Photo: Jens Haugen

ANNUAL REPORT 2018

MOELVEN®

This document contains the formal requirements to annual reporting. Moelven's Annual Report for 2018 with detailed information on the year is available at 2018.moelven.com

Contents

Healthy growth for Moelven

In 2018 Moelven delivered its second-best operating result of all time. Operating income was NOK 586.2 million, an increase of NOK 165.8 million from 2017. Operating revenues were NOK 11,020.8 million, an increase of 2.3 per cent from the previous year.

PROFITABILITY

2018 was a very good year for Moelven, and the group has managed to build on the positive developments that have taken place after a major restructuring process that was initiated in 2014.

Underlying operations further improved in 2018, where market conditions in our home markets and not least internationally have contributed to a healthy operating result. Moelven's net interest-bearing liabilities have been reduced further in the past year, and equity has increased to 45.9 per cent. The return on capital employed (ROCE) is now at 19.0 per cent, and this is well above the target we set ourselves in 2014. Overall, Moelven's operations provide a good foundation for providing our owners with good returns over time. The improvement and restructuring measures aimed at achieving our long-term goals will continue unabated in 2019 as well.

Moelven's three divisions operate in different markets, which affect them differently in terms of economic fluctuations.

The **Timber Division**, which produces sawn timber, components and industrial wood, can look back on 2018 as a very good year. This is to a large extent due to developments in the world economy and strong demand for wood products. Wood is becoming constantly more popular as an input factor for industrial products and in the building industry. We are also seeing that the focus on renewable materials and climate-smart products is stimulating demand, which means the division's products have good outlook.

The **Wood Division**, which supplies building materials, sheet products, and façade, interior and outdoor products, also delivered an improved result from underlying operations in 2018. Demand has been satisfactory, although building activity in Sweden has dropped somewhat compared to 2017. The interest in wood for interiors is significant, and we believe that our customers will become even more concerned with how our products are made, and where they come from. We are therefore proud of our latest marketing effort, that encourages panel customer to "take nature home with

them." This is a message we believe will be important for consumers in the time ahead.

In the **Building Systems division**, which includes glulam, building modules and system interiors, the results vary somewhat more between companies. These companies operate in different markets, and are therefore also affected by different market fluctuations. For the division as a whole, the result is slightly down on the previous year.

Our glulam products are perhaps those that attract the most attention, something the world's tallest wooden building, Mjøstårnet in Brumunddal, abviously has contributed to. With its 85.4 metres, the world record has been followed closely by expert communities, the media and the world at large, from the first breaking of the ground and until the final beam was hoisted into place in September, and up to the opening in the winter of 2019.

PEOPLE

Moelven's most important resource is our people. At the end of 2018 we had 3,524 employees. It is essential for us that everyone should make it "home in one piece." HSE work has the highest priority at Moelven, but we recognise that we are not good enough. Although there has been a decline in injury rates in 2018, there is still some way to go before we reach our target of zero injuries. We will therefore work even more purposefully and systematically with HSE in 2019.

Overall, Moelven's operations provide a good foundation for providing our owners with good returns over time.

3 524
employees

11 021
NOK operating revenue

586
NOK million operating profit

If Moelven is to develop further, it is essential that we continue to adopt new technology. This is required to strengthen our competitiveness. This means that we who work at Moelven constantly have to keep developing our expertise. We are in an age where continuous learning is a part of everyday work, and this gives our employees a more varied and evolving journey with Moelven.

SUSTAINABILITY

At Moelven sustainability has been a natural part of our mindset, actually well before the term "sustainability" was first used. Managing a renewable resource like wood has been a key part of Moelven's 120 year history. In 2018 we published a significantly upgraded report on the sustainability work in the company. We have strong ambitions, and this report describes what we are doing to reach our sustainability targets. To us at Moelven, sustainability is the same as competitiveness. It's about managing our values in a manner that benefits the climate, and also our business.

Several major investments saw the light of day in 2018, and these are characterised by a strong focus on sustainability. At Moelven Våler AS in Braskereidfoss, Norway's first X-ray frame for sorting timber has arrived. Here every log is analysed, so that it may be used for what it is best suited. This means less waste and better utilisation of the natural resource. At Moelven Valåsen AB the first results from the major investment in "The digital sawmill" show that energy consumption drops and production is more efficient. The largest investment in 2018 was the establishment of Moelven Pellets AS, where a pellet factory and a bioenergy centre are under construction in connection with the sawmill at Moelven Soknabruket AS. This effort will be in full operation in 2020, and Moelven will then be able to fully exploit the residual raw material from the sawmill operation through local processing under our own auspices.

INNOVATION

2018 was a year characterised by a number of innovation milestones. Mjøstårnet arose from the ground, and became proof of how new technology and construction methods can be used in tall timber buildings. "The digital sawmill" project has resulted in two new patent applications. At the end of the year the robot line at Moelven Byggmodul AB in Säffle was nominated for the 'Top five innovations' award by the American organisation Hive 50. The production line is a good example of the industrialisation of building with wood in practice, and has resulted in a completely new way of building walls in modern module production. This was the first time an innovation outside of the USA was nominated to this award. These examples are all a reminder that Moelven sticks to the same recipe as before; always focusing on how we can develop our people, our products and production methods. It was the same ideas and the desire to develop that enabled Moelven to deliver the Olympic venues for the Games at Lillehammer in 1994. It made the deliveries to the Oslo Airport Gardermoen development possible, and the same technology has been further developed through the delivery of more than 200 timber bridges. Mjøstårnet is the last chapter on this journey so far – a journey that is far from over.

The road ahead

Our industry is future-oriented. Moelven produces climate-smart products and solutions the world needs, and we are a key developer in the green competition field. In order to be competitive, we are completely dependent on good infrastructure. In Sweden the framework conditions for the wood processing industry is somewhat better than in Norway in some areas, and if Moelven is to contribute to the shift to green business development in Norway, this must be facilitated through a more cost-effective and sustainable infrastructure.

It is in Moelven's DNA to always adopt the opportunities that arise. This means that we are close to market developments and work to supply the right products. Along with continued internal focus on improving operations and the structure of the group, we shall be well prepared for the years ahead.

It is in Moelven's DNA to always adopt the opportunities that arise.

19%
Return on capital employed

45.9%
equity ratio

45
production locations

36
production companies

This is Moelven

Moelven is one of the largest wood processing groups in Europe. We have 36 production companies across 45 production locations in Norway and Sweden. We also have sales offices in Norway, Sweden, Denmark, the UK, Germany, the Netherlands and Poland. We have 3500 employees who work hard every day to give you good spaces.

WE MAKE CLIMATE-SMART products and solutions, and shall be the natural choice for people building and living the Scandinavian way.

Our raw materials are sustainable spruce and pine, which we both sell on for processing in other industries, and use in our own products. We produce everything you need in terms of wood products for your home, sawn timber for industry, glulam products, building modules and flexible office solutions for the construction industry, in addition to chip products and bioenergy.

Moelven's basis is that all development, construction and operations must be sustainable, and that stringent requirements apply towards health, safety and the environment for all of our employees, and those who are affected by our operations.

Moelven's vision, mission, values and human resource ideal are the foundation for all of our employees and the strategic choices that are taken. Sustainability permeates this from the top down.

Moelven's vision, mission, values and human resource ideal are the foundation for all of our employees and the strategic choices that are taken.

OUR VALUES:

SUSTAINABLE Moelven respects people and the environment. We base our activities on renewable resources and have turned sustainability and the long-term view into our competitive advantage. There is a strong desire to take responsibility for our environment.

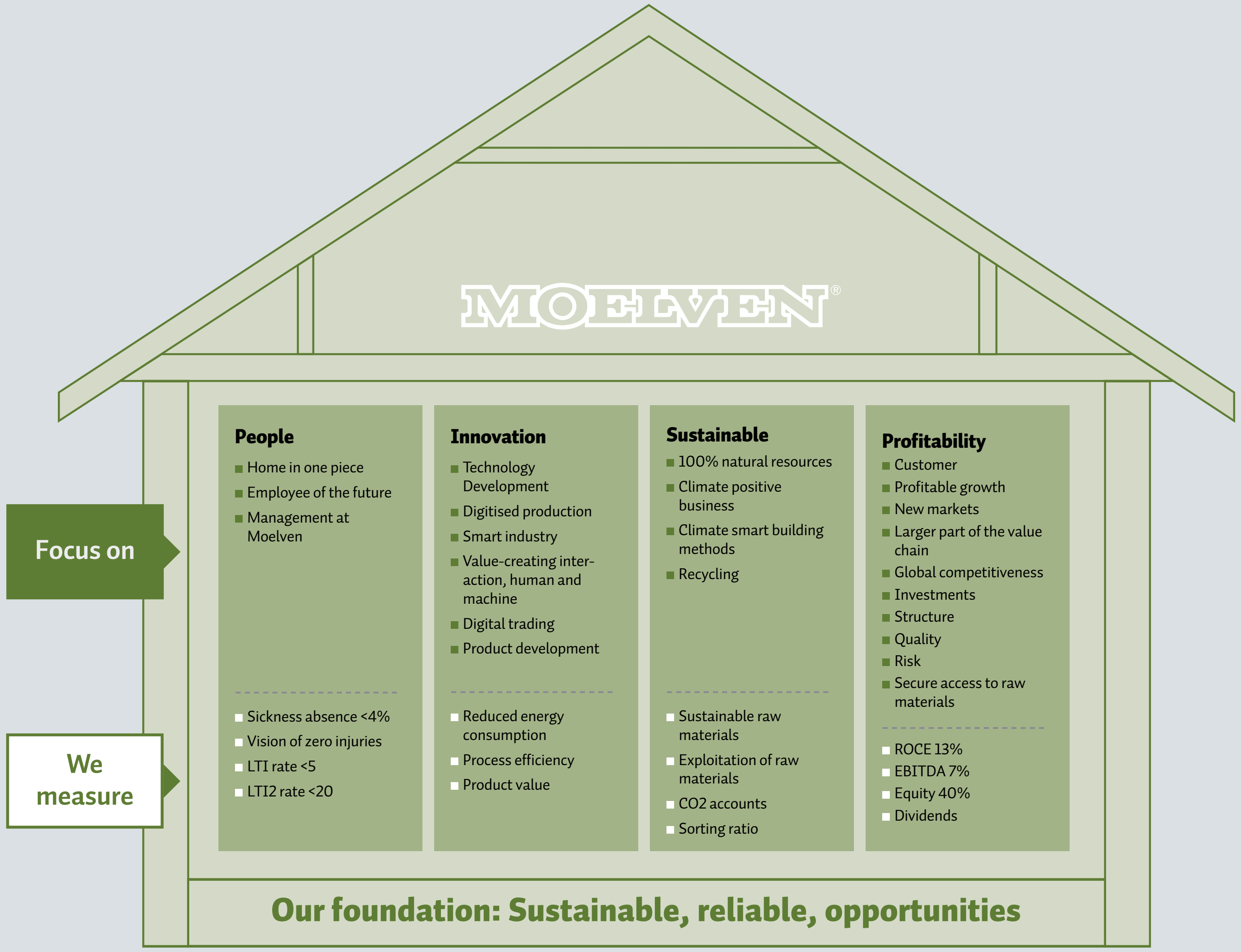
RELIABLE Moelven can be trusted. We deliver at the agreed time and with the right quality. There is a strong focus on openness and honesty – being able to admit to weaknesses and mistakes is the basis for progress and trust.

EXPLOITING OPPORTUNITIES Moelven seeks solutions. The Group has the abilities and resources to be a leader in product development and creativity. We have always been a company at the forefront, exploiting opportunities that changing times afford.

OUR PERSONNEL CONCEPT:
MOELVEN GIVES OPPORTUNITIES TO THE PEOPLE WHO WANT THEM.

Moelven should be a workplace that is secure and good, but also interesting. At Moelven we not only develop products and services – we also provide opportunities for individuals who want to develop.

Strategic Framework



STRATEGIC FRAMEWORK

Moelven is a large group with 3500 employees who work to supply climate-smart products and solutions to different markets. Above shows a summary of Moelven's key focus areas. In connection with the revision of the group strategy in the autumn of 2018, our Strategic Framework was established.

This shall highlight our focus areas and help us prioritise in everyday work. This is first and foremost an internal tool that shall contribute to employees at Moelven making the right decisions – such that we may achieve our ambitious targets.

Our vision – The natural choice for people building and living the Scandinavian way

Basic premise – We are a reliable partner

Long term value creation

4.5 mill m^3 saw timber

2.2 mill tons steel

2.2 mill tons glass

9.4 mill tons gypsum boards

3,524 employees

229.8 GWh electricity

2 Production countries

5 Countries with sales offices

40 Countries with customers

28 Bioenergy plants

66 GWh sold to external companies

508 GWh consumed internally

16 sawmills

2.1 Mill m^3 sawn timber

18 Moelven Modus departments

2,239 projects

11,704 rooms created

2 component factories

16 planing mills

782,400 m^3 planed timber

3 glulam factories

54,000 m^3 glulam

1 plywood factory

101,000 m^3 plywood

6 module factories

8,069 building modules

Financial results

11,021 NOK million operating revenue

933 NOK million EBITDA

586 NOK million operating profit

451 NOK million net profit

5,302 NOK million total capital

45.9% equity ratio

19% return on capital employed

Four focus areas	Important topics	Results in 2018	Goals and priorities
Climate-smart products and services 13 Stoppe klimaendringene We and our materials shall become climate positive	1. Energy use in own production 2. Transport of goods 3. Production of bio-energy 4. Climate benefits from the forest 5. Climate-smart design 6. Waste management at the offices	· **133,966** tons CO_2 emissions · **1,491,034** tons CO_2 stored in finished goods · **812,639,286** tkm road transport · **133,723,275** tkm rail transport · **121,337,790** tkm sea transport	· **8% reduction of electricity consumption by 2020** · Deployment and operation of methodology for energy efficiency · Minimum Euro 6 lorries by 2022 · Streamline logistics · Increase transparency and traceability of climate impact towards customers
Safeguarding natural resources 15 Liv på land We shall use renewable resources and utilise the entire resource	1. Sustainable materials 2. Resource optimisation 3. Resource-efficient design and packaging 4. Waste management in production	· **100%** of timber is controlled · **>51%** recovery factor · **318** tons of plastic recycled · **1,407** tons of plastic consumed · **84.3%** sorting ratio	· **90% sorting ratio at all plants by 2020** · Identify opportunities to reduce waste and increase recycling · Reduce plastic consumption · Work for introduction of environmentally friendly alternatives to plastic
Focus on people 3 God helse · 4 God utdanning We shall be an attractive and safe workplace	1. HSE 2. Involved and competent employees 3. Health-friendly chemical use	· **10.9** LTI rate · **41.2** LTI2 rate · **199.2** Absence due to injury · **2,844** risk reports · **5.5%** absence due to illness · **3,524** employees, and a total of 31 apprentices	· **LTI < 5, LTI2 < 20, absence due to illness < 4%** · **>3,500 risk reports** · Development and execution of HSE courses for all supervisors · Joint management system for HMS for entire group · Fixed procedures for implementation and follow-up of employee surveys
Local values 8 Anstendig arbeid og økonomisk vekst We shall create green workplaces	1. Economic value creation in the local community 2. Local communities	· **4,519.4** million NOK in overall value creation in Norway and Sweden · **3,524** direct jobs · No violations of the Pollution Act or similar legislation that have led to fines	· **No violations of the Pollution Act** or similar legislation in 2018 · Monitor economic value creation in Sweden

Unique insight through X-ray

Moelven Våler is the first sawmill in Norway to use X-ray technology to examine the timber. This ensures that every log is used for what it is best suited for.

"Thanks to X-ray technology, we reduce waste and to exploit the natural resource to the greatest possible extent. It's sustainability in practice," says director Knut Berg with Moelven Våler AS at Braskereidfoss.

I December 2018 the new timber sorting line at Moelven Våler was put into operation. The company thus became the first sawmill in Norway with X-ray scanning and a 3D frame. This provides unique insight into what lies beneath the bark.

Manages the natural resource optimally

"We are probably the sawmill that knows its timber best in Norway, and this allows us to saw the timber into what it is best suited for. Nature provides us with logs with different qualities, and the more we know about each individual log, the better we can optimise the use of it," Berg explains.

X-ray scanning provides the sawmill with information on the location and size of knots, the proportion of heartwood and the density of the log. This is information that is used to sort the logs, such that the timber is exploited in the best possible manner in further processing.

"This technology boost responds to our ambitions of increasing profitability through more efficient operations, and that we manage our natural resource with the respect it deserves," Berg says.

NOK 58 million investment

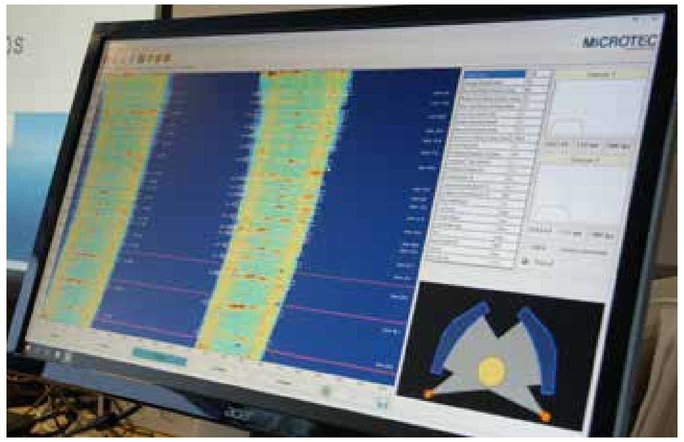
The investment at Moelven Våler has a scope of NOK 58 million, and has been supported by Innovation Norway. Norwegian Wood Cluster has also been involved in the project.

"It is of course a source of pride to be the first in Norway with this kind of modernisation. In 2019 the sawmill will celebrate its 100th anniversary, and this is an investment that sets a new standard for sawmills for decades to come," Berg says.

Partner Innovation Norway emphasises Moelven Våler as a pioneer in the wood industry.

"Here Moelven clearly demonstrates that they are paving the way in modernising and developing the industry with specific solutions. This project has an important sustainability aspect, while also strengthening value creation from Norwegian renewable resources," says consultant Per Ottar Walderhaug from Innovation Norway. ●

Knut Berg, director at Moelven Våler AS



Global demand for wood

The global market is crying out for high quality wood products. This is where Moelven makes its money. Here's the explanation for the great demand.

The 2018 annual result was the second best in Moelven's 120-year history. The Timber division made a strong contribution to this result, and it was perhaps not that surprising with the benefit of hindsight. In every quarterly report, one message was repeated every time: Great international demand for wood products.

The Timber division produces components and sawn timber for the Scandinavian home market, but also for international markets. Around half of what is produced by the sawmills in the Timber division ends up in Scandinavia. The remainder is exported. Timber's products are in high demand as an input in other industry, and as the quarterly reports reported – demand for this is great.

Industrialisation

"We live in time with the world economy, and it is characterised by prosperity and population growth. For us this means that there is greater consumption of wood products throughout the world, and this is an opportunity our clever people at the production units and in sales have grasped," Lars Thorsrud, market director of Moelven Timber explains.

An increased global standard of living is expanding the middle class. This in turn increases the need for building homes and furniture. In order to meet this demand, there has been a gradual change from classic craftsmanship to constantly more industrial mass production. In China, which is one of the markets Moelven sells directly to via the sales company Moelven Export Sales AB, one can see up close how this trend is evolving. Suzan Ljungemo, who heads Moelven Export Sales, explains :

"When making furniture on a large scale in an industry, it is necessary for production to run smoothly and that the products are identical – without significant blemishes of deficiencies. In order to achieve this, the quality of raw materials must be high. Our slow-growing Scandinavian forests ensure extra high quality wooden products, and it is precisely why many want to use wood products from Moelven as an input in e.g. the furniture industry.

Renewable resources

Demand for wood products has also been influenced by another megatrend: the focus on renewable and climate-friendly products.

"The green shift, the UN's global climate goals and the planet's health are persuading more and more people to use wood as a material. Several iconic wooden buildings are being built around the world, not only in Brumunddal – although this is the tallest to date. Previously one only talked about such projects. Now we know they are possible, and constantly more such iconic buildings are being erected. In sum, building from wood has never been more popular," Lars Thorsrud says.

Biggest in the UK

Wood products from Timber end up in large parts of the world. Besides Scandinavia, the UK is the largest market. There, most is used for construction and the production of exterior products such as decking.

Moelven currently has sales offices in Norway, Sweden, Denmark, the UK, Germany, the Netherlands and Poland. The company also has extensive partnerships with sales agents in countries such as France, Belgium, Italy, Spain and in North Africa and the Middle East. Additionally, Moelven Sales Export sells wood products directly to the Asian market, via the office in Karlstad.

WHAT DO MOELVEN'S WOOD PRODUCT END UP AS?

Here are some examples of what wood products from Moelven are used for in the various markets outside Scandinavia:

Japan:
Building homes

China:
Furniture

France:
Glulam production

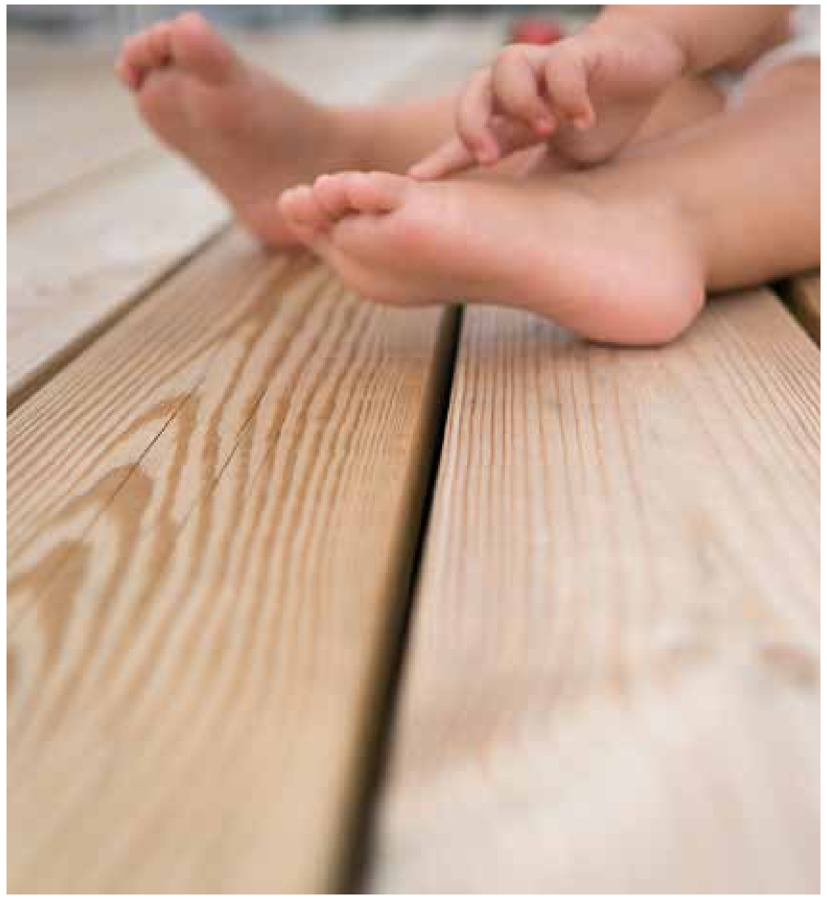
Poland:
Furniture

United Kingdom:
Construction

Germany:
Glulam production

Netherlands:
Stairs, packaging

Egypt:
Furniture, packaging



"We live in time with the world economy, and it is characterised by prosperity and population growth."
Lars Thorsrud

Lars Thorsrud, market director of Moelven Timber and Suzan Ljungemo, head of Moelven Export Sales.

World record with new construction method

The world's tallest timber building (85.4 metres) is groundbreaking for more than just its height. When Mjøstårnet was to be built, Moelven employed a completely new and untested assembly technique.

"Outsiders may perhaps think that there is great risk involved in using a new assembly method on such a large and prestigious project. However, following many years of development, we were ready to take a new step," says Rune Abrahamsen, director at Moelven Limtre.

Lego for grown-ups

Mjøstårnet is Moelven's second world record in terms of tall timber buildings. In 2014 the apartment building Treet was completed in Bergen. The structure, with a height of 51 metres across 14 storeys, was first assembled at the factory in Moelv before being transported to the building site for final assembly. However, with Mjøstårnet the beams went directly to the building site, without any form of trial assembly.

"This is accuracy taken to the extreme. The beams arrived fully processed at the building site, and fit the structure down to a millimetre. There was no scope for errors in the assembly. The principle almost like Lego for grown-ups. All of the pieces have specific place and must fit," Abrahamsen says.

This new construction method ensures that erecting buildings such as Mjøstårnet is much faster. When the world's tallest wooden building was completed in March 2019, Moelven had hoisted several hundred glulam beams into place in the structure over the course of 10 months.

"This assembly method is very efficient in terms of time, and will become the new standard for glulam structures like this," Abrahamsen says.

Several storeys in one hoist

The actual assembly took place using a large crane at the building site. External scaffolding was not used. When Moelven has hoisted the glulam structure into place, several storeys have been hoisted at once.

"We've hoisted 4-5 floors at a time. Then we complemented them with Trä8 floor elements (see fact box) from Moelven Töreboda. These are really huge structures, and it's an incredible feeling to watch almost 20 metres of the building's height being hoisted into place in one go. Both the building and our pride grow in tandem," says Lars Ivar Lindberg of Moelven Limtre, who was responsible for assembling Mjøstårnet. ●

TRÄ8 – A UNIQUE SYSTEM FOR TALL WOODEN BUILDINGS

A load-bearing beam system that can carry beams with a span of up to eight metres, built using 8x8 metre standard modules.

An efficient system the shortens project duration.

Provides the opportunity to build protected from the elements and quickly.

An environmentally friendly construction method.

Trä8 was developed by Moelven Töreboda AB in partnership with the Luleå University of Technology.

"Everyone shall arrive home in one piece"

To Malin and Kim, HSE is an important part of everyday work, and they believe this is how it should be for all employees of Moelven.

"I think the company does a good job with HSE (health, safety and the environment), and feel that we have come a long way in this area," Kim Nilsson says.

He is a production worker at Moelven Byggmodul AB in Kil in Sweden, as well as safety representative and a member of the company's safety committee. As a part of the governing body for HSE work at Moelven, Kim plays a part in determining which requirements that should apply and which measures that are to be implemented.

"We should not have a single injury at Moelven, and to reach that goal we must have constant focus on safety. I find it both rewarding and fun being a part of this work," Kim says, and is supported by Malin Karlsson:

"It warms our hearts to see that both employees and supervisors take ownership of HSE, thus contributing to making sure we all come home in one piece.

Take responsibility yourself

Malin works as a working environment engineer at Byggmodul in Sweden, and is thus the HSE supervisor in the company that supplies various modules to the construction market. She is also a member of the technical HSE forum, which provides recommendations to the safety committee. Both she and Kim agree on what is most important to avoid accidents and injuries:

"Each of us has to take responsibility to work in a smart and safe manner. By stopping to think for three seconds before performing new work operations, and by allowing a colleague about to perform a risky operation three seconds, we can create an even safer workplace.

Malin and Kim are passionate about HSE, but they also believe that the strong focus on the area has been well-received by the other employees. Because although the company has seen improvements in terms of the number of injuries, we still have too many. They emphasise that HSE is a field in which there is a lot of theory, but where the challenge lies in safety work always being top of mind in each and every employee.

"We need to raise awareness, competence and knowledge of HSE among both employees and managers. It's about putting theory into practice and following up reported matters across longer periods of time. If we succeed, we will reduce the number of injuries," say the HSE advocates Malin and Kim. ●

THE SAFETY COMMITTEE

Consists of the CEO, heads of divisions for Timber, Wood and Building Systems, the HR Director and two employee representatives.

Meets six times a year and is the governing body for HSE work at Moelven.

TECHNICAL FORUM FOR HSE

Comprises the HSE resources from the Timber, Wood and Building Systems divisions, and HR.

Workgroup that forwards recommendations to the safety committee

HSE matters most

"Our first priority at Moelven is HSE. We must have a safe and secure workplace that enables everyone to arrive home in one piece, both physically and mentally. This is what's most important," says Anne Cathrine Amdahl, HSE manager with Moelven.

The company actively works to reduce the number of injuries, and will in the focus even more in the future on sharing experiences and working preventively," she says.

"Everyone shall benefit from being a part of the Moelven group and learning from each other. We will do things the 'the Moelven way,'" the HSE manager says, elaborating:

"We shall become a company that other companies look up to, because we care about each other, go the extra mile and do things better and safer.

Photo: Jens Haugen/Anti

"We should not have a single injury at Moelven, and to reach that goal we must have constant focus on safety."
Kim Nilsson

Each individual employee must take responsibility to work smart and in a safe manner, including by using the necessary protective equipment.

Kim Nilsson and Malin Karlsson are passionate about all employees enjoying their work and making it home in one piece.

Photo: Moelven

Amounts in NOK million	2018	2017	2016	2015	2014
THE GROUP					
Operating revenues	11,020.8	10,768.4	10,309.7	9,690.4	8,828.2
Gross operating profit (EBITDA)	932.7	716.1	601.6	553.9	490.0
Depreciation	280.4	278.1	290.1	289.6	286.5
Impairment	66.1	17.6	16.5	49.5	0.0
Operating profit	586.2	420.4	295.0	214.8	203.6
Financial items	-8.0	-46.8	-42.5	-56.3	-88.2
Profit before tax	578.2	373.6	252.5	158.5	115.3
Total assets	5.,02.3	5,044.6	4,766.8	4,778.1	4,653.2
Equity in per cent	45.9	41.5	38.0	36.8	34.2
Operating margin in per cent	5.3	3.9	2.9	2.2	2.3
Investments	497.4	357.0	275.2	215.8	195.1
Number of employees	3,524	3,546	3,492	3,426	3,326
TIMBER					
Operating revenues	3,263.3	3,118.2	3,020.6	3,010.1	2,872.3
Gross operating profit (EBITDA)	449.4	266.9	181.1	145.1	199.5
Depreciation	98.7	102.7	111.1	119.5	116.5
Impairment	7.4	17.6	16.5	49.5	0.0
Operating profit	343.3	146.7	53.5	-23.9	83.0
Financial items	-4.1	-17.4	-13.1	-9.0	-26.3
Profit before tax	339.2	129.3	40.4	-32.9	56.7
Total assets	1,663.4	1,545.5	1,567.1	1,664.5	1,754.5
Operating margin in per cent	10.5	4.7	1.8	-0.8	2.9
Investments	136.7	99.2	64.2	75.9	67.6
Number of employees	620	650	674	679	703
WOOD					
Operating revenues	3,977.3	3,805.6	3,529.9	3,275.7	3,066.2
Gross operating profit (EBITDA)	318.5	265.7	274.5	237.4	225.3
Depreciation and impairment	166.6	110.9	113.8	113.7	114.4
Operating profit	151.9	154.8	160.6	123.7	110.9
Financial items	-15.6	-24.8	-24.4	-27.1	-23.6
Profit before tax	136.2	129.9	136.2	96.6	87.3
Total assets	2,466.9	2,413.9	2,151.6	2,146.7	2,044.8
Operating margin in per cent	3.8	4.1	4.5	3.8	3.6
Investments	198.1	119.9	114.7	96.8	82.1
Number of employees	1,108	1,079	1,039	1,009	993
BUILDING SYSTEMS					
Operating revenues	3,743.0	3,856.4	3,616.8	3,375.2	2,836.7
Gross operating profit (EBITDA)	189.0	206.7	166.3	185.2	98.8
Depreciation and impairment	60.6	52.8	51.2	44.4	41.6
Operating profit	128.3	153.9	115.1	140.8	57.2
Financial items	-1.0	-1.6	-1.7	-0.1	6.4
Profit before taxes	127.4	152.3	113.4	140.7	63.5
Total assets	1,751.4	1,808.9	1,653.2	1,616.8	1,256.4
Operating margin in per cent	3.4	4.0	3.2	4.2	2.0
Investments	93.5	118.9	84.5	40.2	37.9
Number of employees	1,647	1,687	1,647	1,607	1,498
OTHER OPERATIONS					
Operating revenues	3,547.6	3,414.6	3,388.9	3,003.8	3,204.4
Gross operating profit (EBITDA)	-24.1	-23.2	-20.3	-13.9	-33.6
Depreciation and impairment	13.1	11.7	13.9	12.0	13.9
Operating profit	-37.2	-34.9	-34.2	-25.9	-47.5
Financial items	12.7	-2.9	-3.4	-20.1	-44.7
Profit before tax	-24.5	-37.8	-37.6	-45.9	-92.2
Investments	69.2	19.1	11.8	3.0	7.5
Number of employees	149	130	132	131	132

Report of the Board of Directors 2018

2018 IN BRIEF

In 2018 the group continued its positive developments from previous years, and increased operating revenues to NOK 11.0 billion (10.8) and the operating profit to NOK 586.2 million (420.4). The group's rate of return on employed capital increased to 19.0%, up from 14.2%. With exports to more than 40 countries and on several continents, Moelven is dependent on developments in the global economy. Combined, approx. 15 per cent of the group's turnover is in markets beyond Scandinavia, mainly in the euro zone, the UK, Middle East, North Africa and Asia. It is mainly sawn timber that is exported. For Timber in isolation the export share outside of Scandinavia is 45 per cent, and for Wood it is 10 per cent. Both price developments on the international market for sawn timber and exchange rate developments therefore have a major impact on the business. Both directly for export revenue, but also indirectly because international price levels rapidly impact the home market in Scandinavia.

In 2018 international demand for sawn timber has been good, and the prices for sawn timber increased compared to the previous year. At the same time the currency conditions, in particular against the EUR, have contributed to continued good competitiveness for the export-oriented units. The UK is an important export market for Moelven. Market activity was good in 2018, but the Brexit issue is causing uncertainty around further developments in terms of both market activity and market access. A hard Brexit may lead to significant changes in trade with the UK, and Moelven is implementing measures to reduce risk in relation to this.

The Wood division mainly sells its processed wood products on the building materials market in Scandinavia. Demand from this market has been satisfactory, although building activity in Sweden has dropped somewhat compared to 2017. Price levels for the division as a whole increased for both finished goods and fuel compared to the previous year.

Sawlog inventories at the start of the year were satisfactory with regard to planned production levels for the winter of 2018. Sawlog access during the winter months was normal for the season, although large snowfalls provided certain logistics challenges in some regions. The dry summer led to a great risk of forest fire and caused a challenging supply situation in some locations. With somewhat more precipitation as the autumn progressed, the risk of forest fires however decreased and led to a normalisation of the supply situation. At the end of the year, sawlog access was satisfactory and inventories were somewhat higher than at the beginning of the year. Both sawlog prices and prices for chip and fibre products have been higher in 2018 than the previous year.

Building Systems operates exclusively in building and construction in Scandinavia. Deliveries are to professional players in both the new building and renovations, extensions and conversions markets. Market activity in these markets has declined somewhat in 2018, and demand for the division's products and services was lower than the previous year. The overall order backlog fell by NOK 510 million and made it necessary to reduce capacity at certain units.

Events in 2018

On 30 March there was a fire in the bioenergy plant at Moelven Valåsen AB. At the time the plant was not owned by Moelven, but the heat energy from the plant is essential for operation of the lumber dryers. In the beginning of April a backup solution was in place, and this, in combination with exploiting drying capacity at other units, allowed production to proceed as normal. Moelven took over the bioenergy plant on 1 December 2018.

An important focus area in the development of the group is to employ new technology and exploit the opportunities inherent in new digital solutions. In the project "The Smart Digital Sawmill," Moelven has collaborated with a handful of technology partners in linking the entire value chain at Moelven Valåsen AB to a Big Data solution. Real-time data from all underlying systems and machinery are fed into one and the same system, where advanced analysis and machine learning technologies exploit the information in ways one has previously been unable to do. Identified patterns and achieved results were presented at the Trä & Teknik trade fair (Wood and technology) in Gothenburg at the end of August 2018. "The Smart Digital Sawmill" now comprises the template for deploying similar solutions at several of the group's companies.

In September 2018 Moelven launched a new and updated website, following a comprehensive insight and user analysis along with subsidiaries. The new website constitutes a huge boost in terms of design and usability, and allows for further development of Moelven's digital presence.

On 4 September 2018 the final glulam beam was

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hoisted into place in the world's tallest wooden building – "Mjøstårnet" in Brumunddal. The total height was 85.4 metres. The construction of Mjøstårnet was thoroughly documented. Six films and press material directed at domestic and international audiences were produced. This has resulted in huge media attention at home and abroad. The global news weekly The Economist and the French broadsheet Le Monde have visited and produced stories on the project and the climate benefits of large and tall wooden buildings. This does not only concern the use of sustainable wood materials produced from local raw materials. To Moelven a climate-smart construction method means both that the CO2 burden is reduced through the use of wood as a building material, and that no more materials than necessary are used. The Trä8 system used in several of the slabs between the floors has been developed precisely with this in mind. Trä8 was developed by Moelven Töreboda AB and was introduced to the market in 2009. The elements used in Mjøstårnet have been produced by a local manufacturer. Mjøstårnet was opened on 1 March 2019. The building's 18 floors houses offices, a hotel, a restaurant, apartments and an indoor swimming pool.

On the night before Saturday 24 November a fire broke out at the dry sorting line at Moelven Notnäs Ransby AB, Ransby department. No one was injured during the fire. However, the dry sorting line sustained significant damage and will be out of service until the summer of 2019. The damage will be covered by the group's damage and consequential loss insurance. The saw line was not damaged in the fire, and production has proceeded almost as normal by exploiting dry sorting capacity at other units in the group.

Strategy

Sustainability and the climate challenges the world is facing are attracting more and more attention. For the Moelven group sustainability and environmental impact have been central topics for a long time, and are a natural part of the culture and mindset in a business based on wood as a raw material. Starting from 2017, the group's public reporting also includes a sustainability report in accordance with the GRI standards (Global Reporting Initiative) and climate accounts according to the GHG protocol (GreenHouse Gas). In society in general, increased knowledge and awareness of wood's properties and opportunities, both as carbon storage and as a building material, has led to greater interest in climate-smart building with wood.

Among the Moelven group's products and services, the deliveries from Wood and Building systems are most visible to the outside world. This concerns both processed wood building materials, bridges and other load-bearing structures in glulam and module-based apartment buildings. In addition, activity in infrastructure is high. Use of wood in connection with this is also on the increase, and is an important cause of the good demand for sawn timber, which is the main product of the Timber companies.

In work on the corporate strategy for the 2019-2021 period, emphasis has been on clarifying Moelven's focus areas. In 2019 all employees will receive a short version of the strategy, a strategic framework based on four areas that summarises what Moelven shall focus on in the time ahead. These areas are People, Innovation, Sustainability and Profitability. These main areas shall help the companies prioritise, so that we all pull in the same direction towards a common goal.

In the strategy process that has been ongoing in 2018 it has been decided to expand the group's focus on own processing of residual raw materials. Previously, residual raw materials from the mechanised industry has mainly been sold to other industries or used for internal bioenergy purposes. Small-scale briquette production has also been carried out. Against the backdrop of the new strategic focus, in the spring of 2018 it was decided to build a new pellets factory and a new bio-energy plant at Sokna near Hønefoss. The overall investment has a scope of NOK 270 million, of which

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Enova is supporting the bioenergy effort to the tune of NOK 66 million. The effort is employing groundbreaking solutions, where energy and chip products from Moelven's sawmills in the region will be used for pellet production. When the factory is ready in early 2020, it will ensure that pellet production in Norway is doubled and provide 8-10 new jobs. The factory will be unique in that it is the first pellet factory in Norway that is fully integrated in a sawmill in terms of energy. A major proportion of the overall investment is a brand new bioenergy plant that will both supply the sawmill and the pellet factory with energy. This means that the energy that otherwise would go to waste from the sawmill is used in the production of white pellets. Estimates show that by doing this, one may reduce energy consumption in pellet production by up to 37 per cent.

Besides the environmental and sustainability theme, HSE has become steadily more important in the strategy work. The group has a long-term target of zero injuries – it should be safe to work at Moelven. The developments in injury rate have been unsatisfactory, although the LTI rate improved from 12.4 in 2017 to 10.9 in 2018 – a reduction of 12.1%. In the strategy plan a subsidiary goal has been established for 2021 that the number of lost time injuries per million worked hours (LTI rate) shall be below 5, that the number of injuries both with and without injuries per million worked hours (TRI rate) shall be below 20, and that the number of reported hazardous conditions and near accidents overall shall be at least 4,200 (1.2 per employee). The goal for sick leave is to reduce this to below 4 per cent within the end of the strategy period. The health, safety and environment strategy can be summarized in nine points:

- Clear goals
- Clear leadership
- Increased use of resources
- Clear sharing of responsibility
- Increased expertise
- Underpinning systems
- Unambiguous processes and rules
- Incentives and consequences
- Frequent information

With regard to business, the group is in a phase where large parts of operations are doing well and improving results, while other parts of operations still fail to meet the requirements to profitability and returns that have been defined. It is thus important that the right priorities and choices are made, to have the best possible foundation for sustained profitability. The shareholder values in Moelven are best ensured and developed by the organization focusing on developing the units the company currently possesses, which in all likelihood will reach profitability targets in the course of an economic cycle. New investments must be adjusted to the strategic choices that have been made and take place within the applicable financial framework. Investments and growth will mainly take place on the basis of existing business areas.

Efforts on internal improvement work and restructuring in accordance with the action plan that was drawn up in the autumn of 2014 have proceeded with full strength in 2018, and are a good contribution to the improved results. In addition, several organizational changes are being implemented, as well as major investment projects that will improve efficiency and profitability.

CORPORATE GOVERNANCE

There have been no changes to the board of directors in 2018. The board has consisted of Olav Fjell (chairman), Trond Stangeby (deputy chairman), Elisabeth Krokeide, Aud Ingvild Storås, Asbjørn Bjørnstad, Martin Fauchald and Lars Håkan Karlsson.

Corporate governance at the Moelven Group is based on the current Norwegian recommendation for corporate governance of October 2018. The Board's report on the group's policies and practice for corporate governance in accordance with section 3-3b of the Norwegian Accounting Act has been incorporated into the board's account of corporate governance on page 36. Comprehensive information on the group's governing bodies is published at www.moelven.no and in note 27.

Corporate structure
Moelven Pellets AS, which was established on 20 June 2018 to manage construction and operation of the new pellet factory and energy centre in connection with Moelven Soknabruket AS.

On 30 June 2018 Moelven acquired all of the shares in the company Broberg Skogs AB in Torsby in Sweden from SB Skog AS. The company, which had 5 employees, operates within timber purchases and forestry management in northern Värmland, which is an important area for Moelven.

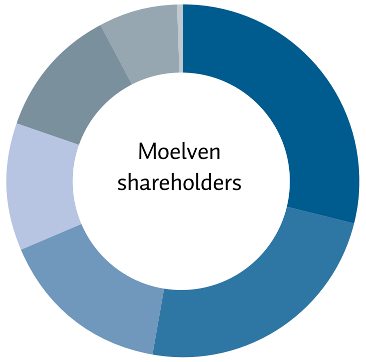
In September 2018 it was decided to close operations at Moelven Are AS in Spydeberg. The closure is a necessary measure to strengthen the Wood division's overall competitive ability, but does unfortunately mean that 21 employees lose their jobs. Moelven Are AS has acted as a distribution centre in the Wood division with the Oslo fjord region as its market. The company also has a planing mill and a painting and impregnating facility. Operations at Moelven Are AS will be transferred to other units in the Wood division, among them Moelven Langmoen AS and Moelven Edanesågen AB. Moelven Langmoen AS is the division's main distribution centre, and has in recent years invested significantly in a new and modern distribution and logistics system.

THIS IS THE MOELVEN GROUP

Ownership structure

The Moelven Group is owned by:

- Glommen Skog SA (29,1 %)
- Eidsiva Vekst AS (23,8 %)
- Felleskjøpet Agri SA (15,9 %)
- Viken Skog SA (11,9 %)
- Mjøsen Skog SA (11,8 %)
- AT Skog SA (7,3 %)
- Most of the remaining 0.4 per cent is owned by private individuals



Vision
Moelven is a Scandinavian group. All production units are located in Scandinavia, which is also the primary market. Moelven's vision is to be the natural choice for people who wish to build and live Scandinavian, and the group shall take the lead in developing buildings that are based on Scandinavian building traditions. Within this framework, activities are based on a desire and an ability to contribute to creating good spaces – good environments to live and work in, and for all social functions. Good Scandinavian environments are often close to nature in their form and content. Wood and other natural materials are essential parts of what Moelven makes and are dominant in the greater part of the product range. Moelven offers a broad range of natural and climate-smart products, systems and solutions with associated services related to homes and holiday homes, module-based buildings, building interiors and load bearing structures. The Scandinavian market accounts for 85 per cent of sales revenues, and 85 per cent of the group's products and services are used for new building or renovation, conversion and extension of homes and commercial property. A large part of the remaining operation consists of sales of biomass for biofuel and for pulp, paper and particle board production. The group also supplies wood products to the furniture, interior and packaging sectors.

Location
The group has its headquarters in Moelv in Norway and consists of 36 production companies in 45 production locations, and a number of offices for sales, service and fitting. Most of the production units are companies and workplaces with a strong local presence in rural communities in South East Norway and the western part of Central Sweden. The offices for sales, service and fitting are located in larger population centres around Norway, Sweden, Denmark, the United Kingdom, Germany, the Netherlands and Poland. Production in Norway and Sweden is of approximately the same volume, but the Swedish units export a greater proportion of their production than the Norwegian. Out of a total of 3,524 (3,546) employees at the end of 2018, 1,696 (1,662) work in Norway, 1,797 (1,856) in Sweden, 21 (20) in Denmark and 10 (8) in other countries.

Divisions
The group is divided into three divisions: Timber, Wood and Building Systems, each of which focuses on one of the main segments of industry, trade and project.

Moelven's vision is to be the natural choice for people who wish to build and live Scandinavian

There is also an Other Businesses reporting area, which consists of the holding companies with group functions, supply businesses, fibre products and bioenergy companies.

Timber
The Timber division consists of 11 production companies and 5 sales offices, supplying industrial timber, components and chip products made from local spruce and pine. The customers are mainly industrial companies that buy intermediate products for their own production of construction timber, glulam, panels, flooring, mouldings, windows, packaging, board and paper products and for bioenergy. About 55 per cent of operating revenues come from Scandinavian customers. At the end of 2018, there were 620 (650) employees, 249 (242) of them in Norway, 361 (400) in Sweden and 10 (8) in other countries.

Wood
The Wood division comprises 17 production companies, 3 customer centres and one project sales company. The main products are white and impregnated building wood, external cladding, plywood, length-adapted products and chip products, as well as interior products such as mouldings, flooring and interior panels. Wood also trades in purchased products. Around 75 per cent of timber and board production is sold through the building products trade and wood processing industry. Wood is one of the leading suppliers to the Scandinavian market and about 90 per cent of its operating revenues come from Scandinavian customers. At the end of 2018, there were 1,108 (1,079) employees, 601 (581) of them in Norway, 486 (439) in Sweden and 21 (19) in Denmark.

Building Systems
The Building Systems division consists of 7 production companies at 12 production locations and a number of sales, service and fitting offices. Building Systems is divided into the business areas Glulam, Modular Buildings and Interior System, all three of which are market leaders in Norway and Sweden. The division's building and contracting customers buy customised building modules, flexible interior solutions systems and associated services and advanced glulam structures. In addition to bridges and load-bearing structures, the glulam unit also has considerable sales of standard laminated timber beams through the building products trade, as well as components for the prefabricated house industry. Operating revenues are primarily from Scandinavian customers. At the end of 2018, there were 1,647 (1,687) employees, 788 (783) of them in Norway and 859 (904) in Sweden. In order to ensure adequate flexibility in production capacity to meet seasonal and economic fluctuations in the market, the divisions use hired workers to some extent. Hired workers are not included in the employee figures. Hiring is from staffing companies who comply with the EU temporary agency work directive, and this entails that hired personnel are ensured the same terms as if they were employed by Moelven.

Other Businesses
Other businesses include Moelven Industrier ASA, with shared services for finance, accounting, insurance, communications, HR and ICT. Timber supply and sales of wood chips and energy products are organised as a common function for the group's timber processing industry and are included with the companies Moelven Skog AB, Broberg Skogs AB, Moelven Virke AS, Vänerbränsle AB and Moelven Bioenergi AS. In addition there is the affiliate Weda Skog AB. Moelven Pellets AS, which was established in June to manage construction and operation of the new pellet factory and energy centre in connection with Moelven Soknabruket AS, is also included in the area, but as of yet with no result items of significance. At the end of 2018, there were 149 (130) employees, 58 (51) of them in Norway and 91 (79) in Sweden.

CORPORATE SOCIAL RESPONSIBILITY

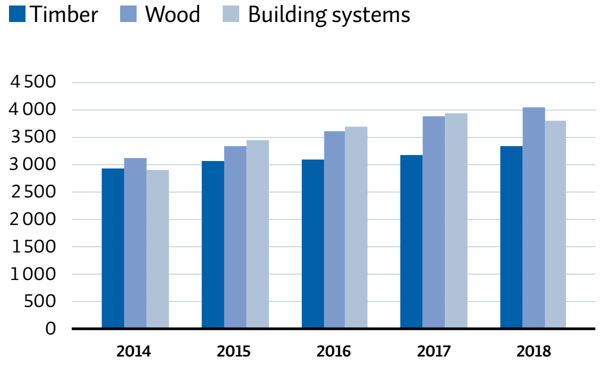
The Board has processed and approved the groups general strategy and guidelines relating to HSE, social responsibility, the environment and competition law. The discussion of these areas are included in the Board's explanation of principles and practice concerning social responsibility pursuant to the Accounting Act Section 3-3c.Refer to the sustainability report for 2018 for details.

OPERATING REVENUES AND RESULTS

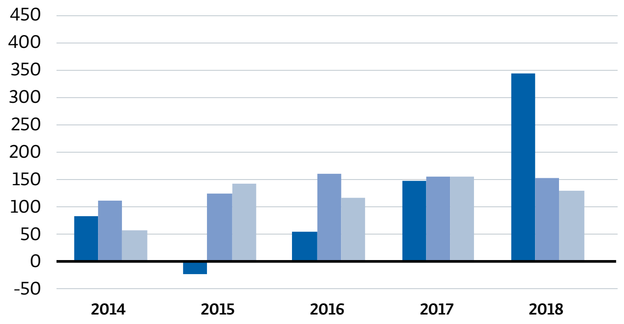
The group

Amounts in NOK million	2018	2017
Operating revenue	11,020.8	10,768.4
EBITDA	932.7	716.1
Depreciation and impairment	346.5	295.7
Operating Profit	586.2	420.4
Profit before tax	578.2	373.6

Operating revenues



Operating profit



Operating revenues in 2018 increased by 2.3 per cent compared to 2017. The backdrop is increased finished goods prices for both sawn timber and processed wood products. Sawn timber is the main product of the Timber division, and increased prices are an important cause of improved revenue for both the group and the division itself. Sawn timber is an important input for many of the companies in Wood and Building Systems, and price developments for sawn timber are thus also one of the causes for increased raw material costs in these divisions. Raw material costs also rose for the sawlog-consuming parts of the group compared to 2017. The prices for chip and fibre products also increased and reduced the cost effect from increased sawlog prices.

The operating result for 2018 increased by 39.4 per cent to NOK 586.2 million (420.4) and the operating margin improved to 5.3 per cent (3.9). The operating result for 2018 includes impairments totalling NOK 66.1 million as a result of restructuring, and that indications of reduction in value were revealed in connection with impairment testing of fixed assets, and the fact that the value of future cash flows is lower than the book value. The operating result for 2017 includes a charge from the third quarter of NOK 46.1million. The background for this is the decision to close Moelven Norsälven AB from the turn of the year, in addition to a resolved dispute related to a larger project in Building Systems.

The FIFO principle requires that inventory calculations are adjusted in line with developments in raw material costs. Along with an update of real value assessments of inventory, this has provided a positive effect totalling NOK 88.6 million (39.7) for the year. The items do not have any impact on cash flow.

The group employs financial instruments as a hedge against short-term fluctuations in foreign exchange rates, interest rates and power prices. Non-cash items connected to fair value adjustments on unrealised hedging instruments comprised NOK 51.5 million (-4.7) The amounts include basis swap effects of NOK -0.2 million (-8.5 million). Basis swaps are hedging instruments that when viewed for the entire term have a market value change equalling zero, and where the accounting effect therefore is reversed over time. The financial results for 2017 were positively impacted by NOK 9.6 million as a result of a reversal of previously allocated warranty costs.

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Photo: Moelven

Timber

Amounts in NOK million	2018	2017
Operating revenue	3,263.3	3,118.2
EBITDA	449.4	266.9
Depreciation and impairment	106.2	120.3
Operating Profit	343.3	146.7
Profit before tax	339.2	129.3

Market activity and demand in the division's main markets was good in 2018, with normal seasonal variations throughout the year. Internationally, demand is seeing a positive impact from activity levels in the global economy in general. In addition to being a good building material that is in more and more demand, wood is also widely used for packaging. The good demand for all qualities and assortments, in combination with low inventories in the production stage for most of the year, resulted in a further increase in prices for sawn timber. This is the main cause of the increase in operating revenues compared to 2017. Delivery volumes dropped somewhat in 2018, mainly due to there being one less production unit in the division in 2018 following the discontinuation of production at Moelven Norsälven AB in the fourth quarter of 2017.

The implementation of internal improvement measures resulted in an improvement of underlying operations at many units. Operating costs were nevertheless somewhat higher than in 2017, mainly due to extended maintenance budgets in a period of good earnings and cash flow. In addition there were some operational disruptions at certain units, including as a result of fire. On 30 March there was a fire in the bioenergy plant at Moelven Valåsen AB. No one was injured during the fire. At the time the plant was not owned by Moelven, but was taken over with effect from 1 December 2018. The heat energy from the plant is essential for the operation of the lumber dryers. In the beginning of April a backup solution with oil heating was in place, and production could proceed as normal. The fallback solution was used in April and May until the bioenergy plant was repaired and brought into use again in the beginning of June. On the night before 24 November a fire broke out at the dry sorting line at Moelven Notnäs Ransby AB, Ransby department. No-one was injured as a result of the fire here either. However, the dry sorting line sustained significant damage and will be out of service until the summer of 2019. The damage is covered by the group's damage and consequential loss insurance, but the deductible was expensed in the quarter. The saw line was not damaged in the fire, and production has proceeded almost as normal by exploiting dry sorting and packing capacity at other units in the group. The reconstruction of the dry sorting line is expected to be completed in the summer of 2019.

Although developments in results for the division has been very good in recent years, there are still areas and units with a potential for operational improvements. Continuous improvement work is key to the division's action and strategy plans. In all improvement work, much emphasis is on assessing how new technology may be adopted to ensure future-oriented development opportunities for the company with regard to capacity and value creation. Examples of projects where this has been carried out successfully are "The Dital Sawmill" at Moelven Valåsen AB and the investment in a new timber intake with an X-ray measuring frame at Moelven Våler AS. Both projects have been significant investments, but they have provided valuable experience and expertise that may also be utilised in smaller improvement projects.

Sawlog inventories at the start of the year were satisfactory with regard to planned production levels for the winter of 2018. Sawlog access during the winter months was normal for the season, although large snowfalls provided certain logistics challenges in some regions. The dry summer led to a great risk of forest fires and caused a challenging supply situation in some locations. With somewhat more precipitation as the autumn progressed, the risk of forest fires however decreased and led to a normalisation of the supply situation. At the end of the year, sawlog access was satisfactory and inventories were somewhat higher than at the beginning of the year. Both sawlog prices

In addition to being a good building material that is in more and more demand, wood is also widely used for packaging.

and prices for chip and fibre products have been higher in 2018 than the previous year.

Due to price developments, the profits have seen a positive effect of a value adjustment to inventories totalling NOK 12.3 million. The corresponding price adjustment in 2017 was NOK 15.1 million.

The result for 2017 includes impairment of fixed assets and cost provisions from the third quarter related to the closure of Moelven Norsälven AB totalling NOK 29.0 million.

Wood

Amounts in NOK million	2018	2017
Operating revenue	3,977.3	3,805.6
EBITDA	318.5	265.7
Depreciation and impairment	166.6	110.9
Operating Profit	151.9	154.8
Profit before tax	136.2	129.9

Around 80 per cent of the sawn timber and building products production of Wood is sold through the building products trade in Scandinavia. The remainder is mainly sold to industrial customers, both in the form of sawn timber, chip products and processed goods. Sales of custom products such as surface-treated or cut-to-length products is on the increase.

The 2018 winter season was cold with large amounts of snow, which somewhat reduced market activity in the first part of the year. However, activity and demand picked up towards normal levels towards the end of the first six months. Following a very dry and warm summer that reduced activity and demand for building products in July, demand developed positively as the second half of the year progressed. For sawn timber from the division's sawlog-consuming units the external delivery volumes were somewhat lower than the previous year due to assigning priority to internal deliveries for processing.

The increase in operating revenues is attributed primarily to the development of the prices. Finished goods prices were higher in 2018 than in the previous year, after several price increases were implemented to follow international price developments in sawn timber, which is most important raw material for the planing mills in the division. The price increase for sawn timber internationally has however been greater and has taken place faster than has been possible to compensate through increased market prices for processed goods. Pressure on margins for the planing mills has therefore been greater than among the sawlog consuming units.

At the division's sawlog consuming units, the combined plants, one of the main tasks of saw production is to ensure local access to high quality raw materials for the units' own planing production. A part of the sawn timber produced is however sold externally. This has contributed to good results throughout 2018. Sawlog inventories at the start of the year were satisfactory with regard to planned production levels for the winter of 2018. Sawlog access during the winter months was normal for the season, although large snowfalls provided certain logistics challenges in some regions. The dry summer led to a great risk of forest fires and caused a challenging supply situation in some locations. With somewhat more precipitation as the autumn progressed, the risk of forest fires however decreased and led to a normalisation of the supply situation. At the end of the year, sawlog access was satisfactory and inventories were somewhat higher than at the beginning of the year. Both sawlog prices and prices for chip and fibre products have been higher in 2018 than the previous year.

Due to price developments, the profits for 2018 have been positively affected by a price adjustment to inventories totalling NOK 76.3 million. The corresponding price adjustment in 2017 amounted to NOK 24.6 million.

In September 2018 it was decided to close operations at Moelven Are AS in Spydeberg before year-end. Unfortunately the decision means that 21 employees will lose their jobs, but it is a necessary measure to ensure Moelven's long-term competitiveness. Moelven Are AS has acted as a distribution centre in the Wood division with the Oslo fjord region as its market. The company also has a planing mill and a painting and impregnating facility. Operations at Moelven Are AS will be transferred to other units in the Wood division, among them

Sales of custom products such as surface-treated or cut-to-length products is on the increase.

Moelven Langmoen AS and Moelven Edanesågen AB. Moelven Langmoen AS is the division's main distribution centre, and has made significant investments in the past year in a new and modern distribution and logistics system. In connection with the decision to close Moelven Are AS, operating income has been charged with a total of NOK 13.6 million.

In connection with the annual settlement, impairment tests have been carried out on the fixed assets. In connection with this, it has been concluded that there are indications that the value of future cash flows are lower than the book value. On the basis of the indications of reduction in value, impairments of NOK 52.5 million have been implemented.

Although underlying operations are improved compared to 2017, the impairments resulted in returns on capital employed for the division ending below the target level overall. All companies are subject to continued stringent requirements toward improvements and rationalisation. This work entails substantial investments at certain facilities, but also structural changes. In a period of good earnings and cash flow, some maintenance work has been moved forward. This has led to a higher level of costs than in the corresponding period the previous year, but also provides operational improvements in the time ahead.

Photo: 3D4D.no/SpareBank 1 SR-Bank

Finance park Bjergsted.

Building Systems

Amounts in NOK million	2018	2017
Operating revenue	3,743.0	3,856.4
EBITDA	189.0	206.7
Depreciation and impairment	60.6	52.8
Operating Profit	128.3	153.9
Profit before tax	127.4	152.3

Both activity levels and operating income dropped compared to 2017, mainly due to a lower activity level. For the division as a whole, the order backlog at the end of the quarter was NOK 510 million lower than at the same time the previous year. The main cause of the decline is somewhat lower market activity in certain segments. Work is ongoing to improve the order backlog.

For Glulam operations demand has been satisfactory in 2018, largely driven by increasing focus on climate-smart solutions. In Norway there is also significant activity in infrastructure, which in turn results in good demand for glulam bridges. Contracts have been signed for several larger bridges that ensures a good level of activity through the winter, which is a period ordinarily characterised by somewhat lower activity. In terms of results, business in both Norway and Sweden is characterised by increased raw material prices and cost overruns on individual projects. For business in Sweden the competition situation is more demanding than on the Norwegian side of the border, and market activity is declining somewhat. For the year as a whole, challenges related to raw material supplies have additionally led to unsatisfactory utilization of production capacity.

In the Modular Building business, activity levels dropped during the year. The causes are primarily a slightly weaker economic situation in Sweden and some delays in several projects on the way to market. Some compensation may be attributed to an increasing interest in building with wood and modules, but overall the drop in activity has made it necessary to reduce capacity utilisation at the plants somewhat. Due to a reduced order intake and delays in certain projects, Moelven Byggmodul Hjellum AS laid 80 employees for four weeks with 80% of the workforce for four weeks from the second week of 2019. The remaining 20 per cent will be used for training and other skill-enhancing measures in the layoff period.

The project organisations in the business area are strengthened to ensure execution and earnings in the projects that are carried out. For the Norwegian part of the business there have been some challenges related to groundworks at building sites. This is work that is mainly carried out by subcontractors. An important focus area in the time ahead is therefore to improve expertise in this area, and measures have been implemented to improve quality assurance of the entire process from planning to final inspection.

In Norway there is also significant activity in infrastructure, which in turn results in good demand for glulam bridges.

For the interior system business – Moelven Modus – demand remains good in the major cities in Norway and Sweden, as well as in southern Norway. Prices are however under pressure, particularly in Sweden where the market is characterised by a somewhat hesitant attitude. After several years of growth, the business is focusing on developing expertise and consolidation of the organisation that has been built.

The division's results in HSE, and in particular the injury rate, has not been satisfactory. Efforts in HSE work will therefore intensify further, which is also expected to have a positive impact on profitability in general.

The operating result for 2017 has been charged with cost adjustments totalling NOK 17.2 million following the conclusion of a dispute.

Other Businesses

Amounts in NOK million	2018	2017
Operating revenue	3,547.6	3,414.6
EBITDA	-24.1	-23.2
Depreciation and impairment	13.1	11.7
Operating Profit	-37.2	-34.9
Profit before tax	-24.5	-37.8

Fluctuations in operating revenues in the area of Other Businesses are largely fluctuations in the level of activity within timber supply and sales of wood chips and energy products. The main activity is internal sales, which do not materially affect the results within the business area. In order to safeguard the supply of sawlogs and market opportunities for wood 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 business is based on fixed agreements on both the customer and supplier sides.

INVESTMENTS, BALANCE SHEET AND FINANCING

During 2018, total investments were NOK 497.4 million (NOK 357.0 million). The increase in the investment rate is taking place in accordance with the investment programme in the group's long-term strategy. The main proportion of the increase in investment activities compared to the previous year is the investments in new sawlog sorting with X-ray technology at Moelven Våler AS and a new pellets factory and energy centre in connection with Moelven Soknabruket AS. The projects are included with NOK 55.5 million and NOK 57.9 million respectively in the investment volume for 2018.

Depreciations and impairments for 2018 were NOK 346.5 million (295.7). For 2018 accumulated depreciations and impairments include a total of NOK 66.1 million in impairments. NOK 13.6 million is related to the closing down of Moelven Are AS that was decided in the third quarter, while NOK 52.5 million are impairments on fixed assets based on indications of reduction in value. Accumulated for 2017 this includes depreciation of fixed assets by NOK 17.4 million related to the liquidation of Moelven Norsälven AB which was decided in the third quarter of 2017.

At the end of the year, the book value of the group's total assets was NOK 5,302.3 million (NOK 5,044.6 million).

Cash flow from operating activities was NOK 653.1 million (676.2) in 2018, corresponding to NOK 5.04 per share (NOK 5.22). The change compared to last year is due to natural fluctuations in working capital items. Cash flow from working capital items was NOK -167.5 mill (48.7).

Net interest-bearing liabilities were NOK 721.4 million (NOK 761.7 million) at the end of the year. Financial leases are included in net interest-bearing liabilities in the amount of NOK 43.4 million (NOK 19.8 million). The increase is due to the fact that in connection with the work that was carried out as a preparation for the transition to a reporting standard for leasing from 2019, (IFRS 16 – Leasing), a reclassification has implemented for some leasing contracts for rolling stock from operational to financial leasing. The liquidity reserve was NOK 1,239.4 million (NOK 1,172.0 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 2018 amounted to NOK 2,435.3 million (NOK 2,092.5 million), equivalent to NOK 18.70 (NOK 16.08) per share. The equity ratio was 45.9 per cent (41.5 per cent). The dividend for the previous year of NOK 0,68 (0.48) per share, totalling NOK 88.1 million (62.2), was paid and charged to equity in the second quarter of 2018. 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 2018, exchange rate fluctuations resulted in an unrealised change in equity of minus NOK 17.3 million (NOK 41.9 million). Approximately half of the group's assets are recognised in SEK. The total assets thus also change based on the exchange rate, and the equity ratio in percent is therefore less impacted by exchange rate fluctuations than the nominal equity.

Sensitivity analysis

Estimatetd change in operating profit and profit per share for one per cent change in price.

Factor	Operating profit NOK mill 1% change in price +/-	NOK per share:
Operating profit		
Sawlog price - spuce and pine	28	0,22
Sawn timber price - spruce	15	0,12
Sawn timber price - pine	14	0,11
Chip and fibre product prices	5	0,04
Planed wood prices in Scandinavia	20	0,15
Laminated timber prices, standard dimensions	3	0,02
Electricity prices change 1 €/MWh	0,7	0,01
Financial items		
Permanent change in NOK and SEK	7	0,05
Interest rate change +/- 100 b.p.	6	0,05

RISK

The group's profits and balance sheet are affected by several external factors that can be influenced by Moelven to a greater or lesser extent.

For some of the risk areas that affect the group, there are functioning financial markets where the risk of fluctuations can be reduced. This applies, for example, to interest rates, exchange rates and electricity. The group's financial policy is that it is the industrial activities rather than financial transactions that shall create the conditions necessary for profitability. The main aim of the guidelines for the use of financial instruments is to reduce fluctuations and create more predictability. In other areas, such as raw materials, finished goods and projects, other methods of hedging risk must be used. As far as possible, fixed price contracts or index linking of contracts is used, for example. The group's composition of units directed at different primary markets also has the effect of reducing risk. The primary markets are seldom affected by economic fluctuations at the same time, while the cost side can still benefit from economies of scale.

Prices of finished goods

The units of the Moelven Group operate in markets with free competition and many players. The creation of prices therefore occurs freely in the marketplace, and assuming unchanged volumes a change in process will affect the group as shown on the sensitivity table.

Sawlog prices

The Moelven Group's units annually use around 4.5 million cubic metres spruce and pine sawlogs in production. The total value is approximately NOK 2,500 million, including transport costs. Spruce and pine account for approximately equal portions of the round sawlogs. Moelven does not own any forest, but buys all its sawlogs from external suppliers. These suppliers are in turn dependent on functioning markets within an acceptable transport distance, as well as satisfactory price levels for both sawn timber and pulpwood. The

Moelven does not own any forest, but buys all its sawlogs from external suppliers.

cost of sawlog is by far the biggest single cost for the group, and changes in timber prices have an immediate and substantial impact on margins. This involves both a price risk and a volume risk. The group therefore focuses on entering into price agreements that as far as possible correlate sawlog prices with expected changes in the price of finished goods.

Prices of chips and biomass

The price of cellulose chips and biomass, which come from saw and planing production in Timber and Wood, is of great significance for the group's revenues. Even though work is constantly going on to improve the utilisation of raw material, only about half of each log becomes industrial timber after passing through a sawmill. The remaining half is cellulose chipping and sawdust, in addition to various dry fractions. Part of this is used for our own energy production, while the rest is sold to the particle board, bioenergy and fibre industries. Since a change in the profit margin for these products has a direct influence on the group's results, the distance to the customers and access to efficient logistics solutions for road and rail transport are of great importance.

Electricity prices

The price of electric power is another important factor that affects the group's profitability. About 210 GWh of electric power a year is bought via the group's electricity suppliers on the Nasdaq OMX Commodities exchange.

According to the group's finance policy, the need for electric power shall be secured against price fluctuations so as to ensure stability and predictability. The anticipated power requirement is hedged within stated maximum and minimum levels by trading futures on Nasdaq OMX with a 5 year maximum horizon.

Interest rate risk

The group's net interest-bearing debt is subject to interest rate risk. The bulk of the debt in SEK, which is why interest rates in Sweden are most important for the development of the group's interest expense. The group companies will be financed with loans from the parent company. All external borrowing is done by the parent company, which also makes hedging in accordance with financial policy. The hedging instruments that can be used are ordinary interest rate swaps, FRAs and composite swaps of types that are normally used for such purposes. The extent of hedging is measured in terms of the combined duration of outstanding debt and hedging arrangements. The total duration should be minimum of 12 months and maximum 60 months. It shall not be entered hedging agreements with a maturity of more than 10 years.

Exchange rate risk

About 15 per cent of the group's operating revenues come from markets outside Scandinavia and carry exchange rate risks.

Additionally, there is significant internal and external trade within the group with both raw materials and finished products between Sweden and Norway. The most important currency crosses are EUR/SEK, GBP/SEK, SEK/NOK and EUR/NOK. Moelven uses forward contracts to counteract large cash flow fluctuations as a result of variations in exchange rates. Because of the hedging strategy that has been chosen, changes must be long-term so as to have the full effect on the group's profitability, and during the hedging period operational adaptations may be made to compensate for the external changes. During the hedging period, operational adaptations may be made to compensate for the external changes. About half of the group's total balance sheet is connected to activities in Sweden. The balance sheet figures will therefore be affected by the prevailing exchange rate between the Swedish and Norwegian kroner. A large part of equity is secured against this in that share investment in most of the group's Swedish subsidiaries is financed in Swedish krona. At the end of 2018, the total equity that is exposed to exchange rate risk amounted to SEK 1,371.5 million (SEK 1,028.7 million).

Credit risk

It is the group's policy that credit sales over a certain size shall be secured in the form of either guarantees or credit insurance. In practice, credit insurance is used most. There are internal guidelines and follow-up routines for unsecured sales, which only occur when no other security is possible.

Liquidity risk

The group's foreign capital financing consists of the long-term credit facility with a total ceiling of NOK 850 million and SEK 750 million. Once the loan agreement's option to extend the term was used in the second quarter of 2017, maturity is in June 2020 with the possibility for a further extension of one year until June 2021. The loan agreement includes normal default clauses with regard to dividends, equity, net equity value and debt ratio. As at 31 December 2018, the group's key figures were significantly better than the levels at which the default clauses are triggered. In addition to the long-term drawing facilities, the group also has short term credit facilities in its bank systems, amounting altogether to about NOK 312 million, which is renewed annually.

Risk of damage and interruption to production

The group has a policy for industrial insurance that is centrally managed and which is followed by all companies. This policy gives guidelines for insurance cover, preventive measures, risk review and preparation of continuity plans. The continuity plans become key plans if a fire/damage should occur. The plans cover immediate efforts, disaster management and the ability to continue deliveries to customers. Through its industrial insurance, the group is covered for financial loss exceeding NOK 3 million per individual claim. Two plants, Moelven Valåsen AB and Moelven Notnäs Ransby AB, Ransby department, suffered fires in 2018. These were fires that may be characterised as large, which is to say greater then NOK 10 million. At Valåsen the fire broke out in the heating installation on 30 March and caused operational disruptions before a mobile heating plant was in place. At Ransby a fire broke out at the dry sorting line on 24 November, with the result that the dry sorting line was out of service. Using established continuity plans, the operational disruptions in both cases were limited by using capacity at other plants.

IT

In an increasingly connected world with increasing digitization both in general in society but also in businesses like Moelven, an ongoing assessment of IT risk is important. Interconnected value chains increase efficiency, productivity and quality, but also increase vulnerability to digital service outages. With increasing threats both domestically and internationally and recent years media reported incidents following IT attacks against businesses and public institutions, Moelven devoted extra attention to IT security and risk last year. Moelven follows basic principles of IT security, and constantly works to identify and monitor risks, protect systems and data, maintain IT security and prepare and manage any incidents and recover from these.

Risk of loss of reputation

Moelven places great emphasis on maintaining a good reputation. This is measured regularly using a brand survey that is conducted by external partners. There is financial risk linked to any loss of Moelven's reputation. The reputation risk is not quantified. Openness is what characterises the way the group relates outwardly to society and the media and inwardly to employees of the group. This applies whether it concerns positive or negative circumstances for Moelven, in line with Moelven's brand platform.

Risk of loss of environmental costs

The activities of the Moelven group follow the prevailing legislation and regulations with regard to emissions and waste management. The group has made provisions in the accounts for all known obligations related to environmental impact. One of the purposes of the group's sustainability policy is to minimize the risk of negative impact on the natural environment and thus the potential environmental cost as well.

Climate risk

Moelven has for more than 100 years operated an industry closely linked to the forest's natural resources, and where climate and weather conditions play an important role both with regard to raw material access and operational conditions at the plants. Keeping track of how the climate impacts the business and provides both risks and opportunities, has therefore long been a natural component of both strategy work and operations. Historically the risks have been relatively stable and mainly related to raw material supplies in the short term and flooding. As climate changes have accelerated and become more pronounced, risks have changed. More risks have arisen, and long-term uncertainty has increased. In some areas ongoing risk-reducing measures are implemented, for example due to the flooding risk that has increased noticeably in recent years. Up until 2018 Moelven Trysil AS had been affected by flooding in 3 of the 4 last years, which is significantly more frequently than normal. In order to ensure continued operation and development of the plant, it was completely necessary to implement measures to prevent damage and operational disruptions as a result of spring flooding, and with the support of half of the investment from NVE a flood bank was built that was completed in the spring of 2018. The new flood bank prevented a stop in production when the spring flood in the Trysil river reached a level that previously would

The continuity plans become key plans if a fire/damage should occur.

have led to flooding and up to several weeks halt in production. Flooding is an area where it is to a certain extent possible to implement risk-reducing measures, but there are other areas where this is more complex. The summary below shows examples of identified climate risks the group is following:

- Flooding of industrial plants
- Extreme weather conditions that affect raw material access. This can be both storms that damage the forest, precipitation that complicates felling and removal of timber, drought that increases risk of forest fire, etc.
- Changing weather conditions will change requirements to products that are used outdoors and product packaging for products that are stored or transported exposed to the elements.
- Extreme weather that damages plants and/or inventories outdoors.
- Changed raw material access as a result of regulatory changes related to e.g. felling volumes.
- Changed raw material quality as a result of climate changes.

Increased awareness of climate challenges also opens up opportunities for Moelven. The group's products are based on a natural and renewable raw material, which also has important properties as a carbon repository. The increased use of wood from Sustainable forestry as a building material can contribute to reducing the CO_2 content in the atmosphere, and thus act as a part of the solution to the climate challenges. Moelven wants to contribute to this through active focus on sustainability work and the continuous development of new products and services in the use of wood.

EMPLOYEES, HEALTH, SAFETY AND THE ENVIRONMENT

For a detailed description of the HSE area, please refer to the Board's explanation of principles and practice concerning social responsibility pursuant to the Accounting Act Section 3-3c.

EFFECT ON THE EXTERNAL ENVIRONMENT

For a detailed description of how the group's activities impact the external environment, please refer to the Board's explanation of principles and practice concerning social responsibility pursuant to the Accounting Act Section 3-3c.

INNOVATION

Moelven views innovation as the entire process from an idea arises until the customer has bought a new product that represents an added value, or a new production process is implemented.

Moelven's innovation focus is mainly to engage in development and innovation linked to a specific application of a product or in a production process. The group does not engage in basic research by itself, but participates in projects where this is deemed appropriate. The R&D projects must contribute to strengthen the various business areas in the group and reduce business risk. This may also entail participation in innovation projects outside of our own value chain, but in projects that support Moelven's operations and opportunities for growth. One example is the two ongoing projects at Moelven Töreboda AB to develop and improve building systems and acoustics in tall wooden buildings. This will contribute to improve Moelven Töreboda's self-developed system Trä8 further. The two projects were started in October 2017, and will continue for five and three years respectively. The "Prowood" project is being carried out in cooperation with Företagsforskarskolen Prowood, where the purpose is to support and increase the competitive strength of the Swedish timber industry. The project is included in the European "Acoutect" project, which is a partnership between 12 European universities and businesses, including Chalmer's Tekniska Högskola and Eindhoven's Tekniska Högskola. Two doctoral fellows have been hired for the project, which ties activities to the academic community.

Another research project where Moelven is a participant is "BioNext." This is a research project under the auspices of the Research Council of Norway and the Norwegian University of Life Sciences (NMBU). The other participants in the project are Sintef Energi AS, Statkraft Varme AS, Handelshøyskolen BI, Avinor AS, Glommen Skog AS, University of Utrecht and Linneuniversitetet. The main objective of BioNext is to identify and assess commercial, regulatory and technical solutions towards a finacially viable forest bioenergy sector.

In order for the group's mission statement to "give people good rooms" is to be upheld over time, it is essential that products and processes continuously develop in step with the outside world. Responsibility for innovation is with corporate management. The group must facilitate innovation and provide resources, support and coordination. The innovation processes are conducted in the individual business areas where expertise is greatest. Where there are larger parts of the Moelven group that will benefit from the innovation area, joint projects are carried out. Examples of this is the in the research centre FME ZEN (Zero Emission Neighbourhood), which shall develop zero emission solutions for urban areas. Over a period of 8 years, and with a budget of NOK 400 million, the centre shall find smart solutions for everything from production and distribution of heat and electricity within neighbourhoods, to find tools for planning zero emission areas. Moelven's expertise in using wood in buildings contributes to build pilot areas with climate-smart materials and to document the CO_2 benefits.

The increased use of wood from Sustainable forestry as a building material can contribute to reducing the CO_2 content in the atmosphere

Moelven is also co-owner of Norwegian Wood Cluster SA (NWC), which is an industrial cluster in the forestry and timber industry value chain. NWC is owned by Hunton Fiber AS, Forestia AS, Boligpartner AS, Moelven Industrier ASA, Gausdal Bruvoll SA, Mjøsen Skog SA, Glommen Skog SA, Statskog SF and NTNU. NWC is registered as a cooperative enterprise with a non-financial object with offices at Mustad Næringspark in Gjøvik.

The cluster agreement was signed on 13 February 2017, the company was founded on 9 August 2017 and started operations on 1 September 2017.

NWC's objective is to develop the cluster through close cooperation into an internationally leading industrial cluster for industrial, sustainable wooden buildings. The cluster partnership aims to give participants access to key production factors, ideas and impulses for innovation through interaction and cooperation, increase added value and profitability amongst the cluster partners and promote their common interests to public authorities. Moelven's participation in Norwegian Wood Cluster will provide the group with a platform for development along with other players and be an important contribution to the group's R&D work going forward.

Through its subsidiary Moelven Van Severen AS, Moelven is also a partner in ARENA SKOG, which is a complete forestry and wood-based industry cluster based in Trøndelag. The Arena project will give the cluster an extra boost and support the aggressive development already underway to increase the use of wood and wood fibre in existing and new product and market areas. The potential is considerable. This not only contributes to larger market areas for the forestry industry, but also to making other industries more sustainable , in keeping with the premises of the bioeconomy.

Product development and innovation

The laminated timber area has been at the forefront of developing new products and technical solutions for many years. It would not have been possible to build the world's tallest wooden building, the 85.4 metre tall Mjøstårnet in Brumunddal, as it stands today without technical solutions developed by both Moelven Limtre AS in Moelv and Moelven Töreboda AB in Töreboda. The Trä8 system, which is a key component of Mjøstårnet, has been under development at Moelven Töreboda AB for several years. Trä8 is a glulam-based building system for tall wooden buildings. In addition to the actual glulam structure, the system takes into account modern requirements with regard to fire safety, acoustics and engineering methods. The joint technology used in the joints of the large load bearing structures was developed at Moelven Limtre AS in connection with construction of the skating rinks for the Olympic Games in Lillehammer. Fire safety is very important, and is one of the advantages of glulam.

Glulam is a compact material, and in the event of a fire, external charring of the glulam will act as insulation and cause the core temperature to rise very slowly. This means that a glulam load bearing structure retains its load bearing properties very well in the event of a fire. The structures in Mjøstårnet are scaled to withstand a full fire in a fire cell without causing the building to collapse.

In Wood product development is of great importance in order for the choice of products to both follow the shifting market trends and satisfy requirements toward quality and functionality.

The goal is to offer customers the market's best, most diverse and most modern product range in wood. Innovation work is divided into two main directions. One aims to develop modern products that contribute towards inspiration and new trends at the end-user. Development may focus both on design, use of material, environmental properties and degree of processing. One example is surface-treated cladding where demand has increased rapidly. Because surface treatment takes place industrially and in a controlled environment, the production process becomes more environmentally sustainable while also providing more added value for the end user. The other main direction aims to simplify work with the products at the building site. Examples of such solutions are preprocessed internal panels with concealed nails, various floor solutions, sheet products with reduced widths to ease handling, ready cut lengths, etc.

In the event of a fire, external charring of the glulam will act as insulation and cause the core temperature to rise very slowly.

Process development and innovation
The Moelven group continually works to rationalize and improve processes at all stages from purchasing to finished product. For the project part of the glulam business, the use of new technology to process individual elements in the load-bearing structures is a precondition to provide complex, high-quality systems. For the part of glulam that is directed at the building products trade and for the processing units in Wood, the logistics systems are of great importance. Efficient transport provides reduced costs and environmental impact, while the customer is ensured access to a broad product range with short delivery times.

An important focus area in the development of the group is to employ new technology and exploit the opportunities inherent in new digital solutions. In the project "The Smart Digital Sawmill," Moelven has collaborated with a handful of technology partners in linking the entire value chain at Moelven Valåsen AB to a Big Data solution. Real-time data from all underlying systems and machinery are fed into one and the same system, where advanced analysis and machine learning technologies exploit the information in ways one has previously been unable to do. Identified patterns and achieved results were presented at the Trä & Teknik trade fair (Wood and technology) in Gothenburg at the end of August 2018. "The Smart Digital Sawmill" now comprises the template for deploying similar solutions at several of the group's companies.

For the sawlog-consuming units in Timber and Wood, it is primarily the optimisation of the production processes that is of key importance. The goal of safeguarding the values inherent in the raw materials is key with regard to both environmental and financial sustainability. The use of X-ray photography, camera sorting and mechanical strength sorting are tools that contribute to optimizing raw material utilization. At Moelven Våler AS in Braskereidfoss, Norway's first X-ray sorting of sawlogs arrived in 2018. Here every log is analysed, so that it may be used most efficiently. This means less waste and better utilisation of the natural resource.

In 2018 the use of the downtime system Axxos has been developed and new functionality and associated concepts are in use. The system will make it easier to identify causes of lost time or lost operational availability, so that measures for process or machine improvement can be implemented. To gain a better overview of machinery installations and thus more efficient maintenance, towards the end of 2017 a pilot

project was started to assess maintenance systems. The results were evaluated in mid-2018, and it was decided to introduce the selected maintenance system at several units. At the end of 2018 implementation has been started for a further 5 units. The maintenance system is fully integrated with the downtime system, so that necessary maintenance may be implemented as quickly and smoothly as possible to remedy deviations identified in the downtime system.

For the module and interior businesses it is important to exploit the competitive advantage inherent in the module concept rather than traditional building concepts: Industrial production of the modules indoors and shorter overall building time because several processes can take place simultaneously, and the modules can be quickly assembled at the building site. Development and refinement of technical solutions for production, connection of technical installations and assembly at the building site is important to operate profitable industrial production of module-based building solutions, and to exploit the advantages the concept provides. In connection with the conversion of Moelven Byggmodul AB's production facility in Säffle, new and improved production equipment was developed in cooperation with local suppliers. Besides capacity and efficiency improvements, the utilization of robot technology has enabled major improvements in HSE and logistics. The robot line, which was a significant part of the project, was then the first delivery of Randek AB's ZeroLabor Robotic System. In November 2018 this system was nominated amongst the "Top five innovations" through the American organization Hive 50, and it is the first time an innovation outside of the USA has been nominated. The industrial mindset and experiences from the project in Säffle have been used as a template for investments in a robot line at the module factory in Moelv.

The project, which has been very successful, was completed in the spring of 2017 and was the reason Moelven Byggmodul AB was named "Lean builder of the year" at Byggegalan in Stockholm on 27 March. The award is presented by Lean Forum Bygg and the Byggindustrin journal.

ALLOCATION OF THE NET PROFIT FOR THE YEAR
The Board of Directors' dividend policy is based on Moelven's shareholders receiving a predictable and satisfactory cash return on their share investment. The policy provides guidelines for how much of the profit, or of distributable equity in years with a loss, shall be distributed as a dividend. The group's net profit for 2018 was NOK 451.2 million (293.0). The equity ratio was 45.9 per cent (41.5 per cent). The group has adequate equity to disburse a dividend in accordance with the applicable dividend policy. Based on the results for 2018 and taking into account the normal seasonal variations in the group's employed capital and equity ratio, the Board proposes a dividend of NOK 1.74 (0.68) per share to the annual general meeting. This totals NOK 225,401,834.

The parent company Moelven Industrier ASA, which distributes a dividend for the group, had a net profit of NOK 312.7 million for the year in 2018 after the receipt of group contributions and share dividends from subsidiaries. The company has sufficient distributable equity and liquidity for the distribution of the dividend.

EVENTS AFTER THE BALANCE SHEET DATE
No events have occurred after the balance sheet date that affects the accounts that have been presented.

GOING CONCERN ASSUMPTION
In accordance with the requirements in the Norwegian accounting legislation, the Board of Directors confirms that the prerequisites have been met for preparation of the accounts under the assumption that the Company will continue as a going concern and that the annual accounts have been prepared under this assumption.

OUTLOOK
Activity in the world economy remains high, but with increasing uncertainty with regard to future developments. In Norway the mainland economy is at a normal level, while activity in Sweden has declined. The rest of Europe still has a marginal positive growth rate.

The Brexit negotiations continue to cause uncertainty about developments in the UK, but market activity remains good. A hard Brexit may lead to significant changes in trade with the UK, and Moelven is implementing measures to reduce risk in relation to this.


Illustrasjon: Studio Ekberg AB / Linus Romberg

In the USA the economy is still improving, although the growth rate is lower and uncertainty greater than previously. Moelven has only occasional deliveries to the United States, but the group nevertheless sees a positive effect from an improved global market balance. The growth rate in China and Japan is decreasing, and the ongoing trade war between China and the US is creating uncertainty. In other parts of Asia, however, there are signs of increasing activity. The Middle East and North Africa are important export markets for Moelven, but remain characterised by conditions that complicate international trade. However, the underlying demand is good in the latter markets. Positive and stable developments in the international market for industrial wood are expected.

In Norway demand for processed products in 2019 is expected to remain on a par with 2018, albeit with regional differences. Construction activity in and surrounding the major cities is expected to remain high. In Sweden the need for new homes remains high, but activity in the new building market remains hesitant as in Norway. Activity in the renovation, conversion and extension market remains good. Increased interest for wood as a building material contributes to maintain activity levels. No major changes are expected in the markets, and the Swedish market is also expected to be at the same level as 2018 overall.

Sawlog inventories and access to sawlog at the start of 2019 are acceptable with regard to planned production.

The group's composition, with divisions that experience different impacts from economic fluctuations and units that operate in different markets, provides the group with a good starting point for further improvements. Return on employed capital, calculated on a 12-month rolling basis, was 19.0 per cent at the end of 2018. The group has a long-term goal of a return on capital employed of 13 per cent over an economic cycle. The result and return on capital employed was thus well above the return target for 2018 in isolation. The programme for operational improvement and structuring of the group in line with the long-term strategy plan continues unabated however, and will contribute to continued strengthened profitability for the underlying operations. The Board is of the opinion that the group has adequate solvency and access to liquidity over the long term to introduce the necessary measures to develop the group in line with the strategy plan. For 2019 the Board expects an activity level similar to 2018, but a slightly overall weaker result as a consequence of economic developments. ●

Moelv, 14 March 2019
The Board of Moelven Industrier ASA

Olav Fjell Chairman of the Board	Ingvild Storås	Trond Stangeby Deputy chair
Elisabeth Krokeide	Asbjørn Bjørnstad	Martin Fauchald
Lars Håkan Karlsson		Morten Kristiansen CEO

Corporate governance

Corporate governance at the Moelven Group is based on the current Norwegian recommendation for corporate governance of 17 October 2018. The recommendation is available in its entirety at www.nues.no

The list below gives references to where the points required by section 3-3b of the Norwegian Accounting Act may be found.

Requirements in accordance with section 3-3b of the Norwegian Accounting Act	Reference to Report on corporate governance at Moelven 1:
1: A statement of the recommendation and regulations on corporate governance that the company is comprised of or otherwise chooses to follow.	Introduction to the report Point 1. Report on corporate governance
2: Information about where the recommendations and regulations mentioned in No. 1 are publicly available.	Point 1 Report on corporate governance:
3: Reasons for any deviations from the recommendations and regulations mentioned in No. 1.	There is one deviation from the recommendation. This is described in Points 9.
4: A description of the main elements in the company's, and for accountants who prepare consolidated accounts also the group's, systems for internal control and risk management connected to the accounts reporting process.	Point 10 Risk management and internal control
5: Clauses in the articles of association that wholly or partly extend or deviate from the provisions of chapter 5 of the Public Limited Company Act.	No such clauses exist. The articles of association are published on www.moelven.no and are also included in the notice of the annual general meeting as an attachment.
6: Composition of the board, Corporate Assembly, supervisory council and audit committee, any working groups for these bodies, as well as a description of the main elements of prevailing instructions and guidelines for the work of these bodies and any working groups.	Point 8 Corporate Assembly and board, composition and impartiality. Point 9 The work of the board
7: Clauses that regulate the appointment and replacement of board members.	Point 8 Corporate Assembly and board, composition and impartiality.
8: Clauses and authorities that enable the board to decide that the company shall buy back or issue own shares or capital certificates.	Point 3 Share capital and dividends

1. Report on corporate governance

In accordance with the Public Limited Company Act it is the board of the company that is responsible for ensuring the proper organisation of the business and administration of the company. Moelven has a number of independent legal entities that are organised as limited companies in several countries. In accordance with company law in the respective companies, the boards of these companies have a corresponding responsibility for the individual entity as the board of directors has for the parent company and the group as a whole. The groups activities are based on Scandinavian values. The basic values sustainability, reliability and using the opportunities that arise have become over time a natural part of the company culture. They also form the basis for the company's guidelines on social responsibility, ethics, anti-corruption, HSE, employment conditions etc. A complete summary of the guidelines adopted by the board is given in point 10.

2. Business activities

In accordance with the company's articles of association, the company's purpose is fabrication and activities that are associated with this, trade and other financial activities, as well as participation in other companies by means of share subscription and other means. The board emphasises long-term, sustainable development and lays down in the group's strategic plan that the main focus in future shall be the improvement and further development of existing activities. The group has passed the critical size that is necessary to assert itself in competition. Quality shall be prioritised ahead of size and is an essential basis for both profitability and further growth. Both solidity and financing are satisfactory and give the necessary room for manoeuvre. The company's activities, objectives and main strategies are described in detail in the board's annual report. Guidelines have been established on how to take into account the outside world in value creation. This is described in the company's sustainability report.

3. Share capital and dividends

At the end of 2018, equity in the parent company Moelven Industrier ASA was NOK 896,5 million (NOK 810,1 million). For the group as a whole, equity was NOK 2,435.3 million (NOK 2,092.5 million). The equity ratio was 45.9 per cent (41.5 per cent). The board's objective is a minimum of 40 per cent, a level that in the opinion of the board is appropriate in light of the economic fluctuations that have been seen in recent years. The board has adopted a dividend policy that is in line with the provisions of the shareholders' agreement between the company's six largest owners, who together represent 99.6 per cent of all shares. Given that considerations of the company's financial position and other sources of capital are satisfactorily safeguarded, the main rule of dividend policy is a cash dividend corresponding to 50 per cent of profit after tax, although a minimum of NOK 0.40 per share. The board is not authorised to perform capital increases or buy own shares.
On 25 April 2018 the General Meeting decided to issue a dividend of NOK 0.68 per share, or NOK 88,088,073 in total. The dividend was paid out prime May 2018. Based on the annual net profit for 2018 and having considered the normal seasonal variations in the group's working capital needs and equity ratio, the board proposes to issue a dividend of NOK 1.74 per share, or NOK 225,403,748 in total. The parent company, Moelven Industrier ASA, which will distribute the dividend on behalf of the Group, posted annual net profit of NOK 312.7 million in 2018, including group contributions and dividends from subsidiaries.

4. Equal treatment of shareholders and transactions with related parties

The share capital of Moelven Industrier ASA consists of 129,542,384 shares with a face value of NOK 5. The company owns 1,100 of its own shares. The company is not listed on the stock exchange. In total, the shares are distributed among approximately 900 shareholders. The six largest shareholders, Glommen Skog SA (29.1 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 (11.8 per cent) and AT Skog SA (7.3 per cent) together control 99.6 per cent. Most of the remaining 0.4 per cent is owned by private individuals. A number of shareholders' agreements have been entered into between the six largest shareholders. Among other things, these determine that the company must be run as an independent unit with a long-term perspective and with continued focus on Scandinavia as the main market. The agreements also contain clauses regarding the composition of the board, dividend policy, strategic focus areas and share transfer. Transactions with the owners are performed in some areas of the ordinary activities. Among other things, this relates to purchase of timber, where the Norwegian forest owner cooperatives are suppliers. Of Moelven's total purchasing requirement of approximately 4.4 million m³ measured under bark, approximately 42 per cent comes from the Norwegian forest owner cooperatives that are also shareholders. The Moelven group also supplies biofuel to a bioenergy plant owned by Eidsiva Energi AS. Eidsiva Energi Marked AS trades electric power to Moelven's Norwegian industrial operations. All these transactions are performed in areas where there are observable market prices and the arm's length principle is applied. Where other suppliers can offer better prices or terms, these will be chosen.
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 around 20 GWh.
The extent of the sale of electrical power corresponds to about 40 per cent of Moelven's total consumption of 210 GWh. Moelven has a long tradition of running its operations in accordance with the laws and ethical guidelines of the industry with 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. Instructions for the Board and CEO of Moelven Industrier ASA also state that agreements with shareholders or their associates with more than 12 months' duration shall be approved by the Board of Directors. The provision applies to all Group companies.

5. Free marketability

The articles of association do not place any form of limitation on trading in the company's shares. The shares may be freely traded to the extent that individual shareholders have not made undertakings to other shareholders. The shareholder's agreements contain clauses regarding first option and tag-along rights. Since the company is not listed and the six largest shareholders together own 99.6 per cent of the shares, there is little trading in shares.

6. Annual General Meeting

The notice of the general meeting, the content of the notification and accessibility of documentation follow the requirements set by the Public Limited Company Act and the regulations on general meetings.
Facilitation is made for the general meeting to be able to vote for every single candidate to be elected by the shareholders to the Corporate Assembly. The employees of the group hold their own election of employee representatives on the Corporate Assembly. The chairman of the board, the chairman of the Corporate Assembly and the auditor attend the general meeting. Traditionally, the chairman of the Corporate Assembly has been elected to chair
the general meeting. The procedures for attending and voting by proxy are described in the notification. Since 99.6 per cent of the shares are controlled by the six largest shareholders, there has not be a need to prepare guidelines to ensure an independent chair of the annual general meeting or to appoint a person who can vote for the shareholders as a proxy.

7. Nominating committee and compensation committee

According to the articles of association, the company must have a nomination committee. The Nomination Committee is elected annually by the General Meeting, and shall have up to five representatives who are shareholders or who represent the shareholders. The general meeting adopts the guidelines for the work of the Nomination Committee. The general meeting has adopted guidelines for the nomination committee that regulate the committee's composition and period of service. The members of the nominating committee must be independent of the company's board and senior executives. The nominating committee keeps the corporate assembly informed of its work on a regular basis. It is thereby considered that sufficient facilitation is in place to allow shareholders to propose candidates to the nominating committee.

The nominating committee submits the following proposals:

- Proposal to the annual general meeting regarding the election of shareholder-elected members and deputy members to the Corporate Assembly and remuneration to the members and deputy members of the Corporate Assembly.
- Proposal to the Corporate Assembly regarding the election of the chairman and deputy of the Corporate Assembly.
  to the Corporate Assembly regarding the election of the chairman and deputy of the Board of Directors.
- Proposal to the Corporate Assembly regarding election of shareholder-elected members and deputy members to the Board of Directors.

The proposals must include information about the candidates' expertise, capacity and impartiality. The guidelines for the nominating committee specify that the governing bodies must be composed based on an overall assessment of the company's need for expertise, capacity and balanced decisions that safeguard the interests of shareholders.

The remuneration committee consists of the nominating committee, complemented by a representative designated by the employee-elected members of the Corporate Assembly. The remuneration committee submits a proposal to the annual general meeting on determining remuneration for the members of the Corporate Assembly and to the Corporate Assembly on determining remuneration for the Board of Directors. Remuneration to the Board and Corporate Assembly shall not be performance-based.

8. Corporate Assembly and board, composition and impartiality.

According to the articles of association, the company must have a corporate assembly with 12 members with personal deputies, of which four with respective deputies are elected by and among the employees.
The company's six largest shareholders, who together control 99.6 per cent of the shares, are all represented in the Corporate Assembly. The members of the board of Moelven Industrier ASA are elected by the Corporate Assembly, normally for 1 year at a time. Three Corporate Assembly meetings are held annually. The board has seven members, five of them shareholder-elected and two representatives of the employees. The employees also elect one deputy representative, who attends board meetings. The chair and deputy chair of the board are independent of the company's main shareholders and are appointed by the Corporate Assembly. One of the other three shareholder-elected board members is connected with the company's main shareholders. The shareholder's agreements include provisions relating to the election of the chair and shareholder-elected board members. The representatives of the employees are independent of the company's general management. No senior executives are members of the board. Two of the five shareholder-elected board members are women. The proportion of female employees in the group is 11.0 per cent (11.0). The rules on gender representation do not therefore apply to the employees' representatives. The composition of the board thereby satisfies the requirements regarding gender representation on the board. Apart from the employees' representatives on the board, only one board member receives remuneration other than directors' fees from the company. This amounts to NOK 50,000 and relates to winding up an appointment in France. Contact information for the board members is published on the company's website. Through the guidelines for the work of the nominating committee, which are described under point 7, the main shareholders are assured good knowledge of the board members' background and general competence. With the existing ownership structure, therefore, no further information is given. From experience, non-attendance at board meetings is exceptional.

9. The work of the board

The board's administration of the company follows the provisions of the Public Limited Company Act. Instructions have been determined for the board of Moelven Industrier ASA that give guidelines for the board's work. Every meeting reviews the monthly reporting of operational developments, financial data and HSE statistics for the group. There is also the following schedule of work for every calendar year:

- January: Report for fourth quarter of preceding year. Review and evaluation of group guidelines and policies, including risk management and internal control.
- March: Annual accounts with notes and annual report for preceding year.
- April: Report for first quarter and preparation for ordinary general meeting.
- June: Status reporting and strategic discussions.

- August: Report for first six months.
- Recapitulation of strategic discussions with summary of ongoing strategic discussions throughout the year.
- October: Report for third quarter and strategy plan as finished document.
- December: Business plan and budget for the coming year.

The chair of the board is independent of the company's main shareholders. The board has not addressed issues of a material nature in which the chair is or has been a party. According to the rules of procedure, the board members must not participate in the consideration or decision of issues that are of particular importance to themselves or to any related parties that must be considered to have major personal or financial interest in the matter. The same applies to the CEO. By related parties it is also understood companies in which the board member represents ownership interests. Self-evaluation of the work of the board is normally performed at the beginning of every year. The board uses committees as needed. Based on an assessment of risk conditions and the need for control, as well as ownership structure, it has been decided to deviate from the NUES recommendation and allow the complete board function as an audit committee. The board only determines remuneration for the President and CEO. Remuneration for the remainder of management is determined by the President and CEO in line with guidelines adopted by the board. There are no option programmes or share-based payments for senior executives. The task of the board in respect of compensation is therefore limited and no separate compensation committee has been set up in the board. In addition to board members, the CEO, CFO and board secretary normally also attend normal board meetings. Other representatives of the administration, the divisions or auditor attend as needed.
The board has determined instructions for the work of the CEO. Group management consists of the CEO and the managing director of each division. Group management and the directors of the group's shared services attend group management meetings. For more information about governing bodies and group management, refer to the notes to the annual accounts.

10. Risk management and internal control

All units within the group have individual, local profit responsibility and operate as independent parts of a coordinated network that is characterised by openness and cooperation. Risk management and internal control are tailored for the organisational model. The local company management and the boards of the individual companies follow up on risk management and internal control in accordance with prevailing laws and regulations. There are also control functions at divisional and group level, as well as in individual companies where the nature of the business leads to increased risk of faults, non-compliance or irregularities.

Because of the scope of activities, it has been decided to limit reporting to the board to a focus on group, divisions and competitive arenas, as well as selected key figures and non-compliance reporting by unit. In connection with annual strategy and budget activities, the board reviews the group's most important risk areas. If needed, and based on the annual risk assessment, the group's reporting and control routines are adapted so that identified risks can be satisfactorily covered. In addition to established internal rules and routines, the internal control is largely based on the internal control environment. This environment includes people at all levels of the company. It covers integrity, ethical values, competence, management philosophy, form of operation, organisational structure, distribution of responsibility and authority and personnel policy.
The board and management place great emphasis on communicating the established basic position to risk management out in the organisation.
All units close their accounts monthly and report to the parent company on the third working day of the following month. Reporting occurs in accordance with standardised systems and common guidelines so as to ensure consistency and the greatest possible comparability right across all units. Through the group's sustainability policy and code of conduct, guidelines have also been provided for how the consideration of the outside world should be integrated into value creation. An important control measure that follows naturally from the management and organisational model is the monthly benchmark and consolidated data report from the group to the reporting units. The same monthly report that is sent to the board is also sent back to company management in each individual company. In this way, many are involved in control and follow-up of management and governing data. The reporting cycle supports the feeling of responsibility, not just for the results of one's own unit, but also for the divisions and group as a whole. The board considers that this reporting and control environment gives satisfactory control of the business.

The board has reviewed and approved the following general guidelines:

- Instructions to the board and general manager of Moelven Industrier ASA
- Moelven's financial policy
- Moelven's dividend policy
- Moelven's guidelines for compliance with competition law
- Moelven's insurance and risk strategy - general insurance
- Moelven's environmental policy
- Moelven's code of conduct
- Policy for an open corporate culture (Including routines for notification of criticisms)
- Moelven's guidelines and routines for compliance with EU regulation on privacy (GDPR)

11. Remuneration to the board

Remuneration to the board is decided annually by the Corporate Assembly. The remuneration to board members is a fixed amount that is determined in advance and is independent of profits. No option or share based remuneration is used and neither are there any other incentive schemes.
For further information about directors' fees and any remuneration other than fees to board members, refer to the notes to the accounts.

12. Remuneration to senior executives

The board determines the CEO's salary. There are no option or share based payments. Principles and ceilings have been determined for profits-related payment within the group. Among other things, it has been determined that agreements of profits-related remuneration shall have a duration of a maximum of one year at a time and that such remuneration shall have an upper ceiling. The board's declaration on management salaries, including guidelines for determining remuneration to senior executives, is presented to the annual general meeting as a separate document. The annual general meeting adopts each of the guidelines separately. For further information about remuneration to group management, refer to the notes to the annual accounts.

13. Information and communication

The board determines the group's financial calendar annually; this is published in the annual report and on the company's website. The group's quarterly and annual reports are primarily published on the internet, but are also sent by post on request. The board has established a practice of organising annual owners' meetings so as to create an arena for the exchange of information and discussion between the owners. It has not been found necessary to establish guidelines for these.

14. Company takeover

The company is not listed and there is a shareholders' agreement between the six largest shareholders, who together own 99.6 per cent of the shares, that regulates the transfer of shares, among other things. No guidelines have therefore been prepared for the board in connection with any takeover bid.

15. Auditor

The auditor has annual meetings with the board without administration being present. The auditor also participates in board meetings when the annual accounts are discussed. The auditor also presents the audit plan, summaries following interim audits of the subsidiaries and central risk areas and the group's handling of these.
Remuneration to the auditor, expressed as statutory audit and other services, appears in a separate note to the annual accounts.

Moelv 14 March 2019
The Board of Directors of Moelven Industrier ASA

Olav Fjell Chairman of the Board	Ingvild Storås	Elisabeth Krokeide
Trond Stangeby Deputy chair	Asbjørn Bjørnstad	Martin Fauchald
Lars Håkan Karlsson		Morten Kristiansen CEO

Annual accounts for the Moelven Group

Financial key figures

Amounts in NOK million	Explanations*	2018	2017	2016	2015	2014
RESULTS						
Operating revenues		11,020.8	10,768.4	10,309.7	9,690.4	8,828.2
Gross operating profit (EBITDA)		932.7	716.1	601.6	553.9	490.0
Depreciation and impairment		346.5	295.7	306.6	339.1	286.5
Operating profit		586.2	420.4	295.0	214.8	203.6
Net interest and financial items		-8.0	-46.8	-42.5	-56.3	-88.2
Profit before tax		578.2	373.6	252.5	158.5	115.3
Net profit		451.2	293.0	179.1	117.0	88.4
BALANCE SHEET						
Investments in production equipment	A	497.4	357.0	275.2	215.8	195.1
Total assets		5,302.3	5,044.6	4,766.8	4,778.1	4,653.2
Equity		2,435.3	2,092.5	1,813.4	1,756.9	1,592.3
Net interest-bearing liabilities		721.4	761.7	1,026.9	1,110.4	1,353.1
Capital employed	B	3,163.0	2,884.4	2,846.9	2,870.8	2,959.9
EARNINGS/RETURN						
Net operating margin	C	5.3 %	3.9 %	2.9 %	2.2 %	2.3 %
Gross operating margin	D	8.5 %	6.6 %	5.8 %	5.7 %	5.6 %
Return on equity	E	19.9 %	15.0 %	10.0 %	7.0 %	5.7 %
Return on capital employed, 12 months rolling	F	19.0 %	14.2 %	9.9 %	7.2 %	5.4 %
Return on total assets	G	11.3 %	8.6 %	6.2 %	4.6 %	4.4 %
Interest cover	H	9.5	5.9	3.6	2.3	1.9
CAPITAL STRUCTURE						
Equity ratio	I	45.9 %	41.5 %	38.0 %	36.8 %	34.2 %
Asset turnover	J	2.1	2.2	2.2	2.1	1.9
Debt-equity ratio	K	0.30	0.36	0.57	0.63	0.85
Net interest bearing debt / EBITDA		0.77	1.06	1.71	2.00	2.76
LIQUIDITY						
Liquid ratio I	L	1.76	1.67	1.64	1.59	1.70
Liquid ratio II	M	0.77	0.77	0.74	0.68	0.65
Cash flow from operational activities	N	653.1	676.2	421.5	584.6	351.5
SHARES						
Profit per share in NOK	O	3.47	2.26	1.41	0.91	0.68
Average number of shares (mill)		129.5	129.5	129.5	129.5	129.5
Cash flow from operational activities, in NOK per share	P	5.04	5.22	3.25	4.51	2.71
Equity per share	Q	18.70	16.08	13.95	13.48	12.29
Assessment value in NOK as at 01.01		18.10	13.98	13.68	13.06	12.28
Dividend per share in NOK	R	1.74	0.68	0.48	0.45	0.40
PERSONNEL						
Number of employees as at 31.12		3,524	3,546	3,492	3,426	3,326
Sick leave percentage	S	5.5 %	5.6 %	5.6 %	5.5 %	5.5 %
absence, H1 value	T	10.9	12.4	12.8	15.7	15.9

* Explanations of key figures are presented on the following page

Formulas for the key figures

A: Capitalized investments - goodwill

B: Equity + interest bearing debt

C: $\frac{\text{Operating profit}}{\text{Operating revenues}}$

D: $\frac{\text{Operating profit + depreciation and impairments}}{\text{Operating revenues}}$

E: $\frac{\text{Net profit}}{\text{Average equity}}$

F: $\frac{\text{Operating profit + interest income}}{\text{Average capital employed, 12 months}}$

G: $\frac{\text{Operating profit + interest income}}{\text{Average total capital}}$

H: $\frac{\text{Profit before tax + finance cost}}{\text{Finance cost}}$

I: $\frac{\text{Equity}}{\text{Total capital}}$

J: $\frac{\text{Operating revenues}}{\text{Average total capital}}$

K: $\frac{\text{Net interest bearing debt}}{\text{Equity}}$

L: $\frac{\text{Current assets}}{\text{Short term debt}}$

M: $\frac{\text{Liquid funds + financial assets + receivables}}{\text{Short term debt}}$

N: Result after tax payable + depreciation - non controlling interest and correction regarding non liquid items from result and working capital

O: $\frac{\text{Earnings assigned to Moelven's shareholders}}{\text{Average number of shares}}$

P: $\frac{\text{Cash flow from operations}}{\text{Average number of shares}}$

Q: $\frac{\text{Total equity assigned to Moelven's shareholders}}{\text{Average number of shares}}$

R: Dividend proposal

S: $\frac{\text{Sickness absence}}{\text{Available hours - overtime}}$

T: Number of injuries absence per million working hours, 12 months rolling

Consolidated accounts

Income statement for the group

Amounts in NOK million	Note	2018	2017
Sales revenue	7	10,960.8	10,713.6
Other operating revenues		60.0	54.8
Operating revenues	**6**	**11,020.8**	**10,768.4**
Product expenses		6,921.8	6,844.3
Changes in inventory raw materials, goods under manufacture and finished goods		-175.5	-45.1
Payroll expenses	11, 22, 27	2,200.1	2,153.3
Depreciation of tangible and intangible assets	8, 10	280.4	278.1
Impairment of tangible assets	8, 10	66.1	17.6
Other operating expenses	11	1,141.6	1,099.8
Operating expenses		**10,434.5**	**10,348.0**
Operating profit		**586.2**	**420.4**
Income from associates	16	0.0	0.0
Value increase of financial instruments to fair value		52.0	13.5
Other financial income	12	7.9	16.2
Value reduction of financial instruments to fair value		-0.5	-18.2
Other financial costs	12	-67.4	-58.3
Net financial items		**-8.0**	**-46.8**
Profit before tax		**578.2**	**373.6**
Income tax	13	127.0	80.7
Net profit		**451.2**	**293.0**
Profit assigned to:			
Non-controlling interests		1.8	-0.1
Owners of parent company		449.4	293.0
Annual profit transferred to/from other equity		451.2	293.0
Total allocation		451.2	293.0
Earnings per share (in NOK)			
Earnings per share assigned to Moelven's shareholders	20	3.47	2.26

Statement of comprehensive income

Amounts in NOK million	Note	2018	2017
Net profit		**451.2**	**293.0**
Other comprehensive income			
Items that are not reclassified subsequently to profit or loss			
Actuarial gains (losses) on defined-benefit pension schemes	22	-0.9	0.1
Income tax on items that are not reclassified to profit or loss	13	0.2	0.0
		-0.7	0.1
Items that may be reclassified subsequently to profit or loss			
Translation differences		-17.3	41.2
Proportion of other income and costs in associated companies	16	0.5	0.2
Other changes		-2.4	7.1
Income tax on items that may be reclassified to profit or loss	13	0.0	0.0
		-19.2	48.5
Other comprehensive income, net of tax		-19.9	48.6
Total comprehensive income for the period		431.4	341.5
Comprehensive income assigned to:			
Owners of parent company		429.5	341.6
Non-controlling interests		1.8	-0.1

Consolidated statement of financial position 31.12

Amounts in NOK million	Note	2018	2017
ASSETS			
Deferred tax assets	14	47.7	42.4
Goodwill	10	16.4	13.3
Other intangible assets	10	20.8	21.0
Total intangible assets		**84.9**	**76.6**
Land		105.1	109.3
Buildings and other property		475.1	476.8
Machinery and plant		1,239.4	1,130.0
Fixtures and fittings, tools, office machines etc.		53.9	46.5
Total fixed assets	8	**1,873.5**	**1,762.5**
Investments in associated companies	16	3.8	3.8
Investments in other shares	15	0.5	0.5
Bonds and other receivables		1.6	1.9
Net pension funds	22	1.1	1.8
Total financial fixed assets		**7.0**	**7.9**
Total assets		**1,965.4**	**1,847.1**
Inventories	17	**1,673.9**	**1,524.1**
Accounts receivable	18	1,315.3	1,297.3
Contract asset	7, 18	126.0	139.4
Other receivables	18	293.8	335.7
Total receivables		**1,609.1**	**1,633.0**
Financial derivatives	25	47.6	10.2
Bank deposits, cash etc.	19	6.3	30.2
Total current assets		**3,336.9**	**3,197.6**
Total assets		**5,302.3**	**5,044.6**

Amounts in NOK million	Note	2018	2017
LIABILITIES AND EQUITY			
Share capital	26	647.7	647.7
Own shares		0.0	0.0
Share premium reserve		130.9	130.9
Retained earnings		1,643.2	1,304.1
Total equity assigned to owners of parent company		**2,421.8**	**2,082.7**
Non-controlling interests		13.5	9.8
Total equity		**2,435.3**	**2,092.5**
Pension liabilities	22	22.0	22.3
Deferred tax	14	191.0	171.3
Other provisions	23	48.0	49.3
Total provisions		**261.1**	**242.9**
Liabilities to credit institutions	5	668.6	760.8
Other long term liabilities	5, 9	43.5	22.0
Other long term liabilities - non interest-bearing	5	0.9	6.3
Total long term liabilities		**713.0**	**789.0**
Liabilities to credit institutions	5	9.4	-0.0
Financial derivatives	25	75.5	89.5
Accounts payable	25	663.6	721.7
Public duties payable	25	139.4	155.3
Tax payable	13	99.0	45.1
Contract liability	7, 25	78.8	167.7
Other short term liabilities	24	827.2	740.8
Total short term liabilities		**1,892.9**	**1,920.2**
Total liabilities		**2,867.0**	**2,952.1**
Total equity and liabilities		**5,302.3**	**5,044.6**
Guarantees	23	19.5	19.5
Number of shares (Face value per share NOK 5.-)	26	129,541,284	129,541,284

Moelv, 14. March 2019
Moelven Industrier ASA

Olav Fjell
Chairman of the Board

Trond Stangeby
Deputy chair

Elisabeth Krokeide

Aud Ingvild Storås

Asbjørn Bjørnstad

Martin Fauchald

Lars Håkan Karlsson

Morten Kristiansen
CEO

Consolidated statement of changes in equity

	Equity assigned to owners of parent company						
Amounts in NOK million	**Share capital**	**Share premium**	**Own shares**	**Other equity**	**Total**	**Non-controlling interests**	**Total equity**
Total as at 1.1.2017	**647.7**	**180.7**	**0.0**	**978.2**	**1,806.6**	**6.8**	**1,813.4**
Comprehensive income for the period							
Net profit	**0.0**	**0.0**	**0.0**	**293.0**	**293.0**	**-0.1**	**293.0**
Other comprehensive income							
Translation differences	0.0	0.0	0.0	41.1	41.1	0.1	41.2
Other changes	0.0	0.0	0.0	4.1	4.1	3.0	7.1
Actuarial gains (losses) on defined-benefit pension schemes	0.0	0.0	0.0	0.1	0.1	0.0	0.1
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	45.2	45.2	3.1	48.3
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	-49.8	0.0	-12.4	-62.2	0.0	-62.2
Share based payment transactions	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total transactions with owners	0.0	-49.8	0.0	-12.4	-62.2	0.0	-62.2
Total as at 31.12.2017	**647.7**	**130.9**	**0.0**	**1,304.1**	**2,082.7**	**9.8**	**2,092.5**
Total as at 1.1.2018	**647.7**	**130.9**	**0.0**	**1,304.1**	**2,082.7**	**9.8**	**2,092.5**
Comprehensive income for the period							
Net profit	**0.0**	**0.0**	**0.0**	**449.4**	**449.4**	**1.8**	**451.2**
Other comprehensive income							
Translation differences	0.0	0.0	0.0	-17.2	-17.2	-0.1	-17.3
Other changes	0.0	0.0	0.0	-4.3	-4.3	2.0	-2.4
Actuarial gains (losses) on defined-benefit pension schemes	0.0	0.0	0.0	-0.9	-0.9	0.0	-0.9
Income tax on other comprehensive income	0.0	0.0	0.0	0.2	0.2	0.0	0.2
Other comprehensive income (net of tax)	0.0	0.0	0.0	-22.2	-22.2	1.9	-20.4
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	-88.1	-88.1	0.0	-88.1
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	-88.1	-88.1	0.0	-88.1
Total as at 31.12.2018	**647.7**	**130.9**	**0.0**	**1,643.2**	**2,421.8**	**13.5**	**2,435.3**

Consolidated cash flow statement

Amounts in NOK million	**Note**	**2018**	**2017**
CASH FLOW FROM OPERATIONAL ACTIVITIES:			
Net profit		451.2	293.0
Adjustments to reconcile net profit with net cash flow from operations:			
Depreciation	8, 10	280.4	278.1
Impairment	8, 10	66.1	17.6
Income from associated companies	16	0.0	0.0
Tax paid	13	-50.6	-33.0
Unpaid pension costs entered as costs and unreceived pension funds entered as income		1.4	0.8
Profit / loss on sale of fixed assets		-3.5	-14.3
Net value change of financial instruments to fair value		-51.5	4.7
Non cash financial items		47.4	47.4
Interest payments received		0.2	0.2
Interest paid		-47.6	-47.6
Income tax	13	127.0	80.7
Changes in operating assets and liabilities:			
Changes in inventory		-149.8	-60.1
Changes in accounts receivable and other receivables		23.3	-64.5
Changes in trade accounts payable		-58.1	147.0
Changes in provisions and benefits to employees		18.2	62.3
Changes in short-term liabilities excluding borrowing		-1.1	-36.0
Cash flow from operational activities		**653.1**	**676.2**
CASH FLOW FROM INVESTMENT ACTIVITIES:			
Investment in plant and equipment exc. acquisition	8,10	-497.4	-357.0
Net cash outlay on acquisition		0.0	0.0
Receipts from sale of fixed assets		1.8	17.1
Sale of other long-term investments		0.0	0.0
Purchase of subsidiaries, reduced by cash in company		0.0	5.0
Cash flow from investment activities	8	**-495.6**	**-334.9**
CASH FLOW FROM FINANCING ACTIVITIES:			
Short term borrowing		0.0	0.0
Payment of short term debt		0.0	0.0
Changes in short-term loans and overdraft		9.4	-112.4
Purchase of non-controlling interests		0.0	0.0
Change in long term debt facility - loan payments		-398.7	-524.9
Change in long term debt facility - new loans		303.4	379.9
Payment of other long term debt		-7.4	1.6
Payment of dividend		-88.1	-62.2
Cash flow from financial activities	25	**-181.4**	**-317.9**
Net increase (reduction) in liquid assets during year		-23.9	23.6
Liquid assets 1.1		30.2	6.6
Effect of exchange rate changes on liquid assets		0.0	0.0
Liquid assets 31.12		**6.3**	**30.2**
Cash and cash equivalents 31.12			
Liquid assets 31.12		6.3	30.2
Unused drawing rights 31.12		1,233.1	1,141.8
Restricted bank deposits		0.0	0.0
Cash and cash equivalents 31.12	19	**1,239.4**	**1,172.0**

Changes in liabilities arising from financing activities

	Liabilities		**Cash management**		**Hedging instruments**			**Net**
	Other borrowings	Finance leases	Deposit	Overdraft	Currency and Assets	Currency and Liabilities	Interest Liabilities	
Restated balance at 1.1.2018	**769.2**	**19.8**	**30.2**	**-**	**10.2**	**8.0**	**81.5**	**838.1**
Changes form financing cash flows:	-95.3	-	50.4	-9.4	-	-	-	-155.1
Proceeds from loans and borrowings	303.4							
Installments and other changes in bank overdrafts	-398.7		50.4	-9.4				
Changes arising from obtaining and losing control of subsidiaries or other businesses:						-		-
The effect of changes in foreign exchange rates:	-6.0	-		-		-		-6.0
Changes in fair value:	-	-		-	37.4	-2.3	-11.7	-51.4
Other changes:	0.7	23.6	-74.3	-	-	-	-	98.6
Changes in bank overdraft			-31.0					
Capitalized borrowing costs - long terr	0.7		-7.8					
Capitalized interest costs - long term			-22.9					
Capitalized net interest derivatives			-11.3					
Capitalized borrowing costs - cash mangagement			-1.9					
Capitalized interest costs - cash management			0.6					
Changes in finance leases		23.6						
Interest leases								
Balance at 31.12.2018	**668.6**	**43.4**	**6.3**	**-9.4**	**47.6**	**5.7**	**69.8**	**724.2**

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 Group's activities are described in the board's annual report.

Note 2 - Basis for preparing the annual accounts

The consolidated accounts of the Moelven have been prepared in accordance with the International Financial Reporting Standards (IFRS) and the interpretations of the IFRS interpretations committee (IFRIC), as determined by the EU.

The consolidated accounts were presented by the board on 14 March 2019 and the ordinary general meeting to discuss the annual accounts has been fixed for 2 May 2019.

The consolidated accounts are based on the principles of historic cost accounting with the exception of the following items:

- Defined-benefit pension schemes are valued at present value of the future pension benefits that have been earned on the date of balance. Pension funds are valued at fair value.
- Financial instruments at fair value through profit or loss. These include derivatives for hedging interest rates, foreign exchange and electric power.

The consolidated accounts have been prepared with uniform accounting principles for similar transactions and events under otherwise similar conditions.

Note 3 - Significant accounting principles

Presented below are the most important accounting principles that have been used in preparing the consolidated accounts. These principles have been used in the same way for the comparison figures in the consolidated accounts.

3.1 Consolidation principles

The consolidated accounts include Moelven Industrier ASA and companies over which Moelven Industrier ASA has control of. Control is ordinarily achieved when the Group owns more than 50% of the shares in the company, but annual assessments are carried out of whether the Group also has control of companies where the stake is less than 50%. An investor controls an undertaking in which an investment is made when the investor is exposed to or has rights to variable returns from its involvement in that undertaking, and has the opportunity to influence these returns through its power over the undertaking. Non-controlling interest are included in group equity.

The acquisition method is used for recognising company mergers on the income statement. Companies which are bought or sold during the course of the year are included in the Group accounts from the date on which control is achieved until the date on which it ceases.

Changes in holdings in the subsidiaries that do not lead to loss of control are entered as an equity transaction. The remuneration is entered at fair value and the difference between remuneration and the value of the holding entered on the balance sheet is entered against the majority owner's equity.

With changes in holdings that lead to loss of control, remuneration is measured at fair value. The balance sheet value of holdings and obligations in the subsidiary and the non-controlling interest are deducted on the date of loss of control. The difference between the remuneration and the balance sheet value of the holding is included on the income statement as a gain or loss. Any remaining holding is measured at fair value and any gain or loss included on the income statement as part of the gain/loss on the sale of the subsidiary. Amounts included in other income and costs are entered on the income statement.

Associates are enterprises in which the Group has significant influence, but not control, over the financial and operational management. We have holdings between 20 per cent and 50 per cent in our associates. The Group accounts include the Group's share of profits from associates entered by equity method from the time significant control was achieved and until such control ceases.

When the Group's losses exceed the investment in an associated company, the Group's balance sheet value is reduced to zero and further loss is not entered unless the Group has an obligation to cover this loss.

All other investments are entered in accordance with IFRS 9 *Financial instruments,* more detailed information is given in note 25.

Intercompany transactions and intercompany balances, including internal earnings and unrealised gains and losses are eliminated. Unrealised earnings in respect of transactions with associates and joint ventures are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way, but only to the extent that there are indications of depreciation of value of assets that are sold internally.

3.2 New standards and interpretations

The following is a summary of new and revised standards that have been adopted with implementation for the 2018 fiscal year, and standards that will be implemented in 2019.

	Date of entry into force	***Implementation date***
New standards and interpretations		
IFRS 9 Financial Instruments	1 January 2018	Fiscal year 2018
IFRS 15 Revenue from Contracts with Customers	1 January 2018	Fiscal year 2018
IFRS 16 Leases	1 January 2019	Fiscal year 2019

The standard regulates the classification, measurement and accounting of financial assets and financial liabilities. The standard was implemented on 1 January 2018

In comparison to IAS 39, IFRS 9 includes new principles for the classification and measurement of financial instruments, impairment of financial assets and hedge accounting.

In connection with the implementation of IFRS 9, receivables have been assessed according to an “expected credit loss” model and scenarios for losses on receivables are tested taking into account the current credit policy and historical figures. Based on the assessments that have been made, it is not considered necessary to increase provisions for losses after introduction of the standard. IFRS 9 requires that the group specifies losses on accounts receivable on a separate line in the profit and loss statement. As losses on accounts receivable are immaterial for the consolidated accounts, both for 2018 and previous periods, it has been chosen not to specify losses on a separate line in the profit and loss statement.

The implementation of IFRS 9 has not led to significant changes in the classification and measuring of the group's financial instruments, and comparative figures are therefore not converted. Refer to the below table with a specification of differences between the original and new classification of the company's financial assets and liabilities. Further information on the group's management of financial instruments is available in note 3.16.

Financial assets	***Original classification according to IAS 39***	***New classification according to IFRS 9***
Accounts receivable and other receivables	Loans and receivables	Amortized cost
Financial instruments currency hedging	Financial assets at fair value through profit or loss.	Fair value through profit or loss
Financial instruments price hedging electricity	Financial assets at fair value through profit or loss.	Fair value through profit or loss
Bank deposits	Loans and receivables	Amortized cost
Shares	Held to maturity	Amortized cost
Financial liabilities	***Original classification according to IAS 39***	***New classification according to IFRS 9***
Liabilities to credit institutions	Other financial liabilities	Other financial liabilities
Other long term loans	Other financial liabilities	Other financial liabilities
Liabilities to suppliers	Other financial liabilities	Other financial liabilities
Financial instruments currency hedging	Financial liabilities entered at fair value through profit or loss	Fair value through profit or loss
Financial instruments - interest hedging	Financial liabilities entered at fair value through profit or loss	Fair value through profit or loss
Overdrafts	Other financial liabilities	Other financial liabilities

IFRS 15 Revenue from contracts with customers

IFRS 15 Revenue from contracts from customers, which replaces the current revenue recognition standards (IAS 11 and IAS 18) and interpretations, introduces a new model for recognition and measurement of revenue from sales contracts with customers. The standard was implemented on 1 January 2018. The group has chosen to apply the standard with retroactive effect in that the overall effect of the first application is recognised as an adjustment of the opening balance for retained earnings, without comparative figures being converted. The overall effect of the initial application of IFRS 15 is immaterial for the consolidated accounts, and retained earnings are therefore not adjusted as at 1 January 2018.

The new model is based on a five stage process, which must be followed for all sales contracts with customers to determine when and how revenue should be recognized on the income statement.

The most significant changes in IFRS 15 in relation to previous standards are:

- A sales transaction should be recognized as revenue in the profit and loss accounts as control (which can either take place at a certain time or over time) of the product or service transfers to the customer (the current "risk and rewards" concept is thus replaced by a control concept)
- New and more detailed guidance on how part transactions in a sales contract are identified, and how the individual components are recognized and measured
- New and more detailed guidance for recognition of revenue over time

Based on analyses of the group's product mix and contract types within the divisions in Timber, Wood and Building Systems, the new standard has had minor significance in the following areas:

- The new requirements to discretion and assessments of for example variable consideration, identification of sales contracts' sub-components, etc., impacts both recognition of and the measurement of revenue. This applies in particular in relation to larger construction contracts. The amount effect based on the existing product mix is immaterial for the consolidated accounts.

The implementation of IFRS 15 has not changed the group's recognition and measurement of other revenues, including the sale of retail goods, produced goods, services and rental income.

For further information concerning the group's sales income, refer to section 3.6 and note 7.

IFRS 16 Leases

IFRS 16 Leases supersedes the current standard *IAS 17 Leases*, and will be implemented from the 2019 fiscal year.

The new standard will change the Moelven group's recognition of leases for the agreements which under IAS 17 have been recognized as operational leases.

As at 31.12.2018 the Moelven group has entered 49% of posted rental costs as financial leases, with capitalization of right of use of rent as an asset and the payment obligation as a financial liability. The overall financial liability for leases at the turn of the year was NOK 43.4 million. Correspondingly, the usage right of the rent as asset was recorded at NOK 39.0 million. Expected level 1 January 2019 It is expected that the introduction of IFRS 16 will cause the group's assets and liabilities to increase by approx. NOK 220 million at the time of initial application.

For more information on the group's leases, see note 9.

According to the new standard, there is no longer a distinction between financial and operational rent for lessees. The new standard requires capitalisation of all leases when recognising usage right assets and rent obligations. IFRS 16 permits a number of practical solutions, including for short leases where the underlying asset is of low value, upon initial application of the standard. Among other things, the practical solutions entail that no form of adjustment is made to lease agreements that are ended within twelve months after the time of initial application or where the underlying asset is of low value.

The purpose of the accounting standard is to provide better information on a company's rights and obligations, and to ensure better comparability between companies that themselves own their operating assets and those leasing.

For the Moelven group the new standard has significance for the inclusion and measurement of lease agreements for vehicles and premises. In addition, the group has considered truck agreements against the requirement of IFRS 16, to ensure correct accounting. Moelven largely owns all buildings and associated machinery used in operations, with a limited exception at individual units where leases will be adjusted to the new standard. Certain contracts include several lease components, and in such cases each lease component is considered individually and may be potentially entered as an independent lease agreements.

The effect of the new standard will affect EBITDA and operating profit, as a result of rent costs change classification from operating expenses to depreciation and interest charge. Earnings before tax will not be affected over time, but at the start of the lease period costs from depreciation and interest will exceed the actual rental costs. Towards the end of the tenancy depreciation and interest will be less than the rental costs.

On the balance sheet the group's liabilities will increase with the calculated current value of the rent obligations. Correspondingly, the group's assets will increase by an amount that corresponds to the rent obligations, adjusted for any rental payments at or prior to the implementation time, any rent incentives and an estimate of expenses in the event of dismantling or removal of the underlying asset, if the tenant has committed to carrying this out at the expiry of the contract period. The equity ratio will be reduced as a result of increased total assets.

Cash flow from operating activities will increase as the assets are depreciated, while the cash flow from financial activities are reduced as debt is written down. The group's overall cash flow is not affected.

The group will use retroactive application of IFRS 16 without reworking comparative figures and with effect on the equity's opening balance as at 1 January 2019.

3.3 Functional currency and presentation currency

The Group's presentation currency is NOK. This is also the functional currency of the parent company. Subsidiaries with other functional currencies are converted to the day rate for balance items and to the transaction rate for income statement items. Average monthly exchange rate is used as an approximation of transaction rate. Translation differences are entered against other income and costs ("OCI"). In any future sale of investments in foreign subsidiaries, accumulated translation differences that are referred to the majority owners will be entered on the income statement.

3.4 Use of estimates in preparing the annual accounts

Management has used estimates and assumptions which have affected assets, liabilities, income, costs and information regarding potential obligations. This applies in particular to depreciation of fixed assets, assessment of added value and goodwill in connection with acquisitions, inventory, project assessments and pension commitments. Future events may cause the estimates to change. Estimates and the underlying assumptions are continually assessed. Changes in accounting estimates are entered into the accounts during the period in which the changes occur. Where changes also affect future periods, the effect is distributed across the current and future periods. Also see note 4.

3.5 Foreign currency

Foreign exchange transactions

Foreign exchange transactions are calculated at the exchange rate prevailing at the time of the transaction. Monetary items in foreign currency are converted to Norwegian kroner by using the rate of exchange on the balance date. Non-monetary items which are measured at historical exchange rates expressed in foreign currency are converted to Norwegian kroner by using the exchange rate at the time of transaction. Non-monetary items which are measured at fair value expressed in foreign currency are converted to the exchange rate determined at the time of the balance. Foreign currency fluctuations are recognised on the income statement continuously over the accounting period.

Activities abroad

Assets and liabilities in foreign companies including goodwill and fair value adjustments which arise on consolidation are converted to Norwegian kroner by using the exchange rate on the balance date. Income and expenses in foreign enterprises are converted to Norwegian kroner by using the average exchange rate.

Exchange rate differences are entered in other income and costs ("OCI").

3.6 Revenue from contracts with customers

IFRS 15 Revenue from contracts with customers was implemented from the 2018 fiscal year, replacing *IAS 18 Revenue*. Information on the implementation period and consequences for the group are described in section 3.2. The group's contracts with customers are entered in the accounts to the extent the contractual parties have approved the contract, each parties rights and terms of payment may be identified, the contract has a businesslike content and it is likely that the group will receive the remuneration it is entitled to. Sales income is presented after deduction of value added tax and discounts. Internal sales within the group are eliminated.

The sale of goods is recognised as income at the time the group fulfils its delivery obligation to the customer. Moelven will ordinarily fulfil its delivery obligation when the product is transferred to the customer and the customer gains control of the product. A product is considered to be transferred when it is transported to or picked up at the place defined by the delivery terms of the contract.

Income from the sale of services and long-term production projects are recognised over time, as Moelven fulfils its delivery obligation and control of the product or service is transferred to the customer. A contract is recognised over time if the project to a significant extent is tailored to the customer's needs and the asset being produced is difficult to sell to others without major adjustments. When assessing whether the group has fulfilled its delivery obligation, one will have different measures of progression. In some group companies operating revenues are recognised based on an "input method," in that accrued costs are considered in relation to total estimated costs, while other group companies perform recognition based on an "output method" in that progression in the delivery obligation is measured in relation to the overall contract price. If the progression in the delivery obligation cannot be measures to a reasonable degree, only operating revenue that correspond to accrued contract costs are recognised in the result. For contracts that are expected to result in losses, the loss is recognised to the extent the capitalised value of expenses related to fulfilment of the contract exceed the remaining remuneration the company expects to receive, less the remaining expenses related to delivery that are not already recognised as a cost.

Additional claims and disputed amounts are not normally entered until agreement has been reached or there is a court judgement. However part of the claim is entered if there is an overwhelming probability of the anticipated outcome. Provision is made for claims activities based on historical experience and identified risks. Guarantee periods are normally from three to five years.

For projects that are directed by outside companies, invoicing is performed monthly with 30 day payment terms. Invoicing is normally done in line with the completion of the work, but there are also payment schedules that do not correspond to progress in the delivery obligation.

For contracts that are recorded as income over time, both income and expenses are deferred. Earned income that is not invoiced is recognised in the balance sheet as a contractual asset. Invoiced income that has not yet been earned (forward payment plans) is entered as a contractual obligation.

The group produces and sells energy to end customers. The sales is entered as income when the energy has been delivered and is read off at the customer's premises. Sales are entered based on the prices achieved, which are contract prices, but which can also be subject to price guarantee for the delivery period. It is considered not to exist financing elements in the sales. Otherwise, payment terms correspond to those that are normal in the market.

Interest earnings are recognised as they are earned.

Dividends are entered when the shareholders' rights to receive dividends have been adopted by the general meeting.

3.7 Segments

For management purposes the Group is organised into four different divisions according to products and range of services. The divisions represent the basis for the primary report segments. In segment reporting, internal earnings on sales between the segments are eliminated. Financial information regarding segments and geographical distribution is presented in Note 6.

In segment reporting, internal earnings on sales between the segments are eliminated.

3.8 Loan costs

Loan costs are entered on the income statement when the cost arises. Loan costs are entered on the balance sheet to the extent that they are directly related to the purchase and manufacture of an asset and where the manufacturing period is long. A long manufacturing period means close to 12 months. Interest rate costs accrue during the build period until the asset is entered on the balance sheet. Balance entry of the loan costs is done until the point when the asset is ready for use. If the cost price exceeds the asset's fair value, it is written down.

3.9 Income tax

Tax costs consist of payable tax and changes in deferred tax. Deferred tax/tax benefits are calculated on all differences between book and taxable values of assets and liabilities, with the exception of:

- group goodwill
- temporary differences related to affiliated companies the Group controls when the temporary differences will be reversed and it is not assumed to occur in the foreseeable future.

Deferred tax advantage is recognised on the income statement when it is probable that the company will have sufficient tax surplus in later periods to utilise the tax advantage. The companies enter deferred tax benefits that have not been previously entered to the extent that it has become probable that the company may make use of the deferred tax benefit. Likewise the company will reduce deferred tax advantages to the extent that the company no longer regards it as probable that it can utilise the deferred tax advantage.

Deferred tax and deferred tax advantages are measured based on anticipated future tax rates for the companies in the Group where temporary differences have previously arisen. Deferred tax and deferred tax advantages are recognised at nominal value and are classified as financial capital expenditure (long-term liability) on the balance sheet. Payable tax and deferred tax are entered directly against equity to the extent that the tax entries relate to equity transactions.

3.10 Research & Development

Expenses associated with research activities are recognised on the income statement when they arise. Costs relating to development activities are entered on the balance sheet to the extent to which the product or process is technically and commercially realisable and the Group has sufficient resources to complete the development. The costs that are entered include material costs, direct payroll costs and a proportion of directly attributable joint expenses. Development costs entered on the balance sheet are entered as acquisition costs minus accumulated depreciation and write-down.

Development costs entered on the balance sheet are depreciated on a straight line basis over the estimated lifetime of the asset.

3.11 Tangible fixed assets

Tangible fixed assets are measured at acquisition cost, less accumulated depreciations and write downs. When assets are sold or disposed of, the value on the balance sheet is deducted and any profit or loss is entered on the income statement.

Acquisition price for fixed assets is the purchase price including duties/taxes and costs directly associated with preparing the fixed assets for use. Costs after the fixed asset has been taken into use, such as continuous maintenance, are entered on the income statement, while other costs that are expected to provide future financial benefit are entered on the balance sheet.

Depreciation is calculated on a straight-line basis with the following decomposition and depreciation period:

Type of asset	Significant components	Depreciation period
Office buildings	Building Sprinkling Fire alarm Technical installations	15 - 20 years 10 year 10 year 7 - 10 years
Warehouse	Building only	15 - 20 years
Dryer	Dryers are structured that should be viewed as a whole. Depreciation should be the same for all dryer elements: Building Machine Control Culvert	10 - 15 years 10 - 15 years 10 - 15 years 10 - 15 years
Machines	Machine Control systems Foundation	10 - 12 years 10 - 12 years 10 - 12 years
Production premises	Building Technical installation Water and drainage Sprinkler system	10 - 15 years Approx. 10 years Approx. 10 years Approx. 10 years
Boiler house	Building Culvert Boiler unit	15 - 20 years 10 - 15 years 10 - 15 years
Fixtures and fittings, tools, office machinery, etc.	No decomposition	4 - 7 years
Vehicles	No decomposition	4 - 7 years
Plots		No depreciation

Depreciation period and method are reviewed annually. Scrap value is estimated at each year end and changes to estimates of scrap value are recognized as a change in estimate.

Plants under construction are classified as fixed assets and are recorded at cost until manufacture or development is completed. Plant under manufacture is not depreciated until the asset is taken into use.

3.12 Leasing

IFRS 16 Leases will be implemented from the 2019 fiscal year, replacing *IAS 17 Leases*. Information on the implementation period and consequences for the group are described in section 3.2

Financial lease agreements

Lease agreements for which the group assumes the main risk and profit involved in ownership of the asset are financial lease agreements. At the beginning of the lease period, financial lease agreements are recognised at an amount corresponding to the lower of either fair value or the present value of the minimum lease. For calculation of the lease agreement's present value the implicit interest cost in the lease agreement is used if it is possible to calculate this. If not, the company's marginal borrowing interest is used. Direct expenses relating to establishing the lease contract are included in the asset's cost price.

The same depreciation time is used as for the company's other depreciable assets. Where reasonable certainty that the company will assume ownership at the end of the lease period does not exist, the asset is depreciated over the shorter of the duration of the lease agreement and the asset's economic life cycle.

Operational lease agreements

Lease agreements where the main risk and profit associated with ownership of the asset are not transferred are classified for 2018 as operational lease agreements. Lease payments are classified as operating expenses and are recognised on a straight-line basis over the contract period.

3.13 Intangible assets

Intangible assets acquired separately are entered on the balance sheet at cost. The costs of intangible assets acquired through acquisitions are recognized in the consolidated financial statements at fair value at the acquisition date. Intangible assets entered on the balance sheet are entered in the accounts at cost less any depreciation or write down.

Internally generated intangible assets, with the exception of recognised development costs, are not entered on the balance sheet but are entered as costs on an ongoing basis.

Useful lifetime is either predetermined or non-predetermined. Intangible assets with a predetermined limited economic useful life are depreciated over this period and tested for write down if there are indications of impairment. Depreciation method and period are assessed at least annually. Changes in depreciation method and/or period are treated as estimate changes.

Intangible assets with indefinite useful lives are tested for impairment at least yearly.

Intangible assets with indefinite useful life are not depreciated. The useful life is assessed annually to determine whether the assumption of indefinite useful life is reasonable. If not, a change is made to predetermine useful life prospectively.

Software

Costs relating to the purchase of new software are entered on the balance sheet as an intangible asset as long as these costs are not part of the acquisition cost of hardware. Software is normally depreciated on a straight line basis over 3 years. Costs arising as a result of maintaining the future usefulness of software are entered as costs if the changes to the software do not increase the future financial benefit of the software.

3.14 Business combinations and goodwill

Business combinations are entered in accordance with the acquisition method. Refer to note 3.24 with regard to the measurement of non-controlling interest. Transaction costs are entered on the income statement as they occur.

Remuneration for the purchase of a company is measured at fair value on the date of acquisition.

When a company is purchased, all assets and obligations taken over are assessed for classification and assignment in accordance with contract conditions, economic circumstances and relevant conditions on the date of acquisition. Assets and debts taken over are recogniced on the balance sheet at fair value on the consolidated opening balance unless IFRS 3 indicates that other measurement rules shall be used.

Allocation of added value in business combinations is amended if new information arises regarding fair value on the date of taking control. Allocation can be changed up to 12 months after the date of acquisition if this is specified at the time of acquisition. The non-controlling interests are calculated as the minorities' percentage of identifiable assets and debts.

In the case of step by step acquisition, earlier assets are measured at fair value on the date of acquisition. Changes in the value of earlier assets are entered on the income statement.

Goodwill is calculated as the sum of the remuneration and book value of the non-controlling interest and fair value of previously owned assets, less the net value of identifiable assets and obligations calculated on the date of acquisition. Goodwill is not depreciated but tested at least annually for loss in value.

If the net value of identifiable assets and obligations calculated on the date of acquisition exceeds the remuneration (negative goodwill), the difference will be recognized at the acquisition date.

3.15 Public grants

Public grants are entered in the accounts when there is reasonable certainty that the company will fulfil the conditions associated with the grants. Recognition of operational grants is calculated systematically over the grant period. Grants are recognised as deductions from the cost that the grant is intended to cover. Investment subsidy is entered on the balance sheet in a systematic way over the life cycle of the asset. Investment subsidy is entered either as deferred income or as a deduction when determining the value of the asset on the balance sheet.

3.16 Financial instruments

From the 2018 fiscal year *IFRS 9 Financial Instruments* has been implemented. This standard replaces *IAS 39 Financial Instruments - Recognition and Measurement*. Information on the implementation period and consequences for the group are described in section 3.2.

In accordance with IFRS 9 *Financial Instruments,* financial assets that subsequently are measured at amortised cost, are measured to fair value over other income and expenses or to fair value through profit or loss. Financial liabilities are classified as subsequently measured at amortised cost or fair value through profit or loss.

The basis for the above classification is determined by the group’s business model for the management of financial assets, and the characteristics of the financial asset’s contractual cash flow. Moelven’s business model stipulates how groups of financial assets are managed together to achieve a certain business purpose, and is primarily geared to receiving contractual cash flows rather than selling financial instruments to realise changes in fair value.

Financial assets are classified and measured at amortised cost to the extent the asset is held in a business model whose purpose is to hold financial assets to receive contractual cash flows, and the contract terms for the financial asset leads to cash flows that at certain times exclusively are payment of and outstanding interest on the principal.

If the business model’s purpose is to both receive contractual cash flows and sell financial assets, and if the contract terms lead to cash flows that at certain times exclusively are payment of and outstanding interest on the principal, the financial asset shall be classified and measured at fair value over other comprehensive income. Independently of the mentioned criteria, equity instruments, with certain exceptions, may be classified and measured at fair value over other comprehensive income, in that the business irrevocably chooses this at initial recognition. Based on Moelven’s business model, as at 31 December 2018 the group has no financial assets classified at fair value over other comprehensive income.

Financial assets that neither are measured at amortised cost nor to fair value over other comprehensive income, are classified and measured at fair value through profit or loss. IFRS 9 allows for irrevocable earmarking of a financial asset at fair value through profit or loss if this eliminates or significantly reduces a discrepancy in measurement or recognition that otherwise would have occurred when measuring assets or liabilities or recognition of profit or loss on these.

All financial liabilities must be classified as subsequently measured at amortised cost, with the exception of those financial liabilities that are classified and measured at fair value through profit or loss. IFRS 9 allows for irrevocable earmarking of a financial asset at fair value through profit or loss, assuming this provides more relevant information to the accounts users. If a contract includes one or more embedded derivatives and the host contract is not an asset within the scope of IFRS 9, it is under certain conditions permitted to earmark the entire hybrid contract at fair value through profit or loss. Changes in fair value to financial instruments is recognised and presented as financial income/expense.

The fair value of financial instruments that are traded in active markets is determined at the end of the reporting period by referring to the listed market price from traders of financial instruments (buying rate for long positions and selling rate for short positions), without deduction for transaction costs.

For financial instruments that are not traded in an active market, the fair value is determined with the aid of a suitable valuation method. Such valuation methods involve the use of recent market transactions at arm's length between well-informed and voluntary parties, if such are available, referral to the current fair value of another instrument that is practically the same, discounted cash flow calculation or other valuation model.

An analysis of fair value of financial instruments and other details regarding the measurement of these is given in the note 25.

3.17 Hedging

The Group performs financial hedging transactions. However on the basis of an assessment of cost and benefit of hedge accounting in accordance with IFRS 9, it has been decided that the Group does not perform hedge accounting.

3.18 Derivatives that are not hedging instruments

Financial derivatives that are not recognised as hedging instruments are assessed at fair value. Changes in fair value are entered on the income statement on an ongoing basis.

An inbuilt derivative is separated from the host contract and recognised as a derivative if and only if all the following conditions are fulfilled:

- The financial characteristics and the financial risk of an inbuilt derivative are not closely related to the financial characteristics and the financial risk of the host contract.
- A separate instrument with the same conditions as the inbuilt derivative would have satisfied the definition of a derivative.
- The combined instrument (main contract and inbuilt derivative) is not measured at fair value through profit or loss.

3.19 Impairment of financial assets

For financial assets assessed at amortised cost, a loan loss provision is recognised based on expected credit loss. The loan loss provision is subsequently measured at each reporting time at an amount corresponding to expected credit loss in the lifetime, if the credit risk for the financial instrument has significantly increased since initial recognition. If the credit risk has not increased significantly since initial recognition, the loan loss provision is measured at an amount that corresponds to the expected credit loss over twelve months. Accounts receivable or contractual assets arising from transactions that are subject to IFRS 15, must always be measured on the basis of expected credit loss in the lifetime. The cumulative changes to expected credit loss in the lifetime is recognised in the result at each reporting time as profit or loss in the event of loss in value.

3.20 Inventory

Inventory is recognised on the income statement at the lower of acquisition cost or net sales price. Net sales price is an estimated sales price for ordinary operations minus estimated costs for completion, marketing and distribution. Acquisition cost is allocated by use of the FIFO method and includes expenses accrued when acquiring the goods and the costs of bringing the goods to their current condition and location. Proprietary goods include variable and fixed costs that can be allocated based on normal capacity utilisation.

3.21 Projects

IFRS 15 Revenue from contracts with customers was implemented from the 2018 fiscal year, superseding *IAS 11 Construction Contracts*. Information on the implementation period and consequences for the group are described in section 3.2. Criteria for recognising and measuring income from project-related contracts are described in section 3.6.

3.22 Cash and cash equivalents

Cash includes cash holdings and bank deposits. Cash equivalents are short term liquid investments that can be immediately converted into a known amount of cash and that have a maximum of 3 months to maturity.

In the cash flow statement, the bank overdraft has been subtracted from the balance of cash and cash equivalents.

3.23 Equity

Own shares

On repurchase of own shares, the purchase price including immediate costs is entered as a change in equity. The nominal value of treasury shares is presented on a separate line below share capital, while payment in excess of nominal value reduces other equity. Losses or gains on own share transactions are not entered on the income statement, but are offset against equity.

Costs of equity transactions

Transaction costs directly associated with equity transactions are entered directly to equity after deduction for tax.

Other equity

Translation differences Translation differences arise in conjunction with currency differences on consolidation of foreign units.

Currency differences on monetary items (liability or receivable) that are in reality part of a company's net investment in a foreign unit are also entered as translation differences.

For disposal of foreign units the accumulated translation difference associated with the unit is reversed and entered on the income statement for the same period as the profit or loss on the disposal is entered on the income statement.

3.24 Non-controlling interests (minority interests)

Minority interests in the consolidated financial statements represent the minority's share of the carrying value of equity. In a business combination, non-controlling interest are measured according to their proportionate share of identified assets and debt.

The subsidiary company's results, as well as the individual components of other income and costs, are attributable to owners of the parent company and the non-controlling interest. The total result is attributed to the parent company's owners and to the non-controlling interest, even if this leads to a negative minority interest.

3.25 Employee benefits

The Group's Norwegian companies:

All Norwegian companies have collective, contribution-based pension schemes. The contribution-based scheme provides coverage for disability. Pension premiums are entered as costs as they occur. The company's collective defined benefit scheme was terminated in 2015 by issuing paid-up policies. All new employees are included in the defined contribution scheme. A few defined benefit schemes remain for a limited number of individuals. The closed schemes are defined benefit plans that give the employees entitlement to agreed future pension benefits. The benefits are based on the number of years of earning and pay level on retirement.

The Group's foreign companies:

Many of the Group's foreign companies offer their employees pensions based on agreed individual contribution-based pension schemes. In Sweden, most employees are covered by a collective occupational pension agreement. The scheme is defined as a multi-employer plan. Salaried staffs born before 1979 are included in an individual occupational pension scheme that is also defined as a defined benefit plan. Because of the difficulty of reliably measuring the benefit level of these plans, there is insufficient information on an individual basis to enter the plans in the accounts as defined benefit schemes. The plans are entered as if they were contribution-based schemes. The salaried staff, born after 1979, are included in an occupational pension scheme that is premium based and is therefore treated in the accounts as contribution-based.

Defined contribution pension scheme

In 2015 defined contribution schemes were converted to defined benefit schemes for all Norwegian employees of Moelven. The contribution to the pension scheme comprises from 3.6% to 21.7% of salary. Pension premiums are entered as costs as they occur.

Defined-benefit pension schemes

Defined-benefit pension schemes are valued at present value of the future pension benefits that have been earned on the date of balance. Pension funds are valued at fair value.

Changes in defined-benefit pension commitments that are due to changes in pension plans are distributed over the estimated average remaining earnings period. Pension funds are valued at fair value. Changes in defined-benefit pension commitments that are due to changes in pension plans are distributed over the estimated average remaining earnings period. The period's net pension costs are classified as payroll and personnel costs.

Gains and losses on the curtailment or settlement of a defined-benefit pension scheme are recognised on the income statement on the date the curtailment or settlement occurs.

Curtailment occurs when the Group decides on a significant reduction in the number of employees covered by a scheme or changes the conditions for a defined-benefit pension scheme so that a considerable part of the present employees' future earning no longer qualifies for benefits or only qualifies for reduced benefits.

3.26 Provisions

A provision is recognised when the Group has an obligation (legal or self-imposed) as a result of an earlier event, it is probable (more probable than not) that a financial settlement will take place as a result of this obligation and the amount can be reliably measured. If the effect is considerable, the provision is limited by discounting anticipated future cash flow by using a discount rate before tax that reflects the market price of the monetary value and, if relevant, the risk associated with the specific provision.

A provision for guarantees is included when the underlying products or services are sold. Calculation of the provision is based on historical information on guarantees and a probability weighting of possible outcomes.

Provisions for restructuring costs are included when the Group has approved a detailed and formal restructuring plan and the restructuring has already started or has been made public.

3.27 Conditional liabilities and assets

Conditional liabilities are not recognised in the annual accounts. Significant conditional liabilities are noted, with the exception of conditional liabilities where the probability of the liability is low.

A conditional asset is not recognised in the annual accounts, but is reported where it is probable that a benefit will accrue to the Group.

3.28 Events after the balance sheet date

New information about the company's financial position on the balance date that arises after the balance date is taken in to consideration in the annual accounts. Events after the balance date that do not affect the company's financial position on the balance date, but which will influence the company's financial position in the future, are reported if they are significant.

Currency exchange rates

The following exchange rates against the Norwegian kroner (NOK) have been used in consolidating the accounts.

	2018	2017
Swedish krone (SEK)		
Income statement rate	0.9363	0.9680
Balance sheet rate	0.9701	0.9996
Danish krone (DKK)		
Income statement rate	1.2880	1.2542
Balance sheet rate	1.3322	1.3218
Euro (EUR)		
Income statement rate	9.5996	9.3295
Balance sheet rate	9.9483	9.8403
British pound (GBP)		
Income statement rate	10.8502	10.6512
Balance sheet rate	11.1213	11.0910
Polish zloty (PLN)		
Income statement rate	2.2536	2.1927
Balance sheet rate	2.3128	2.3558

The income statement rate is an average rate for the year.
Balance sheet rate is the closing rates 31.12.

Note 4 – Critical accounting estimates and judgements

In preparing the annual accounts in accordance with IFRS, the company's management have used estimates based on good faith and assumptions which are believed to be realistic. Situations or changes may arise which may mean that such estimates require adjustment and thereby affect the company's assets, debt, equity or profit and loss.

The company's most important accounting estimates relate to the following:
- Valuation and depreciation on tangible fixed assets.
- Valuation of inventory
- Fair value of assets and obligations in acquisitions.
- Project valuations

Anticipated useful life of the company's production equipment is affected by the technological development and profitability of the plant. Choice of depreciation period is an estimate.

If there are indications of a fall in value, the inventory in the subsidiaries must be tested for value loss. Book value is then compared with estimated net sales value. Management must take many things into account when making this estimate.

The company's recognised goodwill and intangible assets are assessed for write down annually. Impairment testing of intangible assets are presented in Note 10b. The company is greatly affected by economic cycles that lead to considerable fluctuations in fair value in the company. The group is particularly affected by developments in the export markets in Europe and Africa, as well as fluctuations in the building industry in Scandinavia. Exchange rates and market interest rates also affect valuation. Valuations of the various established segments will naturally vary within a range of +/- 20%. For businesses in less mature markets, the range may be even greater. Moelven must distribute the cost price of acquired companies over acquired assets and acquired debt based on estimated fair value. The valuation estimates require management to make considerable assessments in the choice of method, estimates and assumptions. Significant acquired intangible assets that Moelven has included, comprise customer base and goodwill. The assumptions made for the assessment of intangible assets include, but are not limited to, estimated average lifetime of customer relationships based on natural loss of customers. The assumptions made for the assessment of assets include, but are not limited to, the reacquisition costs of fixed assets. Management's assessments of fair value are based on assumptions that are deemed to be reasonable, but that have a built in uncertainty, and as a result of this the actual results may differ from the calculations.

Project assessment is dependent on estimates of degree of completion, anticipated final status, any loss projects, guarantee obligations and claims. The managements of the subsidiaries within Building Systems use figures based on experience, among others, in preparing the estimates.

Note 5 - Financial risk management

Risk management principles and processes

The Moelven Group’s operations entail various forms of financial risk. The group has designed a financial policy whose main purpose is to reduce risk and establish predictable financial framework for the industrial operations. Financial risk is managed by the finance department of Moelven Industrier ASA in collaboration with the various operational unit, in a cost-effective manner. The adopted policy should minimize the potentially negative effects the financial markets may have on the group’s cash flow. The financial guidelines are primarily based on the concept that it is the industrial operations, rather than financial transactions, that should ensure profitability. The most important financial risks and the principles for the finance department are described below.

5.1 Market risk

The market risk is the risk that a financial instrument's fair value or future cash flow will fluctuate as a result of changes in market prices. Market risk includes three types of risk: currency exchange rate risk, interest rate risk and other price risk.

5.1.1 Foreign currency - transaction risk

Transaction risk means the exchange rate risk that is caused by the possibility of exchange rate changes in the period between the time a transaction in foreign currency is agreed and the time of settlement. About 15 per cent of the group's operating revenues comes from markets outside Scandinavia and carry exchange rate risks. The companies import raw materials and finished goods to both Sweden and Norway. There is also significant trade both within the group and externally between Sweden and Norway. The key currencies are EUR, GBP, DKK and SEK, but the Moelven Group is also exposed to USD, CAD and CHF.

In accordance with the group’s financial policy, cash flow fluctuations as a result of variation in exchange rates must be kept within a defined outcome area through the use of hedging instruments. Currency terms are primarily used. All hedging in the group shall be done by the group’s central financial department in Moelv, both internally for the group companies and net exposure externally. Norwegian subsidiaries hedge against NOK, Swedish ones against SEK. Results from Swedish subsidiaries are included as part of net investment in foreign subsidiaries and are not hedged for exchange rate fluctuations in compliance with the current finance policy.

In accordance with the financial policy, net exposure in foreign currency shall be hedged against rate fluctuations according to the following main principles:
• At least 90 per cent of obligations in foreign currency shall be hedged when entering into the contract. This relates mainly to investment projects where machinery and equipment is bought from abroad.
• Expected net exposure in the upcoming 24 months will be secured within the defined maximum and minimum limits.

Because of the hedging strategy that has been chosen, changes in exchange rates must be long-term so as to have the full effect on the Group's profitability. During the hedging period, operational adaptations may be made to compensate for the external changes.

Sensitivity - foreign currency

The table below shows the transaction volume for the main currencies in 2018 and 2017. The group does not use hedge accounting, and the equity effect of changed market values for currency hedges therefore corresponds to the ordinary result after taxes. The effects of changed competitiveness due to exchange rate changes are not included in the sensitivity analysis.

Transaction risk and hedges in the main currencies in 2018

NOK mill	EUR	GBP	DKK	USD	Others
Operating revenues	1,048	552	217	19	65
Operating expenses	645	21	169	2	41
Net exposure	**403**	**531**	**48**	**17**	**24**
Estimated annual net exposure	403	531	48	17	24
Hedging volume as at 31.12.2018 maturing <12 months	238	97	5	6	2
Hedging ratio as at 31.12.2018 for the next 12 Months	**59.1 %**	**18.3 %**	**10.4 %**	**35.3 %**	**7.1 %**

Transaction risk and hedges in the main currencies in 2017

NOK mill	EUR	GBP	DKK	USD	Others
Operating revenues	961	409	145	68	43
Operating expenses	645	9	114	14	23
Net exposure	**316**	**400**	**31**	**54**	**20**
Estimated annual net exposure	316	400	31	54	20
Hedging volume as at 31.12.2017 maturing <12 months	238	97	5	6	2
Hedging ratio as at 31.12.2017 for the next 12 months	**75.4 %**	**24.1 %**	**15.4 %**	**11.1 %**	**8.4 %**

5.1.1 – Currency - transaction risk (cont.)

In addition to the exposure shown in the above tables, the group has an annual exposure in SEKNOK corresponding to approximately 84 million. The exposure is due to net export from Swedish group companies to Norway, and is currency hedged in the usual manner at the company level. Since a large proportion of the group's total production takes place in Sweden, the group also has significant costs in Sweden. Net profit from the Swedish subsidiaries are included in retained earnings, and the currency risk arising in connection with these units' operating income and expenses are taken into account the risk related with the risk of conversion to equity.

The table below shows sensitivity in the results before tax to exchange rate changes when all other conditions remain unchanged. The calculations are on the basis of rate changes being constant for the whole year. The effects of currency hedging, changes in the market value of financial hedging instruments and revaluing of balance sheet items have not been taken into account.

			NOK decrease 1 %		NOK decrease 10 %		NOK increase 1 %		NOK increase 10 %	
	Avrage FX rate 2018	Net exposure in NOK	FX rate after movement	Net gain (losses)	FX rate after movement	Net gain (losses)	FX rate after movement	Net gain (losses)	FX rate after movement	Net gain (losses)
Movement EURNOK	9,60	403	9,70	4,03	10,56	40,26	9,50	-4,03	8,64	-40,26
Movement GBPNOK	10,85	531	10,96	5,31	11,94	53,12	10,74	-5,31	9,77	-53,12
Movement DKKNOK	1,29	48	1,30	0,48	1,42	4,84	1,28	-0,48	1,16	-4,84
Movement SEKNOK	0,94	84	0,95	0,84	1,03	8,39	0,93	-0,84	0,84	-8,39

The market value of financial derivatives used for currency hedging depends on the balance sheet exchange rate in relation to the hedging rates that have been achieved. Changes in market value will result in an unrealized gain or loss and be recognized as financial cost. The table below shows how the ordinary result before taxes would have been affected by a change in the balance sheet date. The calculation is made on the basis of actual hedging volumes in the specified currencies per 31.12.2018.

			NOK decrease 1 %		NOK decrease 10 %		NOK increase 1 %		NOK increase 10 %	
	FX rate per 31.12	Hedge volume 31.12	FX rate after movement	Net gain (losses)	FX rate after movement	Net gain (losses)	FX rate after movement	Net gain (losses)	FX rate after movement	Net gain (losses)
Movement EURNOK	9,95	186	10,05	-94,54	10,94	-85,95	9,85	94,54	8,95	85,95
Movement GBPNOK	11,12	126	11,23	-105,69	12,23	-96,08	11,01	105,69	10,01	96,08
Movement DKKNOK	1,33	8	1,35	-12,66	1,47	-11,51	1,32	12,66	1,20	11,51
Movement SEKNOK	0,97	18	0,98	9,22	1,07	8,38	0,96	-9,22	0,87	-8,38

5.1.2 – Currency translation risk

In this context, translation risk means exchange rate risk due to the balance sheet including items that are denominated in a foreign currency. For the group companies, this translation risk is eliminated in that financing shall occur in the same currency as the asset is entered in the accounts.
About half of the group's total balance sheet is connected to activities in Sweden. The balance sheet figures will therefore be affected by the prevailing exchange rate between the Swedish and Norwegian kroner. A large part of equity is secured against fluctuations as the share investment in most of the group's Swedish subsidiaries is financed in Swedish kroner.

The table below shows the effect on consolidated equity by a change in the exchange rate of +/- 10 percent:

Amounts in NOK million	2018	2017
10 % movement SEK/NOK	129.1	102.8
10 % movement EUR/NOK	7.1	6.2
10 % movement DKK/NOK	3.3	3.1
10 % movement GBP/NOK	10.0	6.1
Total effect	**149.4**	**118.2**

5.1.3 – Interest rate risk

Interest rate risk is the risk that a financial instrument's fair value or future cash flows will fluctuate because of changes in market interest rates. The Group's net interest-bearing debt is subject to interest rate risk. The group companies are to be funded with internal loans from the parent company in the currency that is the subsidiary’s local currency. This essentially means either NOK or SEK. All external borrowing is done by the parent company, which also makes hedging in accordance with financial policy. Hedging instruments that can be used is interest rate swaps, FRAs and complex basis swap. The extent of hedging is measured in terms of the combined duration of outstanding debt and hedging activities. The total duration should be minimum of 12 months and maximum 60 months. Interest rate hedging agreements with a maturity of more than 10 years shall not be entered.

5.1.3 – Interest rate risk (cont.)

The group's average net debt in 2018 was NOK 817.7 million (940.9). If the entire debt had been without interest rate hedging, an interest rate change of one percentage point would lead to a change in the group's financing cost of NOK 8.3 million. However, pursuant to the financial policy, part of the debt is secured against interest rate fluctuations through the use of financial hedging instruments. Interest rate swaps are the main instrument. At the end of 2018 the hedge ratio was 85.0 per cent. Unrealized market value changes of interest rate instruments are recognized in the profit and loss account, but do not affect the cash flow. The unrealized market value of interest rate instruments is tied to the remaining term of the instrument, which according to the group's finance policy may be up to 10 years.

Estimated effect on profit before tax by a change in interest rates and yield curves in the future are shown in the table below. The group does not use hedge accounting, and the equity effect therefore equals the result after tax.

	Average NRBG 2017	Average hedged share	Interest rate movement -100 bp	Interest rate movement +100 bp
Estimated interest cost, 100% floating rate	817.70		8.3	-8.3
Secured portion not affected by market fluctuations		74.3 %	-6.2	6.2
Net effect on annual interest expenses before unrealized items			**2.1**	**-2.1**
Unrealized gains / losses on hedging instruments that are recognized			-24.4	27.6
The total effect including unrealized value change			**-22.3**	**25.5**

5.1.4 - Other price risk

Other price risk is the risk that a financial instrument's fair value or future cash flow will fluctuate because of changes in market prices (apart from changes that are due to interest rate risk or exchange rate risk), regardless of whether these changes are caused by factors that are specific for the individual financial instrument or the instrument's issuer, or by factors that affect all corresponding financial instruments that are traded in the market.

The price of electric power is an important factor that affects the group's profitability. About 210 GWh of electric power a year is bought via the group's electricity suppliers on the Nasdaq OMX exchange.

According to the group's financial policy, the need for electric power shall be secured against price fluctuations to ensure stability and predictability. The anticipated power requirement is hedged within stated maximum and minimum levels by forward buying on Nasdaq OMX with a 5 year maximum horizon.

The price of electric power is denominated in EUR. The group's power costs are therefore affected by both price changes and exchange rate changes. Based on the Financial Supervisory Authority's statements in 2016 concerning long-term supply contracts for energy, the proportion of the market value change for energy hedges that can be attributed to exchange rate changes is treated as a embedded currency derivative. The value is included in the group's accounts, while the actual supply contracts are kept outside pursuant to IFRS 9. The value as at 31.12.2018 amounted to NOK 0.3 million (minus 1.0 million) The group's annual electricity consumption has been relatively stable, apart from increases caused by business combinations.

Accounting of energy hedging differs in Norway and Sweden. Hedging of power consumption in Norway is subject to the exception rules on purchasing for own consumption in IFRS 9, and are only entered when the power delivery takes place. For the hedges in Sweden the market value is capitalized at the time of reporting, and the value change is entered against the result.

The table below illustrates the effects on results before tax of a change in the electricity price of +/- 1 EUR per MWh at different exchange rate levels for EURNOK.

Amount in NOK million	Consumption in Gwh	Residual effect in EUR 1000	EURNOK 9.50	EURNOK 9.75	EURNOK 10.00
Increase in the price of 1 EUR / MWh	211	-210.81	-2.00	-2.06	-2.11
Hedged share of consumption upcoming year	74.0 %	156.00	1.48	1.52	1.56
Sensitivity taking into account hedging		**-54.81**	**-0.52**	**-0.54**	**-0.55**

The effect on ordinary result before tax of exchange rate changes on the total consumption per year is shown in the table below:

Amount in NOK million	Consumption in Gwh	Price EUR/MWh	EURNOK 9.50	EURNOK 9.75	EURNOK 10.00
Yearly consumption	210.81	35	70.09	71.94	73.78
Changes in the cost of currency change EURNOK from 8.75				**-1.85**	**-3.69**

The table below shows the sensitivity to changes in the price level for elctricity forward contracts at Nasdaq OMX. The starting point in secured volume per 31.12.2018 and provided that the price curve for futures contracts changed with 1 EUR / MWh.

Amount in NOK million	Hedged vol. in MWh	Value in EUR 1000*	EURNOK 9.50	EURNOK 9.75	EURNOK 10.00
Hedging according to IFRS 9 relating to own use (consumption in Norway)	191,090	6,688.15	63.54	65.21	66.88
Hedging where market value are recognized according to IFRS 9	267,287	9,355.05	88.87	91.21	93.55
Total	**458,377**	**16,043.20**	**152.41**	**156.42**	**160.43**

*) Assuming EUR 35/MWh

5.1.5 – Liquidity risk

Liquidity risk means risk that the company will have difficulties in fulfilling financial obligations that are settled with cash or another financial asset.

The group's foreign capital funding consists of a long-term credit facility maturing in June 2021, in addition to short-term credit facilities in the banking systems. The long-term loan agreement was entered into in June 2016, and includes two credit limits of NOK 850 million and SEK 750 million respectively. The agreement initially had a 3 year term, with the option to request an extension of 1 year up to 2 times in the agreement's 2 first years. In the second quarter of 2018 the second of these two options was used, and the agreement's maturity was changed from June 2020 to June 2021.
The agreement includes general default clauses on minimum equity ratio of 33 per cent, net equity value of NOK 1.1 billion and debt ratio of a maximum 1.0. As at 31 December 2018, the Group's key figures were above the agreed levels. In addition to the long-term credit facility, the group also has available short-term credit of NOK 312 million, which is renewed annually. As at 31 December 2018, the Group's credit amount was NOK 9.4 million. Long-term cash flow forecasts are prepared in connection with the strategy and budget process. The finance department monitors the utilisation of the credit facilities against the long-term liquidity needs, to ensure that the group has sufficient long-term financing to carry out operation and development of the group in accordance with the current strategy plan.

Short-term cash flow forecasts are prepared at the company level and reported weekly to the group's finance department, which aggregates the forecasts and monitors the group's total liquidity requirements. Based on these forecasts, the finance department ensures that the group has sufficient and reasonable cash equivalents available to meet operational obligations. Surplus liquidity is used for amortization of long-term debt. Short-term investments are thus only made exceptionally.

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.

Maturity structure

NOK mill	Book value 31.12.2018	Cash flows per year 0-2 md	3-10 md	2019	2020	2021	2022 +
Debt to credit institutions	668.6	4.7	25.1	31.7	681.6		
Interest rate derivatives	-	1.7	8.7	12.3	11.1	7.7	17.6
Financial leasing	43.4	1.7	8.2	9.3	8.1	7.2	8.9
Other long term debt, interest-bearing	0.1			0.1			
Other long term debt, non interest-bearing	0.9		0.9				
Long-term contracts	**713.0**	**8.1**	**42.9**	**53.4**	**700.8**	**14.9**	**26.5**
Liabilities to suppliers	663.6	663.6					
Financial derivatives	75.5						
Tax payable	99.0	4.8	89.4	4.8			
Public duties payable	139.4	139.4					
Other short term liabilities	827.1	212.0	200.3				
Total contracts with annual renewal	**1,804.6**	**1,019.8**	**289.7**	**4.8**	**-**	**-**	**-**

The table above does not show cash flow from accounts payable, other interest-free debt and cash flow from currency derivatives. A summary of the nominal value of financial derivatives is presented in note 25.2.

Short term interest-bearing debt next 12 months	-
Long-term interest-bearing debt (payable in 12 months or later)	702.2

Long-term interest-bearing debt by currency

NOK million	2018	2017
NOK	595.8	570.4
SEK	72.8	219.3
Total	**668.6**	**789.7**

5.1.6 – Refinancing risk

Refinancing risk is the risk of difficulties arising in refinancing the group's long-term liabilities. In accordance with the group's financial policy, the remaining time to maturity of the group’s main financing shall be a minimum of 1 year. The group's long-term financing is syndicated loans from a few selected financial institutions which the group has cooperated closely with for an extended period. The background for this is the significance of these financial institutions' focus on the mechanised wood industry, combined with industry competence and knowledge of risk profiles and seasonal and other fluctuations. The present financing has been taken up with negative pledge declaration and default clauses linked with key figures on the balance sheet. The loan agreements do not contain any profit-related default clauses.

5.1.7 – Credit risk

Credit risk arises in transactions with settlements ahead in time. For the Moelven Group this mainly concerns transactions with customers and suppliers, in addition to trading in financial derivatives and deposits in banks and financial institutions.
As a general rule, the group only enters into financial transactions with financial institutions that participate in the long-term financing of the group. None of these has a credit rating poorer than A with the major credit rating agencies. The group has corresponding principles in relation to bank deposits and purchasing of financial services.
In accordance with the group’s financial policy, credit is only given against satisfactory security. This mainly means credit insurance or warranties, but letter of credit, advance payments and offsetting are also used. The group’s framework agreements for credit insurance and guarantees are with counterparties recognized in the market and with an A credit rating.
In certain cases it is not possible to obtain satisfactory security for credit sales. A function has therefore been established for determining internal credit limits and follow-up of credit sales.

From 1 January 2018 the group has considered accounts receivable and contractual assets on the basis of an “expected credit loss model” in accordance with IFRS 9. Refer to note 3 and 18 for a further description and effect on the consolidated accounts.

Of the group’s total capitalized receivable, the use of the various forms of hedging against credit risk are distributed as follows:

Credit insurance	approx. 60%
Guarantees	approx. 8-10%
Cash advances, offset agreements,etc.	approx. 25%
Letters of credit, etc.	< 1%
Unsecured acc, credit policy	< 1%
Other	approx. 4-6%

5.2 – Risk related to asset management

The group’s goals for asset management are:
- To ensure the basis for continued good operations to contribute a satisfactory and predictable return for the owners.
- To ensure sufficient financial room for maneuver to achieve the established targets of profitable growth and development of the group.
- To keep capital costs as low as possible.

The rule of thumb in the group’s dividend policy indicates that a cash dividend corresponding to 50 per cent of net profit, albeit a minimum of 40 øre per share. Considerations to the company’s financial position and other capital sources must always be satisfactorily maintained.

The equity ratio goal is a minimum of 40 per cent, a level that is appropriate in light of the economic fluctuations that have been seen in recent years. In addition, Moelven's operations have a seasonal requirement for working capital that cause great variations in the equity ratio.

The group has an objective of a debt ratio of 0.50 for a normal seasonal balance. In accordance with the current loan agreement, the debt ration cannot exceed 1.00. The debt ratio is calculated by dividing net interest-bearing debt by equity.

NOK million	2018	2017
Interest-bearing debt	727.7	791.9
Interest-bearing assets	6.3	30.2
Net interest-bearing liabilities	721.4	761.7
Total equity	2,435.3	2,092.5
Liabilities/equity	0.30	0.36

Note 6 - Operating segments

6.1 – Main figures for the group and operating segments

Criteria for division

The divisions are divided in accordance with Moelven's three core activities: Timber (industrial goods), Wood (construction materials) 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.

Group management represents the group's decision maker. The operating segments are managed by their peculiarity.

The segments are divided in accordance with who the customers are. Timber has mainly industrial customers, Wood has mainly end users and building product chains as customers and Building Systems has customers in the contracting sector. The others are the remaining companies, mainly the parent company, timber supply and bioenergy.

In Timber and Wood especially, there is a great deal of collaboration between segments, but there are internal transactions between all four segments. Transactions between the segments are agreed on the arm's length principle. Income from customers outside the segment is reported to group management according to the same principles as the consolidated income statement.

Group management is mostly focused on the following key figures: Sales income, profit margins, net operating capital, employed capital and returns on employed capital, interest-bearing debt and investments. In addition, the development of sickness absence and injury statistics is carefully monitored.

The accounting principles that form the basis for segment reporting are the same as those used for consolidated accounting and are described in note 3.

Principal figures	The Group		Timber		Wood		Building Systems		Other	
Amounts in NOK million	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
Sales to external customers	11,020.8	10,768.4	2,628.4	2,499.5	3,787.0	3,623.9	3,738.9	3,854.7	969.0	875.7
Sales to internal customers	0.0	0.0	634.9	618.8	190.3	181.7	4.2	1.7	2,578.6	2,538.9
Operating revenues	11,020.8	10,768.4	3,263.3	3,118.2	3,977.3	3,805.6	3,743.0	3,856.4	3,547.6	3,414.6
Gross operating profit (EBITDA)	932.7	716.1	449.4	266.9	318.5	265.7	189.0	206.7	-24.1	-23.2
Depreciation and impairment	346.5	295.7	106.2	120.3	166.6	110.9	60.6	52.8	13.1	11.7
Operating profit	586.2	420.4	343.3	146.7	151.9	154.8	128.3	153.9	-37.2	-34.9
Income from associates	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Financial income	7.9	16.2	5.5	-2.1	23.6	9.5	4.3	2.9	54.8	50.3
Value change financial instr.	51.5	-4.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Financial costs	-67.4	-58.3	-9.6	-15.3	-39.3	-34.3	-5.3	-4.5	-42.0	-53.3
Profit before tax	578.2	373.6	339.2	129.3	136.2	129.9	127.4	152.3	-24.5	-37.8
Operating margin in per cent	5.3 %	3.9 %	10.5 %	4.7 %	3.8 %	4.1 %	3.4 %	4.0 %	-1.0 %	-1.0 %
Cash flow from operating profit	932.7	716.1	449.4	266.9	318.5	265.7	189.0	206.7	-24.1	-23.2
Fixed assets	1,873.5	1,762.5	581.8	552.9	748.8	748.3	401.2	374.1	141.6	87.2
Inventory	1,673.9	1,524.1	461.4	417.3	991.9	891.5	185.4	177.7	35.2	37.6
Accounts receivable	1,315.3	1,297.3	262.0	265.7	428.0	382.8	485.1	533.3	140.2	115.6
Accounts payable	663.6	721.7	202.0	209.7	249.1	260.1	211.7	248.8	280.0	285.8
Projects net	47.2	-28.3	0.0	0.0	0.0	0.0	47.2	-28.3	0.0	0.0
Net operating capital (% of operating revenues)	21.5 %	19.2 %	18.3 %	17.5 %	30.1 %	27.4 %	13.5 %	11.3 %	2.0 %	1.4 %
Total assets	5,302.3	5,044.6	1,663.4	1,545.5	2,466.9	2,413.9	1,751.4	1,808.9	2,662.0	2,398.0
Interest bearing liabilities	727.7	791.9	176.7	235.9	599.7	594.0	65.5	86.1	553.3	636.9
Interest free liabilities	2,139.3	2,160.2	677.7	556.9	818.9	786.5	904.9	924.8	649.8	563.1
Capital employed	3,163.0	2,884.4	985.7	988.6	1,648.0	1,627.4	846.4	884.1	2,012.2	1,834.9
Return on capital employed	19.0 %	14.2 %	32.4 %	14.3 %	8.9 %	9.3 %	14.7 %	17.8 %	-0.7 %	-0.4 %
Equity	2,435.3	2,092.5	809.0	752.7	1,048.3	1,033.4	780.9	798.0	1,459.0	1,198.0
Equity ratio	45.9 %	41.5 %	48.6 %	48.7 %	42.5 %	42.8 %	44.6 %	44.1 %	54.8 %	50.0 %
Investments	497.4	357.0	136.7	99.2	198.1	119.9	93.5	118.9	69.2	19.1
Number of full-time equivalents	3,523.8	3,546.0	620.0	650.0	1,108.0	1,079.0	1,647.0	1,687.0	148.8	130.0
Sick leave in %	5.5 %	5.6 %	4.3 %	4.7 %	5.1 %	5.1 %	6.5 %	6.3 %	3.1 %	2.9 %
H1 value	10.9	12.4	9.3	12.9	9.3	8.8	13.6	15.1	0.0	4.6

Reconciliation between reported segments operating revenues, profit before tax, assets and liabilities and other significant conditions

Operating revenues	**2018**	**2017**
Operating revenues for reported segments	14,531.3	14,194.8
Elimination of internal transactions	-3,510.5	-3,426.4
Consolidated operating revenues	11,020.8	10,768.4

Profit before tax	**2018**	**2017**
Annual profit from reported segments	578.2	373.6
Elimination of internal transactions	0.0	0.0
Consolidated profit before tax	578.2	373.6

Assets	**2018**	**2017**
Total assets from reported segments	8,543.7	8,166.3
Elimination of internal transactions	-3,241.3	-3,121.7
Consolidated total assets	5,302.3	5,044.6

Liabilities	**2018**	**2017**
Total liabilities from reported segments	4,446.5	4,384.1
Elimination of internal transactions	-1,579.5	-1,432.0
Consolidated total liabilities	2,867.0	2,952.1

6.2 – Geographical segments

The presentation of geographical segments shows operating revenues based on the geographical location of the customers.

	Operating revenues	
Amounts in NOK million	**2018**	**2017**
Norway	4,329.5	4,101.2
Sweden	4,717.7	4,698.8
Denmark	416.4	345.2
United Kingdom	494.1	382.1
Germany	204.3	175.8
Other Europe	444.1	554.6
Asia	187.5	205.6
Africa	224.6	287.5
Other countries	2.6	17.7
Total	**11,020.8**	**10,768.5**

No customers represents more than 10 % of income.

Presentation of number of employees, fixed assets, employed capital and investments is shown based on geographical location of the assets.

	Number of		**Fixed Assets**		**Capital employed**		**Investments**	
Amounts in NOK million	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**
Norway	1,696	1,662	930.8	827.0	1,973.1	1,974.2	302.4	152.3
Sweden	1,797	1,856	942.3	935.3	2,222.8	2,008.1	195.0	204.6
Denmark	21	20	0.3	0.1	31.6	32.6	0.0	0.0
England	6	5	0.1	0.1	9.0	5.5	0.0	0.1
Germany	2	2	0.0	0.0	5.7	5.0	0.0	0.0
Netherlands	1	1	0.0	0.0	1.4	1.3	0.0	0.0
Internal					*-1,080.6*	*-1,142.3*		
Total	**3,524**	**3,546**	**1,873.5**	**1,762.5**	**3,163.0**	**2,884.4**	**497.4**	**357.0**

Note 7 - Sales income

The effect of first-time adoption of IFRS 15 - Revenue from contracts with customers is discussed in note 3, section 3.2.
In the following table the group's operating revenue is divided into geographic markets, customer types, product types and times of recognition.
The table further shows a reconciliation towards the group's operating segments, as they emerge in note 6.

	Timber		*Wood*		*Building Systems*		*Other*		*The Group*	
Beløp i NOK mill.	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
Geographic market										
Norway	449.3	397.8	1,989.1	1,864.1	1,624.1	1,608.1	286.9	277.7	4,297.0	4,107.8
Sweden	730.9	666.2	1,330.4	1,314.0	1,957.7	2,133.1	668.0	582.7	4,637.0	4,654.4
Other European countries	1,023.8	958.8	423.8	388.8	147.9	99.0	-	-	1,595.4	1,446.5
Rest of the world	395.0	470.4	36.3	34.5			-	-	431.4	504.9
Total	2,599.1	2,493.2	3,779.6	3,601.4	3,729.6	3,840.2	954.9	860.4	10,960.8	10,713.7
Customer type										
Industrial customers	2,599.1	2,493.2	994.6	956.4	92.5	103.6	954.9	860.4	4,588.7	4,373.7
Building products chains / Retailers			2,785.0	2,645.0	199.5	207.7			2,934.4	2,811.1
Contractors/Developers					2,733.0	2,741.2			2,733.0	2,741.2
Other customers					704.8	787.6			704.8	787.6
Total	2,599.1	2,493.2	3,779.6	3,601.4	3,729.6	3,840.2	954.9	860.4	10,960.8	10,713.6
Produkttyper										
Sawn timber	2,175.5	2,095.4	369.3	314.2					2,540.7	2,405.6
Building products			2,060.6	1,996.0	291.9	311.3			2,348.3	2,307.3
Interior products			650.1	597.6					650.1	597.6
Customer-tailored building products.	205.7	189.9	104.8	88.5	3,434.0	3,525.5			3,744.5	3,803.9
Other	48.6	34.0	459.9	490.7			623.9	565.4	1,132.4	1,090.1
By-products	169.2	173.9	134.9	114.4	3.7	3.3	236.9	217.5	544.7	509.1
Total	2,599.1	2,493.2	3,779.6	3,601.4	3,729.6	3,840.2	860.8	782.8	10,960.8	10,713.6
Fulfilment of delivery obligation										
A specific time	2,599.1	2,493.2	3,779.6	3,601.4	295.6	314.6	860.8	782.8	7,535.1	7,192.1
Over time					3,434.0	3,525.5			3,434.0	3,525.4
Revenue from contract with customers	2,599.1	2,493.2	3,779.6	3,601.4	3,729.6	3,840.2	954.9	860.4	10,960.8	10,713.7
Other operating revenue	29.3	2.5	7.4	22.5	9.2	14.5	14.1	15.2	60.0	54.8
External operating revenue as stated in Note 6	2,628.4	2,499.5	3,787.0	3,623.9	3,738.8	3,854.7	969.0	875.7	11,020.8	10,768.4

Recognised operating revenue and costs where the delivery obligation is met over time *)		2018	2017
Consolidated operating revenues		1,869.4	1,609.1
Accumulated accured expenses		1,559.7	1,351.0
Accumulated contributions		120.8	74.1
Recognised loss from loss of value on contractual assets		0	0
Contractual asset (Earned, not invoiced income)	18, 25	126.0	139.4
Contractual obligation (Advance payment from customer)	25	78.8	167.7
Other accruals related to contracts with customers (+ obligation / - asset)		27.2	-5.1

*) Projects in production, not handed over to customer

For projects that are directed by outside companies, invoicing is performed monthly with 30 day payment terms. Invoicing is normally done in line with the completion of the work, but there are also payment schedules that do not correspond to progress in the delivery obligation.
For projects, both income and costs are scheduled. Income that has been earned but not yet invoiced is entered under the contractual assets item. Invoiced income that has not yet been earned (forward payment plans) is entered under the contractual obligation item. Only one of these items is used per contract. Thus each contract shows either net receivable for the customer or net liability to the customer. The entire opening balance for contractual obligations is recognised as operating revenue in the reporting period. Operating revenue in the reporting period based on fulfilled delivery obligations in earlier periods is not recognised.

Scheduling of costs (accrued, not entered) is recognised as trade accounts payable, while provisions for claims activities on concluded projects are entered as claims provisions etc.

Note 8 - Fixed assets

Amounts in NOK million	Plots	Buildings and other property	Machinery and plant	Fixtures and fittings, tools etc.	Total
Acquisiton value as at 31.12.2016	**105.0**	**1,150.9**	**3,842.8**	**251.6**	**5,350.3**
Acquisitions	7.2	76.3	238.8	29.0	351.3
Disposals	-3.7	0.0	-3.2	-0.9	-7.8
Transfers	-0.9	-2.4	25.8	0.1	22.6
Translation differences	1.8	11.2	30.1	1.1	44.3
Acquisiton value as at 31.12.2017	**109.3**	**1,236.0**	**4,134.4**	**281.0**	**5,760.7**
Accumulated ordinary depreciations 31.12.2016	0.0	709.2	2,779.6	224.2	3,713.0
Disposals accumulated depreciations	0.0	3.5	3.4	0.6	7.5
Depreciation and write downs for the year	0.0	53.6	228.2	10.9	292.7
Accumulated ordinary depreciations 31.12.2017	**0.0**	**759.2**	**3,004.4**	**234.5**	**3,998.1**
Book value 31.12.2016	105.0	441.7	1,063.2	27.4	1,637.3
Book value 31.12.2017	**109.3**	**476.8**	**1,130.0**	**46.5**	**1,762.5**
Acquisiton value as at 31.12.2017	**109.3**	**1,236.0**	**4,134.4**	**281.0**	**5,760.7**
Acquisitions	1.9	70.8	396.8	22.4	492.0
Disposals	0.0	-1.8	0.0	-0.0	-1.8
Transfers	-0.5	-1.6	-15.1	0.0	-17.3
Translation differences	-1.1	-10.4	-9.6	-0.3	-21.4
Acquisiton value as at 31.12.2018	**109.7**	**1,293.0**	**4,506.5**	**303.0**	**6,212.2**
Accumulated ordinary depreciations 31.12.2017	0.0	759.2	3,004.4	234.5	3,998.1
Disposals accumulated depreciations	-	5.5	0.9	-0.4	6.0
Depreciation and write downs for the year	4.6	64.2	263.5	14.3	346.5
Accumulated ordinary depreciations 31.12.2018	**4.6**	**817.8**	**3,267.0**	**249.1**	**4,338.6**
Book value 31.12.2017	109.3	476.8	1,130.0	46.5	1,762.6
Book value 31.12.2018	**105.1**	**475.1**	**1,239.4**	**53.9**	**1,873.5**

Ordinary depreciation rates are given in note 3.11

8.2. Impairment

Among the group's subsidiaries, cash generating units have been identified that fail to satisfy the group's return requirements, and thus provide an indication of loss of value related to operating assets. In connection with this, an impairment test has been carried out in accordance with IAS 36, which shows that the calculated recoverable amount is lower than the book value for the selected cash generating units as at 31 December 18. The cash generating units consist mainly of land, real estate, machinery and means of transport. The recoverable amount is calculated and fixed at fair value minus disposal expenses. The measurement of fair value has mainly been carried out with input from level 3 in the hierarchy for fail value under IFRS 13. Based on the above, the result for 2018 has been charged with an impairment of NOK 66.1 million, of which NOK 13.6 million is related to the restructuring of Moelven Are AS. The result for 2017 has been charged with an impairment of NOK 17.6 million as a result of the restructuring of Moelven Norsälven AB. The impairment of the cash-generating unit's values are recognised in the profit and loss accounts in their entirety, and the recoverable amount is estimated at utility value.

Temporarily out of order
For 2018 there is a facility to book value of NOK 1.2 million temporarily out of service. The plant is not impaired as the entry into service is assessed on an on-going basis.

Note 9 - Leasing

Operating leases

The group recognised expenses of NOK 12.7 million in relation to operating leases in 2018. The equivalent expense in 2017 was NOK 12.2 million.

Minimum lease payments relating to operating leases

	2018	2016	2017
0-1 year	29.5	0-1 year	25.7
1-2 years	34.7	1-2 years	34.1
2-5 years	37.6	2-4 years	39.2
> 5 years	0.0	> 4 years	19.6
Total	**101.9**		**118.6**

Financial leases

Leases where control and substantially all the risks have been transferred to the group are classified as finance leases. Further information are given in note 3.

Minimum lease payments relating to finance leases

	2018	2016	2017
0-1 year	11.2	0-1 year	13.3
1-2 years	9.8	1-2 years	6.8
2-5 years	15.9	2-4 years	5.4
> 5 years	4.3	> 4 years	0.4
Total	**41.2**		**25.9**
Capitalized value of leased assets	**39.0**		18.9

Note 10 a - Intangible assets

Beløp i NOK mill.	**Goodwill**	**Other intangible assets**	**Total**
Acquisiton value as at 31.12.2016	**13.3**	**75.3**	**88.5**
Acquisitions	0.0	5.7	5.7
Disposals	0.0	0.0	0.0
Transfers	0.0	-1.9	-1.9
Translation differences	0.0	0.9	0.9
Acquisiton value as at 31.12.2017	**13.3**	**80.0**	**93.2**
Accumulated ordinary depreciations 31.12.2016	0.0	56.0	56.0
Disposals accumulated depreciations	0.0	0.0	0.0
Depreciation and write downs for the year	0.0	3.0	3.0
Accumulated ordinary depreciations 31.12.2017	**0.0**	**58.9**	**58.9**
Book value 31.12.2016	13.3	19.3	32.6
Book value 31.12.2017	**13.3**	**21.0**	**34.3**
	0 %	20 %	
Acquisiton value as at 31.12.2017	**13.3**	**80.0**	**93.2**
Acquisitions	0.0	5.4	5.4
Disposals	0.0	0.0	0.0
Transfers	3.0	0.0	3.0
Translation differences	0.1	-0.7	-0.6
Acquisiton value as at 31.12.2018	**16.4**	**84.7**	**101.0**
Accumulated ordinary depreciations 31.12.2017	0.0	58.9	58.9
Disposals accumulated depreciations	0.0	0.0	0.0
Depreciation and write downs for the year	0.0	4.9	4.9
Accumulated ordinary depreciations 31.12.2018	**0.0**	**63.8**	**63.8**
Book value 31.12.2017	13.3	21.0	34.3
Book value 31.12.2018	**16.4**	**20.8**	**37.2**
Ordinary depreciation rates in per cent	0 %	20 %	

Note 10 b - Impairment test of goodwill

As of 31 December 2018 goodwill in the group entered on the balance sheet amounted to NOK 16.4 million. This is linked to the acquisitions of Sør-Tre Bruk AS, Granvin Bruk AS and Eco Timber AS that were completed in 2010. These three acquired companies are all in the Wood division and it is the division's operation that is deemed to be the cash flow generating group that goodwill shall be tested against.

Amounts in NOK million		
Book value of goodwill:	**2018**	**2017**
Sør-Tre/Granvin/Eco Timber	13.3	13.3
Other units	3.1	0.0
Total	16.4	13.3

Goodwill is tested at the level monitored by group management, which means that there are groups of cash flow generating units (CGUs).

The recoverable amount of CGU is determined based on an assessment of the division's value in use. Value in use is estimated by discounting expected future cash flows after tax, discounted at an appropriate discount rate after tax that takes into account maturity and risk.

The projections of cash flows based on budgets approved by management for the first four years. The cash flows are arrived at by taking the historical figures for the CGUs as a basis, but with an allowance for an expected moderate growth in the total market, Moelven's market share and the prices of the products. In management's opinion it is reasonable to assume that considerable development of new products and technologies will occur in these areas. Net expectations for operating margins are improvements. When it comes to fixed assets and production capacity, the management believes that these have the capacity needed to handle future growth. After four years, it is placed a conservative estimate of 2.5 per cent nominal growth in net cash flows. In the terminal period, investments and depreciation equal.

The rate used for discounting cash flows is 8,0 per cent. This is based on a risk-free rate of 1,6 per cent, an added risk premium of 5.9 per cent, an equity beta of 1.2 and a liquidity premium of 3.0 per cent. In addition this is weighted up against the long-term borrowing rate of 3.1 per cent. The risk premium is based on observations of comparable companies.

There was no write down of goodwill in either 2017 or 2018.

Maximum exposure to possible write down of goodwill is NOK 16.4 million. We have calculated sensitivity for the write down assessments, and a 5.5 per cent change in discount rate would lead to write down of the goodwill in the Wood division in the consolidated accounts.

Segments - Groups of cash-generating units (CGU):

Amounts in NOK million	2018		2017	
	Goodwill at year end	Sales/ impairment	Goodwill at year end	Sales/ impairment
Timber	0.0	0.0	0.0	0.0
Wood	13.3	0.0	13.3	0.0
Building Systems	0.0	0.0	0.0	3.6
Other	3.1	0.0	0.0	3.6
Total goodwill	16.4	0.0	13.3	7.2

Note 11 Payroll expenses, employees and remuneration to auditor

11 a Payroll expenses

Amounts in NOK million	2018	2017
Payroll cost	1,728.1	1,686.7
Social security cost	360.1	364.1
Pension costs - contribution-based pension schemes	110.8	103.0
Pension costs - defined-benefit pension schemes	1.1	-0.5
Total	**2,200.1**	**2,153.3**

11 b Number of employees

Average number of employees in 2018 was 3,535 and in 2017 it was 3,536. Moelven had 3,524 employees at the end of 2018 compared to 3,546 employees at the end of 2017.

11 c Remuneration to auditor

Amounts in NOK million, paid during the financial year	2018	2017
Legally required audit	4.5	4.5
Other attestation services	0.0	0.0
Tax consultancy	0.1	0.1
Other, non auditing services	0.5	0.8
Total	**5.2**	**5.5**

Note 12 - Financial income and costs

Amounts in NOK million	2018	2017
Financial income	59.9	29.7
Financial costs	-67.9	-76.5
Financial income		
Interest income from financial assets*	0.6	0.3
Foreign currency gains	3.6	11.3
Other financial income	3.7	4.6
Value increase of financial instruments to fair value	52.0	13.5
Total financial income	**59.9**	**29.7**
Financial costs		
Interest costs of financial liabilities*	-2.6	-2.0
Interest costs on long term financial liabilities*	-42.9	-45.6
Foreign currency losses	-18.0	-9.4
Other financial costs	-3.9	-1.2
Value reduction of financial instruments to fair value	-0.5	-18.2
Total financial costs	**-67.9**	**-76.5**
Net financial items	**-8.0**	**-46.8**

* measured at amortized cost

Note 13 - Tax expence

Amounts in NOK million	2018	2017
Tax payable	109.8	50.6
Deferred tax changes	17.2	30.0
Total tax expences	127.0	80.7

	2018	2017
Tax payable for the year	99.0	45.1
Total tax payable	99.0	45.1

Reconciliation of tax calculated against the group's weighted average tax rate and tax expense as it appears in the Income Statement:

Amounts in NOK million	2018	2017
Profit before tax	578.2	373.6
Tax calculated with the group's tax rate 21.15 per cent (19.62 per cent)	122.2	73.3
Tax effects of:		
Difference due to different tax rates	-4.5	-4.7
Change of tax rate in Norway	-0.7	-0.2
Contribution from associated companies	0.0	0.0
Permanent differences	10.0	12.3
Other	0.0	0.0
Tax cost on the income statement	127.0	80.7

	2016	2015
Weighted average tax rate	22.0 %	21.6 %

Amounts in NOK million	2018			2017		
Tax on items entered against other income and expenses	Before tax	Tax costs	After tax	Before tax	Tax costs	After tax
Elements not later reclassified to earnings						
Actuarial gains (losses) on defined-benefit pension schemes	-0.9	0.2	-0.7	0.1	0.0	0.1
Elements that can be later reclassified to earnings	-17.3	0.0	-17.3	41.2	0.0	41.2
Translation differences	-1.9	0.0	-1.9	7.3	0.0	7.3
Other changes						
Other income and expenses during the period (after tax)	-20.1	0.2	-19.9	48.6	0.0	48.6

Note 14 - Deferred tax

Deferred tax benefits and deferred tax are netted when there is a legal right to give and receive group contribution between the entities.

The table below shows the basis that has resulted in recognised deferred tax benefits and deferred tax.

14.1 Assets and obligations with deferred tax consist of:

Amounts in NOK million	2018	2017
Temporary differences		
Asset reserves	-4.0	6.3
Inventory	51.3	41.6
Cost provisions	-33.2	-18.8
Other short-term temporary differences	328.2	189.3
Sub-total short-term differences	**342.3**	**218.4**
Fixed assets	-21.7	-5.0
Profit and loss account	6.7	8.4
Pension funds	0.0	0.0
Pension commitments	-21.9	-22.1
Other long-term items	384.5	392.1
Sub-total long-term items	**347.7**	**373.4**
Tax-assessed loss carry-forward.	-4.8	-7.8
Net temporary differences	**685.2**	**583.9**
Deferred tax asset	47.7	42.4
Deferred tax	191.0	171.3
Net deferred tax	**143.3**	**129.0**

14.2 Assets with deferred tax from loss carry-forward

Amounts in NOK million	2018	2017
Norway	0.2	0.4
Sweden	0.0	0.0
Denmark	-0.6	0.0
Total deferred tax benefit from loss carry-forward	**-0.4**	**0.4**

The group has no recorded deferred tax regarding carry-forward losses in other countries than Norway.

14.3 Analysis of deferred tax through the year

Amounts in NOK million	2018	2017
Net deferred tax obligation 1 January	129.0	92.7
Included on income statement	17.2	30.0
Other income and costs pensions	0.2	0.0
Included in equity	0.0	0.0
Translation differences and other	-3.2	6.3
Net deferred tax obligation 31 December	**143.3**	129.0

Note 15 - Other shares

Amounts in NOK million	Holding %		The company's share capital	Number of shares in Moelven's ownership		Total face value	Book value 31.12
Owned by Moelven Industrier ASA:							
Various shares							31
Total Moelven Industrier ASA							**31**
Owned by other group companies							
Transportfellesskapet Østlandet AS	25.0 %		500	250		100	126
Transportselskapet Nord AS	12.5 %		500	125		63	64
Svenskt Limträ AB	33.0 %	SEK	100	333	SEK	33	50
Others							187
Total others							**427**
Total group							**458**

Note 16 - Investments in associated companies

Amounts in NOK million	2018	2017
Book value as ate 01.01	3.8	3.8
Proportion of annual profit	0.5	0.2
Additions	0.0	0.0
Disposals	-0.5	-0.2
Translation differences	0.0	0.0
Proportion of other income and expenses	0.0	0.0
Book value as at 31.12	**3.8**	**3.8**

Amounts in NOK million	Holding % *)		The company's share capital	The company's total equity	The company's net profit in 2018	Number of shares in Moelven's ownership	Total face value	Book value 31.12
Owned by Moelven Industrier ASA:								
Weda Skog AB, Sweden	30.0 %	SEK	10.0	10.1	0.00	3,000,000	3.0	2.6
WoodTrans AS, Norway	34.0 %	NOK	1.3	4.0	1.41	445	0.4	1.2
Sum								3.8

*) Voting rights is equal to ownership share

1) The company has deviating accounting with balance sheet date 31.08. The result of four months will be insignificant for the Moelven Group. It is therefore not prepared any interim balance.

Note 17 - Inventory

Amounts in NOK million	2018	2017
Raw materials and purchased semi finished goods	573.8	510.5
Goods in processing	228.4	210.7
Finished own products	865.4	800.0
Prepayments to supplier	6.3	3.0
Total inventory	**1,673.9**	**1,524.1**
Inventory valued at acquisition cost	1,324.9	1,161.2
Inventory valued at fair value	349.0	363.0
Total inventory	**1,673.9**	**1,524.1**

Write down of inventory to fair value in 2018 is included in profit and loss with NOK 17.6 million. The equivalent value in 2017 was NOK 16.9 million.

Note 18 - Accounts receivable and other receivables

Amounts in NOK million	Note	2018	2017
Accounts receivable			
Accounts receivable gross		1,319.4	1,300.8
Provision for loss on accounts receivable		-4.1	-3.5
Earned not invoiced	19	126.0	139.4
Accounts receivable entered on the balance sheet		**1,441.3**	**1,436.8**
Overdue receivables without hedging		24.4	
in % of gross receivables		1.8 %	
LGD (Loss given default) of gross accounts receivables*		0.44	
The year's confirmed losses on receivables		0.2	0.0
Changes in provision for loss		0.6	-1.4
Losses on receivables on income statement		**0.8**	**-1.3**
POD is calculated on the basis of the last three years' loss on claims			
Other receivables			
VAT in credit		16.6	30.4
Other receivables		150.7	165.8
Total other receivables		**167.3**	**196.2**

Part of the outstanding receivables is secured in the form of bank guarantees or other forms of security. There is not considered to be any credit risk associated with public sector customers. Refer to note 5 on financial risk.

Other receivables consist of other deferred income, prepayments and operations-related items. The groups accounts receivable are mainly secured through credit insurance.

Currency breakdown of accounts receivable before provision for loss

Amounts in NOK million	2018	2017
NOK	582.2	570.2
SEK	590.2	609.8
EUR	62.8	46.6
DKK	14.2	15.6
GBP	66.5	44.2
Other currencies	3.5	14.3
Total	**1,319.4**	**1,300.8**

Age distribution of outstanding accounts receivable

Amounts in NOK million	2018	2017
Accounts receivable within credit terms	1,008.0	1,055.3
Under 30 days beyond due date	282.7	253.3
31 to 60 days beyond due date	19.2	6.7
61 to 90 days beyond due date	2.0	3.4
91 to 180 days beyond due date	1.7	1.3
Over 180 days beyond due date	5.8	-19.1
Total	**1,319.4**	**1,300.8**

Note 19 - Cash and cash equivalents

Amounts in NOK million	2018	2017
Bank deposits 31.12.	6.3	30.2
Unused drawing rights 31.12	1,233.1	1,141.8
Restricted bank deposits	0.0	0.0
Cash and cash equivalents 31.12	**1,239.4**	**1,172.0**

Note 20 - Earnings per share and equity per share

Earnings per share

Earnings per share is calculated by dividing the share of the annual profits allocated to the company's shareholders by a weighted average of the number of ordinary shares issued over the year, less own shares.

	2018	2017
Annual profit assigned to Moelven's shareholders	449.4	293.0
Average number of shares	129.5	129.5
Earnings per share	**3.47**	**2.26**

Equity per share

Equity per share is calculated by dividing the share of equity assigned to the company's shareholders by a weighted average of the number of ordinary shares issued over the year, less own shares.

	2018	2017
Total equity assigned to owners of parent company	2,421.8	2,082.7
Average number of shares	129.5	129.5
Equity per share	**18.70**	**16.08**

Note 21 - Group companies

The following companies are included in the group. The list is group according to division structure. Book value shows the book value in the separate financial statement of the owner of the company.

Amounts in NOK 1,000	Holding %	The company's share capital	Number of shares in Moelven's ownership	Book value 31.12	Organization number
Timber					
Moelven Våler AS	100 %	48,000	4,800	48,005 *	982,793,076
Moelven Numedal AS	100 %	10,000	1,000	10,005 *	982,792,991
Moelven Løten AS	100 %	12,000	1,200	12,005 *	982,792,932
Moelven Mjøsbruket AS	100 %	12,000	12,000	15,990 *	935,944,562
Moelven Telemarksbruket AS	51.0 %	14,059	710	7,590 *	983,188,397
Moelven Valåsen AB	100 %	50,000 SEK	500,000	145,515 **	556310-4206
Moelven Dalaträ AB	100 %	20,000 SEK	200,000	53,356 **	556118-4614
Moelven Nössemark Trä AB	100 %	300 SEK	3,000	25,437 **	556199-3782
Moelven Årjäng Såg AB	100 %	300 SEK	3,000	48,505 **	556215-9177
Moelven Notnäs Ransby AB	100 %	3,250 SEK	650,000	64,997 **	556217-1636
Moelven Norsälven AB	100 %	3,500 SEK	35,000	19,402 **	556040-2181
Moelven Component AB	100 %	2,580 SEK	25,800	7,793 **	556217-2543
Moelven Profil AS	100 %	15,000	15,000	15,030 *	997,404,165
UJ-Trading AB	100 %	1,500 SEK	15,000	8,731 **	556227-4547
Moelven U.K. Ltd	100 %	950 GBP	950,000	10,426 *	1775490
Moelven Deutschland GmbH	100 %	110 EUR	11	217 *	2920400496
Moelven Export Sales AB	100 %	5,000 SEK	50,000	4,851 **	559158-0211
Moelven Nederland B.V.	100 %	36 EUR	360	317 *	32,123,165
Moelven Polska sp.z.o.o	100 %	450 PLN	9,000	368 *	0000723569
Wood					
Moelven Wood AS	100 %	5,500	5,500	10,000 *	941,809,030
Moelven Wood AB	100 %	9,000 SEK	90,000	14,587 **	556201-9785
Moelven Van Severen AS	100 %	35,000	3,500	35,005 *	982,793,068
Moelven Østerdalsbruket AS	100 %	20,000	2,000	20,005 *	982,793,041
Moelven Soknabruket AS	100 %	30,000	3,000	32,511 *	982,793,017
Moelven Langmoen AS	100 %	18,000	1,800	37,156 *	882,792,862
Moelven Eidsvoll AS	100 %	8,500	850	18,500 *	951,278,017
Moelven Treinteriør AS	100 %	3,500	3,500	8,482 *	910,888,471
Moelven Danmark A/S	100 %	5,000 DKK	50,000	12,417 *	11,932,371
Moelven Are AS	100 %	300	100	43,116 *	839,265,832
Moelven Eidsvold Værk AS	100 %	32,500	32,500	35,578 *	937,577,087
Moelven Trysil AS	100 %	15,600	15,600	35,634 *	984,029,497
Moelven Sør Tre AS	100 %	8,487	8,487	50,000 *	835,259,072
Moelven Granvin Bruk AS	99.3 %	1,490	2,959	16,672 *	881,146,312
Moelven List AB	100 %	5,500 SEK	55,000	21,375 **	556297-9129
Moelven Wood Interiör AB	100 %	3,800 SEK	38,000	66,258 **	556148-6803
Moelven Valåsen Wood AB	100 %	20,100 SEK	201,000	27,538 **	556343-2839
Moelven Edanesågen AB	100 %	4,000 SEK	4,000	75,596 **	556061-4462
Moelven Lovene AB	100 %	5,000 SEK	50,000	6,791 **	556851-8517
Moelven Vänerply AB	100 %	20,000 SEK	5,000	19,402 **	556851-5026
Moelven Wood Prosjekt AS	100 %	300	3,000	11,000 *	982,680,913
Moelven Malmö Holding AB	100 %	2,580 SEK	2,580	15,038 **	556451-0278
Moelven Multi3 AS	100 %	3,425 NOK	6,850	7,192 *	993,797,758

Note 21 - Group companies (cont.)

Amounts in NOK 1,000	Holding %	company's	Moelven's ownership	31.12	number
Building Systems					
Moelven Limtre AS	100 %	11,000	11,000	43,028 *	913,711,300
Moelven Töreboda AB	100 %	12,000 SEK	120,000	46,565 **	556023-8023
Moelven ByggModul AS	100 %	31,688	158,440	89,299 *	941,809,219
Moelven Byggmodul Hjellum AS	100 %	4,206	50,001	60,585 *	927,486,210
Moelven Byggmodul AB	100 %	5,000 SEK	50,000	87,309 **	556310-7134
Moelven Modus AS	100 %	22,000	2,200	95,000 *	951,269,778
Moelven Modus AB	100 %	4,000 SEK	40,000	44,237 **	556175-3178
Moelven Elprosjekt AS	100 %	10,000	50,000	12,000 *	980,342,182
Moelven Elektro AB	100 %	100 SEK	1,000	2,037 **	556783-8239
Others					
Moelven Industrier AB	100 %	197,046 SEK	19,704,581	241,406 *	556064-4170
Moelven Skog AB	100 %	5,000 SEK	400	24,253 **	556624-0957
Broberg Skogs AB	100 %	300 SEK	3,000	582 **	556466-8563
Moelven Virke AS	100 %	5,000	50,000	4,546 *	975,924,955
Moelven Bioenergi AS	100 %	6,000	6,000,000	6,800 *	990,041,881
Vänerbränsle AB	82.3 %	336 SEK	2,613	2,723 **	556432-9851
Skåre Kontorshotell AB	100 %	100 SEK	1,000	703 **	556550-1664
Moelven Pellets AS	100 %	37,500	37,500	75,000 *	921,244,665
Moelven Portefølje AS	100 %	1,000	1,000	1,152 *	982,792,835

*) Company owned by Moelven Industrier ASA

**) Company owned by Moelven Industrier AB

Note 22 - Pension costs and pension commitments

Pension schemes
The pension funds and commitments on the balance sheet mainly relate to the group's Norwegian companies.

Secured schemes
The group's defined benefit scheme regarding the Norwegian companies was ended in 2015. New employees will be affiliated a contributions based pension scheme. The contribution scheme include a risk coverage in case of disability.

The group is required to have an occupational scheme by legislation on compulsory occupational pensions. The pension schemes fulfil the requirements of this legislation.

Unsecured schemes
Unsecured schemes relate to guaranteed pension liabilities. These are calculated in accordance to IFRS pension costs. There are no unsecured pension commitments that have not been included in the calculation mentioned above. The remaining pension commitments in balance sheet, are related to agreed arrangements for a small number of previous and current employees.

A new AFP scheme from 01 January 2011 for the group's Norwegian companies
All employees in the Norwegian companies in the group should be comprised by the right to early retirement (AFP), early retirement schemes in the private sector from the age of 62 if they fulfil the requirements of this scheme. The new AFP scheme which came into force in 2011 is defined as a defined-benefit multi-employer plan, but accounted for as a defined contribution scheme until reliable and sufficient information enabling the companies to account for its proportionate share of pension costs, pension obligations and pension funds in the scheme. The company's obligations related to the new AFP scheme is therefore not recorded as a liability.

The group's foreign companies
Many of the group's foreign companies offer their employees pensions based on agreed individual contribution-based pension schemes.

In Sweden, most employees are covered by a collective occupational pension agreement. The scheme is defined as a multi-employer plan. Salaried staff born before 1979 are included in an individual occupational pension scheme that is also defined as a defined benefit plan. Because of the difficulty of reliably measuring the benefit level of these plans, there is insufficient information on an individual basis to enter the plans in the accounts as defined benefit schemes. The plans are accounted for as if they were contribution-based, in accordance with good accounting practice. Salaried staff born after 1979 are included in an occupational pension scheme that is premium based and is therefore treated in the accounts as contribution-based.

22.1 – Economic and actuarial assumptions

The following economic assumptions have been made:

	2018	2017
Return on pension funds	2.60 %	2.30 %
Discount rate	2.60 %	2.30 %
Annual pay increase	2.75 %	2.50 %
Annual G adjustment (National Insurance Scheme's amount)	2.50 %	2.25 %
Annual adjustment of pensions being paid	2.50 %	2.25 %
Average employer's contribution factor	14.10 %	14.10 %

22.2 - Pension commitments entered in the accounts

Amounts in NOK million

	2018	2017
Present value of the secured pension commitments	4.0	3.6
Present value of the unsecured pension commitments	18.6	19.4
Total present value of pension commitments	22.6	23.2
Fair value of pension funds	-3.3	-3.1
Net pension liability outside Norway	1.6	0.6
Pension commitments entered	**20.9**	**20.5**

In the balance sheet the pension commitments are entered gross with the following amounts:

Net pension funds	1.1	1.8
Pension liabilities	22.0	22.3

22.3 – Pension costs

Amounts in NOK million	**2018**	**2017**
Pension entitlements accrued in the year	0.6	0.3
Change in pension plans	0,0	0,0
Net financial costs/income	0.5	0.5
Pension costs secured and unsecured defined benefit schemes	**1.1**	**0.8**
Contribution pension costs and other pension costs	110.8	101.7
Pension cost (net) entered on the income statement	**111.9**	**102.5**

Note 23 - Provisions

Guarantee liability on projects

Guarantee provisions	**2018**	**2017**
Guarantee provisions as at 1.1	39.1	26.5
Used during the year	-2.4	-1.5
Reversed during the year	-11.8	-0.1
New provisions during the year	11.7	14.1
Guarantee provisions 31.12	**36.5**	**39.1**

In the balance sheet the guarantee obligation is entered with the following	2018		2017	
	the balance	Guarantee	the balance	Guarantee
Other provisions	48.0	25.3	49.3	27.9
Other short term liabilities	906.0	11.2	908.5	11.2
		36.5		39.1

Other guarantee liability

	2018	2017
Loan guarantees/financial guarantees	19.5	19.5

Loans with mortgages were redeemed in 2017.

Note 24 - Other short-term liabilities

Other short term liabilities	**Note**	**2018**	**2017**
Accrued holiday pay		200.3	199.0
Bonus provisions		162.8	164.2
Accrued costs and other short term liabilities		464.2	377.7
Total other short term liabilities		**827.2**	**740.8**

Note 25 - Financial instruments

25.1 Book value of financial assets and obligations by category

Financial assets 31.12.2018

Amounts in NOK million	Amortized cost	Recognized at fair value	Book value	Level 1*	Level 2*	Level 3*	Total fair value
Accounts receivable	1314.7		1314.7				
Contract asset	126.0		126.0				
Other receivables	168.4		168.4				
Financial instruments - currency derivative		16.9	16.9		16.9		16.9
Fin. instr. - emb. cur. derivative in hedg. of el.power			0.0		0.0		0.0
Financial instruments - power derivative		30.8	30.8	30.8			30.8
Bank deposits etc.	6.3		6.3				
Investments in equities	0.5		0.5			0.5	0.5
Total	**1,615.8**	**47.6**	**1,663.4**				

*Description is presented on the next page

Financial obligations 31.12.2018

Amounts in NOK million	Amortized cost	Recognized at fair value	Book value	Level 1	Level 2	Level 3	Total fair value
Liabilities to credit institutions	668.6		668.6		674.8		674.8
Financial leases	43.4		43.4		43.4		43.4
Other long term liabilities	1.0		1.0		1.0		1.0
Financial instruments - currency derivative	0.0	4.4	4.4		4.4		4.4
Fin. instr. - emb. cur. derivative in hedg. of el.	0.0	1.3	1.3		1.3		1.3
Financial instruments - interest derivative	0.0	69.8	69.8		69.8		69.8
Payables	663.6		663.6				
Contract asset	78.8		78.8				
Overdrafts	9.4		9.4				
Total	**1464.8**	**75.5**	**1540.3**				

Financial assets 31.12.2017

Amounts in NOK million	Amortized cost	Recognized at fair value	Book value	Level 1	Level 2	Level 3	Total fair value
Accounts receivable	1297.3		1297.3				
Other receivables	139.4		139.4				
Other receivables	196.2		196.2				
Financial instruments - currency derivative		3.5	3.5		3.5		3.5
Fin. instr. - emb. cur. derivative in hedg. of el.power			0.0		0.0		0.0
Financial instruments - power derivative		6.7	6.7	6.7			6.7
Bank deposits etc.	30.2		30.2				
Investments in equities	0.5		0.5			0.5	0.5
Total	**1,663.7**	**10.2**	**1,673.9**				

Financial obligations 31.12.2017

Amounts in NOK million	Amortized cost	Recognized at fair value	Book value	Level 1	Level 2	Level 3	Total fair value
Liabilities to credit institutions	760.8		760.8		769.9		769.9
Financial leases	19.8		19.8		19.8		19.8
Other long term liabilities	6.8		8.4		8.4		8.4
Financial instruments - currency derivative	0.0	7.0	7.0		7.0		7.0
Fin. instr. - emb. cur. derivative in hedg. of el.	0.0	1.0	1.0		1.0		1.0
Financial instruments - interest derivative	0.0	81.5	81.5		81.5		81.5
Payables	721.7		721.7				
Payables	167.7		167.7				
Overdrafts	0.0		0.0				
Total	**1676.8**	**89.5**	**1768.0**				

25.1 (Cont.)

Level 1: Listed price in an active market for an identical asset or liability.

Level 2: Valuation based on observable factors other than listed price (used in level 1) either directly or indirectly derived from prices for the asset or liability. Assets and liabilities valued according to this method are mainly financial instruments for hedging future cash flows in foreign currency, interest and electricity. Market value is the difference between the financial instrument's value according to the signed contract and how a similar financial instrument is priced at the balance sheet date. The balance sheet market prices are based on market data from Norges Bank, the ECB, Nasdaq OMX and the financial contract counterparty.

Level 3: Valuation based on factors not obtained from observable markets (non-observable assumptions). The valuation method is used to a very small extent and only for unlisted shares. Since market value is not available, the expected future cash flow from the shares is used as an estimate.

25.2 Nominal value of financial derivatives

Amounts in NOK million	As of 31 December 2018	2017
Interest rate derivatives		
Maturing under 1 year	0.0	0.0
Maturing 2 - 5 years	295.5	249.9
Maturing 6 - 10 years	310.0	372.9
Total	**605.5**	**622.8**
Currency derivatives, forward contracts for sale of foreign currency		
Maturing 0-6 months	198.7	299.9
Maturing 7-12 months	74.5	65.3
Maturing >12 months	0.0	2.0
Total	**273.2**	**367.2**
Currency derivatives, forward contracts for purchase of foreign currency		
Maturing 0-6 months	66.3	15.4
Maturing 7-12 months	20.2	0.0
Maturing >12 months	0.0	0.0
Total	**86.5**	**15.4**
Power derivatives		
Maturing less than 1 year	47.4	21.2
Maturing 1-2 years	41.8	20.1
Maturing 3-4 years	16.6	4.7
Total	**105.8**	**46.0**
Power derivatives accounted according to IAS 39 as purchase for own use*		
Maturing less than 1 year	14.9	15.1
Maturing 1-2 years	27.0	17.3
Maturing 3-4 years	15.7	0.0
Total	**57.5**	**32.4**

The table shows the nominal gross value in NOK.
Sales of foreign currency is sales against NOK and SEK. Calculation of nominal value in NOK is done by using the nominal value of SEK converted to NOK by using the balance sheet date rate.
Acquisitions of foreign currency are mainly sales of SEK against NOK and SEK against EUR.
Power contracts are bought forward contracts for electricity.
*The market value of power derivatives for own consumption was NOK 24.4 million in 2018 and NOK 8.4 million in 2017.

Note 26- Share capital and share premium reserve

The last capital increase was in 2004 when Moelven aquired the Are Group. The share capital was increased by NOK 52.5 million.

Shareholders		Number of shares	shares in per cent
Glommen Skog SA	Norway	37,692,843	29.10 %
Eidsiva Vekst AS	Norway	30,803,178	23.78 %
Felleskjøpet Agri SA	Norway	20,535,451	15.85 %
Viken Skog SA	Norway	15,378,530	11.87 %
Mjøsen Skog SA	Norway	15,221,334	11.75 %
AT Skog SA	Norway	9,442,026	7.29 %
6 largest owners		**129,073,362**	**99.64 %**
Other 877 shareholders		467,922	0.36 %
Total 883 shareholders		**129,541,284**	**100 %**

Summary of shareholders as at 31.12.2018		Summary of shareholders as at 31.12.2017	
Number of shares	129,542,384	Number of shares	129,542,384
Number of own shares	1,100	Number of own shares	1,100
Number of voting shares	129,541,284	Number of voting shares	129,541,284
Face value	NOK 5,-	Face value	NOK 5,-
Share capital	647,711,920	Share capital	647,711,920
Number of shares on average	129,541,284	Number of shares on average	129,541,284

Note 27 - Remuneration to group management, board and corporate assembly

27.1 – Shares in Moelven Industrier ASA owned by members of the group management, board and corporate assembly

The Corporate assembly		Deputy members		The board of Directors		Group Executive Board	
Rolf Th. Holm	0	Per Olav Løken	0	Olav Fjell	0	Morten Kristiansen	500
Thor Svegården	0	Leif Henning Asla	0	Trond Stangeby	0	Anders Lindh	0
Terje Uggen	0	Steffen Skolseg	0	Elisabeth Krokeide	0	Bjarne Hønningstad	2700
John Arne Ulvan	0	Jan Kollsgård	0	Aud Ingvild Storås	0		
Olav A. Veum	0	Anders Roger Øynes	0	Asbjørn Bjørnstad	0		
Gudbrand Gulsvik	0	Tor Henrik Kristiansen	0	Martin Fauchald *)	0	**Group shared services**	
Ole Theodor Holth	0	Gudmund Nordtun	0	Lars Håkan Karlsson *)	0	Morten Sveiverud	2350
Maren Kyllingstad	0	Anne Nysæther Sagstuen	0			Even Rognan Lutnæs	0
Tony Zetterlund *)	0		0	**Deputy members**		Magne Vikøren	
Trond Sønes *)	0	Ole Helge Laas *)	0	Iver Melby *)	74	Yngve Andreassen	
Ann-Christine Löfborg *)	0	Ove Gunarsson *)	0	Ingrid Therese Tjøsvold	0		
John Inge Lorentsen *)	0	Leif Bjarne Undem *)	0	Terje Johansen *)	0		
				Jan Peter Olsson *)	0		
				Ole Magnus Vinna *)	0		
*) Employee's representatives				Keio Wedin *)	0		

27.2 Declaration of determination of remuneration for the Group Executive Board

Background
In accordance with section 6-16a of the Public Limited Company Act, the board of Moelven Industrier ASA has prepared a declaration on the fixing of pay and other remuneration for senior executives within the group. The declaration, which was adopted by the general meeting 25th of April 2018, has been the guideline for the 2018 financial year. An identical declaration, which will be presented to the general meeting of 2nd of May 2019, will be the guideline for the 2019 financial year.

The following persons are involved
The declaration covers the group management of Moelven Industrier ASA. Group management means the CEO and the heads of the divisions.

General
Moelven shall have a level of pay and other terms of employment that is necessary in order to be able to keep and recruit managers with good competence and the capacity to achieve the objectives that are set.

Salary
Moelven's main principle is that senior executives shall have fixed salary. Salary is adjusted annually, normally with effect from 1 July.

Other benefits in kind
Moelven shall have other benefits, in the form of free car, free newspapers and free telephony for example, where this makes work easier and is deemed to be reasonable in relation to general practice in the market.

Bonuses and other variable elements of the remuneration
Over and above the main principle of fixed pay, the board wishes it to be possible to offer other variable forms of remuneration in cases where this is found to be appropriate. Bonuses may be used to a limited extent and by special agreement and shall be directly dependent on operating profit.

Remuneration linked to shares etc.
Moelven has no form of remuneration for companies within the group that is linked to shares or the development of the share price, including shares, subscription rights and options. In the event of the establishment of such a scheme, it shall cover a large number of employees and such remuneration shall represent a smaller proportion than the fixed pay.

Pension schemes
Moelven shall have pension conditions that are on a level with the general market in the home country. New employees shall join contributory pension schemes.

Pay after termination of employment
In the event of immediate termination of employment by the company, management shall as a standard be entitled to pay for 18 months, less pay earned by any new employer during this period.

Previous financial years
Management pay policy in previous financial years has been in line with the content of this declaration.

The board reserves the right to deviate from these guidelines if there are serious grounds for doing so in individual cases. If the board should deviate from these guidelines, their reasons for doing so must appear in the minutes of the meeting.

27.3 – Remuneration to senior executives etc.

Amounts in NOK 1,000 paid during the financial year	2018 Salaries	2018 Pension costs	2018 Other benefits	2017 Salaries	2017 Pension costs	2017 Other benefits
Remuneration to:						
CEO Morten Kristiansen	4,918.3	208.4	259.2	4,706.0	192.7	201.0
Managing Director Timber, Anders Lindh	2,095.7	161.0	241.2	1,769.9	143.8	181.2
Managing Director Wood, Bjarne Hønningstad	2,429.8	172.6	212.7	2,359.4	161.1	195.9
Managing Director Building Systems, Marcus Johansson - until nov.18	1,756.9	542.1	83.7	1,831.2	582.5	88.1
Total	**11,200.7**	**1,084.1**	**796.8**	**10,666.5**	**1,080.1**	**666.2**

On termination of employment, the President and CEO and the Managing Directors of Timber and Wood have 18 month's pay after termination, less pay from new position/employer.

28.4 - Remuneration to the board and corporate assembly

Amounts in NOK 1,000 paid during the financial year	2018	2017
Remuneration to the board of Directors	1,326.7	1,295.1
Remuneration to the corporate assembly	310.0	250.0

The chairman of the board of directors receives NOK 523,000 and the board members NOK 127,000 in annual remuneration. Deputy members of the board receive NOK 5,900 per meeting. The chairman of the corporate assembly receives NOK 63,500 in annual remuneration. The members and deputy members of the corporate assembly receive NOK 5,900 per meeting.

Note 28 - Shareholders' agreement and related parties

28.1 Shareholders' agreement

The share capital of Moelven Industrier ASA consists of 129,542,384 shares with a face value of NOK 5 and there is only one share class. In total the shares are distributed among 883 shareholders, of which the six largest, Eidsiva Vekst AS, Felleskjøpet Agri SA and the forest owner cooperatives Glommen Skog SA, Mjøsen Skog SA, AT Skog SA and Viken Skog SA, control a total of 99.6 per cent. There is several shareholders' agreements between these shareholders. Among other things, this shareholders' agreement has clauses that determine that the company shall be run as an independent unit with a long-term perspective and with continued focus on Scandinavia as the main market. The agreement also contains clauses regarding the composition of the board, dividend policy, strategic focus areas and share transfer.

28.2 Related parties

Transactions with the owners are performed in some areas of the ordinary activities. Among other things, this relates to purchase of timber, where the Norwegian forest owner cooperatives are suppliers. There will also be deliveries of biofuel from the Moelven Group to a bioenergy plant owned by Eidsiva Energi AS, with possible buy-back of bioenergy for Moelven's industries in connection with the energy plant. Also, Eidsiva Energi Marked AS sells 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 42 per cent of Moelven's total purchasing requirement for timber of 4.4 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 about 210 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 29 - Events after the date of balance

No subsequent events have taken place that should have any effect on the 2018 annual report.

Annual accounts for Moelven Industrier ASA

Income statement

Amounts in NOK million	Note	Moelven Industrier ASA 2018	2017
Other operating revenues	15	117.0	104.8
Operating revenues	2	**117.0**	**104.8**
Payroll expenses	10.11	65.7	63.2
Depreciation on tangible and intangible fixed assets	9	9.1	7.4
Other operating expenses	10	84.3	81.6
Operating expenses		**159.0**	**152.2**
Operating profit		**-42.1**	**-47.3**
Income from investment in subsidiaries 1)		392.8	101.1
Value increase of financial instruments to fair value	8	13.6	3.8
Interest income from group companies	15	54.1	57.1
Other financial income from group companies		3.0	3.1
Other financial income		30.2	11.1
Value reduction of financial instruments to fair value	8	0.0	0.0
Impairment of financial assets	6	-17.7	65.4
Interest costs to group companies		-2.7	-2.6
Other interest costs		-35.7	-42.9
Other financial costs		-55.4	-19.3
Net financial items		**382.2**	**176.8**
Ordinary result before taxes		**340.1**	**129.5**
Tax on ordinary result	3	27.5	9.3
Net profit		**312.6**	**120.2**
Allocated to dividend, NOK 1.74 / NOK 0.68 per share		-225.4	-88.1
To/from other equity		-87.3	-32.2
Total	14	**-312.7**	**-120.3**

1) Including group contribution

Balance as at 31.12

Amounts in NOK million	Note	Moelven Industrier ASA 2018	2017
ASSETS			
Deferred tax assets	3	20.4	24.0
Other intangible assets	9	5.3	1.0
Total intangible assets		**25.7**	**25.0**
Land		3.7	3.7
Buildings and other property		4.6	5.1
Machinery and plant		4.8	4.9
Fixtures and fittings, tools, office machinery etc.		22.5	25.3
Total tangible fixed assets	9	**35.6**	**39.0**
Investments in subsidiaries	12	1,112.0	1,052.7
Investments in associated companies	13	3.8	3.8
Loans to group companies	15	1,188.1	1,298.7
Investments in other shares		0.0	0.0
Other long-term recivables		1.4	1.4
Total financial fixed assets		**2,305.4**	**2,356.6**
Total fixed assets		**2,366.7**	**2,420.6**
Accounts receivable		0.1	0.2
Accounts receivable group companies	15	4.7	4.8
Receivables group contributions/dividend	15	392.8	101.1
Other receivables		14.8	11.3
Total receivables		**412.5**	**117.3**
Financial derivatives	8	22.1	11.5
Bank deposits, cash etc.	5	0.0	0.0
Total current assets		**434.6**	**128.9**
Total assets		**2,801.2**	**2,549.5**

Amounts in NOK million	Note	Moelven Industrier ASA 2018	2017
LIABILITIES AND EQUITY			
Share capital		647.7	647.7
Own shares		0.0	0.0
Share premium reserve		130.9	130.9
Total contributed equity		**778.6**	**778.6**
Retained earnings		117.9	31.5
Total equity	14	**896.5**	**810.1**
Pension liabilities	11	20.4	19.9
Total allowances for liabilities		**20.4**	**19.9**
Liabilities to credit institutions	5	656.6	760.8
Other long-term not interest-bearing debt		0.0	5.1
Total long term liabilities		**656.6**	**765.9**
Liabilities to credit institutions	5	833.8	732.9
Financial derivatives	8	88.6	91.7
Trade accounts payable		8.2	6.6
Trade accounts payable to group companies	15	2.0	3.3
Public duties payable		4.8	4.3
Dividends		225.4	88.1
Tax payable	3	22.6	7.5
Other short term liabilities	4	42.2	19.3
Total short term liabilities		**1,227.7**	**953.6**
Total liabilities		**1,904.7**	**1,739.4**
Total equity and liabilities		**2,801.2**	**2,549.5**
Guarantee liability	7	548.1	698.3
Number of shares (Face value per share NOK 5.-)	16	129,541,284	129,541,284

Moelv 14 March 2018
The Board of Directors of Moelven Industrier ASA

Olav Fjell Chairman of the Board	Trond Stangeby Deputy chair	Elisabeth Krokeide
Ingvild Storås	Asbjørn Bjørnstad	Martin Fauchald
Lars Håkan Karlsson		Morten Kristiansen CEO

Cash flow statement

Amounts in NOK million	Note	Moelven Industrier ASA 2018	2017
CASH FLOW FROM OPERATIONAL ACTIVITIES:			
Ordinary result before taxes		340.3	129.6
Tax paid this year	3	-7.5	-2.5
Depreciation	9	9.1	7.4
Value change investments		17.7	-65.4
Correction items - financial derivatives		-13.6	-3.8
Unpaid pension costs entered as costs and unreceived pension funds entered as income	11	-0.7	-0.5
Changes in accounts receivable and other receivables		-3.5	0.2
Delimination of group contribution/dividend		-291.7	31.2
Changes in trade accounts payable		0.4	-1.5
Changes in short-term liabilities excluding borrowing		22.5	0.0
Cash flow from operational activities		**73.0**	**94.6**
CASH FLOW FROM INVESTMENT ACTIVITIES:			
Investment in plant and equipment exc. acquisition	9	-10.0	-17.4
Net cash flow from investments in shares		0.0	0.9
Generated funds from mergers		0.0	0.0
Long-term investments, financial		33.6	-18.4
Cash flow from investment activities		**23.6**	**-34.9**
Profit before tax			
Changes in short-term loans and overdraft	5	100.9	128.2
Changes in long-term liabilities		-109.3	-125.7
Payment of dividend		-88.1	-62.2
Cash flow from financial activities		**-96.6**	**-59.7**
CASH HOLDINGS			
Net change in liquidity through year		0.0	0.0
Cash holdings 1.1.		0.0	0.0
Cash holdings 31.12	5	**0.0**	**0.0**

Note 1 - Accounting principles

The annual accounts have been prepared in accordance with the provisions of the Norwegian Accounting Act and with generally accepted accounting principles.

1.1 Use of estimates

Management has used estimates and assumptions that have affected the income statement and the valuation of assets and liabilities, as well as uncertain assets and obligations on the date of balance in the preparation of the annual accounts in accordance with good accounting practice.

1.2 Foreign currency

Foreign exchange transactions are calculated at the exchange rate prevailing at the time of the transaction. Monetary items in foreign currency are converted to Norwegian kroner by using the rate of exchange on the balance date. Non-monetary items which are measured at historical exchange rates expressed in foreign currency, are converted to Norwegian kroner by using the exchange rate at the time of transaction. Non-monetary items which are measured at fair value expressed in foreign currency are converted to the exchange rate determined at the time of measurement. Exchange rate changes are entered on the income statement as they occur during the accounting period under other financial items.

1.3 Operating revenues

The operating revenues consist mainly of division of joint costs among the subsidiaries. Sales are invoiced as the services occur.

1.4 Tax

Tax costs consist of payable tax, changes in deferred tax and corrections of taxes in previous years. Deferred tax/tax benefits are calculated on all differences between the company's accounting and tax carrying values of assets and liabilities. Deferred tax is calculated at 22 per cent of the temporary differences between the book and taxable values, as well as tax losses carried forward at the end of the reporting year. Net deferred tax benefits are entered on the balance sheet to the extent that it is probable they can be utilised.

Payable tax and deferred tax are entered directly against equity to the extent that the tax entries relate to equity items.

1.5 Classification and valuation of balance sheet items

Current assets and short-term debt include items which become due for payment within a year after the date of acquisition and items associated with the goods cycle. Other items are classified as fixed assets/long-term liabilities.

Current assets are valued at the lower of acquisition cost and fair value. Short-term debt is recognised on the balance sheet at the nominal amount at the time it is taken out.

Fixed assets are measured at acquisition cost, less depreciations and write downs. Long-term debt is recognised in the balance sheet at the nominal amount at the time of establishment.

1.6 Research & Development

Research and development expenses are entered on the balance sheet to the extent to which a future financial benefit can be identified that is linked to the development of an identifiable intangible asset, and the expenses can be reliably measured. Otherwise, such expenses are recognised as costs on an on-going basis. Development that is entered on the balance sheet is depreciated on a straight line basis over the financial lifetime. Research expenses are recognised as costs on an on-going basis.

1.7 Tangible fixed assets

Tangible fixed assets are entered on the balance sheet and depreciated on a straight line basis over the asset's expected lifetime. Major assets that consist of significant components having different lifetimes are depreciated with different depreciation times for the different components. Direct maintenance of equipment is recognised continuously as an expense under operating expenses, while increased costs or improvements are added to the equipment's price and amortised concurrently. If the recoverable value of the asset is lower than book value, it is written down to recoverable value. Recoverable value is the higher of net sales value and value in use. Value in use is the present value of the future cash flow that the asset is expected to generate.

1.8 Subsidiaries/associated companies

Subsidiary and associates are assessed by the cost method in the company accounts. The investment is valued at acquisition cost for the shares unless write down has been necessary. Write down to fair value is been done when the decrease in value is due to causes that cannot be considered to be transitory and where this must be considered necessary according to good accounting practice. Write downs are reversed when the reason for write down no longer exists.

Dividends, group contributions and other payments from subsidiaries are entered as revenue during the same year as provision is made for them in the subsidiary's accounts. If the dividend/group contribution exceeds the proportion of earned profit after the date of acquisition, the surplus represents part repayment of invested capital and is deducted from the value of the investment on the parent company's balance sheet.

1.9 Receivables

Trade accounts receivable and other receivables are recognised in the balance sheet at their nominal value after deductions for provision for expected loss. Provision for losses is made on the basis of individual assessment of each debt.

1.10 Short-term investments

Short-term investments (shares assessed as current assets) are valued at the lower of acquisition cost and fair value on the date of balance. Dividends received and other payments from the companies are entered as other financial income.

1.11 Pensions

The company has collective, contribution-based pension schemes. These are schemes with a savings portion and a risk portion with earnings right. Pension premiums are entered as costs as they occur.

Defined-benefit pension schemes

Of defined benefit plans, the company still have an on-going taxable joint annuity policy valid for a limited number of people

Defined-benefit pension schemes are valued at present value of the future pension benefits that have been earned on the date of balance. Pension funds are valued at fair value.

Changes in defined-benefit pension commitments that are due to changes in pension plans are distributed over the estimated average remaining earnings period. Estimate changes and changes in financial and actuarial assumptions (actuarial gains and losses) are entered against equity (OCI). The period's net pension costs are classified as payroll and personnel costs.

1.12 Cash flow statement

The cash flow statement has been prepared according to the indirect method. Cash and cash equivalents comprise cash, bank deposits, and other short-term liquid investments.

Note 2 - Operating revenues

Amounts in NOK million	**2018**	**2017**
Subsidiaries' proportion of joint costs	64.1	58.2
Subsidiaries' proportion of IT services	43.3	38.2
Rent income - outside the group	0.7	0.8
Rent income - inside the group	3.0	2.4
Other	5.9	5.3
Total other operating income	**117.0**	**104.9**

In accordance with the company specification under note 15, a total of NOK 115.7 million is operating income from our subsidiaries. Total Norwegian operating income amounts to NOK 55.7 million, Swedish NOK 58.9 million and Danish company NOK 1.1 million.

Note 3 - Tax

Amounts in NOK million

Tax expense for the year	**2018**	**2017**
Recognized tax on ordinary income:		
Total tax payable	22.6	7.5
Changes in deferred tax from income statement	4.0	1.9
Correction of taxes in previous years	1.0	0.0
Tax expence	**27.6**	**9.4**
Taxable income:		
Ordinary result before taxes	340.3	129.6
Permanent differences	-228.8	-95.0
Actuarial losses entered against OCI	-1.2	-0.9
Changes in temporary differences	-12.0	-2.6
Use of tax loss carry forwards	0.0	0.0
Taxable income:	**98.3**	**31.1**
Tax payable in the balance sheet		
Tax on income	-10.9	-9.6
Tax payable on received group contribution	33.5	17.1
Tax payable in the balance sheet	**22.6**	**7.5**
Calculation of effective tax rate		
Ordinary result before taxes	340.3	129.6
Calculated tax on ordinary result before taxes	78.3	31.1
Tax effect of permanent differences	-52.6	-22.8
Effect on deferred tax from change in tax per cent from 24 % to 23 %	0.9	1.0
Correction of taxes in previous years	1.0	0.0
Total	**27.5**	**9.3**
Effective tax rate	8.1 %	7.2 %

Tax effect of temporary differences and carried forwards giving rise to delayed or deferred tax advantages, specified on types of temporary differences:

	2018	**2017**	**Changes**
Fixed assets	-5.5	-4.6	-0.9
Gains and losses	0.7	0.9	-0.2
Provisions	-0.2	-0.2	0.0
Pensions commitments	-20.4	-19.9	-0.5
Other differences	-0.6	-0.6	0.0
Total	**-26.0**	**-24.4**	**-1.7**
Shares and other securities	-66.5	-80.2	13.6
Calculation base for deferred taxes	**-92.5**	**-104.6**	**12.0**
Deferred tax assets / deferred tax (23% / 24 %)	**-20.4**	**-24.1**	
Effect on deferred tax from change in tax per cent from 23 % to 22 %	**0.9**	**1.0**	

Note 4 - Other short term liabilities

Other short-term liabilities consist mainly of accrued costs not yet due for payment.

Note 5 - Liquid holdings and debt

5.1 Interest-bearing holdings and debt

		2018	2017
Overdraft and interest-bearing debt		833.8	732.9
Long-term interest-bearing liabilities in			
NOK	4.41 %	583.8	555.9
SEK	4.15 %	72.8	204.9
DKK		0.0	0.0
EUR		0.0	0.0
Total long-term interest-bearing debt		**656.6**	**760.8**
Net interest-bearing debt		**1,490.4**	**1,493.7**

5.2 Repayment schedule long-term liabilities

Amounts in NOK million	**2018**	**2017**
Long-term liabilities that fall due for payment in		
1 year	0.0	0.0
2 years	0.0	0.0
3 years	656.6	760.8
4 years	0.0	0.0
5 years	0.0	0.0
6 years or later	0.0	0.0
Profit before tax		

5.3 Ceilings and withdrawals in syndicated loan market

Amounts in NOK million	**2018**	**2017**
Ceiling	1,577.6	1,599.7
Withdrawal	656.6	760.8
Remaining term in months	29	29

The company's equity capital financing consists of a long-term credit facility maturing in June 2021, in addition to short-term credit facilities in the banking systems. The long-term loan agreement was entered into June 2016 and comprises two drawing frames of NOK 850 million and SEK 750 million respectively. The agreement initially had 3 years' maturity, with the option to request an extension of 1 year up to 2 times during the first 2 years of the agreement. In the second quarter of 2017 and 2018, these two options was used.

The loans have been taken with negative security declaration and have normal clauses relating to equity, equity ratio and debt ratio.

5.4 Future access to liquidity

Long financing

Amounts in NOK million	**2018**	**2017**
as at 31.12	1,577.6	1,599.7
in 1 year	1,577.6	1,599.7
in 2 years	1,577.6	1,599.7
in 3 years	0.0	0.0
in 4 years	0.0	0.0
in 5 years	0.0	0.0
in 6 years or later	0.0	0.0

Short financing

In addition to the long-term access to liquidity, the group has loan facilities that are renewed each year. As at 31.12.2018 these were NOK 312 million. As a result of normal seasonal variations, the group's net interest-bearing debt was at its highest in March 2018, NOK 1,577.6 million. The long term loan facilities as at 31.12.2018 will cover liquidity needs for the coming two and a half years.

Note 6 - Financial market risk and impairment of financial assets

6.1 Financial market risk

Assets with associated financial market risk consist of loans in foreign currency to subsidiaries, mainly in SEK. Exchange rate exposure is eliminated in that the loans are financed with debts in the same currency. Interest rate risk connected with the same receivables and liabilities is reduced by using rate swaps. In order to assist subsidiaries in covering risks associated with buying and selling currency, and within limits defined by the Board, currency positions are taken for internal exchange. The company also carry out the the hedging of the Group's consumption of electricity. For the Swedish part of the Group, this is done through trading financial contracts on the Nasdaq OMX Commodities. The realized hedging income is allocated to the subsidiaries according to consumption, resulting in no net impact for Moelven Industrier ASA. Hedge accounting is not used.

6.2.Impairment of financial assets

Shares in subsidiaries are assessed with regard to indications of impairment. The total impairment for 2018 is NOK 17.7 million.

Note 7 - Guarantee liability

Amounts in NOK million	**2018**	**2017**
Unconditional guarantees	230.0	318.2
Payment and contract guarantees	264.2	329.7
Tax deduction guarantees	53.9	50.4
Total	**548.1**	**698.3**

The company has no restricted bank deposits. The company's cash credit accounts are included in the Group's account systems. The company can thus be collectively responsible for more than the company's withdrawals. The employees' tax deduction funds are secured with guarantees furnished by an external credit institution.

Note 8 - Financial instruments

The following types of hedging are used:
Rate swaps, currency future contracts, structured forward buying of currency, future contracts for electric power.
Hedge accounting is not used.

Financial assets entered at fair value	**2018**	**2017**
Exchange rate derivatives	22.1	11.5
Total assets presented on the financial derivatives line	**22.1**	**11.5**

Financial obligations entered at fair value	**2018**	**2017**
Interest rate derivatives	68.7	81.5
Exchange rate derivatives	19.9	10.2
Total obligations presented on the financial derivatives line	**88.6**	**91.7**

Interest derivatives and power derivatives are entered in accordance with the lowest value principle.
Aa at 31.12.18, power contracts had a positive market value of NOK 53.9 million (15.1).

Value changes of financial instruments recognised in the profit and loss account	**2018**	**2017**
Value change financial instruments, gain	13.6	3.8
Value change financial instruments, loss	0.0	0.0
Net result of financial instruments	**13.6**	**3.8**

Profit before tax

The Group has no hedging instruments not traded in functional markets. Fair value is calculated based on observable market prices for similar instruments.

Presentation of nominal value and duration of financial instruments

Amounts in NOK million	**2018**	**2017**
Interest rate derivatives		
Maturing under 1 year	0.0	0.0
Maturing 2 - 5 years	295.5	249.9
Maturing 6 - 10 years	310.0	372.9
Total	**605.5**	**622.8**
Currency derivatives, forward contracts for sale of foreign currency		
Maturing 0-6 months	262.1	259.4
Maturing 7-12 months	80.7	45.1
Maturing >12 months	0.0	2.0
Total	**342.7**	**306.5**
Currency derivatives, forward contracts for purchase of foreign currency		
Maturing 0-6 months	435.8	389.0
Maturing 7-12 months	138.9	73.0
Maturing >12 months	1.9	2.0
Total	**576.6**	**464.0**
Power derivatives		
Maturing under 1 year	62.3	36.3
Maturing 1-2 years	68.8	37.3
Maturing 3-4 years	32.2	4.7
Total	**163.3**	**78.3**

Note 9 - Fixed assets and intangible assets

Amounts in NOK million	**Land**	**Buildings and other property**	**Machinery and plant**	**Fixtures and fittings, tools etc.**	**Other intangible assets**	**Total**
Acquisition value as at 31.12.2016	3.7	29.5	16.7	36.1	27.9	113.9
Acquisitions	0.0	0.0	0.2	17.2	0.0	17.4
Disposal acquisition value	0.0	0.0	-5.9	5.9	0.0	0.0
Acquisition value as at 31.12.2017	**3.7**	**29.5**	**11.0**	**59.1**	**27.9**	**131.3**
Accumulated ordinary depreciations 31.12.2015	0.0	23.9	5.5	30.3	24.2	83.9
Disposals accumulated depreciations	0.0	0.0	0.0	0.0	0.0	0.0
Depreciation and write downs for the year	0.0	0.5	0.7	3.5	2.7	7.4
Accumulated ordinary depreciations 31.12.2017	**0.0**	**24.4**	**6.2**	**33.8**	**26.9**	**91.3**
Book value 31.12.2016	3.7	5.6	11.2	5.8	3.7	30.0
Book value 31.12.2017	**3.7**	**5.1**	**4.9**	**25.3**	**1.0**	**40.0**
Ordinary depreciation rates in per cent	0.0	2,5-10 %	5-10 %	10-20 %	20/33%	

Amounts in NOK million	**Land**	**Buildings and other property**	**Machinery and plant**	**Fixtures and fittings, tools etc.**	**Other intangible assets**	**Total**
Acquisition value as at 31.12.2017	3.7	29.5	11.0	59.1	27.9	131.3
Acquisitions	0.0	0.0	0.6	4.0	5.4	10.0
Disposal acquisition value	0.0	0.0	0.0	0.0	-1.3	-1.3
Acquisition value as at 31.12.2018	**3.7**	**29.5**	**11.6**	**63.1**	**32.0**	**139.9**
Accumulated ordinary depreciations 31.12.2017	0.0	24.4	6.2	33.8	26.9	91.3
Profit before tax	0.0	0.0	0.0	0.0	-1.3	-1.3
Depreciation and write downs for the year	0.0	0.5	0.7	6.8	1.1	9.1
Accumulated ordinary depreciations 31.12.2018	**0.0**	**24.9**	**6.8**	**40.6**	**26.7**	**99.1**
Book value 31.12.2017	3.7	5.1	4.9	25.3	1.0	40.0
Book value 31.12.2018	**3.7**	**4.6**	**4.8**	**22.5**	**5.3**	**40.8**
Ordinary depreciation rates in per cent	0.0	2,5-10 %	5-10 %	10-20 %	20/33%	

Note 10 - Payroll expenses, remuneration to group management, board and auditor

10.1 – Payroll expences

Amounts in NOK million	2018	2017
Salaries	51.3	49.2
Employer contribution and social costs	8.7	8.0
Pension costs ref. defined benefit and contribution based pension schemes	4.7	4.3
Other benefits/other personnel costs inc. proportion charged to subsidiaries	0.9	1.7
Total	**65.7**	**63.2**
Number of man years	**60**	**54**

10.2 – Remuneration to group management

	2018			2017		
Amounts in NOK million	Salary	Pension costs	Other benefits	Salary	Pension costs	Other benefits
CEO Morten Kristiansen	4,918.3	208.4	259.2	4,706.0	192.7	201.0
Head of Timber division, Anders Lindh - from Dec.16	2,095.7	161.0	241.2	1,769.9	143.8	181.2
Head of Wood division, Bjarne Hønningstad	2,429.8	172.6	212.7	2,359.4	161.1	195.9
Head of Building Systems division, Marcus Johansson	1,756.9	542.1	83.7	1,831.2	582.5	88.1
Total	**11,200.7**	**1,084.1**	**796.8**	**10,666.5**	**1,080.1**	**666.2**

There is not given any loans or guarantees to the company management.

See note 28 to the consolidated accounts for fixing of salary and other benefits for group management.

15.3 – Remuneration to auditor

Amounts in NOK million Amount ex VAT	2018	2017
Legally mandated account audit	0.7	0.5
Other services related to certification	0.0	0.0
Tax advisory services	0.0	0.0
For services other than audit	0.2	0.3
Total	**0.9**	**0.9**

Note 11 - Pension costs and pension liabilities

Pension schemes

The company is obliged to have an occupational pension scheme pursuant to the Act on Mandatory Occupational Pensions. The pension scheme complies with the law requirements, and is better than the minimum requirements in the law. With regard to defined-benefit pension shemes the company is still subject to taxable collective annuity scheme liabilities for a limited number of individuals.

Unsecured schemes

All obligations related to previous AFP schemes has ceased. Remaining uncecured schemes are related to other guaranteed obligations applicable to a limited number of people.

A new AFP scheme from 01 January 2011 for the Group's Norwegian companies

The new AFP scheme which came into force in 2011 is defined as a defined-benefit multi-company scheme, but is entered as a defined-contribution scheme until reliable and sufficient information enabling the companies to account for its proportionate share of pension costs, pension obligations and pension funds in the scheme. The company's obligations related to the new AFP scheme is therefore not recorded as a liability.

11.1 – Economic and actuarial assumptions

	2018	2017
Return on pension funds	2.60 %	2.30 %
Discount rate	2.60 %	2.30 %
Annual pay increase	2.75 %	2.50 %
Annual G adjustment (National Insurance Scheme's basic amount)	2.50 %	2.25 %
Annual adjustment of pensions being paid	2.50 %	2.25 %

11.2 – Pension costs

Amounts in NOK million	2018	2017
Pension entitlements accrued in the year	0.3	0.3
Interest costs on the pension commitments	0.4	0.4
Pension costs secured and unsecured defined benefit schemes	**0.7**	**0.7**
Contribution pension costs and other pension costs	4.0	3.6
Profit before tax	**4.7**	**4.3**

11.3 - Pension liabilities

Amounts in NOK million	2018	2017
Balance as at 01.01.		
Accrual of future pensions	20.4	20.0
Pension commitments (gross)	**20.4**	**20.0**
Pension funds	-3.0	-2.8
Employer contributions	2.5	2.4
Pension commitments (net)	**19.9**	**19.6**
Balance as at 31.12		
Pension commitments (gross)	21.2	20.4
Pension funds (anticipated)	-3.3	-3.0
Employer contributions	2.5	2.5
Pension commitments (net)	**20.4**	**19.9**
Net pension funds, secured schemes that can be netted	**0.0**	**0.0**
Pension commitments, secured (and unsecured) schemes that cannot be netted	20.4	19.9
Pension commitments, contractual pension (AFP)	0.0	0.0
Total pension commitments	20.4	**19.9**

11.4 – Key figures

	2018	2017
Number of active members secured schemes	4	4
Number of pensioners secured schemes	9	9

Note 12 - Shares in subsidiaries

Amounts in NOK 1,000	Office, municipality /country	Holding %	The company's share capital	The company's total equity	The company's net profit in 2015	Number of shares in Moelven's ownership	Total face value	Book value 31.12.
Moelven Industrier ASA owns								
Moelven Van Severen AS	Namsos	100.0 %	35,000	49,788	15,638	3,500	35,000	35,005
Moelven Østerdalsbruket AS	Stor-Elvdal	100.0 %	20,000	41,372	5,624	2,000	20,000	20,005
Moelven Våler AS	Våler	100.0 %	48,000	111,206	42,321	4,800	48,000	48,005
Moelven Soknabruket AS	Ringerike	100.0 %	30,000	102,328	41,302	3,000	30,000	32,511
Moelven Numedal AS	Flesberg	100.0 %	10,000	34,276	12,902	1,000	10,000	10,005
Moelven Løten AS	Løten	100.0 %	12,000	25,281	1,892	1,200	12,000	12,005
Moelven Telemarksbruket AS	Bø	51.0 %	14,198	18,400	3,584	710	14,059	5,550
Moelven Wood AS	Eidsvoll	100.0 %	5,500	17,403	2,103	5,500	5,500	12,040
Moelven Langmoen AS	Ringsaker	100.0 %	18,000	74,928	7,669	1,800	18,000	37,156
Moelven Portefølje AS	Ringsaker	100.0 %	1,000	1,954	50	1,000	1,000	1,155
Moelven Eidsvoll AS	Eidsvoll	100.0 %	8,500	29,980	-693	850	8,500	18,500
Moelven Treinteriør AS	Ringsaker	100.0 %	3,500	15,148	4,598	3,500	3,500	8,482
Moelven Modus AS	Ullensaker	100.0 %	22,000	103,013	7,907	2,200	22,000	95,000
Moelven ByggModul AS	Ringsaker	100.0 %	31,688	101,109	2,582	158,440	31,688	89,299
Moelven Bioenergi AS	Ringsaker	100.0 %	6,000	18,956	3,963	6,000,000	6,000	6,800
Moelven Limtre AS	Ringsaker	100.0 %	11,000	61,101	-7,794	11,000	11,000	43,028
Moelven Industrier AB	Sverige	100.0 %	197,046 SEK	637,651	-22,574	19,704,581	197,046	241,406
Moelven Danmark A/S	Danmark	100.0 %	5,000 DKK	18,415	757	50,000	5,000	12,417
Moelven U.K. Ltd	Storbritannia	100.0 %	950 GBP	808	309	950,000	50	10,426
Moelven Deutschland GmbH	Tyskland	100.0 %	110 EUR	576	71	11	110	217
Moelven Nederland B.V.	Nederland	100.0 %	36 EUR	139	3	360	36	317
Moelven Are AS	Spydeberg	100.0 %	300	42,962	-8,796	100	300	43,116
Moelven Mjøsbruket AS	Gjøvik	100.0 %	12,000	53,519	25,856	12,000	12,000	15,990
Moelven Eidsvold Værk AS	Eidsvoll	100.0 %	32,500	66,379	2,260	32,500	32,500	25,578
Moelven Trysil AS	Trysil	100.0 %	15,600	45,182	11,093	15,600	15,600	35,634
Moelven Multi3 AS	Ringsaker	100.0 %	3,425	10,390	-3,712	6,850	3,425	7,192
Moelven Virke AS	Ringsaker	100.0 %	5,000	10,726	3,895	50,000	5,000	4,546
Moelven Sør Tre AS	Kragerø	100.0 %	8,487	20,137	1,704	8,487	8,487	50,000
Moelven Granvin Bruk AS	Granvin	99.3 %	1,490	21,308	2,363	2,959	1,480	16,672
Moelven Wood Prosjekt AS	Ringsaker	100.0 %	300	5,105	2,392	3,000	300	11,000
Moelven Profil AS	Grue	100.0 %	15,000	22,327	2,856	15,000	15,000	15,030
Moelven ByggModul Hjellum AS	Hamar	100.0 %	4,206	77,238	-7,100	50,001	4,206	60,585
Moelven Elprosjekt AS	Ringsaker	100.0 %	10,000	13,426	-791	50,000	10,000	12,000
Moelven Pellets AS	Ringsaker	100.0 %	37,500	78,594	3,788	37,500	37,500	75,000
Moelven Polska sp.z.o.o	Polen	100.0 %	450 PLN	195	-255	9,000	450	368
Total Moelven Industrier ASA								**1,112,040**

*) Voting rights is equal to ownership share.

Note 13 - Investments in associated companies

Amounts in NOK 1,000	Holding %	The company's share capital	The company's total equity	The company's net profit in 2017	Number of shares in Moelven's ownership	Total face value	Book value 31.12.
Owned by Moelven Industrier ASA:							
Weda Skog AB, Sweden	30.0 % SEK	10,000	10,080	1	3,000,000	3,000	2,632
Woodtrans AS, Norway	34.0 % NOK	1,310	3,969	1,413	445	445	1,187
Total							3,819

*) Voting rights is equal to ownership share.

Note 14 - Equity

Amounts in NOK million	Share capital	Share premium funds	Own shares	Other equity	Total equity
Equity 31.12.2017	**647.7**	**130.9**	**0.0**	**31.5**	**810.1**
Annual profit				312.7	312.7
Actuarial gains and losses, and other direct to equity				-0.9	-0.9
Allocated to dividend				-225.4	-225.4
Equity 31.12.2018	**647.7**	**130.9**	**0.0**	**117.9**	**896.5**

For information regarding developments in share capital, summary of shareholders, shareholder agreements and closely related parties, shares owned by members of the board of Directors, corporate assembly and group management, declaration on fixing of salary and other remuneration to group management and also remuneration to the board of directors and corporate assembly, see notes 26, 27 and 28 to the consolidated accounts.

Note 15 - Transactions with related parties

Amounts in NOK million	Holding %	Other operating revenue	Interests from group companies on loans	Loans to group companies	Receivables group contributions	Accounts receivable group companies	Trade accounts payable group companies
Moelven Industrier ASA							
Moelven Van Severen AS	100.0 %	1.4	1.3	25.0	20.0	0	
Moelven Østerdalsbruket AS	100.0 %	1.1	0.8	22.0	7.0		
Moelven Våler AS	100.0 %	5.2	0.7	15.0	40.0	0.2	
Moelven Soknabruket AS	100.0 %	1.9	4.5	113.0	5.0	0	-
Moelven Numedal AS	100.0 %	2.1	0.6	15.0	10.0		
Moelven Løten AS	100.0 %	1.4	0.1	2.6	2.0	0	
Moelven Telemarksbruket AS	51.0 %	1.1	0.4	-			
Moelven Wood AS	100.0 %	7.3				0.1	0.1
Moelven Langmoen AS	100.0 %	1.2	1.0	23.5			
Moelven Eidsvoll AS	100.0 %	0.7	0.7	18.1			
Moelven Treinteriør AS	100.0 %	0.5	0.2	5.6	3.0	-	
Moelven Modus AS	100.0 %	5.1	0.1			-	-
Moelven ByggModul AS	100.0 %	5.7				1.0	-
Moelven ByggModul Hjellum AS	100.0 %	3.2			20.0	0.5	
Moelven Bioenergi AS	100.0 %	0.3	0.2	3.9	4.7		
Moelven Elprosjekt AS	100.0 %		0.4	-	5.9		
Moelven Limtre AS	100.0 %	6.9			20.0		
Moelven Industrier AB	100.0 %	0.0	18.7	485.1	194.0		1.6
Moelven Are AS	100.0 %	0.5		-			
Moelven Mjøsbruket AS	100.0 %	2.6	0.4	9.8	28.0		-
Moelven Eidsvold Værk AS	100.0 %	1.4	2.4	58.2			
Moelven Trysil AS	100.0 %	0.9	0.0	2.3	10.0		
Moelven Multi3 AS	100.0 %	1.8	0.3	8.6		0.2	0.1
Moelven Virke AS	100.0 %	0.5			7.0	-	0.2
Moelven Sør Tre AS	100.0 %	0.4	0.4	9.3	2.0		
Moelven Granvin Bruk AS	99.3 %	0.6	0.8	18.5	2.0		
Moelven Wood Prosjekt AS	100.0 %	0.3				-	
Moelven Profil AS	100.0 %	1.4	0.9	22.4	4.0	1.4	
Moelven Portefølje AS	100.0 %				8.0		
Moelven Pellets AS	100.0 %	0.4			0.2	0.4	
Moelven Danmark AS	100.0 %	0.9					
Moelven UK Ltd.	100.0 %	0.1					
Moelve Polska sp.z.o.o	100.0 %	0.0					

Note 15 - Transactions with related parties (cont.)

Swedish companies owned by Moelven Industrier AB

Amounts in NOK million	Holding %	Other operating revenue	Interests from group companies on loans	Loans to group companies	Receivables group contributions	Accounts receivable group companies	Trade accounts payable group companies
Moelven Notnäs Ransby AB	100.0 %	7.9	1.5	36.6		0.7	
Moelven List AB	100.0 %	0.9	0.6	17.2			
Moelven ByggModul AB	100.0 %	9.9				-	
Moelven Norsälven AB	100.0 %	0.1	0.1	-			
Moelven Wood Interiör AB	100.0 %	1.7	1.1	21.3			
Moelven Component AB	100.0 %	1.7	0.3	7.7			
Skåre Kontorshotell AB	100.0 %		0.0	1.0			
Moelven Wood AB	100.0 %	5.8				-	
Moelve Valåsen Wood AB	100.0 %	1.3	1.1	29.1			
Moelven Valåsen AB	100.0 %	9.2	1.5	34.9		0.2	
Moelven Dalaträ AB	100.0 %	4.1	0.5	-			
Moelven Modus AB	100.0 %	3.3		19.4		-	
Moelven Edanesågen AB	100.0 %	1.9	1.8	53.4			
Moelven Årjäng Såg AB	100.0 %	3.5				-	
Moelven Skog AB	100.0 %	1.8	1.2	30.7			
Moelven Töreboda AB	100.0 %	3.5	1.0	25.6		-	
Vänerbränsle AB	82.3 %	0.1					
Moelven Lovene AB	100.0 %	0.1	0.1	3.1			
Moelven Vänerply AB	100.0 %	1.9	2.4	50.2			
UJ Trading AB	100.0 %	0.3					
Total 2018		**115.9**	**48.1**	**1,188.1**	**392.8**	**4.7**	**2.0**
Total 2017		**102.2**	**51.7**	**1,269.7**	**101.1**	**4.8**	**3.3**

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To the General Meeting of Moelven Industrier ASA

Independent auditor's report

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Moelven Industrier ASA. The financial statements comprise:

- The financial statements of the parent company Moelven Industrier ASA (the Company), which comprise the balance sheet as at 31 December 2018, and the income statement and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and

- The consolidated financial statements of Moelven Industrier ASA and its subsidiaries (the Group), which comprise the balance sheet as at 31 December 2018, and income statement, statement of comprehensive income, statement of changes in equity, cash flow for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion:

- The financial statements are prepared in accordance with the law and regulations.

- The accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2018, and its financial performance and its cash flows for the year then ended in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway.

- The accompanying consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2018, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

Basis for Opinion

We conducted our audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company and the Group as required by laws and regulations, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other information

Management is responsible for the other information. The other information comprises the Board of Directors' report, the statements on Corporate Governance and Corporate Social Responsibility, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information; we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors and the Managing Director for the Financial Statements

The Board of Directors and the Managing Director (Management) are responsible for the preparation in accordance with law and regulations, including fair presentation of the financial statements of the Company in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway, and for the preparation and fair presentation of the financial statements of the Group in accordance with International Financial Reporting Standards as adopted by the EU, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's and the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern. The financial statements of the Company use the going concern basis of accounting insofar as it is not likely that the enterprise will cease operations. The financial statements of the Group use the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error. We design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's or the Group's internal control.

- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company and the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company and the Group to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on Other Legal and Regulatory Requirements

Opinion on the Board of Directors' report

Based on our audit of the financial statements as described above, it is our opinion that the information presented in the Board of Directors' report and in the statements on Corporate Social Responsibility concerning the financial statements, the going concern assumption, and the proposal for the allocation of the profit is consistent with the financial statements and complies with the law and regulations.

Opinion on Registration and Documentation

Based on our audit of the financial statements as described above, and control procedures we have considered necessary in accordance with the International Standard on Assurance Engagements *(ISAE) 3000, Assurance Engagements Other than Audits or Reviews of Historical Financial Information*, it is our opinion that management has fulfilled its duty to produce a proper and clearly set out registration and documentation of the Company's accounting information in accordance with the law and bookkeeping standards and practices generally accepted in Norway.

Hamar, March 19, 2019
KPMG AS

Stein Erik Lund
State Authorised Public Accountant

Note: This translation from Norwegian has been prepared for information purposes only.

Statement by the Corporate Assembly

The following items were discussed at the meeting of the Corporate Assembly held on 28 March 2019:

- Annual report and proposed Annual Financial Statement by the Board of Directors and President/CEO for the 2018 accounting year for Moelven Industrier ASA and group.
- Board's proposed allocation of profit for year in Moelven Industrier ASA.
- Board's determination of remuneration to Group Executive Board.
- The Statement by the Corporate Assembly to the General Meeting.

The Corporate Assembly recommends that the general meeting approve the Board of Directors and CEO's annual report and accounts for Moelven Industrier ASA and group in 2018, including allocation of the result for the year in Moelven Industrier ASA.

The Corporate Assembly also recommends that the general meeting approve the Board of Directors proposal for remuneration to corporate management.

28 March 2019

Rolf Th. Holm

Chairman of the Corporate Assembly

Financial calendar 2019

1 February 2019
Fourth Quarter report 2018

2 May 2019
General meeting – Annual Accounts 2018

Publishing Quarterly

6 May 2019
First Quarter Report 2019

29 August 2019
Second Quarter Report 2019

25 October 2019
Third Quarter Report 2019

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