



# Quarterly report 3/2014

*The newly established residential area Sjöterrassen has revitalised the Stockholm suburb of Fittja. Delivered by Moelven Byggmodul AB.*

*Photographer David Bicho.*

Amounts in NOK million	Third quarter		9 months		Total	
	2014	2013	2014	2013	2013	2012
Operating revenues	2 027,7	1 882,5	6 676,4	5 912,8	8 009,4	8 121,5
EBITDA	84,7	39,1	359,1	118,5	226,9	267,8
Depreciation	66,9	66,6	204,0	198,8	271,6	250,9
Operating profit	17,8	-27,5	155,2	-80,3	-44,7	16,9
Gross operating margin/EBITDA	4,2 %	2,1 %	5,4 %	2,0 %	2,8 %	3,3 %
Net operating margin/EBIT	0,9 %	-1,5 %	2,3 %	-1,4 %	-0,6 %	0,2 %
Value change of financial instruments to fair value	3,1	12,2	-9,3	17,6	5,5	-7,9
Profit before tax	12,5	-32,3	106,3	-116,5	-117,1	-64,3
Profit per share in NOK	0,07	-0,20	0,62	-0,68	-0,71	-0,36
Cash flow from operational activities, in NOK per share	2,43	1,03	2,79	-0,65	0,67	1,49
Total equity *	-38,0	-5,9	1 537,5	1 502,3	1 518,2	1 543,6
Equity ratio *	1,6 %	0,6 %	33,2 %	32,0 %	33,4 %	35,6 %
Total assets *	-351,5	-103,3	4 636,2	4 698,0	4 539,8	4 342,1
Investments *	51,3	127,1	135,1	264,4	351,2	339,4
Return on capital employed *	-1,9 %	0,0 %	7,1 %	-3,6 %	-1,5 %	0,5 %
Capital employed *	-250,8	-22,2	2 846,5	3 088,3	3 020,1	2 780,7
Net interest-bearing liabilities *	-245,3	-6,9	1 263,7	1 560,2	1 476,0	1 211,3
Net working capital *	-156,0	-86,0	2 013,3	1 997,5	1 793,3	1 719,9
Number of employees *	2	-45	3 304	3 273	3 276	3 375
Sick leave percentage *	0,1 %	-0,1 %	5,5 %	5,5 %	5,3 %	5,4 %
Frequency of accidents with absence, H1 value *	-1,1	-1,2	17,6	17,9	16,0	15,0
Number of shareholders	952	953	952	953	953	956
Average number of shares (mill)	129,5	129,5	129,5	129,5	129,5	129,5

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

- **Revenues in the third quarter were NOK 2,027.7 million (NOK 1,882.5 million) and operating profit was NOK 17.8 million (minus NOK 27.5 million).**
- **The earnings improvement is attributed to operational improvements and better market conditions.**
- **The industrial wood prices were stable throughout the period and at a higher level than the same period last year.**
- **Good, broadly diversified order backlog for the Building Systems Division.**
- **Rationalisation of use of capital and reduced level of investments have contributed to reduce the total use of capital significantly.**
- **The Group's long-term debt was refinanced in July.**

## In brief

The overall demand in the Group's market areas was marked by lower market activity from the end of the first half year until the middle of August as is normal. In the latter half of the quarter, the level of activity recovered, but somewhat later than normal in certain markets. The export markets for industrial wood have been marked by a certain degree of uncertainty in the third quarter, especially some of the spruce products. The market activity and price levels were nevertheless better than the same period last year.

At the end of the quarter, the demand from the building materials trade in Scandinavia returned to a level that is normal for the season. For the Wood Division, which serves this market, the delivery volumes were at the same level as the corresponding period last year, but the prices were higher. Compared with the third quarter last year, the higher sawlog prices have entailed higher raw material costs for the Group's sawlog-consuming units, especially in Norway. The supply of raw materials, however, has been good and stable. For the Norwegian companies, the prices for wood chips and fibre products were also somewhat lower compared with the same period last year.

The implemented efficiency measures have shown results in several units. In some of the units, however, the processes have taken longer than estimated, and therefore the efforts are being increased in these units to ensure the implementation.

The market activity in building and construction throughout the period has been good in Sweden and somewhat

weaker in Norway. For the Building Systems Division, which has its main market in Norway and Sweden, the order intake was good throughout the period. At the end of the quarter, the order backlog was good, with a broader composition across the business areas than the same period last year.

Upon agreement with the Board, Hans Rindal resigned from his position as the CEO in September. The Board appointed at the same time Morten Kristiansen (55) as the acting CEO. Kristiansen holds a degree in structural engineering and is a graduate economist from the Norwegian Business School. He was employed by Moelven from 1981 to 1994 and subsequently from the year 2000. He was formerly a director at Moelven Industrier with responsibility for the sawlog supply and fibre products. The Board will wait for some time before initiating the process to recruit a new CEO.

The Modular System Interiors companies in the Group have operated as an organisational unit under the name Moelven Modus from 1 January. As of 1 September, the legal entities have changed their name to Moelven Modus AB and Moelven Modus AS, respectively.

During the quarter, a decision was made to close the Laminated Timber business's office and storage facility in Eastleigh outside of Southampton. This business has legally been made a branch of the company Moelven UK, which also encompasses Moelven Timber's sales organisation in the United Kingdom. Moelven Timber's activity in the UK will continue as before, and it will be responsible now for the distribution of standard glulam on the British market. A provision of NOK 4 million has been charged to the accounts in connection with this for non-recurring costs.

Construction of the world's tallest wooden building, "Tree", has started in Bergen. When it is completed in the autumn of 2015, the building will have 14 floors and a height of 51 metres. The load bearing glulam structures will be supplied and installed by Moelven Limtre AS.

Moelven Wood AB launched its new website "BYGG OCH BO" during the quarter. The website is aimed at the end users of the products, and it attempts to make it easier for the target group to find information and inspiration for how and where Moelven's products can be used.

The website can be found at <http://www.moelven.com/se/Produkter-och-tjanster/Bygg-och-Bo/>

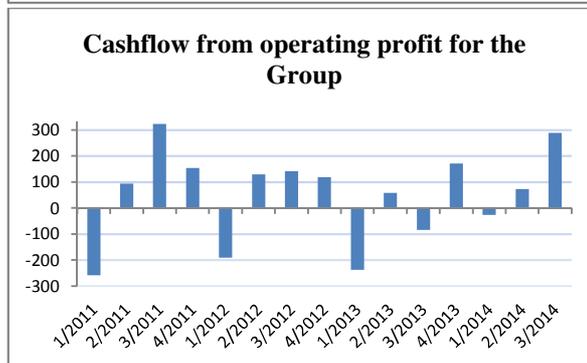
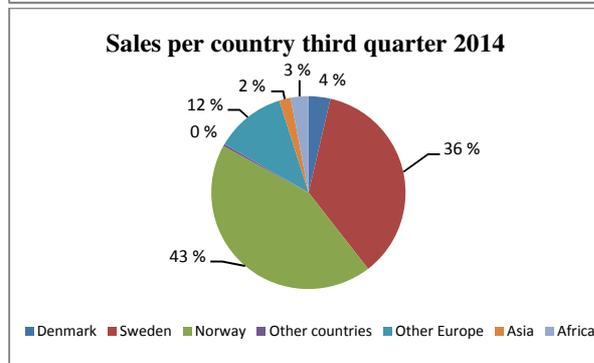
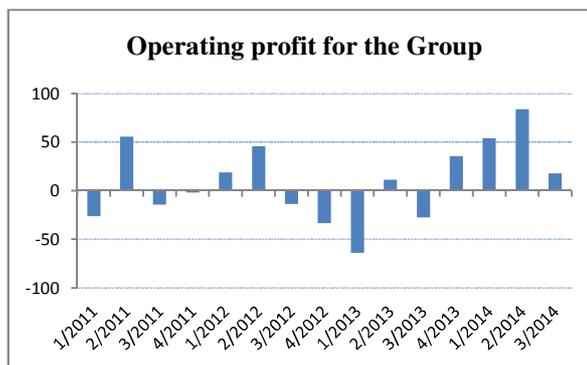
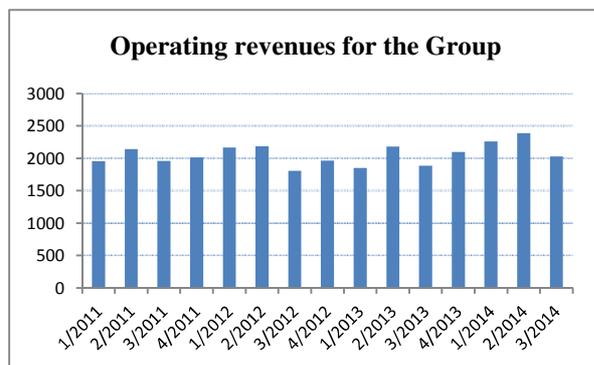
## Revenues and results

The operating revenues in the third quarter increased compared with the same period last year, primarily due to higher prices for finished products from the companies in Timber and Wood, a high level of activity and better prices for the Modular Buildings companies and the Laminated Timber companies.

The operating profit for the quarter also improved compared with the same period last year. In addition to the increased prices for finished products from Timber and Wood, the earnings improvement is attributed to the realisation of operational improvements in several companies. A write-down of NOK 25 million linked to a major module product in Sweden was charged to the result for Building Systems in the third quarter last year. On an accumulated basis, a write-down of NOK 42.5 million from the second quarter linked to the Electrical Installations business was also charged to last year's result.

Net financial expenses for the quarter were lower than for the same period last year. The most important reason for this is the lower net interest-bearing debt throughout the quarter and a lower benchmark interest rate for the SEK debt, which accounts for the greatest share of the Group's debt. The market value assessment of financial instruments, which is used exclusively for hedging currency, interest rates and power prices, gave an unrealised gain of NOK 3.1 million (12.2 million) during the quarter. This development is attributed primarily to the higher power prices.

MNOK	Third quarter		9 months		12 months	
	2014	2013	2014	2013	2013	2012
<b>Operating revenues</b>						
Timber	586,1	542,5	2 153,1	1 864,2	2 554,9	2 428,2
Wood	796,7	753,5	2 399,5	2 141,6	2 820,4	2 836,9
Building Systems	629,9	560,6	2 067,8	1 820,3	2 514,1	2 799,3
Other businesses	685,1	520,7	2 401,2	1 940,5	2 623,7	2 616,7
<i>Internal</i>	-670,1	-494,8	-2 345,1	-1 853,7	-2 503,7	-2 559,6
The Group	2 027,7	1 882,5	6 676,4	5 912,8	8 009,4	8 121,5
<b>EBITDA</b>						
Timber	13,7	15,3	141,7	55,7	104,4	25,3
Wood	57,0	30,1	174,6	84,1	128,4	128,7
Building Systems	24,2	-1,8	68,8	-4,1	18,9	135,1
Other businesses	-10,3	-4,5	-26,0	-17,1	-24,7	-21,3
The Group	84,7	39,1	359,1	118,5	226,9	267,8
<b>Operating profit</b>						
Timber	-14,1	-13,2	57,0	-27,3	-11,6	-74,6
Wood	29,2	4,4	91,1	6,8	23,5	29,6
Building Systems	15,7	-11,2	41,2	-33,6	-19,1	97,0
Other businesses	-13,0	-7,5	-34,1	-26,1	-37,5	-35,1
The Group	17,8	-27,5	155,2	-80,3	-44,7	16,9



## Investments, balance sheet and funding

During the third quarter, total investments were NOK 51.3 million (NOK 127.1 million). Year-to-date investments have totalled NOK 135.1 million (NOK 264.4 million).

The planned level of investment activity for 2014 has been reduced overall by approximately NOK 150 million, compared with 2013. Investments in 2014 will be largely directed towards necessary maintenance and upgrades that are natural to implement in conjunction with maintenance.

At the end of the third quarter, the book value of the Group's total assets was NOK 4,636.2 million (NOK 4,698.0 million).

Cash flow from operating activities in the third quarter was NOK 314.9 million (NOK 133.8 million), corresponding to NOK 2.43 per share (NOK 1.03). Year to date, the cash flow from operating activities was NOK 361.2 million (minus NOK 84.2 million), which corresponds to NOK 2.79 per share (minus NOK 0.65). The improvement in the cash flow from operating activities in the third quarter compared with the same period last year is attributed primarily to improved earnings and rationalisation of the capital employed. Cash flow from working capital items was NOK 241.3 million in the third quarter (NOK 127.1 million) and NOK 42.0 million year to date (minus NOK 146.8 million).

Net interest-bearing debt were NOK 1,263.7 million (NOK 1,560.2 million) at the end of the third quarter.

Financial leases are included in net interest-bearing liabilities in the amount of NOK 25.1 million (NOK 39.6 million). The liquidity reserve was NOK 208.0 million (NOK 175.9 million).

At the end of the the first half year, an agreement to refinance the Group's long-term debt with maturity in May 2015, as well as the seasonal financing with maturity at the end of the third quarter was entered into. The new loan agreement entered into force on 10 July and expires on 30 June 2017. The agreement provides satisfactory financial flexibility for the Group during this period. The terms reflect the market conditions when the agreement was entered into. The equity and maximum gearing requirements will gradually increase in the new agreement. Equity at the end of the third quarter amounted to NOK 1,537.5 million (NOK 1,502.3 million), equivalent to NOK 11.87 (NOK 11.60) per share. NOK 30.2 million was charged to equity during the quarter for actuarial losses after tax that are linked to the change in the value of the Group's defined-benefit pension plans in Norway. The change in value is attributed to the interest rate assumptions for calculation of the future obligations. The equity ratio was 33.2 per cent (32.0 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 scope and consequences of likely exchange rate fluctuations are within acceptable risk limits.

In the third quarter, exchange rate fluctuations resulted in a change in equity of minus NOK 15.8 million (increase of NOK 24.0 million). To date this year there has been an unrealised reduction of NOK 32.7 million (increase of NOK 51.7 million). Since about half of the Group's assets are recognised in SEK, total assets also change with the exchange rate. Due to this connection, the equity ratio is not affected by the exchange rate fluctuations in the same manner as the equity in kroner.

## Divisions

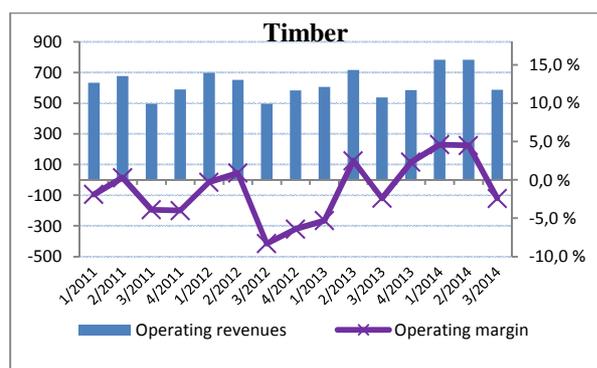
### Timber

Amounts in NOK million	Third quarter		9 months		Total	
	2014	2013	2014	2013	2013	2012
Sales to external customers	479,7	475,1	1 805,7	1 609,2	2 195,1	2 047,5
Sales to internal customers	106,4	67,3	347,4	254,9	359,8	380,7
Operating revenues	586,1	542,5	2 153,1	1 864,2	2 554,9	2 428,2
Depreciation and impairment	27,9	28,5	84,7	83,1	116,0	99,9
Operating profit	-14,1	-13,2	57,0	-27,3	-11,6	-74,6
Operating margin in per cent	-2,4 %	-2,4 %	2,6 %	-1,5 %	-0,5 %	-3,1 %
Net operating capital (% of operating revenues) *	0,4 %	-1,2 %	17,4 %	18,4 %	17,7 %	18,6 %
Total assets *	-55,8	1,7	1 615,7	1 611,0	1 684,3	1 579,1
Equity *	-29,1	0,9	764,4	668,6	748,4	710,2
Capital employed *	-23,8	-2,0	1 202,4	1 222,0	1 277,5	1 244,5
Return on capital employed *	-5,2 %	-0,7 %	6,2 %	-2,9 %	-0,9 %	-6,0 %
Investments*	23,7	32,3	51,5	97,0	119,5	151,6
Number of employees *	-7	-11	695	675	677	696

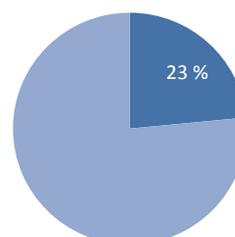
\* The first column shows the change in value during the quarter

Beyond the seasonal decline in the level of market activity during the holiday period, the international market for sawn timber has been marked by a certain degree of uncertainty throughout the quarter. The level of activity is nevertheless better than the same period last year, and the companies in Timber delivered somewhat higher volumes at better prices. The market price performance throughout the quarter was stable. For the division's sawlog-consuming units, the raw material prices have risen compared the same quarter last year, especially in Norway. The supply of raw materials has been good and stable. For the Norwegian companies the prices of wood chips and fibre products were somewhat lower compared with the same period last year.

Implemented efficiency measures have contributed to improving raw material utilisation and cutting the production costs in several units. The restructuring processes have also been carried out with a positive outcome for several units. For the division overall, the improvement in productivity compared with the same period last year was nevertheless less than the year's two previous quarters. In addition to the fact that there are still units with unsatisfactory productivity as a result of a delayed implementation of investment and restructuring projects, this is attributed to a downwards adjustment of production compared with the original plan.



Timber's share of the Groups sale to external customers



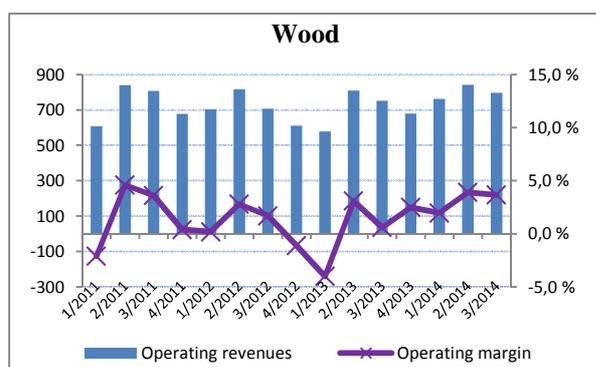
## Wood

Amounts in NOK million	Third quarter		9 months		Total	
	2014	2013	2014	2013	2013	2012
Sales to external customers	772,0	740,0	2 322,8	2 092,0	2 748,0	2 763,7
Sales to internal customers	24,7	13,5	76,7	49,5	72,5	73,2
Operating revenues	796,7	753,5	2 399,5	2 141,6	2 820,4	2 836,9
Depreciation and impairment	27,8	25,6	83,5	77,3	104,9	99,1
Operating profit	29,2	4,4	91,1	6,8	23,5	29,6
Operating margin in per cent	3,7 %	0,6 %	3,8 %	0,3 %	0,8 %	1,0 %
Net operating capital (% of operating revenues) *	-4,1 %	-7,5 %	27,5 %	31,2 %	28,4 %	28,7 %
Total assets *	-31,3	-21,4	2 069,7	2 056,7	1 957,7	1 905,8
Equity *	13,6	10,4	839,6	805,1	788,2	791,4
Capital employed *	-23,6	-19,3	1 435,0	1 474,5	1 414,6	1 362,9
Return on capital employed *	-0,1 %	0,3 %	8,6 %	0,7 %	1,8 %	2,4 %
Investments*	20,9	87,9	61,7	129,6	174,7	132,7
Number of employees *	-7	-18	992	1 031	1 011	1 063

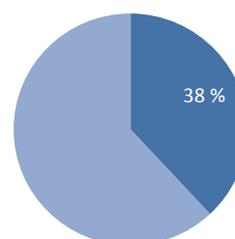
\* The first column shows the change in value during the quarter

The market activity recovered somewhat slower than normal after the seasonal decline over the summer. At the end of the quarter, however, the level of activity was normal for the season. For the division as a whole, the delivery volumes were at the same level as the corresponding period last year, but the prices were higher. The price performance for finished products is followed, however, by higher raw material prices. For the sawlog-consuming units, the raw material prices have risen compared the same quarter last year, especially in Norway. The supply of raw materials has been good and stable. The Norwegian units have also experienced somewhat lower price levels for wood chips and fibre products, compared with the same period last year. The planing mills, which base their production on purchased sawn timber, have also experienced higher raw material costs compared with the same period last year.

The improvement in the operating profit is attributed to a combination of improved finished product prices, the realisation of efficiency improvement measures and restructuring. The operating profit is nevertheless still affected by the fact that the implementation of certain improvement measures and restructuring processes has been delayed.



Wood's share of the Groups sale to external customers



## Building Systems

Amounts in NOK million	Third quarter		9 months		Total	
	2014	2013	2014	2013	2013	2012
Sales to external customers	629,0	557,8	2 064,2	1 813,1	2 505,3	2 796,1
Sales to internal customers	0,9	2,8	3,6	7,2	8,8	3,2
Operating revenues	629,9	560,6	2 067,8	1 820,3	2 514,1	2 799,3
Depreciation and impairment	8,5	9,4	27,6	29,5	38,0	38,1
Operating profit	15,7	-11,2	41,2	-33,6	-19,1	97,0
Operating margin in per cent	2,5 %	-2,0 %	2,0 %	-1,8 %	-0,8 %	3,5 %
Net operating capital (% of operating revenues) *	-2,6 %	1,3 %	13,4 %	16,7 %	14,4 %	12,5 %
Total assets *	-6,7	13,7	1 253,0	1 195,9	1 189,9	1 243,3
Equity *	11,2	-2,2	547,4	480,3	544,1	494,0
Capital employed *	-6,6	-5,5	633,5	610,5	637,6	603,1
Return on capital employed *	1,2 %	-0,1 %	9,8 %	-6,8 %	-2,1 %	18,3 %
Investments*	4,7	5,5	15,8	29,9	43,4	46,3
Number of employees *	19	-14	1 488	1 440	1 460	1 486

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

The Building Systems Division has primarily Norway and Sweden as its market. The market activity throughout the period has been good in Sweden and somewhat weaker in Norway. For Building Systems as well, the third quarter normally entails a seasonal decline in activity in connection with the holiday period. The order intake was good throughout the period, and, for the division as a whole, the order backlog was good at the end of the quarter, with a broader composition across the business areas than the same period last year.

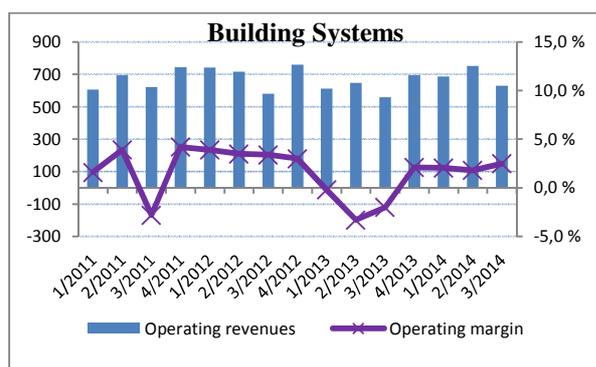
The operating revenues increased significantly compared with the third quarter last year. This is attributed primarily to a higher level of activity and better prices in Modular Buildings and Laminated Timber. Savings have been realised from the ongoing improvement programmes, but the main reason for the improvement compared with the same period last year is last year's project write-down in Modular Buildings in Sweden totalling NOK 25 million. A write-down of NOK 42.5 million was made in the second quarter of 2013 linked to electrical business projects. This write-down is also included in the year-to-date comparison figures for 2013. For Modular Buildings, productivity improved compared with the same period last year, but building site efficiency is still behind the target. There are ongoing improvement measures aimed at this, but our efforts are being increased further now.

The Laminated Timber business is still experiencing challenging market conditions in Sweden, but the situation improved somewhat during the third quarter. Increased market activity and the implementation of measures to increase the volumes contributed to better utilisation of the production lines and an improvement in efficiency. For the Norwegian operations, the level of activity during the period was good, especially for the project-oriented operations, and profitability improved compared with the same period last year.

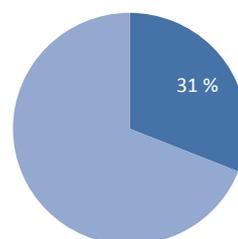
In the UK, the Laminated Timber operations have had a separate organisation with offices and storage facilities in Eastleigh outside of Southampton. Satisfactory results have not been achieved in recent years and a decision to wind up was made in the third quarter. A provision of NOK 4 million has been charged to the accounts in connection with this for non-recurring costs. Standard glulam products will be sold on the British market in future through the Timber-division's organisation in the UK.

The Electrical Installations business has essentially been restructured in accordance with a new strategy for the company, and the results improved compared with the same period last year. The restructuring entails an increased focus on smaller projects and service jobs.

For the Modular System Interiors companies, the market conditions for new builds has been challenging in both Norway and Sweden. However, the Swedish market has shown a positive development during the last two quarters. The RMA markets (restoration, modernisation and addition) have been satisfactory in both Norway and Sweden. Price pressure has resulted in a lower operating margin compared with the same period last year, in spite of the realisation of savings through efficiency improvement measures. The merger of the operations in Norway and Sweden under the common name Moelven Modus was officially launched in the third quarter. The business has operated in accordance with the new model since May.



Building Systems' share of the Groups sale to external customers



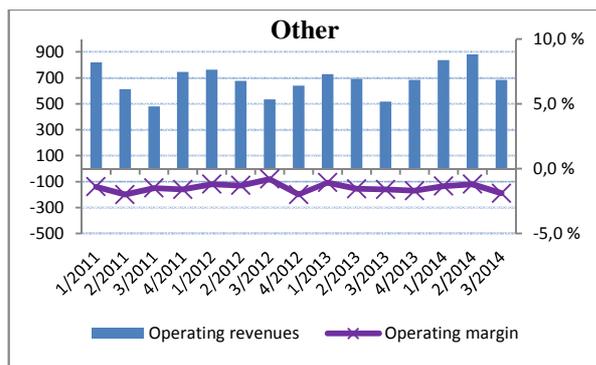
## Other business

Amounts in NOK million	Third quarter		9 months		Total	
	2014	2013	2014	2013	2013	2012
Sales to external customers	163,7	165,7	537,7	454,6	645,3	514,2
Sales to internal customers	521,4	355,0	1 863,5	1 485,9	1 978,4	2 102,5
Operating revenues	685,1	520,7	2 401,2	1 940,5	2 623,7	2 616,7
Depreciation and impairment	2,7	3,0	8,1	9,0	12,8	13,8
Operating profit	-13,0	-7,5	-34,1	-26,1	-37,5	-35,1
Operating margin in per cent	-1,9 %	-1,4 %	-1,4 %	-1,3 %	-1,4 %	-1,3 %
Net operating capital (% of operating revenues) *	3,6 %	5,7 %	8,3 %	9,5 %	7,0 %	4,0 %
Total assets *	-225,4	50,0	2 544,5	2 684,9	2 695,7	2 330,2
Equity *	-58,1	19,3	888,6	1 090,1	1 015,4	1 032,5
Capital employed *	-231,5	67,8	1 950,9	2 240,6	2 162,0	1 827,7
Return on capital employed *	-0,4 %	0,2 %	-0,7 %	0,0 %	-0,2 %	-0,4 %
Investments*	2,0	1,3	6,0	7,8	13,6	8,9
Number of employees *	-3	-2	129	127	128	130

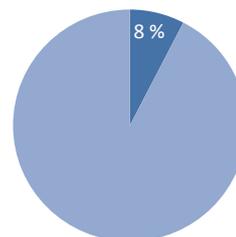
\* The first column shows the change in value during the quarter

Other businesses include Moelven Industrier ASA, with common services in economics, finance, insurance, communications, HR and ICT. Timber supply and sales of chips and energy products are organised as a common function for the Group's timber processing industry and included through the companies Moelven Skog AB, Moelven Virke AS and Vänerbränsle AB. Moelven Bioenergi AS is also included.

Fluctuations in operating revenues within the area of Other businesses are largely due to fluctuations in the level of activity within timber supply and sales of chips and energy products. The main activity is internal sales, which do not materially affect the results within the business area. The cost increase compared with the same period last year is attributed to a higher level of activity in the parent company linked to improvement projects. In order to safeguard the supply of timber and market opportunities for chip and energy products in the region that was affected by the closure of Södra Cell Tofte in August last year, a train solution was established to transport pulp wood and chips. The arrangement entails increased external sales due to pulp wood now being purchased and subsequently sold externally. The business is based on fixed agreements on both the customer and supplier sides, and the risk is limited. The increase in internal sales is attributed to higher timber sales as a result of somewhat lower raw material inventories than desired at the start of the quarter. A provision for 18 months' salary for the former CEO was charged to the operating profit in accordance with the guidelines described in Notes 28.2 and 28.3 in the Group's annual report for 2013.



Other's share of the Groups sale to external customers



## Employees

Employees	Per third quarter 2014				Per third quarter 2013			
	Male	Female	%Female	Total	Male	Female	%Female	Total
Timber	618	77	11,1 %	695	600	75	11,1 %	675
Wood	825	168	16,9 %	992	857	174	16,9 %	1 031
Building Systems	1 391	97	6,5 %	1 488	1 344	96	6,7 %	1 440
Others	98	31	24,0 %	129	96	31	24,4 %	127
The Group	2 932	373	11,3 %	3 304	2 897	376	11,5 %	3 273

Sickness absence rate in %	Per third quarter		H1 Value	Per third quarter	
	2014	2013		2014	2013
Timber	4,48 %	4,97 %	Timber	15,4	32,5
Wood	5,73 %	5,07 %	Wood	22,2	15
Building Systems	6,09 %	6,37 %	Building Systems	16,9	14,1
Others	2,30 %	2,42 %	Others	0,0	0,0
The Group	5,49 %	5,52 %	The Group	17,6	17,9

In the third quarter, total absence due to illness was 5.91 per cent (5.37), where 2.72 per cent (2.94) represents long-term absence. The Group works continuously with measures to reduce absence due to illness below the maximum target level of 5 per cent.

There were 18 (17) personal injuries during the quarter which resulted in absence. The H1 figure (number of personal injuries resulting in absence per million hours worked) was reduced somewhat compared with the end of the third quarter last year. This level is, however, unacceptably high. The Group's goal is for no one to be injured on the job. In order to achieve this goal, the focus on safety has been reinforced further through phase II of the Home in One Piece "Hel hjem" safety campaign. Key instruments in the campaign are a high degree of employee involvement and making the efforts visible by, for example, the installation of HSE boards at all the companies. To reduce the number of injuries, it is important to improve the knowledge of both near accidents and hazardous conditions or risks. In the third quarter of 2014, three times as many hazardous conditions were recorded as in the third quarter of 2013. This gives us a greater opportunity for more focused improvement measures.

## Outlook

Overall, we do not expect to see any major changes in international market prices for industrial wood in the fourth quarter. There is still good demand in many markets, while the supply has also increased after a period of high production levels, especially for spruce products. The exchange rates for NOK and SEK are at levels that give a better point of departure for competition on the export markets than at the same time last year.

A continued weak performance for housing construction is expected in Norway in the fourth quarter. In Sweden, housing construction is increasing, but from a low level. However, the main portion of the Group's deliveries is made to the renovation and remodelling markets, which are more stable than the new build market. The level of activity is expected to follow the normal seasonal variations with a seasonal downturn in the activity throughout the fourth quarter.

The demand from the building and construction sector in Scandinavia is expected to be on par with the previous year, with normal seasonal variations throughout the year. For the fourth quarter, this entails a gradual reduction in the level of activity towards the end of the year. The Building Systems Division has a better and more diversified order book than at the same time in 2013. The companies have adapted their capacity and cost structure to the prevailing market conditions.

A satisfactory level of activity is expected in the timber market in the fourth quarter. Throughout 2013, a number of measures and projects were identified, implemented and closely followed up in order to improve the results of ongoing operations, ensure better competitiveness in the long term and reduce the risk of losses related to certain projects. This work has had a significant impact on earnings to date this year, but the results in the third quarter was not satisfactory. The work will continue with higher intensity. The Board expects that, combined, the measures will significantly increase the Group's cash flow throughout an economic cycle.

The Board is of the opinion that the Group has adequate solvency and access to liquidity over the long term to undertake any necessary adaptations.

The Board expects the Group's result in 2014 to be significantly better than in 2013.

# Condensed quarterly financial statement for Moelven Group third quarter 2014

## Profit and loss and total comprehensive income

Amounts in NOK million	Third quarter		9 months		Total	
	2014	2013	2014	2013	2013	2012
Operating revenues	2 027,7	1 882,5	6 676,4	5 912,8	8 009,4	8 121,5
Depreciation	66,9	66,6	204,0	198,8	271,6	250,9
Cost of goods sold	1 336,6	1 278,1	4 306,7	3 905,5	5 184,7	5 264,3
Payroll expenses	381,9	365,6	1 326,6	1 276,1	1 750,1	1 727,1
Other operating expenses	224,6	199,6	684,0	612,6	847,7	862,4
<b>Operating profit</b>	<b>17,8</b>	<b>-27,5</b>	<b>155,2</b>	<b>-80,3</b>	<b>-44,7</b>	<b>16,9</b>
Income from associates	0,0	0,0	0,0	0,0	0,0	-3,7
Value change of financial instruments to fair value	3,1	12,2	-9,3	17,6	5,5	-7,9
Other financial income	7,2	2,7	18,2	15,4	20,2	15,8
Other financial expenses	-15,5	-19,7	-57,8	-69,2	-98,1	-85,5
<b>Profit before tax</b>	<b>12,5</b>	<b>-32,3</b>	<b>106,3</b>	<b>-116,5</b>	<b>-117,1</b>	<b>-64,3</b>
Estimate income tax	3,4	-6,1	26,2	-27,8	-24,5	-17,3
<b>Net profit</b>	<b>9,1</b>	<b>-26,2</b>	<b>80,1</b>	<b>-88,7</b>	<b>-92,6</b>	<b>-47,1</b>
Non-controlling interest share	-0,6	-0,6	-0,4	-1,4	-1,6	-1,8
Owner of parent company share	9,7	-25,6	80,4	-87,3	-91,0	-45,3
Earnings per share (in NOK)	0,1	-0,2	0,6	-0,7	-0,7	-0,4
Statement of comprehensive income						
Net profit	9,1	-26,2	80,1	-88,7	-92,6	-47,1
Other comprehensive income						
<i>Items that are not reclassified subsequently to profit or loss</i>						
Actuarial gains (losses) on defined-benefit pension schemes	-41,3	0,0	-41,3	0,0	18,8	64,8
Income tax on items that are not reclassified to profit or loss	11,2	0,0	11,2	0,0	-5,1	-18,1
	-30,2	0,0	-30,2	0,0	13,7	46,7
<i>Items that may be reclassified subsequently to profit or loss</i>						
Translation differences	-15,8	24,0	-32,7	51,7	58,4	-12,6
Proportion of other income and costs in associated companies	0,0	0,0	0,0	0,0	0,0	0,0
Other changes	-1,2	-6,0	2,2	-4,3	-5,0	16,6
Income tax on items that may be reclassified to profit or loss	0,0	0,0	0,0	0,0	0,0	0,0
	-17,0	18,0	-30,5	47,4	53,4	4,0
Other comprehensive income, net of tax	-47,2	18,0	-60,7	47,4	67,1	50,7
<b>Total comprehensive income for the period</b>	<b>-38,0</b>	<b>-8,2</b>	<b>19,4</b>	<b>-41,3</b>	<b>-25,5</b>	<b>3,6</b>
<b>Comprehensive income assigned to:</b>						
Owners of parent company	-37,5	-7,5	19,8	-39,9	-23,9	5,4
Non-controlling interests	-0,6	-0,6	-0,4	-1,4	-1,6	-1,8

## Condensed statement of financial position

Amounts in NOK million	Per 30.09		Per 31.12.
	2014	2013	2013
Intangible assets	43,7	47,2	48,4
Tangible fixed assets	1 741,8	1 854,3	1 876,6
Financial fixed assets	8,6	6,5	8,1
<b>Total fixed assets</b>	<b>1 794,2</b>	<b>1 908,0</b>	<b>1 933,1</b>
Inventory	1 301,8	1 266,8	1 263,6
Receivables	1 492,9	1 498,0	1 317,2
Liquid assets	47,4	25,3	25,9
<b>Total current assets</b>	<b>2 842,0</b>	<b>2 790,0</b>	<b>2 606,7</b>
<b>Total assets</b>	<b>4 636,2</b>	<b>4 698,0</b>	<b>4 539,8</b>
Share capital*	647,7	647,7	647,7
Other equity	889,8	854,6	870,4
<b>Total equity</b>	<b>1 537,5</b>	<b>1 502,3</b>	<b>1 518,2</b>
Provisions	193,0	165,1	143,1
Long term interest-bearing liabilities	1 279,6	1 427,0	1 321,3
Long term interest-free liabilities	2,0	2,4	2,3
<b>Total long term liabilities</b>	<b>1 474,6</b>	<b>1 594,6</b>	<b>1 466,7</b>
Short term interest-bearing liabilities	29,3	158,5	180,6
Short term liabilities	1 594,8	1 442,7	1 374,3
<b>Total short term liabilities</b>	<b>1 624,1</b>	<b>1 601,2</b>	<b>1 554,9</b>
<b>Total liabilities</b>	<b>3 098,7</b>	<b>3 195,7</b>	<b>3 021,7</b>
<b>Total equity and liabilities</b>	<b>4 636,2</b>	<b>4 698,0</b>	<b>4 539,8</b>

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

## Statement of change in equity for the Group

Amounts in NOK million	Equity assigned to owners of parent company					Non-controlling interests	Total equity
	Share capital	Share premium funds	Own shares	Other equity	Total		
Total per 1.1.2013	647,7	180,7	0,0	706,1	1 534,5	9,1	1 543,6
<b>Comprehensive income for the period</b>							
<b>Net profit</b>	0,0	0,0	0,0	-87,3	-87,3	-1,4	-88,7
<b>Other comprehensive income</b>							
Translation differences	0,0	0,0	0,0	51,7	51,7	0,0	51,7
Other changes	0,0	0,0	0,0	-4,3	-4,3	0,0	-4,3
Actuarial gains (losses) on defined-benefit pension schemes	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Income tax on other comprehensive income	0,0	0,0	0,0	0,0	0,0	0,0	0,0
<b>Other comprehensive income (net of tax)</b>	0,0	0,0	0,0	47,4	47,4	0,0	47,4
<b>Transactions with owners, entered directly against equity</b>							
Purchase of non-controlling interests	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Effect of acquisition	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Dividend to owners	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Share based payment transactions	0,0	0,0	0,0	0,0	0,0	0,0	0,0
<b>Total transactions with owners</b>	0,0	0,0	0,0	0,0	0,0	0,0	0,0
<b>Total as at 30.09.2013</b>	<b>647,7</b>	<b>180,7</b>	<b>0,0</b>	<b>666,2</b>	<b>1 494,6</b>	<b>7,8</b>	<b>1 502,3</b>
Total per 1.1.2014	647,7	180,7	0,0	682,2	1 510,6	7,6	1 518,2
<b>Comprehensive income for the period</b>							
<b>Net profit</b>	0,0	0,0	0,0	80,4	80,4	-0,4	80,1
<b>Other comprehensive income</b>							
Translation differences	0,0	0,0	0,0	-32,7	-32,7	0,0	-32,7
Other changes	0,0	0,0	0,0	-1,7	-1,7	3,8	2,2
Actuarial gains (losses) on defined-benefit pension schemes	0,0	0,0	0,0	-41,3	-41,3	0,0	-41,3
Income tax on other comprehensive income	0,0	0,0	0,0	11,2	11,2	0,0	11,2
<b>Other comprehensive income (net of tax)</b>	0,0	0,0	0,0	-64,6	-64,6	3,8	-60,7
<b>Transactions with owners, entered directly against equity</b>							
Purchase of non-controlling interests	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Effect of acquisition	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Dividend to owners	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Share based payment transactions	0,0	0,0	0,0	0,0	0,0	0,0	0,0
<b>Total transactions with owners</b>	0,0	0,0	0,0	0,0	0,0	0,0	0,0
<b>Total as at 30.09.2014</b>	<b>647,7</b>	<b>180,7</b>	<b>0,0</b>	<b>698,1</b>	<b>1 526,5</b>	<b>11,0</b>	<b>1 537,5</b>

## Cashflow statement for the Group

Amounts in NOK million	Per 30.09	
	2014	2013
<b>CASH FLOW FROM OPERATIONAL ACTIVITIES:</b>		
Net profit	80,1	-88,7
<i>Adjustments to reconcile net profit with net cash flow from operations:</i>		
Depreciation	204,0	198,8
Impairment	0,0	0,0
Income from associated companies	0,0	0,0
Tax paid	0,0	-4,4
Unpaid pension costs entered as costs and unreceived pension funds entered as income	-0,4	2,3
Loss (profit) on sale of fixed assets	0,1	0,0
Net value change of financial instruments to fair value	9,3	-17,6
Income tax	26,2	-27,8
<i>Changes in operating assets and liabilities:</i>		
Changes in inventory	-35,9	90,8
Changes in accounts receivable and other receivables	-183,6	-300,5
Changes in trade accounts payable	54,4	-46,9
Changes in provisions and benefits to employees	50,0	1,2
Changes in short-term liabilities excluding borrowing	157,1	108,6
<b>Cash flow from operational activities</b>	<b>361,2</b>	<b>-84,2</b>
<b>CASH FLOW FROM INVESTMENT ACTIVITIES:</b>		
Investment in plant and equipment exc. acquisition	-127,1	-264,4
Net cash outlay on acquisition	0,0	0,0
Receipts from sale of fixed assets	0,3	0,0
Sale of other long-term investments	0,0	0,0
Acquisition of subsidiary, net of cash	0,0	0,0
<b>Cash flow from investment activities</b>	<b>-126,8</b>	<b>-264,4</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES:</b>		
Raising short term debt	229,0	223,0
Repayment of short term debt	-229,0	-223,0
Change in bank overdrafts	151,0	52,4
Purchase of non-controlling interests	0,0	0,0
Change in long term debt (borrowing facility)	-357,9	298,1
Changes in other long-term liabilities	-8,1	-2,1
Payment of dividend	0,0	0,0
<b>Cash flow from financial activities</b>	<b>-215,1</b>	<b>348,4</b>
<b>Net increase (reduction) in liquid assets during year</b>	<b>19,4</b>	<b>-0,2</b>
Liquid assets start of period	25,9	25,5
Effect of exchange rate changes on liquid assets	0,0	0,0
<b>Liquid assets end of period</b>	<b>45,3</b>	<b>25,3</b>
<b>Cash and cash equivalents</b>		
Liquid assets	45,3	25,3
Unused drawing rights	162,7	150,6
Restricted bank deposits	0,0	0,0
<b>Cash and cash equivalents</b>	<b>208,0</b>	<b>175,9</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 2014 ended the 30<sup>th</sup> of September 2014 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 2013 are available at [2013.moelven.com](http://2013.moelven.com).

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

The consolidated financial statements for the third quarter of 2014 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 2013.

The summary consolidated quarterly financial statements were approved by the Board on 22 October 2014.

### ***Note 3 – Accounting policies***

The accounting policies adopted in the quarterly financial statements are the same as those in the consolidated financial statements for 2013. Currency rates in the consolidated statements are derived 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 2013 and the principal sources of estimate uncertainty are the same when preparing these summary quarterly accounts as for the consolidated accounts for 2013.

### ***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 are 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 - Tangible fixed assets**

Amounts in NOK million	Per 30.09	
	2014	2013
Book value per 1.1	1 913,8	1 744,4
Acquisitions	135,1	264,4
Business combinations	0,0	0,0
Disposals	0,0	0,0
Depreciations	-204,0	-198,8
Transfers	-6,4	-6,1
Translation differences	-64,3	86,3
Book value per 30.06	1 774,3	1 890,2

### **Note 8 - Financial instruments**

Amounts in NOK million	Per 30.09.2014			Per 31.12.2013		
	Positive fair value	Negative fair value	Net fair value	Positive fair value	Negative fair value	Net fair value
Currency derivatives	2,1	-5,9	-3,7	2,3	-7,4	-5,0
Interest rate derivatives	0,0	-63,3	-63,3	0,0	-44,8	-44,8
Power derivatives	0,0	-7,6	-7,6	0,0	-14,6	-14,6
Total	2,1	-76,8	-74,7	2,3	-66,7	-64,4

Amounts in NOK million	Per 30.09.2013			Per 31.12.2012		
	Positive fair value	Negative fair value	Net fair value	Positive fair value	Negative fair value	Net fair value
Currency derivatives	2,7	-6,0	-3,3	3,2	-2,0	1,2
Interest rate derivatives	0,0	-42,5	-42,5	0,0	-62,0	-62,0
Power derivatives	0,0	-6,3	-6,3	0,0	-8,9	-8,9
Total	2,7	-54,8	-52,1	3,2	-72,9	-69,7

### ***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 2013 for further information about segments.

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

Amounts in NOK million	Per 30.09	
	2014	2013
Timber	44,4	-52,3
Wood	68,5	15,8
Building Systems	45,3	75,1
Other	-51,9	-46,0
Profit before tax in segments	106,3	-7,3
Eliminations	0,0	0,0
Profit before tax in Group Accounts	106,3	-7,3

### ***Note 10 – Related parties***

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

Moelven' supply of energy raw materials to Eidsiva's bioenergy plant represents between 40 and 50 GWh on an annual basis, while buying back energy represents between 20 and 30 GWh. Net delivery of energy raw materials is 20 GWh. The extent of the sale of electrical power corresponds to about 40 per cent of Moelven's total consumption of 185 GWh.

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

### ***Note 11 - Events after the balance sheet date***

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

Moelven is organised into four divisions: Timber, Wood, Building Systems and Other. The sawmills in Timber supply sawed wood products and components to industrial customers in Scandinavia and the rest of Europe. These use the products as intermediate goods in their own production. Shavings, chip and bark products are also supplied and are used in the pulp, chipboard and biofuel industry. The processing companies in Wood supply the building products trade in Scandinavia with a broad range of building and interior products. A critical competitive advantage is the division's efficient distribution system which offers customers rapid and precise deliveries of a broad range of products. The companies within Building Systems deliver flexible system solutions for interior walls, modular buildings, electrical installations and load-bearing structures in glulam to projects and contractor clients, principally in Norway and Sweden. Other comprises holding companies, supply businesses and bioenergy companies. The division is heavily focused on developing concepts and systems in collaboration with the customers and experts within architecture, design and construction. In total, the Group is composed of 52 operating units in Norway and Sweden and has 3,302 employees. Moelven also has its own sales offices in Denmark, England, Germany and the Netherlands. The Moelven Group is owned by Glommen Skog SA (25.1 per cent), Eidsiva Vekst AS (23.8 per cent), Agri MI AS (15.8 per cent), Viken Skog SA (11.9 per cent), Mjøsen Skog SA (11.7 per cent), AT Skog SA (7.3 per cent) and Havass Skog SA (4.0 per cent). Most of the remaining 0.4 per cent is owned by private individuals.

## Quality rooms

More information:

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

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