



Quarterly Report 3/2015

*Moelven ByggModul will deliver 52 apartments in Fjeldsetlia Park in Elverum.
Production will be done at Moelven ByggModul Hjellum AS and is the company's first residential concept delivery.
Illustration: XR Visual Communications AS*

Amounts in NOK million	Third quarter		9 months		Total	
	2015	2014	2015	2014	2014	2013
Operating revenues	2 263,2	2 027,7	7 207,3	6 676,4	8 828,2	8 009,4
EBITDA	146,6	84,7	400,1	359,1	490,0	226,9
Gross operating margin/EBITDA	6,5 %	4,2 %	5,6 %	5,4 %	5,6 %	2,8 %
Depreciation	66,8	66,9	202,5	204,0	286,5	271,6
Operating profit before non-recurring items	79,8	17,8	197,6	155,2	203,6	-44,7
Impairment losses	0,0	0,0	47,9	0,0	0,0	0,0
Operating profit	79,8	17,8	149,7	155,2	203,6	-44,7
Net operating margin/EBIT	3,5 %	0,9 %	2,1 %	2,3 %	2,3 %	-0,6 %
Value change of financial instruments to fair value	-25,1	3,1	2,2	-9,3	-30,4	5,5
Profit before tax	41,3	12,5	109,0	106,3	115,3	-117,1
Profit per share in NOK	0,24	0,07	0,63	0,62	0,68	-0,71
Cash flow from operational activities, in NOK per share	0,40	2,43	2,56	2,79	2,71	0,67
Total equity *	73,2	-38,0	1 711,9	1 537,5	1 592,3	1 518,2
Equity ratio *	2,2 %	1,6 %	35,1 %	33,2 %	34,2 %	33,4 %
Total assets *	-111,8	-351,5	4 882,7	4 636,2	4 653,2	4 539,8
Investments *	54,8	51,3	132,9	135,1	195,1	351,2
Return on capital employed *	2,1 %	-1,9 %	6,8 %	7,1 %	6,8 %	-1,5 %
Capital employed *	-70,5	-250,8	2 933,6	2 846,5	2 959,9	3 020,1
Net interest-bearing liabilities *	-170,9	-245,3	1 186,0	1 263,7	1 353,1	1 476,0
Net working capital *	-138,7	-156,0	2 247,9	2 013,3	1 928,3	1 793,3
Number of employees *	-20	2	3 393	3 304	3 326	3 276
Sick leave percentage *	-0,2 %	0,1 %	5,5 %	5,5 %	5,5 %	5,3 %
Frequency of accidents with absence, H1 value *	0,4	-1,1	16,4	17,6	15,9	16,0
Number of shareholders	948	952	948	952	948	953
Average number of shares (mill)	129,5	129,5	129,5	129,5	129,5	129,5

* The columns regarding the quarterly numbers show the change in the quarter

- Operating revenues in the third quarter increased by 11.6 per cent to NOK 2,263.2 million (2,027.7).
- Operating profit for the third quarter was NOK 79.8 mill (17.8).
- Improvement efforts in Timber have yielded results.
- Satisfactory demand for processed products from Wood.
- A good level of activity and a continued healthy and well-composed order backlog for Building Systems, particularly for Modular Buildings.
- The acquisition of module manufacturer Hedalm AS was finalized on 1 October. Operations will continue within the group under the name Moelven Byggmodul Hjellum AS.
- Morten Kristiansen was appointed as CEO in September.

In brief

Demand for the group's products and services throughout the quarter was satisfactory. The season developed as expected, with slower activity in the holiday period and an increase toward the end of the quarter.

On the international sawlog market prices were somewhat lower than in the same period last year, but a favourable exchange rate situation has contributed to maintain competitiveness for the export-oriented units. Access to raw material for the sawlog-consuming units has been good, at price levels somewhat below the corresponding period last year. Prices for wood chip and fibre products were also somewhat lower than in the same period last year.

For processed goods prices have been satisfactory, but overall somewhat lower than in the same period last year. The Buildings Systems division is noticing the effect of the slowing down of the Norwegian economy, and is adapting to this. On the Swedish market activity has increased compared to the same period last year.

Dialogue is still ongoing with external parties on the sale of Moelven Nössemark Trä AB, following the decision in the second quarter to discontinue or sell the business. The final decision on whether the company is to be discontinued or sold is expected to be made in the course of November.

At the ordinary general meeting on 23 April it was decided to delegate authority to disburse dividends to the Board. The Board's authority to disburse dividends is limited to NOK 51,816,952. The authorization is valid until the next annual general meeting.

In September Morten Kristiansen, who has served as acting CEO since last September, was appointed 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. When he was made acting CEO last autumn, he came from the position as director in Moelven Industrier ASA with responsibility for Forestry.

Moelven Wood in Sweden was named "2015 Supplier of the year to the wood and building trade" when the annual Wood and building trade event was held in September. The award was presented to Moelven Wood for *"having confidence in the future and understanding the need to develop products, product range and marketing. One has worked with both customer contacts and customer information in the store and on developing social media. Throughout 2015 Moelven Wood has been a good example of how wood suppliers can work to improve profitability for both suppliers and the building trade."*

Moelven Byggmodul has signed a contract for the delivery of 88 modules that will be combined into 52 flats in Fjeldsetlia Park in Elverum. The total delivery time for the entire project is approximately 10 months from call-off. The project will be the first using 12 metre modules and is the first contract with Moelven Byggmodul's new housing concept. Manufacture of the housing modules will take place at Moelven ByggModul Hjellum AS, which is the continuation of module manufacturer Hedalm AS, which the group took over on 1 October.

Revenues and results

Revenues in the quarter increased by 11.6 per cent compared to the same period last year. All divisions had a higher level of activity than for the corresponding period in 2014. Overall, Timber and Wood had somewhat lower prices than in the third quarter last year. In the Building Systems division, it is the Modular Building business in Sweden and Modular System Interiors in particular that are responsible for improvements.

Developments in raw material costs since the turn of the year for the timber-consuming units have triggered a review of inventory estimates, which are prepared according to the FIFO principle. Along with an update of real value assessments of inventory, this has formed the basis for price adjustments totalling NOK -5.2 million in the quarter. In the same period in 2014 the corresponding amount was NOK -2.1 million. Cumulative price adjustments comprised NOK -33.7 million in 2015 and NOK 43.3 million in 2014 respectively. The items do not have any impact on cash flow.

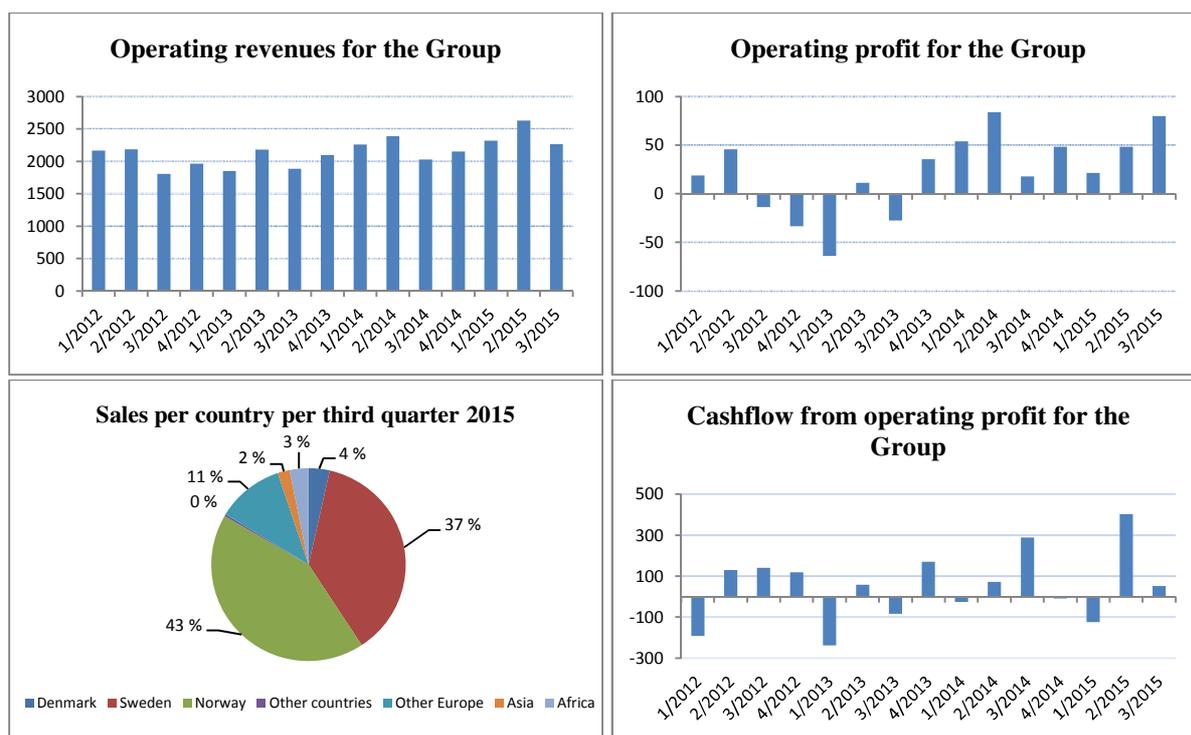
The cumulative result has been charged with an impairment of NOK 48 mill related to the decision to sell or close down operations at Moelven Nössemark Trä AB.

In addition, following a review of the project portfolio in the Electrical Installations business, provisions for possible losses of NOK 28 million have been recognised. For the Group as a whole, the 2015 accounts to date have been charged with NOK 76 million in impairment of fixed assets and cost corrections on projects respectively.

Net financial expenses excluding changes in the market valuation of financial instruments were somewhat higher than in Q3 2014. Net interest-bearing debt has been lower throughout the third quarter in 2015, but the overall borrowing cost has been higher following refinancing carried out in mid-2014. The Group employs financial instruments to hedge foreign exchange rates, interest rates and power prices. Non-cash items related to this totalled NOK -25.1 million (NOK 3.1 million) for the quarter and NOK 2.2 million to date (-9,3). Both currency, interest and power hedges saw negative developments during the quarter. Year to date the currency and interest hedges remain positive.

MNOK	Second quarter		6 months		12 months	
	2015	2014	2015	2014	2014	2013
Operating revenues						
Timber	649,9	586,1	2 248,6	2 153,1	2 872,3	2 543,9
Wood	890,0	796,7	2 535,5	2 399,5	3 066,2	2 820,4
Building Systems	712,3	629,9	2 391,7	2 067,8	2 836,7	2 514,1
Other businesses	629,9	685,1	2 236,7	2 401,2	3 204,4	2 623,7
<i>Internal</i>	<i>-619,0</i>	<i>-670,1</i>	<i>-2 205,1</i>	<i>-2 345,1</i>	<i>-3 151,4</i>	<i>-2 492,7</i>
The Group	2 263,2	2 027,7	7 207,3	6 676,4	8 828,2	8 009,4
EBITDA						
Timber	26,4	13,7	112,7	141,7	199,5	104,4
Wood	72,3	57,0	191,6	174,6	225,3	128,4
Building Systems	50,9	24,2	108,2	68,8	98,8	18,9
Other businesses	-2,9	-10,3	-12,5	-26,0	-33,6	-24,7
The Group	146,6	84,7	400,1	359,1	490,0	226,9
Operating profit						
Timber *	-2,0	-14,1	-18,8	57,0	83,0	-11,6
Wood	45,5	29,2	109,2	91,1	110,9	23,5
Building Systems	41,8	15,7	79,7	41,2	57,2	-19,1
Other businesses	-5,4	-13,0	-20,4	-34,1	-47,5	-37,5
The Group	79,8	17,8	149,7	155,2	203,6	-44,7

* Includes non-recurring items



Investments, balance sheet and funding

Investments totalling NOK 54.8 million (NOK 51.3 million) were made during the third quarter, and NOK 132.9 million (NOK 135.1 million) year to date. Investments in 2015 will, as in 2014, remain below the amortization level. At the end of the third quarter, the book value of the Group's total assets was NOK 4,882.7 million (NOK 4,636.2 million).

Cash flow from operating activities in the quarter was NOK 52.1 million (NOK 314.9 million), corresponding to NOK 0.40 per share (NOK 2.43). Cumulative cash flow from operating activities was NOK 331.0 million (361.2 million). The weakening in cash flow in the quarter is due, besides lower realization of inventory in the current year, primarily to natural variations in working capital items and a significantly weaker NOK compared to both mid-year this year and the third quarter of 2014. Cash flow from working capital items was NOK -36.8 million in the third quarter (NOK 241.3 million) and NOK 21.5 million year to date (NOK 42.0 million).

Net interest-bearing liabilities were NOK 1,186.0 million (NOK 1,263.7 million) at the end of the third quarter. Financial leases are included in net interest-bearing debt, amounting to NOK 28,2 million (NOK 25.1 million). The liquidity reserve was NOK 476.0 million (NOK 208.0 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 1,711.9 million (NOK 1,537.5 million), equivalent to NOK 13.21 (NOK 11.87) per share. The equity ratio was 35.1 per cent (33.2 per cent). Parts of the Group's equity are linked to ownership interests in foreign subsidiaries, principally in Sweden, and are thereby exposed to exchange rate fluctuations. The extent and consequences of likely variations in exchange rates are within acceptable risk limits. In the third quarter, exchange rate fluctuations resulted in an unrealised change in equity of NOK 41.8 million (NOK -15.8 million). Cumulatively for the full year, there has been an increase of NOK 37.4 million (NOK -32.7 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	Third quarter		9 months		Total	
	2015	2014	2015	2014	2014	2013
Sales to external customers	546,0	479,7	1 877,1	1 805,7	2 391,9	2 184,1
Sales to internal customers	103,9	106,4	371,6	347,4	480,4	359,8
Operating revenues	649,9	586,1	2 248,6	2 153,1	2 872,3	2 543,9
Depreciation	28,5	27,9	83,7	84,7	116,5	116,0
Operating profit before non-recurring items	-2,0	-14,1	29,1	57,0	83,0	-11,6
Impairment losses	0,0	0,0	47,9	0,0	0,0	0,0
Operating profit	-2,0	-14,1	-18,8	57,0	83,0	-11,6
Operating margin in per cent **	-0,6 %	-2,4 %	1,3 %	2,6 %	2,9 %	-0,5 %
Net operating capital (% of operating revenues) *	-0,5 %	0,4 %	18,5 %	17,4 %	19,8 %	17,7 %
Total assets *	45,4	-55,8	1 714,6	1 615,7	1 754,5	1 684,3
Equity *	22,7	-29,1	800,2	764,4	813,5	748,4
Capital employed *	16,2	-23,8	1 221,7	1 202,4	1 282,2	1 277,5
Return on capital employed * **	-1,8 %	-5,2 %	3,1 %	6,2 %	6,5 %	-0,9 %
Investments *	26,7	23,7	57,8	51,5	67,6	119,5
Number of employees *	-7	-7	708	695	703	677

* The columns regarding the quarterly numbers show the change in the quarter

** The key figures is calculated before non-recurring items

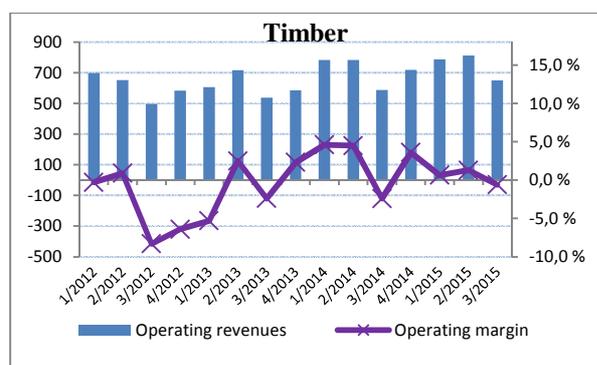
Beyond the seasonal decline in market activity in the holiday period, the international market for sawn timber has been somewhat more challenging than in the same period last year. This is due to increased production and rising inventories of pine products in Sweden, as well as challenging financial conditions in certain export markets in the Middle East and North Africa. The situation for spruce products has not been equally demanding, and prices have remained stable. A weak exchange rate for both SEK and NOK contributes toward maintaining satisfactory competitiveness in export markets. The volume of deliveries was higher than for the same period last year. Access to raw material has been good, and the prices for sawlogs were somewhat lower than in Q3 2014. Prices for wood chip and fibre products were also somewhat lower than in the same period last year. Due to price developments, the profits for the quarter have been charged with price adjustments to inventories totalling NOK 4.2 million. The corresponding adjustment in the third quarter of 2014 had a negative effect of NOK 1.1 million. Year to date the price adjustment constituted NOK -19.5 million (NOK 17 million).

The operating conditions were good during the quarter. Processing costs have been reduced compared to the same period last year, but the ongoing improvement work continues unabated to bring the units with poor earnings up to an acceptable profitability level.

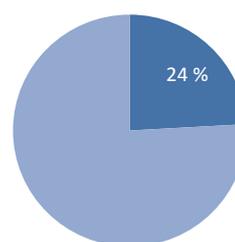
Following the decision to discontinue or sell Moelven Nössemark Trä AB, impairments of fixed assets amounting to NOK 48 million were recognized in the second quarter.

Dialogue is still ongoing with external parties on a possible sale. The final decision on whether the company is to be discontinued or sold is expected to be made in the course of November.

For the industrial component companies in the division, both price levels for finished products and production efficiency have improved compared to Q3 2014.



Timber's share of the Groups sale to external customers



Wood

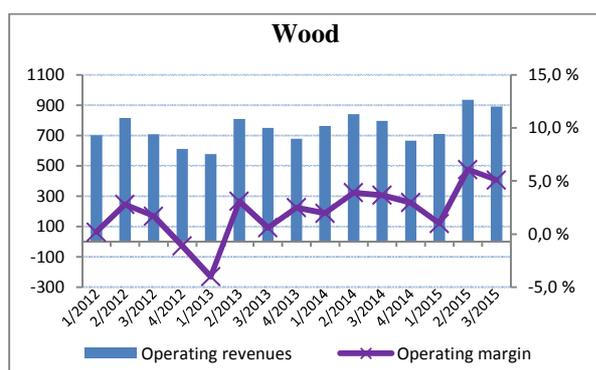
Amounts in NOK million	Third quarter		9 months		Total	
	2015	2014	2015	2014	2014	2013
Sales to external customers	863,1	772,0	2 447,4	2 322,8	2 954,3	2 748,0
Sales to internal customers	26,9	24,7	88,0	76,7	111,9	72,5
Operating revenues	890,0	796,7	2 535,5	2 399,5	3 066,2	2 820,4
Depreciation and impairment	26,7	27,8	82,4	83,5	114,4	104,9
Operating profit	45,5	29,2	109,2	91,1	110,9	23,5
Operating margin in per cent	5,1 %	3,7 %	4,3 %	3,8 %	3,6 %	0,8 %
Net operating capital (% of operating revenues) *	-8,4 %	-4,1 %	28,1 %	27,5 %	28,7 %	28,4 %
Total assets *	-36,5	-31,3	2 239,9	2 069,7	2 033,9	1 957,7
Equity *	62,4	13,6	929,0	839,6	815,1	788,2
Capital employed *	-61,5	-23,6	1 549,4	1 435,0	1 442,9	1 414,6
Return on capital employed *	1,4 %	-0,1 %	9,8 %	8,6 %	7,9 %	1,8 %
Investments *	19,6	20,9	47,2	61,7	82,1	174,7
Number of employees *	-6	-7	1 012	992	993	1 011

* The columns regarding the quarterly numbers show the change in the quarter

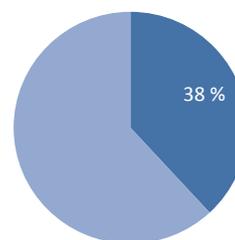
Developments in market activity for the period were normal for the season, with an increase toward the end of the quarter after the holiday period in July and parts of August. Supply volumes in the quarter were higher than for the previous year. Price levels for building wood were somewhat lower than for the same period last year. For interior products the prices have shown a positive trend compared to the same period last year. Weighted for volume, price levels for Wood's product portfolio was somewhat lower than for the same period in 2014.

For the planing mills in Wood, which use sawn timber as a raw material, raw material costs were at the same level as the same period last year. The sawlog-consuming units in the division had satisfactory access to raw material, and the sawlog prices were somewhat lower than in Q3 2014. The prices for wood chip and fibre products were also somewhat lower. Due to price developments, the profits for the quarter have been charged with price adjustments to inventories totalling NOK 1.0 million. The corresponding adjustment in Q3 2014 had a negative effect of NOK 1.0 million. For the first six months the price adjustment constituted NOK -14.2 million (NOK 26.3 million).

Operating conditions were good in the quarter, and several units have made good progress as a result of the ongoing improvement work. Improvement work continues unabated in the entire division in order to maintain competitiveness and to bring the remaining units with poor earnings up to an acceptable profitability level.



Wood's share of the Groups sale to external customers



Building Systems

Amounts in NOK million	Third quarter		9 months		Total	
	2015	2014	2015	2014	2014	2013
Sales to external customers	711,3	629,0	2 388,8	2 064,2	2 832,2	2 505,3
Sales to internal customers	1,1	0,9	2,9	3,6	4,4	8,8
Operating revenues	712,3	629,9	2 391,7	2 067,8	2 836,7	2 514,1
Depreciation and impairment	9,1	8,5	28,5	27,6	41,6	38,0
Operating profit	41,8	15,7	79,7	41,2	57,2	-19,1
Operating margin in per cent	5,9 %	2,5 %	3,3 %	2,0 %	2,0 %	-0,8 %
Net operating capital (% of operating revenues) *	1,6 %	-2,6 %	13,9 %	13,4 %	11,0 %	14,4 %
Total assets *	0,2	-6,7	1 378,8	1 253,0	1 256,4	1 189,9
Equity *	61,1	11,2	634,9	547,4	523,9	544,1
Capital employed *	56,6	-6,6	681,0	633,5	600,1	637,6
Return on capital employed *	4,2 %	1,2 %	17,1 %	9,8 %	10,6 %	-2,1 %
Investments *	7,8	4,7	25,8	15,8	37,9	43,4
Number of employees *	-6	19	1 540	1 488	1 498	1 460

* The columns regarding the quarterly numbers show the change in the quarter

Glulam operations saw a good level of activity in the third quarter. The Swedish market is still growing, primarily for standard glulam for small buildings, but the project market has also picked up compared to the same period last year. Operations in Sweden have, following unsatisfactory results in 2014, carried out restructuring and rationalization measures, and the result for the third quarter was significantly better compared to the same period last year. The full effect of the recently implemented measures will however not be achieved until the first quarter of 2016. Operations in Norway had a satisfactory level of activity in both standard glulam and projects, and increased both revenues and earnings compared to the same period last year.

Besides the commitments related to completion of older, long-term projects, the Electrical Installations business has essentially been restructured and is operative in accordance with the new strategy for the company. This entails increased focus on smaller projects and service jobs, and the discontinuation of business linked to large, complex projects. There is healthy activity within the market the business is now focusing on, and the order backlog is good. There have been no valuation allowances of the project portfolio in the third quarter, but the cumulative accounts have been charged with NOK 28 million as a result of such valuation allowances.

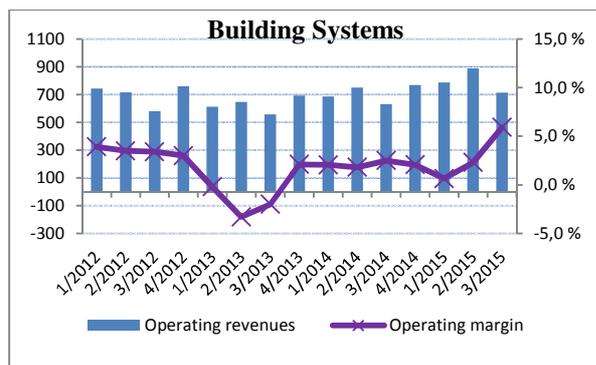
For the Modular Building business in Sweden, market activities and new orders remained high in the third quarter, and the result improved greatly compared to the same period last year. The main reasons are an increased share of projects with a high level of standardisation, as well as improved factory productivity. For operations in Norway activity levels were on a par with the third quarter of 2014. Profitability improved, but remains unsatisfactory. Measures to streamline production and concept adjustment continue unabated. The acquisition of module manufacturer Hedalm AS at Hjellum in Hamar municipality was finalized on 1 October.

The company will continue to operate as a separate company, coordinated with other module production in the Group, under the name Moelven Byggmodul Hjellum AS.

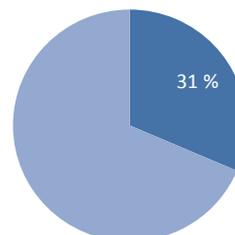
The acquisition provides the Group with greater specialization, capacity and ability to deliver large orders in the short term in all three segments in module operations – a) construction, b) projects, and c) housing. The acquisition thus strengthens the Group's position as the leading module manufacturer in the Nordic region. Coordination between the module companies will also provide synergies in that production to a greater extent than previously can be cultivated at each production site.

For the Modular System Interiors companies, the level of activity for new construction was good in the Swedish part of the business, especially in the Stockholm area. In Norway the market is declining, in particular for new buildings, but new orders were still good. The renovation and remodelling market maintained a stable sound level of activity in Sweden, while this segment too was somewhat weaker in Norway.

Overall for the division the order backlog has increased during the period, and at the end of the quarter it was NOK 657 million higher than at the same time last year.



Building Systems' share of the Groups sale to external customers



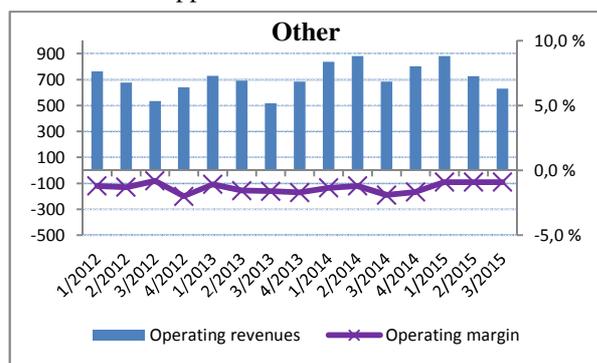
Other business

Amounts in NOK million	Third quarter		9 months		Total	
	2015	2014	2015	2014	2014	2013
Sales to external customers	163,2	163,7	557,9	537,7	721,6	645,3
Sales to internal customers	466,7	521,4	1 678,8	1 863,5	2 482,8	1 978,4
Operating revenues	629,9	685,1	2 236,7	2 401,2	3 204,4	2 623,7
Depreciation and impairment	2,5	2,7	8,0	8,1	13,9	12,8
Operating profit	-5,4	-13,0	-20,4	-34,1	-47,5	-37,5
Operating margin in per cent	-0,9 %	-1,9 %	-0,9 %	-1,4 %	-1,5 %	-1,4 %
Net operating capital (% of operating revenues) *	5,0 %	3,6 %	10,1 %	8,3 %	5,2 %	7,0 %
Total assets *	70,1	-225,4	2 551,3	2 544,5	2 702,7	2 695,7
Equity *	-22,4	-58,1	958,2	888,6	1 004,7	1 015,4
Capital employed *	-7,7	-231,5	2 025,7	1 950,9	2 104,8	2 162,0
Return on capital employed *	0,1 %	-0,4 %	0,4 %	-0,7 %	-0,8 %	-0,2 %
Investments *	0,6	2,0	2,0	6,0	7,5	13,6
Number of employees *	-1	-3	133	129	132	128

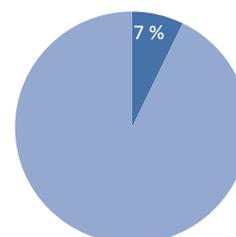
* The columns regarding the quarterly numbers show the change in the quarter

Other businesses include Moelven Industrier ASA, with common services in economics, finance, insurance, communications, HR, ICT and procurement. Sawlog supply and sales of wood chip 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 and Vanerbransle 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 third quarter of 2014 has additionally been charged with costs related to replacing the CEO, as well as a wider scope of projects managed by the parent company with external support. The main activity is internal sales, which do not materially affect the results within the business area. In order to safeguard the supply of timber and market opportunities for wood chip and energy products in regions without local demand for pulp wood and wood chips, train solutions have been established for the transport of these. 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.



Other's share of the Groups sale to external customers



Employees

Employees	Per third quarter 2015				Per third quarter 2014			
	Male	Female	%Female	Total	Male	Female	%Female	Total
Timber	632	76	10,7 %	708	618	77	11,1 %	695
Wood	852	160	15,8 %	1 012	825	168	16,9 %	992
Building Systems	1 441	99	6,4 %	1 540	1 391	97	6,5 %	1 488
Others	100	33	24,8 %	133	98	31	24,0 %	129
The Group	3 025	368	10,8 %	3 393	2 932	373	11,3 %	3 304

Sickness absence rate in %	Per third quarter		H1 Value	Per third quarter	
	2015	2014		2015	2014
Timber	4,40 %	4,48 %	Timber	25,3	15,4
Wood	5,33 %	5,73 %	Wood	8,9	22,2
Building Systems	6,34 %	6,09 %	Building Systems	18,7	16,9
Others	3,01 %	2,30 %	Others	0,0	0,0
The Group	5,50 %	5,49 %	The Group	16,4	17,6

In the third quarter, absence due to illness was 5.3 per cent (5.9), where 2.7 per cent (2.7) represents long-term absence. The Group is still working on the reduction of absence due to illness below the maximum target level of 5 per cent. The number of personal injuries resulting in absence was 21 during the quarter (18) and 67 (69) for the year as a whole. The LTI rate (number of personal injuries resulting in absence per million hours worked) was reduced somewhat compared to the same period last year, but remains unacceptable. The goal is for no one to be injured on the job. In order to achieve this goal, safety work has continued high priority. Phase II of the *Hel Hjem* [Home in One Piece] safety campaign has been in effect since the second quarter of 2014. Central instruments are employee involvement/commitment and management focus on both individual entities and through the allocation of dedicated HSE resources to the divisions. There is also significant emphasis on reviewing both near-accidents and hazardous conditions/risk. As a result of the increased efforts for greater awareness and reporting, there was sharp increase in the recording of hazardous conditions throughout 2014. Work continues in 2015 through further involvement and earmarked resources for HSE work in the operational organizations. The results achieved provide an increasingly better basis for more focused improvement measures, and the application of this data in the best possible manner will have high priority in the ongoing efforts to reduce the injury rate to 0.

Outlook

Demand for industrial wood is expected to remain high in many markets. At the same time, a high level of supply will contribute to continued pressure on market prices. The exchange rates for the Norwegian krone and Swedish krona are at levels that give a good point of departure for competition on the export markets.

A continued good level of activity is expected in the timber market in the fourth quarter.

Continued weak growth for housing construction is expected in Norway. 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. Activity levels are expected to comply with normal seasonal variations with a high level of activity in the first part of the period, followed by a reduction towards the end of the year.

The level of activity in the building and construction sector in Scandinavia is expected to be on a par with 2014, with normal seasonal variations throughout the year. At the start of the fourth quarter the Building Systems division has a better and more diversified order backlog than at the same time last year. The divisions' companies have adapted their capacity and cost structure to the prevailing market conditions.

A plan of action has been implemented with a number of measures and projects that will be 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 will proceed with great intensity in tandem with the work to rationalise capital use. The Board expects that, combined, the measures will significantly increase the Group's cash flow throughout an economic cycle significantly and contribute to achieving the Group's target of a return on capital employed of 13.0 per cent.

The Board is of the opinion that the Group has adequate solvency and access to liquidity over the long term to undertake any necessary restructuring. The Board expects that the Group's underlying operations and results will improve.

Condensed quarterly financial statement for Moelven Group third quarter 2015

Profit and loss and total comprehensive income

Amounts in NOK million	Third quarter		9 months		Total	
	2015	2014	2015	2014	2014	2013
Operating revenues	2 263,2	2 027,7	7 207,3	6 676,4	8 828,2	8 009,4
Cost of goods sold	1 478,8	1 336,6	4 692,3	4 306,7	5 601,0	5 184,7
Payroll expenses	402,4	381,9	1 403,7	1 326,6	1 807,6	1 750,1
Depreciation	66,8	66,9	202,5	204,0	286,5	271,6
Impairment losses	0,0	0,0	47,9	0,0	0,0	0,0
Other operating expenses	235,3	224,6	711,2	684,0	929,5	847,7
Operating profit	79,8	17,8	149,7	155,2	203,6	-44,7
Income from associates	0,0	0,0	0,0	0,0	0,0	0,0
Value change of financial instruments to fair value	-25,1	3,1	2,2	-9,3	-30,4	5,5
Other financial income	6,4	7,2	43,3	18,2	28,2	20,2
Other financial expenses	-19,9	-15,5	-86,2	-57,8	-86,0	-98,1
Profit before tax	41,3	12,5	109,0	106,3	115,3	-117,1
Estimate income tax	9,9	3,4	26,7	26,2	27,0	-24,5
Net profit	31,4	9,1	82,3	80,1	88,4	-92,6
Non-controlling interest share	-0,2	-0,6	0,0	-0,4	0,0	-1,6
Owner of parent company share	31,6	9,7	82,2	80,4	88,4	-91,0
Earnings per share (in NOK)	0,2	0,1	0,6	0,6	0,7	-0,7
Statement of comprehensive income						
Net profit	31,4	9,1	82,3	80,1	88,4	-92,6
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	-41,3	0,0	-41,3	-40,0	18,8
Income tax on items that are not reclassified to profit or loss	0,0	11,2	0,0	11,2	10,8	-5,1
	0,0	-30,2	0,0	-30,2	-29,2	13,7
<i>Items that may be reclassified subsequently to profit or loss</i>						
Translation differences	41,8	-15,8	37,4	-32,7	12,3	58,4
Proportion of other income and costs in associated companies	0,0	0,0	0,0	0,0	0,0	0,0
Other changes	0,0	-1,2	0,0	2,2	-1,2	-5,0
Income tax on items that may be reclassified to profit or loss	0,0	0,0	0,0	0,0	0,0	0,0
	41,8	-17,0	37,4	-30,5	11,1	53,4
Other comprehensive income, net of tax	41,8	-47,2	37,4	-60,7	-18,1	67,1
Total comprehensive income for the period	73,2	-38,0	119,6	19,4	70,3	-25,5
Comprehensive income assigned to:						
Owners of parent company	73,4	-37,5	119,5	19,8	70,3	-23,9
Non-controlling interests	-0,2	-0,6	0,0	-0,4	0,0	-1,6

Condensed statement of financial position

Amounts in NOK million	Per 30.09		Per 31.12.
	2015	2014	2014
Intangible assets	36,9	43,7	41,2
Tangible fixed assets	1 738,0	1 741,8	1 808,5
Financial fixed assets	9,4	8,6	7,6
Total fixed assets	1 784,3	1 794,2	1 857,3
Inventory	1 411,4	1 301,8	1 523,9
Receivables	1 644,4	1 492,9	1 251,1
Liquid assets	42,7	47,4	21,0
Total current assets	3 098,4	2 842,0	2 796,0
Total assets	4 882,7	4 636,2	4 653,2
Share capital*	647,7	647,7	647,7
Other equity	1 064,2	889,8	944,6
Total equity	1 711,9	1 537,5	1 592,3
Provisions	220,6	193,0	189,8
Long term interest-bearing liabilities	1 221,7	1 279,6	1 223,2
Long term interest-free liabilities	1,8	2,0	2,0
Total long term liabilities	1 444,1	1 474,6	1 415,1
Short term interest-bearing liabilities	0,0	29,3	144,3
Short term liabilities	1 726,7	1 594,8	1 501,6
Total short term liabilities	1 726,7	1 624,1	1 645,8
Total liabilities	3 170,8	3 098,7	3 060,9
Total equity and liabilities	4 882,7	4 636,2	4 653,2

*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 1.1.2014	647,7	180,7	0,0	682,2	1 510,6	7,6	1 518,2
Comprehensive income for the period							
Net profit	0,0	0,0	0,0	80,4	80,4	-0,4	80,1
Other comprehensive income							
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
Other comprehensive income (net of tax)	0,0	0,0	0,0	-64,6	-64,6	3,8	-60,7
Transactions with owners, entered directly against equity							
Purchase of non-controlling interests	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Effect of acquisition	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Dividend to owners	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Share based payment transactions	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Total transactions with owners	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Total as at 30.09.2014	647,7	180,7	0,0	698,1	1 526,5	11,0	1 537,5
Total per 1.1.2015	647,7	180,7	0,0	752,6	1 581,0	11,4	1 592,3
Comprehensive income for the period							
Net profit	0,0	0,0	0,0	82,2	82,2	0,0	82,3
Other comprehensive income							
Translation differences	0,0	0,0	0,0	37,3	37,3	0,1	37,4
Other changes	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Actuarial gains (losses) on defined-benefit pension schemes	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Income tax on other comprehensive income	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Other comprehensive income (net of tax)	0,0	0,0	0,0	37,3	37,3	0,1	37,4
Transactions with owners, entered directly against equity							
Purchase of non-controlling interests	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Effect of acquisition	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Dividend to owners	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Share based payment transactions	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Total transactions with owners	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Total as at 30.09.2015	647,7	180,7	0,0	872,1	1 700,4	11,6	1 711,9

Cashflow statement for the Group

Amounts in NOK million	Per 30.09	
	2015	2014
CASH FLOW FROM OPERATIONAL ACTIVITIES:		
Net profit	82,3	80,1
<i>Adjustments to reconcile net profit with net cash flow from operations:</i>		
Depreciation	202,5	204,0
Impairment	47,9	0,0
Income from associated companies	0,0	0,0
Tax paid	0,0	0,0
Unpaid pension costs entered as costs and unreceived pension funds entered as income	-2,3	-0,4
Loss (profit) on sale of fixed assets	-2,4	0,1
Net value change of financial instruments to fair value	-2,2	9,3
Income tax	26,7	26,2
<i>Changes in operating assets and liabilities:</i>		
Changes in inventory	112,5	-35,9
Changes in accounts receivable and other receivables	-391,6	-183,6
Changes in trade accounts payable	39,2	54,4
Changes in provisions and benefits to employees	30,8	50,0
Changes in short-term liabilities excluding borrowing	187,6	157,1
Cash flow from operational activities	331,0	361,2
CASH FLOW FROM INVESTMENT ACTIVITIES:		
Investment in plant and equipment exc. acquisition	-132,9	-135,1
Net cash outlay on acquisition	0,0	0,0
Receipts from sale of fixed assets	2,6	0,3
Sale of other long-term investments	0,0	0,0
Acquisition of subsidiary, net of cash	0,0	0,0
Cash flow from investment activities	-130,3	-134,8
CASH FLOW FROM FINANCING ACTIVITIES:		
Raising short term debt	0,0	229,0
Repayment of short term debt	0,0	-229,0
Change in bank overdrafts	-143,3	151,0
Purchase of non-controlling interests	0,0	0,0
Change in long term debt (borrowing facility)	-36,6	-349,9
Changes in other long-term liabilities	0,4	-8,1
Payment of dividend	0,0	0,0
Cash flow from financial activities	-179,5	-207,0
Net increase (reduction) in liquid assets during year	21,2	-19,4
Liquid assets start of period	14,4	25,9
Effect of exchange rate changes on liquid assets	0,0	0,0
Liquid assets end of period	35,6	8,7
Cash and cash equivalents		
Liquid assets	35,6	45,3
Unused drawing rights	440,4	162,7
Restricted bank deposits	0,0	0,0
Cash and cash equivalents	476,0	208,0

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 2015 ended the 30th of September 2015 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 2014 are available at 2014.moelven.com.

Note 2 – Statement of conformity

The consolidated financial statements for the third quarter of 2015 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 2014.

The summary consolidated quarterly financial statements were approved by the Board 22nd of October 2015.

Note 3 – Accounting policies

The accounting policies adopted in the quarterly financial statements are the same as those in the consolidated financial statements for 2014. 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 2014 and the principal sources of estimate uncertainty are the same when preparing these summary quarterly accounts as for the consolidated accounts for 2014.

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	
	2015	2014
Book value per 1.1	1 838,3	1 913,8
Acquisitions	132,9	135,1
Business combinations	0,0	0,0
Disposals	-0,1	0,0
Depreciations	-202,5	-204,0
Impairment losses	-47,9	0,0
Transfers	0,0	-6,4
Translation differences	42,8	-64,3
Book value per 30.06	1 763,5	1 774,3

Note 8 - Financial instruments

Amounts in NOK million	Per 30.09.2015			Per 31.12.2014		
	Positive fair value	Negative fair value	Net fair value	Positive fair value	Negative fair value	Net fair value
Currency derivatives	7,1	-3,8	3,2	6,6	-10,2	-3,6
Interest rate derivatives	0,0	-79,0	-79,0	0,0	-80,1	-80,1
Power derivatives	0,0	-16,8	-16,8	0,0	-11,1	-11,1
Total	7,1	-99,7	-92,6	6,6	-101,4	-94,8

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	2,8	-10,0	-7,2	2,3	-7,4	-5,0
Interest rate derivatives	0,0	-44,3	-44,3	0,0	-44,8	-44,8
Power derivatives	0,0	-12,8	-12,8	0,0	-14,6	-14,6
Total	2,8	-67,1	-64,3	2,3	-66,8	-64,4

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 2014 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	
	2015	2014
Timber	-25,1	44,4
Wood	91,8	68,5
Building Systems	79,9	45,3
Other	-37,7	-51,9
Profit before tax in segments	109,0	106,3
Eliminations	0,0	0,0
Profit before tax in Group Accounts	109,0	106,3

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's 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 44 operating units in Norway and Sweden and has 3,393 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), Felleskjøpet Agri SA (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

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