quarter. This coincides with the fact that availability of industrial timber from Nordic producers has increased, which

| IFRS                              | NOK mill. | 3rd Quarter |         |         | Nine months |         |         | Total   |         |
|-----------------------------------|-----------|-------------|---------|---------|-------------|---------|---------|---------|---------|
|                                   |           | 2010        | 2009    | 2008    | 2010        | 2009    | 2008    | 2009    | 2008    |
| <b>Profit and Loss Account</b>    |           |             |         |         |             |         |         |         |         |
| EBITDA                            |           | 171.1       | 145.5   | 54.7    | 435.0       | 174.6   | 341.3   | 296.6   | 352.0   |
| EBIT                              |           | 116.0       | 96.0    | 7.3     | 279.6       | 30.9    | 201.5   | 96.0    | 156.0   |
| Result before tax                 |           | 104.8       | 119.3   | - 24.7  | 251.1       | 91.4    | 162.5   | 146.0   | 5.8     |
| <b>Balance Sheet</b>              |           |             |         |         |             |         |         |         |         |
| Change in 3 <sup>rd</sup> Quarter |           |             |         |         |             |         |         |         |         |
| NOK mill.                         |           |             |         |         |             |         |         |         |         |
|                                   |           | 2010        | 2009    | 2008    | 2010        | 2009    | 2008    | 2009    | 2008    |
| Equity                            |           | 104.7       | 79.8    | - 12.4  | 1,848.7     | 1,606.0 | 1,663.6 | 1,632.6 | 1,601.3 |
| Total assets                      |           | -126.2      | - 289.1 | - 222.6 | 4,179.3     | 3,367.2 | 3,820.0 | 3,266.8 | 3,580.4 |
| Equity ratio                      |           | 3.7         | 6.0     | 2.1     | 44.2        | 47.7    | 43.5    | 50.0    | 44.7    |

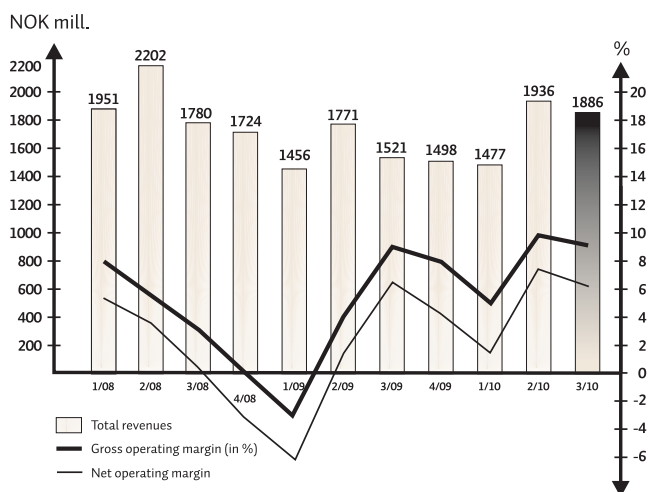
## Changes in total equity for the Group

| NOK mill.                         | Change in 3rd Quarter |         |         | Per 30.09.     |         |         | Per 31.12.     |         |
|-----------------------------------|-----------------------|---------|---------|----------------|---------|---------|----------------|---------|
|                                   | 2010                  | 2009    | 2008    | 2010           | 2009    | 2008    | 2009           | 2008    |
| <b>Opening balance</b>            | <b>1,780.4</b>        | 1,585.6 | 1,696.7 | <b>1,648.7</b> | 1,696.7 | 1,569.7 | <b>1,696.7</b> | 1,569.7 |
| Profit/Loss                       | 72.9                  | 64.0    | - 2.6   | 179.2          | 3.0     | 124.9   | 40.2           | 81.2    |
| Foreign currency translation etc. | 27.9                  | - 6.1   | 5.0     | 53.3           | - 56.2  | 4.5     | -67.5          | 45.8    |
| Provisions for dividend           | 0.0                   | 0.0     | 0.0     | 0.0            | 0.0     | 0.0     | -20.7          | 0.0     |
| Changes for year/Period           | <b>100.8</b>          | 57.9    | 2.4     | <b>232.5</b>   | - 53.2  | 129.4   | <b>-48.0</b>   | 127.0   |
| <b>Total equity NGAAP</b>         | <b>1,881.2</b>        | 1,643.5 | 1,699.1 | <b>1,881.2</b> | 1,643.5 | 1,699.1 | <b>1,648.7</b> | 1,696.7 |
| IFRS effects                      |                       |         |         | -32.5          | - 37.5  | - 35.5  | -16.1          | - 95.4  |
| <b>Total equity IFRS</b>          |                       |         |         | <b>1,848.7</b> | 1,606.0 | 1,663.6 | <b>1,632.6</b> | 1,601.3 |

## Cash Flow Statement

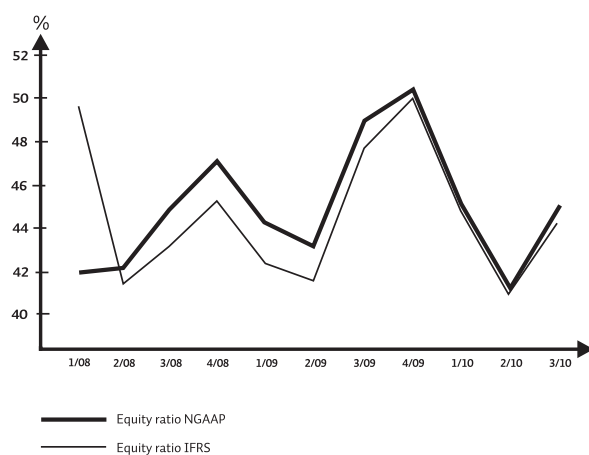
| NOK mill.                           | Change in 3rd Quarter |         |         | Nine months  |         |         | Total        |         |
|-------------------------------------|-----------------------|---------|---------|--------------|---------|---------|--------------|---------|
|                                     | 2010                  | 2009    | 2008    | 2010         | 2009    | 2008    | 2009         | 2008    |
| Net cash flow from operations       | 264.4                 | 338.7   | 471.6   | -115.0       | 307.7   | 96.8    | 441.1        | 214.5   |
| Cash from operating result          | 162.4                 | 128.9   | 52.4    | 386.2        | 130.2   | 325.5   | 248.0        | 334.4   |
| Cash flow from working capital      | 101.9                 | 209.8   | 419.2   | -501.2       | 177.5   | - 228.7 | 193.1        | - 119.9 |
| Cash flow from/to investments       | -80.4                 | - 37.2  | - 92.3  | -271.0       | - 171.6 | - 219.6 | - 211.8      | - 332.5 |
| Cash flow from/to financing         | -184.1                | - 318.1 | - 401.2 | 361.1        | - 112.6 | 63.0    | -188.6       | 70.1    |
| <b>Net cash flow for the period</b> | <b>-0.1</b>           | - 16.6  | - 21.9  | <b>-24.8</b> | 23.5    | - 59.8  | <b>40.7</b>  | - 47.9  |
| Liquid funds                        | -0.1                  | - 16.6  | - 21.9  | 45.7         | 53.3    | 17.9    | 70.5         | 29.8    |
| Unutilised credit facilities        | 169.5                 | 312.0   | 201.8   | 641.5        | 841.0   | 736.6   | 918.0        | 752.2   |
| <b>Available liquid funds</b>       | <b>169.4</b>          | 295.4   | 179.9   | <b>687.2</b> | 894.3   | 754.5   | <b>988.5</b> | 782.0   |

## Revenues and margins



Quarterly in 2008 - 2010

## Equity ratio



Quarterly in 2008 - 2010

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is assumed to affect pricing trends negatively in several markets. Combined with a rise in sawlog prices earlier in 2010, this will give significantly reduced margins in the sawmill division Timber in the fourth quarter and in the beginning of 2011.

The market fluctuations in the building product division Wood are less and it is mainly the normal seasonal changes in demand that will affect earnings.

All timber-consuming units are expected to have a good supply of raw materials in most regions, at least until summer 2011.

The building system division is noticing increasing market

activity, primarily in the Swedish market. The commencement of new projects combined with a certain amount of time for implementation, suggests that the division will improve their order book throughout the winter, even if there are uncertainties about the effect of this for the individual production unit.

The Board expects a positive result in the fourth quarter but somewhat weaker than the previous year. For the year overall, profits are expected to be satisfactory.

Board of Moelven Industrier ASA  
Moelv, 21 October 2010

## About Moelven

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

The sawmills in the Timber division supply sawn timber products to businesses in Scandinavia and the rest of Europe. Customers use the products as elements in their own production processes. In addition, chippings and bark products are delivered to and used in the pulp & paper, particle board and bio-energy industries. The processing companies in the Wood division supply the retail chains in Scandinavia with a wide range of construction and interior products. An important competitive advantage is the Wood division's efficient and rational distribution system that can offer customers quick and accurate deliveries from a wideranging product assortment. The businesses in the Building Systems division supply flexible system interiors for interior walls, modular

buildings, electrical installations and load-bearing glulam constructions for project customers, primarily in Norway and Sweden. The division is heavily committed to developing concepts and systems together with customers and experts within the fields of architecture, design and construction

The Group consists of a total of 49 separate business units in Norway, Sweden and Denmark with a total of 3 175 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). Private individuals own most of the remaining 0.4 per cent.

## Moelven supplying quality rooms

More information:

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