



# Quarterly Report 1/2018

*Grilstad Marina, Havseilerveien, Trondheim.  
Untreated cedarwood facades delivered by Moelven Wood Prosjekt AS.  
Photo: Matthias Christoph Herzog.*

Amounts in NOK million	First quarter		12 months	
	2018	2017	2017	2016
Operating revenues	2,717.6	2,677.5	10,768.4	10,309.7
EBITDA	160.1	168.2	716.1	601.6
Gross operating margin/EBITDA	5.9 %	6.3 %	6.6 %	5.8 %
Depreciation and impairment	71.0	66.8	295.7	306.6
Operating profit	89.1	101.4	420.4	295.0
Net operating margin/EBIT	3.3 %	3.8 %	3.9 %	2.9 %
Value change of financial instruments to fair value	34.0	-4.1	-4.7	14.6
Profit before tax	83.6	80.9	373.6	252.5
Profit per share in NOK	0.50	0.48	2.26	1.41
Cash flow from operational activities, in NOK per share	-1.72	-0.68	5.22	3.25
Equity	2,092.6	1,888.6	2,092.5	1,813.4
Equity ratio (i %)	39.7 %	36.4 %	41.5 %	38.0 %
Total assets	5,271.4	5,183.0	5,044.6	4,766.8
Investments	108.7	60.3	357.0	275.2
Return on capital employed in per cent, 12 month rolling *	13.6 %	12.3 %	14.2 %	7.2 %
Capital employed *	3185.2	3,075.8	2,884.4	2,846.9
Net interest bearing liabilities	1,092.1	1,170.1	761.7	1,026.9
Operating working capital	2,444.7	2,404.0	2,071.5	2,082.2
Total number of employees	3,560	3,518	3,546	3,492
Sick leave percentage	6.3 %	5.8 %	5.6 %	5.6 %
Frequency of accidents with absence, rolling LTI value	12.3	12.7	12.4	12.8
Number of shareholders	901	934	901	934
Average number of shares (mill)	129.5	129.5	129.5	129.5

- Operating revenues in the first quarter increased to NOK 2,717.6 million (2,677.5 million).
- The operating profit decreased to NOK 89.1 million (NOK 101.4 million).
- The Group's rate of return on capital employed improved to reach 13.6 per cent (12.3).
- Good international demand for sawn timber.
- Delivery volumes to the building materials trade were somewhat lower than normal.
- Satisfactory activity level in Building Systems.
- Continued unacceptably high injury rate.

## In brief

Interest in sustainable and climate-smart solutions is contributing to increase demand for wood as a building material. This in turn is an important cause of the strong demand for sawn timber on the international market. For the Group's export-oriented units, which mainly are a part of the Timber division, the currency situation continues to maintain good competitiveness in the export markets. Activity in the building materials trade in Scandinavia, which is the Wood division's main market, was somewhat lower than expected in the first quarter. Beyond a normal seasonal decline, this is

also due to many regions having more snow and cold weather than for a long time. In addition, the underlying general activity level is somewhat reduced compared to the first quarter of 2017. In the winter season a decrease in activity levels for the project business in the Building Systems division is normal, but here as well this year's low season has been somewhat quieter than usual. Activity levels in housing construction remain high, but have approached a more normal level. Access to sawlogs has been satisfactory in the period, although large amounts of snow have posed certain logistics challenges in certain regions. Sawlog inventories at the end of the quarter were generally somewhat higher than at the same time last year, and were satisfactory with regard to the existing production plans. The prices for sawlogs were higher than for the corresponding period in 2017. For the Norwegian units the prices for wood chip and fiber products increased somewhat compared to the first quarter last year, while prices in Sweden were on level with the previous year.

## **Operating revenues and results**

Operating revenues increased compared to the same period last year as a result of good activity levels in Timber and increased market prices for sawn timber products. The operating profit for the Group as a whole nevertheless decreased somewhat as a result of reduced margins and volumes in Wood and Building Systems.

The FIFO principle requires that inventory calculations are adjusted in line with developments in raw material costs. Along with an update of real value assessments of inventory, this has provided a positive effect totalling NOK 11.5 million in the quarter (7.0). The items do not have any impact on cash flow.

The Group employs financial instruments as a hedge against short-term fluctuations in foreign exchange rates, interest rates and power prices. Non-cash items connected to fair value adjustments on unrealised hedging instruments comprised NOK 34.0 million for the quarter (minus 4.1 million). The amount includes basis swap effects of NOK 26.3 million (minus 2.6 million). Basis swaps are hedging instruments that when viewed for the entire term have a market value change equalling zero, and where the accounting effect therefore is reversed over time.

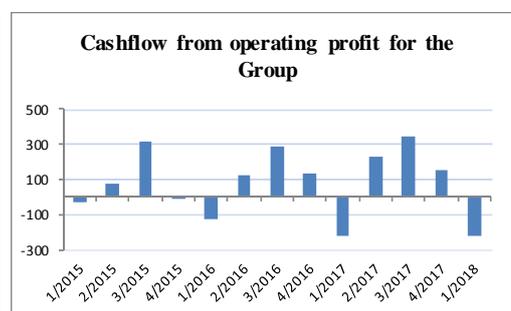
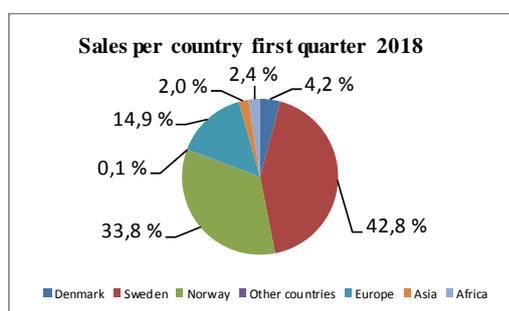
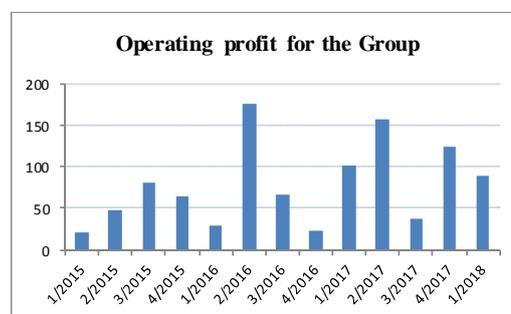
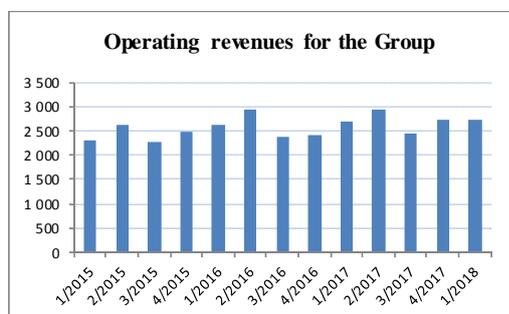
Amounts in NOK million	First quarter		12 months	
	2018	2017	2017	2016
<b>Operating revenues</b>				
Timber	834.0	784.7	3,118.2	3,020.6
Wood	893.5	916.3	3,805.6	3,529.9
Building Systems	968.6	992.6	3,856.4	3,616.8
Other businesses	912.9	961.1	3,414.6	3,388.9
<i>Internal</i>	-891.5	-977.2	-3,426.4	-3,246.5
<b>The Group</b>	<b>2,717.6</b>	<b>2,677.5</b>	<b>10,768.4</b>	<b>10,309.7</b>

#### EBITDA

Timber	90.3	61.9	266.9	181.1
Wood	29.5	57.0	265.7	274.5
Building Systems	48.5	54.9	206.7	166.3
Other businesses	-8.2	-5.5	-23.2	-20.3
<b>The Group</b>	<b>160.1</b>	<b>168.2</b>	<b>716.1</b>	<b>601.6</b>

#### Operating Profit

Timber	65.8	36.9	146.7	53.5
Wood	2.1	29.7	154.8	160.6
Building Systems	32.5	42.9	153.9	115.1
Other businesses	-11.3	-8.1	-34.9	-34.2
<b>The Group</b>	<b>89.1</b>	<b>101.4</b>	<b>420.4</b>	<b>295.0</b>



## Investments, balance sheet and funding

During the first quarter, total investments were NOK 108.7 million (NOK 60.3 million). Investments in 2018 will increase compared to 2017. This is mainly a consequence of the investment programme in the Group's current strategy plan. Depreciation in the quarter was NOK 71.0 million (NOK 66.8 million).

At the end of the first quarter, the book value of the Group's total assets was NOK 5,271.4 million (NOK 5,183.0 million).

Cash flow from operating activities in the first quarter was minus NOK 223.3 million (minus NOK 87.7 million), corresponding to minus NOK 1.72 per share (minus NOK 0.68). The change compared to the same period last year is due to natural fluctuations in the working capital items, in addition to marginally impaired earnings. Cash flow from working capital items was minus NOK 355.3 million (minus NOK 231.5 million).

Net interest-bearing liabilities were NOK 1,092.1 million (NOK 1,159.9 million) at the end of the quarter. Financial leases are included in net interest-bearing liabilities in the amount of NOK 19.8 million (NOK 22.3 million). The liquidity reserve was NOK 792.8 million (NOK 737.6 million). In the Group's main financing the available loan facility varies in time with the natural fluctuations in the Group's tied-up capital through the year.

Equity at the end of the quarter amounted to NOK 2,092.6 million (NOK 1,888.6 million), equivalent to NOK 16.15 (NOK 14.58) per share. The equity ratio was 39.7 per cent (36.4 per cent). The proposed dividend for 2017 of NOK 0.68 per share, totalling NOK 88.1 million, will, assuming approval at the Annual General Meeting on 25 April, be charged to equity in the second quarter. 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 first quarter, exchange rate fluctuations resulted in an unrealised change in equity of minus NOK 66.0 million (NOK 9.9 million). Approximately half of the Group's assets are recognized in SEK. The total assets thus also change based on the exchange rate. The equity ratio in percent is therefore less impacted by exchange rate fluctuations than the nominal equity.

## Divisions

### Timber

Amounts in NOK million	First quarter		12 months	
	2018	2017	2017	2016
Sales to external customers	693.1	613.9	2,499.5	2,410.6
Sales to internal customers	140.9	170.8	618.8	610.0
Operating revenues	834.0	784.7	3,118.2	3,020.6
Depreciation and impairment	24.5	25.0	120.3	127.6
Operating profit	65.8	36.9	146.7	53.5
Operating margin in per cent	7.9 %	4.7 %	4.7 %	1.8 %
Net operating capital (% of operating revenues)	16.0 %	16.9 %	17.5 %	16.3 %
Total assets	1,587.5	1,562.7	1,545.5	1,567.1
Equity	777.7	772.7	752.7	787.8
Capital employed	989.5	1,011.7	988.6	1,093.7
Return on capital employed in per cent, 12 month rolling	17.1 %	7.9 %	14.3 %	4.6 %
Investments	19.9	22.6	99.2	64.2
Total number of employees	639	660	650	674

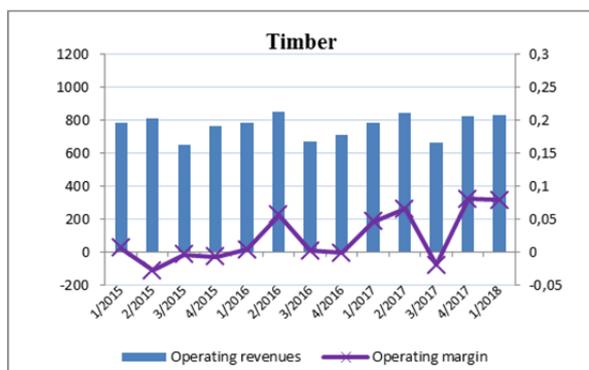
Demand on the Scandinavian home market was good in the first quarter, even though a cold and snowy winter has curbed activities among certain customer segments. On the international sawn timber market the increasing interest in wood as a building material continues to have a positive impact on demand. Combined with low finished goods inventories at producers, this has resulted in an increase in sawn timber prices. Activity levels and demand are also good in the Middle East, North-Africa and Asia. Delivery volumes were somewhat lower than in the first quarter of 2017. Among other things, this is due to there being one less production unit in the division in the first quarter of 2018 following the discontinuation of production at Moelven Norsälven AB in the fourth quarter of 2017. The currency situation continues to make a positive contribution to competitive ability in export markets.

The production volume in the first quarter was lower than for the same period last year. Besides the aforementioned discontinuation of Moelven Norsälven AB, this was largely due to the cold and snowy winter challenging production. This has in turn led to increased processing costs.

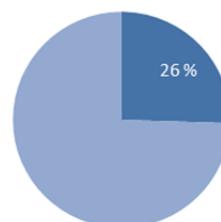
On March 30 there was a fire in the bioenergy plant at Moelven Valåsen AB. In the beginning of April a backup solution was in place, and production is now running as normal.

Access to sawlogs has been satisfactory in the period, although large amounts of snow have posed certain logistics challenges in certain regions. Sawlog inventories at the end of the quarter were somewhat higher than at the same time last year, and were satisfactory with regard to the existing production plans. The prices for sawlogs were higher than for the corresponding period in 2017. For the Norwegian units the prices for wood chip and fibre products increased somewhat compared to the first quarter last year, while prices in Sweden were on level with the previous year.

Due to price developments the profits for the quarter have seen a positive effect of a value adjustment to inventories totalling NOK 1.8 million. The corresponding adjustment in the first quarter of 2017 was NOK 1.2 million.



Timber's share of the Groups sale to external customers



## Wood

Amounts in NOK million	First quarter		6 months	
	2018	2017	2017	2016
Sales to external customers	849.4	867.5	3,623.9	3,359.7
Sales to internal customers	44.1	48.8	181.7	170.2
Operating revenues	893.5	916.3	3,805.6	3,529.9
Depreciation and impairment	27.4	27.3	110.9	113.8
Operating profit	2.1	29.7	154.8	160.6
Operating margin in per cent	0.2 %	3.2 %	4.1 %	4.5 %
Net operating capital (% of operating revenues)	33.7 %	32.8 %	27.4 %	27.6 %
Total assets	2,459.9	2,480.1	2,413.9	2,151.6
Equity	995.0	995.7	1,033.4	932.0
Capital employed	1,707.3	1,692.6	1,627.4	1,493.8
Return on capital employed in per cent, 12 month rolling	7.6 %	11.7 %	9.3 %	10.3 %
Investments	50.2	19.6	119.9	114.7
Total number of employees	1,089	1,054	1,079	1,039

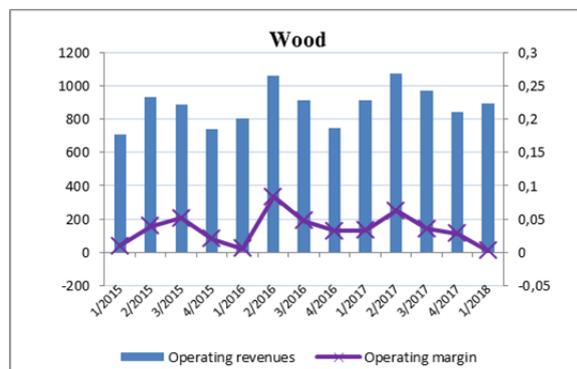
Due to a cold and snowy winter, the quarter developed somewhat weaker than expected. This particularly applies in Norway, where Easter also has a greater impact than elsewhere in Scandinavia. With the exception of exports of sawn timber products from the combined units, delivery volumes were lower than in the corresponding period in 2017, with the greatest decline in the building wood segment. Finished goods prices have increased compared to the first quarter of 2017. Further finished goods price increases that follow developments in international sawn timber prices have been announced and will come into force as of the second quarter. The winter has led to more challenging operating conditions than what has been common in recent years. As a result of this, operating costs have increased and productivity has been somewhat lower than in the corresponding period last year.

The planing mills in the division use mainly sawn timber as raw material. As a result of price trends for sawn timber internationally, the raw material costs for these units have increased, and this has led to a pressure on margins for highly processed goods.

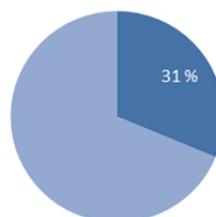
Access to sawlogs has been satisfactory in the period, although the large amounts of snow have posed certain logistics challenges in certain regions. Sawlog inventories at the end of the quarter were somewhat higher than at the same time last year, and were satisfactory with regard to existing production plans. The prices for sawlogs were higher than for the corresponding period in 2017. For the Norwegian units the prices for wood chip and fibre products increased somewhat compared to the first quarter last year, while prices in Sweden were on a par with the previous year.

Due to price developments the profits for the quarter have seen a positive effect of a price adjustment to inventories totalling NOK 9.7 million. The corresponding adjustment for the first quarter of 2017 was NOK 5.8 million.

There are still units with unsatisfactory earnings, and improvement work to bring these up to acceptable profitability levels will continue unabated.



Wood's share of the Groups sale to external customers



## Building Systems

Amounts in NOK million	First quarter		6 months	
	2018	2017	2017	2016
Sales to external customers	968.4	992.1	3,854.7	3,611.1
Sales to internal customers	0.2	0.4	1.7	5.7
Operating revenues	968.6	992.6	3,856.4	3,616.8
Depreciation and impairment	16.0	12.0	52.8	51.2
Operating profit	32.5	42.9	153.9	115.1
Operating margin in per cent	3.4 %	4.3 %	4.0 %	3.2 %
Net operating capital (% of operating revenues)	13.7 %	12.2 %	11.3 %	12.5 %
Total assets	1,855.2	1,764.8	1,808.9	1,653.2
Equity	799.2	739.2	798.0	692.2
Capital employed	891.6	822.7	884.1	775.6
Return on capital employed in per cent, 12 month rolling	16.2 %	15.8 %	17.8 %	21.8 %
Investments	34.3	12.7	118.9	84.5
Total number of employees	1,701	1,670	1,687	1,647

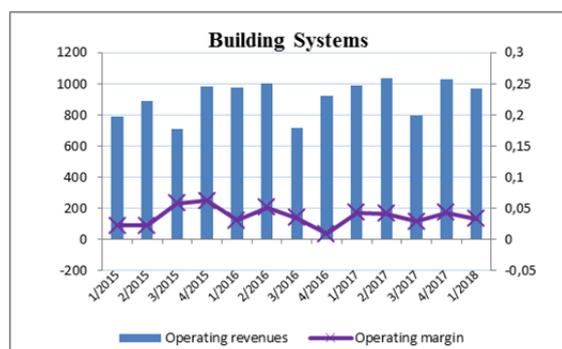
The reduction in operating revenues was mainly due to somewhat reduced activity in Glulam and Interior solutions. At the end of the quarter the order backlog for the division overall was NOK 162 million lower than at the same time in 2017, but still broadly based and at a satisfactory level.

For the glulam operations the first quarter has been characterized by lower activity for both standard glulam and projects. The Norwegian part of the business has also produced a lot for projects that have not yet been completed. In general the market situation is good, but the winter has led to a certain decline in activity levels and pushed back some project deliveries. The market prices are to a certain degree characterized by increased competition for market shares.

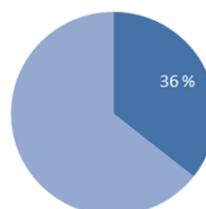
The Modular buildings business still has a good level of activity in all market segments in Norway and Sweden, even though certain projects have been pushed back in Sweden.

Moelven Modus – Building Interiors – is still experiencing a market that has satisfactory activity,

albeit with strong competition. This particularly applies in the large cities. In Sweden there has been increased establishment of competing companies, which has also contributed to further pressure on prices.



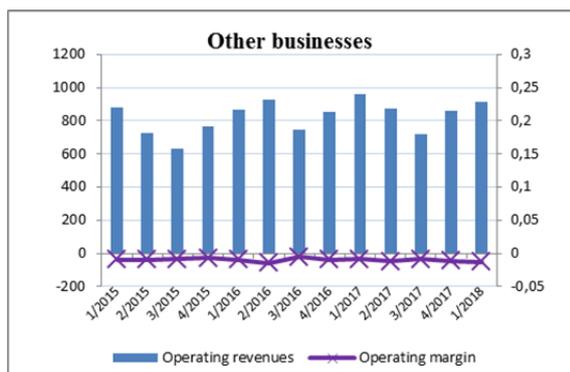
Building Systems's share of the Groups sale to external customers



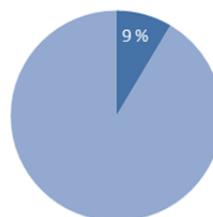
## Other Businesses

Amounts in NOK million	First quarter		12 months	
	2018	2017	2017	2016
Sales to external customers	232.2	225.0	875.7	1,006.9
Sales to internal customers	680.7	736.1	2,538.9	2,382.0
Operating revenues	912.9	961.1	3,414.6	3,388.9
Depreciation and impairment	3.1	2.6	11.7	13.9
Operating profit	-11.3	-8.1	-34.9	-34.2
Operating margin in per cent	-1.2 %	-0.8 %	-1.0 %	-1.0 %
Net operating capital (% of operating revenues)	4.9 %	4.9 %	1.4 %	4.9 %
Total assets	2,558.3	2,647.0	2,398.0	2,453.6
Equity	1,156.8	1,036.7	1,198.0	1,044.8
Capital employed	1,974.6	1,972.4	1,834.9	1,890.5
Return on capital employed in per cent, 12 month rolling	-0.5 %	-0.3 %	-0.4 %	-0.2 %
Investments	4.4	5.4	19.1	11.8
Total number of employees	131	134	130	132

Other businesses include Moelven Industrier ASA, with shared group services for finance, accounting, insurance, communications, HR and ICT. Sawlog supply and sales of wood chips and energy products are organised as a common function for the Group's timber processing industry and are included with the companies Moelven Skog AB, Moelven Virke AS, Vänerbränsle AB and Moelven Bioenergi AS. Fluctuations in operating revenues in the area of Other Businesses are largely due to the level of activity within timber supply and sales of wood chips and energy products. These are mainly internal sales, which do not materially affect the results within the business area. In order to safeguard the supply of sawlogs and market opportunities for wood chips and energy products in regions without local demand for pulp wood and wood chips, train solutions have been established for transport. The business is based on fixed agreements on both the customer and supplier side.



Other businesses's share of the Groups sale to external customers



## Employees

Employees	Per first quarter 2018				Per first quarter 2017			
	Male	Female	%Female	Total	Male	Female	%Female	Total
Timber	571	68	10.6 %	639	587	73	11.1 %	660
Wood	924	165	15.2 %	1,089	889	165	15.7 %	1,054
Building Systems	1,582	119	7.0 %	1,701	1,550	120	7.2 %	1,670
Other businesses	100	31	23.7 %	131	104	30	22.4 %	134
Total number of employees	3,177	383	10.8 %	3,560	3,130	388	11.0 %	3,518

Sickness absence rate in %	Per first quarter	
	2018	2017
Timber	5.05 %	4.35 %
Wood	5.95 %	5.44 %
Building Systems	7.23 %	6.74 %
Other businesses	3.71 %	3.39 %
The Group	6.32 %	5.80 %

LTI Value	Per first quarter	
	2018	2017
Timber	11.2	14.8
Wood	9.4	8.5
Building Systems	15.3	16.1
Other businesses	4.6	0.0
The Group	12.3	12.7

In the first quarter, absence due to illness was 6.3 per cent (5.8), where 2.6 per cent (2.1) represents long-term absence. Many of Moelven's businesses have sickness absence levels lower than the maximum target for 2018 of 4.5 per cent. Work is still being done to reduce sick leave for the Group as a whole to below the target level. Efforts, which include employee surveys, close follow-up of sickness absence and cooperation with the occupational health services, are particularly directed at those businesses with the highest sickness absence levels.

There were 22 (23) personal injuries with subsequent sick leave during the quarter. There has only been a slight reduction in the number of injuries, but the falling trend combined with more hours worked has resulted in the rolling 12 month LTI rate (number of personal injuries resulting in absence per million hours worked) being reduced to 12.3 at the end of the first quarter in 2018 compared to 12.7 at the same time in 2017. Moelven's ultimate goal for safety work is that no one is injured at work, and injury rates are thus still unacceptably high. HSE work has a high priority in the work of the board, the corporate management and the safety committee. Work on training and awareness-raising is constantly ongoing in order to establish a culture for safety at all levels. In employee surveys conducted in 2017 it emerged that there is a need for even more explicit leadership in safety work. For this reason, extra resources will be devoted for measures directed at employees with managerial responsibilities in 2018. All of Moelven's subsidiaries have completed the course "Clear HSE management" for everyone with operational and personnel responsibility, in addition to employee representatives and senior safety representatives.

## Outlook

The growth in the global economy is continuing. In Norway the mainland economy is approaching normal levels after a period of poor development. In Sweden activity levels remain high, even though the strong growth is levelling off in certain markets. The rest of Europe continues with a marginal positive growth rate. In the USA the economy is still improving, although the growth rate is somewhat lower than previously. Moelven has only occasional deliveries to the United States, but the Group nevertheless sees a positive effect from an improved global market balance. Growth in China is declining, while there are indications of higher activity in the rest of Asia. The Middle East and North Africa are still characterized by unrest that complicates international trade. However, the underlying demand is good in the latter markets.

Positive and stable developments in the international market for industrial timber are expected. The currency situation continues to contribute to maintain competitive ability in export markets, particularly for the Group's Swedish businesses where trading is in EUR or USD. Prices in GBP have increased, and thus compensate some of the margin shortfall as a result of the depreciation of the pound following the Brexit referendum.

In Norway demand for processed products is expected to remain on a par with 2017, albeit with regional differences. Building activity in and around the major cities, with the exception of south-west Norway, is expected to remain high. In Sweden the need for new homes remains high and activity in the new building market is strong, but growth is showing signs of levelling off. Activity in the renovation, conversion and extension market remains good. No major changes are expected in the markets, and the Swedish market is expected to be at the same level as 2017 overall.

Timber inventories and access to sawlogs at the start of the second quarter 2018 are acceptable with regard to planned production.

For glulam it is expected that the positive trend of choosing wood for load bearing structures will continue.

In both Norway and Sweden demand is good for module-based buildings for housing purposes. Demands toward short construction times are increasing. This applies equally to homes, schools and care facilities.

In Sweden the market for system interiors is strong in the areas around Stockholm, Gothenburg and Malmö. On the Norwegian side of the border the market in the Oslo region is strong. In the rest of the country the market for new commercial buildings is showing signs of improvement following a slow period. Good activity is expected to continue in Norway and Sweden in renovation, conversion and extension.

The Group's composition, with divisions that experience different impacts from economic fluctuations and units that operate in different markets, provides the Group with a good starting point for further improvements. For 2018 the board expects activity levels and results comparable to 2017. Return on capital employed, calculated on a 12 month rolling basis, was 13.6 per cent at the end of the first quarter. The Group has a long-term goal of a return on capital employed of 13 per cent over an economic cycle. Although the result for 2017 was 14.2 per cent, there is still potential to improve. The programme for operational improvement and structuring of the Group in line with the long-term strategy plan therefore continues unabated and will contribute to continued improved profitability for the underlying operations. The Board is of the opinion that the Group has adequate solvency and access to liquidity over the long term to develop the Group in line with the strategy plan.

## Summary quarterly accounts for the Moelven Group for the first quarter 2018

### *Earnings and comprehensive income*

Amounts in NOK million	First quarter		12 months	
	2018	2017	2017	2016
Operating revenues	2,717.6	2,677.5	10,768.4	10,309.7
Cost of goods sold	1,712.6	1,676.6	6,799.2	6,552.5
Payroll expenses	567.6	551.5	2,153.3	2,113.2
Depreciation and impairment	71.0	66.8	295.7	306.6
Other operating expenses	277.4	281.2	1,099.8	1,042.5
<b>Operating Profit</b>	<b>89.1</b>	<b>101.4</b>	<b>420.4</b>	<b>295.0</b>
Income from associates	0.0	0.0	0.0	0.0
Value change of financial instruments to fair value	34.0	-4.1	-4.7	14.6
Other financial income	7.0	2.6	16.2	32.4
Other financial expenses	46.5	18.9	58.3	89.4
<b>Profit before tax</b>	<b>83.6</b>	<b>80.9</b>	<b>373.6</b>	<b>252.5</b>
Estimate income tax	18.6	18.5	80.7	73.4
<b>Net profit</b>	<b>65.0</b>	<b>62.4</b>	<b>293.0</b>	<b>179.1</b>
Non-controlling interest share	0.0	0.2	-0.1	-4.1
Owner of parent company share	65.0	62.2	293.0	183.1
Earnings per share (in NOK)	0.5	0.5	0.0	1.4
Statement of comprehensive income				
Net profit	65.0	62.4	293.0	179.1
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	-0.9	-1.9
Income tax on items that are not reclassified to profit or loss	0.0	1.0	-0.2	-0.5
	0.0	0.0	-0.7	-1.4
<i>Items that may be reclassified subsequently to profit or loss</i>				
Translation differences	-66.0	9.9	40.9	-67.3
Proportion of other income and costs in associated companies	0.0	0.0	0.0	0.1
Other changes	1.1	2.9	8.1	4.4
Income tax on items that may be reclassified to profit or loss	0.0	0.0	0.0	0.0
	-64.9	12.8	49.0	-62.7
<i>Items that may be reclassified subsequently to profit or loss</i>				
Other comprehensive income, net of tax	-64.9	12.8	48.3	-64.1
<b>Total comprehensive income for the period</b>	<b>0.1</b>	<b>75.2</b>	<b>341.3</b>	<b>114.9</b>
Comprehensive income assigned to:				
Owners of parent company	0.1	75.0	341.4	118.9
Non-controlling interests	0.0	0.2	-0.1	-4.1

## Consolidated balance sheet

Amounts in NOK million	Per 31.03		Per 31.12	
	2018	2017	2017	2016
Intangible assets	74.3	74.1	76.6	72.8
Tangible fixed assets	1,721.8	1,639.1	1,762.5	1,637.2
Financial fixed assets	7.5	8.8	7.9	8.7
<b>Total fixed assets</b>	<b>1,803.5</b>	<b>1,722.0</b>	<b>1,847.1</b>	<b>1,718.7</b>
Inventory	1,557.3	1,617.0	1,384.7	1,464.1
Contract assets	165.6	140.7	278.9	121.8
Receivables	1,718.0	1,680.8	1,493.6	1,446.7
Liquid assets	27.0	22.5	40.4	15.6
<b>Total current assets</b>	<b>3,467.9</b>	<b>3,461.0</b>	<b>3,197.6</b>	<b>3,048.1</b>
<b>Total assets</b>	<b>5,271.4</b>	<b>5,183.0</b>	<b>5,044.6</b>	<b>4,766.8</b>
Share capital*	647.7	647.7	647.7	647.7
Other equity	1,444.9	1,240.9	1,444.8	1,165.7
<b>Total equity</b>	<b>2,092.6</b>	<b>1,888.6</b>	<b>2,092.5</b>	<b>1,813.4</b>
Provisions	238.0	199.2	242.9	180.6
Long term interest-bearing liabilities	1,055.4	1,177.0	782.8	910.2
Long term interest-free liabilities	6.2	6.5	6.3	6.5
<b>Total long term liabilities</b>	<b>1,299.6</b>	<b>1,382.7</b>	<b>1,031.9</b>	<b>1,097.4</b>
Short term interest-bearing liabilities	29.0	0.0	0.0	112.4
Contract liabilities	167.0	178.2	167.7	165.8
Short term liabilities	1,683.2	1,733.4	1,752.5	1,577.9
<b>Total short term liabilities</b>	<b>1,879.2</b>	<b>1,911.6</b>	<b>1,920.2</b>	<b>1,856.1</b>
<b>Total liabilities</b>	<b>3,178.8</b>	<b>3,294.4</b>	<b>2,952.1</b>	<b>2,953.4</b>
<b>Total liabilities and equity</b>	<b>5,271.4</b>	<b>5,183.0</b>	<b>5,044.6</b>	<b>4,766.8</b>

## 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 pr 1.1.2017	647.7	180.7	0.0	978.2	1,806.6	6.8	1,813.4
<b>Comprehensive income for the period</b>							
<b>Net profit</b>	0.0	0.0	0.0	62.2	62.2	0.2	62.4
<b>Other comprehensive income</b>							
Translation differences	0.0	0.0	0.0	9.9	9.9	0.0	9.9
Other changes	0.0	0.0	0.0	-0.1	-0.1	3.0	2.9
Actuarial gains (losses) on defined-benefit pension schemes	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Income tax on other comprehensive income	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>Other comprehensive income (net of tax)</b>	0.0	0.0	0.0	9.8	9.8	3.0	12.8
<b>Transactions with owners, entered directly against equity</b>							
Purchase of non-controlling interests	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Effect of acquisition	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Dividend to owners	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Share based payment transactions	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>Total transactions with owners</b>	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>Total as at 31.03.2017</b>	<b>647.7</b>	<b>180.7</b>	<b>0.0</b>	<b>1,050.2</b>	<b>1,878.6</b>	<b>10.0</b>	<b>1,888.6</b>
Total pr 1.1.2018	647.7	130.9	0.0	1,304.1	2,082.7	9.8	2,092.5
<b>Comprehensive income for the period</b>							
<b>Net profit</b>	0.0	0.0	0.0	65.0	65.0	0.0	65.0
<b>Other comprehensive income</b>							
Translation differences	0.0	0.0	0.0	-66.0	-66.0	0.0	-66.0
Other changes	0.0	0.0	0.0	1.1	1.1	0.0	1.1
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	0.0	0.0	0.0	0.0
<b>Other comprehensive income (net of tax)</b>	0.0	0.0	0.0	-64.9	-64.9	0.0	-64.9
<b>Transactions with owners, entered directly against equity</b>							
Purchase of non-controlling interests	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Effect of acquisition	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Dividend to owners	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Share based payment transactions	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>Total transactions with owners</b>	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>Total as at 31.03.2018</b>	<b>647.7</b>	<b>130.9</b>	<b>0.0</b>	<b>1,304.2</b>	<b>2,082.8</b>	<b>9.8</b>	<b>2,092.6</b>

## Consolidated statement of cash flow

Amounts in NOK million	Per 31.03.	
	2018	2017
<b>CASH FLOW FROM OPERATIONAL ACTIVITIES:</b>		
Net profit	65.0	62.4
<i>Adjustments to reconcile net profit with net cash flow from operations:</i>		
Depreciation	71.0	66.8
Impairment	0.0	0.0
Income from associated companies	0.0	0.0
Tax paid	-14.9	-9.0
Unpaid pension costs entered as costs and unreceived pension funds entered as income	0.0	0.9
Loss (profit) on sale of fixed assets	0.0	-0.1
Net value change of financial instruments to fair value	-7.7	4.1
Income tax	18.6	18.5
<i>Changes in operating assets and liabilities:</i>		
Changes in inventory	-33.1	-152.9
Changes in accounts receivable and other receivables	-251.8	-253.4
Changes in trade accounts payable	-61.1	63.3
Changes in provisions and benefits to employees	-4.9	18.6
Changes in short-term liabilities excluding borrowing	-4.4	93.0
<b>Cash flow from operational activities</b>	<b>-223.3</b>	<b>-87.7</b>
<b>CASH FLOW FROM INVESTMENT ACTIVITIES:</b>		
Investment in plant and equipment exc. acquisition	-108.7	-60.3
Net cash outlay on acquisition	0.0	0.0
Receipts from sale of fixed assets	0.0	0.0
Sale of other long-term investments	0.0	0.0
Acquisition of subsidiary, net of cash	0.0	5.0
<b>Cash flow from investment activities</b>	<b>-108.7</b>	<b>-55.3</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES:</b>		
Raising short term debt	0.0	0.0
Repayment of short term debt	0.0	0.0
Change in bank overdrafts	29.0	-112.4
Purchase of non-controlling interests	0.0	0.0
Change in long term debt (borrowing facility)	275.9	267.0
Changes in other long-term liabilities	-0.2	1.8
Payment of leases	-2.4	0.0
Payment of dividend	0.0	0.0
<b>Cash flow from financial activities</b>	<b>302.3</b>	<b>156.5</b>
<b>Net increase (reduction) in liquid assets during year</b>	<b>-29.7</b>	<b>13.5</b>
Liquid assets start of period	30.2	6.6
Effect of exchange rate changes on liquid assets	0.0	0.0
<b>Liquid assets end of period</b>	<b>0.5</b>	<b>20.2</b>
<b>Cash and cash equivalents</b>		
Liquid assets	0.5	20.2
Unused drawing rights	792.3	717.4
Restricted bank deposits	0.0	0.0
<b>Cash and cash equivalents</b>	<b>792.8</b>	<b>737.6</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 first quarter of 2018 ended 31 March 2018 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 2017 are available at [www.moelven.com](http://www.moelven.com).

### *Note 2 – Statement of conformity*

The consolidated financial statements for the first quarter of 2018 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 2017. The summary consolidated quarterly financial statements were approved by the Board on 25 April 2018.

### *Note 3 – Accounting policies*

The accounting policies adopted in the quarterly financial statements 2018 are the same as those in the consolidated financial statements for 2017, with the exception of principles relating to IFRS 9 and IFRS 15 implemented 1 January 2018. Changes in accounting policies resulting from IFRS 9 and IFRS 15 are presented in note 3 of the consolidated accounts. Currency exchange rates in the consolidation are retrieved from Norges Bank.

### *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 2017 and the principal sources of estimate uncertainty are the same when preparing these summary quarterly accounts as for the consolidated accounts for 2017.

### *Note 5 – Pensions and taxes*

The income tax expense is determined in each quarter on the basis of the expected annual income tax expense. Defined-benefit pension schemes are valued at present value of the future pension benefits that have been earned on the date of balance. Pension funds are valued at fair value.

### *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.

## Note 7 – Fixed assets, intangible assets and goodwill

### Fixed assets, intangible assets and goodwill

Amounts in NOK million

	Per 31.03.	
	2018	2017
Book value per 1.1	1796.8	1669.7
Acquisitions	108.7	60.3
Business combinations	0.0	0.0
Disposals	0.0	-0.3
Depreciations	-71.0	-66.8
Impairment losses	0.0	0.0
Transfers	-21.7	0.5
Translation differences	-59.1	9.4
Book value per 31.03.	1,753.7	1,672.9

## Note 8 - Financial instruments

Amounts in NOK million	Per First quarter 2018			31.12.2017		
	Positive fair value	Negative fair value	Net fair value	Positive fair value	Negative fair value	Net fair value
Currency derivatives	4.2	-15.0	-10.7	3.5	-7.0	-3.6
Interest rate derivatives	9.0	-56.6	-47.6	0.0	-81.5	-81.5
Power derivatives	13.3	-0.3	13.0	6.7	-1.0	5.8
Total	26.5	-71.8	-45.4	10.2	-89.5	-79.4

Amounts in NOK million	Per First quarter 2017			31.12.2016		
	Positive fair value	Negative fair value	Net fair value	Positive fair value	Negative fair value	Net fair value
Currency derivatives	4.8	-1.5	3.4	5.6	-1.1	4.5
Interest rate derivatives	0.0	-81.5	-81.5	0.0	-82.6	-82.6
Power derivatives	0.5	-1.2	-0.6	3.4	0.0	3.4
Total	5.4	-84.2	-78.8	9.0	-83.7	-74.8

## 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 2017 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 31.03	
	2018	2017
Timber	55.5	32.9
Wood	-8.5	26.3
Building Systems	32.6	42.6
Other	4.0	-20.9
Profit before tax in segments	83.6	80.9
<i>Eliminations</i>	<i>0.0</i>	<i>0.0</i>
Profit before tax in Group Accounts	83.6	80.9

### ***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 Marked AS also trades 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 43 per cent of Moelven's total purchasing requirement for timber of 4.3 million cubic meters 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 about 230 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 organized into three divisions: Timber, Wood and Building Systems. There is also an Other Businesses reporting area, which consists of the holding companies, supply businesses and bioenergy companies. The sawmills in the Timber division supply sawn wood products and components to industrial customers in Scandinavia and the rest of Europe, the Middle East and North Africa. The industrial customers 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 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 and load-bearing structures in glulam to projects and contractor clients, principally in Norway and Sweden. The division focuses on developing concepts and systems in collaboration with the customers and experts within architecture, design and construction. In total, the Group is composed of 37 production companies in Norway and Sweden and has 3,560 employees. Moelven also has its own sales offices in Denmark, England, Germany and the Netherlands. The Moelven Group is owned by Glommen Skog SA (29.1 per cent), Eidsiva Vekst AS (23.8 per cent), Felleskjøpet Agri SA (15.9 per cent), Viken Skog SA (11.9 per cent), Mjøsen Skog SA (11.8 per cent) and AT Skog SA (7.3 per cent). Most of the remaining 0.4 per cent is owned by private individuals.

*For further information:*  
**[www.moelven.com](http://www.moelven.com)**

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