The future is built with wood

Photo: Sindre Ellingsen

ANNUAL REPORT 2019

MOELVEN

This document contains the formal requirements to annual reporting. Moelven's Annual Report for 2019 with detailed information on the year is available at 2019.moelven.com

Contents

2019 saw fluctuations – 2020 brought a virus

2019 was characterised by major fluctuations for Moelven, and for the first time in five years the group saw a decline in results and operating profit. Moelven had sales of NOK 10,297.5 million in 2019, and delivered an operating profit of NOK 335.4 million. How 2020 will turn out is extremely uncertain due to the coronavirus outbreak, which will impact Moelven.

The first half of 2019 was very good, while the second half was characterised by uncertainty in the world economy due to the trade war between China and the US, Brexit and surplus timber in the market as a result of bark beetle attacks and storm fellings in Europe. That posed a challenge to market activities and profitability for Moelven towards the end of the year.

While 2018 was one of the strongest years in the history of Moelven, in 2019 it was back to normal. Sales in 2019 decreased by NOK 723.3 million compared to the previous year, and the operating result was NOK 250.8 million lower.

"Our industry is not unfamiliar with such fluctuations, and this shows how important it is to maintain constant focus on cost-effective operations and a sustainable corporate structure," Kristiansen says.

OUTLOOK CHARACTERISED BY PANDEMIC

Until the pandemic was declared in March 2020, we saw a trend towards an improved situation compared to the end of last year. Among other things, this applies to the Timber division, which supplies wood products and components to the domestic and international industrial markets. Moelven's Wood division, which targets the building materials trade and building market, has seen strong developments in interiors, while building wood deliveries are affected by a decline in new building activity in both Norway and Sweden. For the Building Systems division, with glulam, office solutions and building modules, 2019 was characterised by somewhat reduced activity. This particularly applies to building modules, where we had to reduce capacity for parts of the year. Until the coronavirus outbreak we saw a clear trend towards improvement in the module business.

At the time of writing, society is marked by the virus outbreak, and it's too early to say how this will impact us going forward. The only thing we know is that it will affect Moelven in 2020, but how severely and for how long is impossible to tell for the time being.

INTENSIFYING HSE WORK

2019 was characterised by a number of new measures in Moelven's HSE work. The group has a vision of zero injuries, and last year even more effort was applied to reducing the number of injuries.
We have put into place a more systematic follow-up

It is important to maintain constant focus on cost-effective operations and a sustainable corporate structure.

system for injuries with subsequent learning measures that are shared throughout the group. This, combined with new systems and solutions, allows us to intensify HSE work. Every injury is one too many.

EVENTFUL YEAR

2019 arrived with numerous important milestones for Moelven. Several of our companies were established after the First World War, and the glulam manufacturer Moelven Töreboda AB, the sawmill Moelven Våler AS and Moelven Treinteriør AS celebrated their first centenaries in 2019.

Moelven also celebrated a world record when Mjøstårnet (85.4 metres) was officially named the world's largest wooden building by the international skyscraper organisation Council on Tall Buildings and Urban Habitat.

Moelven Modus AS and Moelven Limtre AS played a major part in Finansparken Bjergsted in Stavanger, which opened in October. This is one of Northern Europe's largest wooden commercial building, and is in line to achieve the highest standard in environmental building certification (BREEAM Outstanding).

2019 also saw a few contrasts. The Moelven family was joined by a completely new member in the form of the newly-established Moelven Pellets AS at Sokna. This is Moelven's largest investment of all time, with a scope of NOK 270 million. A new, joint bioenergy centre at Sokna now supplies both Moelven Soknabruket AS and Moelven Pellets AS' new factory with thermal energy, and the first pellet deliveries left the factory in late autumn.
The same year it was also decided to close Moelven Eidsvold Værk AS. This led to 60 people losing their jobs, and the oldest sawmill in Norwegian history closed down operations in 2020. Excessive costs and need for investments were the background for the decision.

Moelven Modus AS and Moelven Limtre AS played a major part in Finansparken Bjergsted in Stavanger, which opened in October. This is one of Northern Europe's largest wooden commercial building.

This is Moelven

Moelven is one of the largest industrial wood processing groups in Europe. We have 37 production companies spread across 46 production locations in Norway and Sweden. In addition, we have sales offices in Norway, Sweden, Denmark, the UK and Germany.

WE MAKE CLIMATE-SMART products and solutions. Our raw materials are sustainably sourced spruce and pine, which we sell on for further processing in other industries, and use in our own products. We produce everything you need in terms of wood products for your home, timber for industry, glulam products, building modules and flexible office solutions, as well as woodchip products and bioenergy.

Moelven is founded on the principle that all development, construction and operations must be sustainable, and that stringent requirements apply regarding health, safety and the environment for all of our employees, and those involved in our operations. Moelven's vision, mission, set of values and personnel concept form the basis for all of our employees and the strategic choices that are taken. Sustainability permeates this from the top down.

OUR VISION

THE NATURAL CHOICE FOR PEOPLE BUILDING AND LIVING THE SCANDINAVIAN WAY

OUR MISSION

CREATE QUALITY ROOMS

OUR SET OF VALUES:

SUSTAINABLE Moelven has respect for people and the environment. We base our business on renewable resources and have sustained and long-term our competitive edge. There is a strong will to take responsibility for our surroundings.

RELIABLE Moelven is to trust. We deliver at the agreed time with the right quality. There is a strong focus on openness and honesty. Admitting weaknesses and mistakes is the basis for progress and credibility.

SEEK OPPORTUNITIES Moelven seeks solutions. The Group has the capabilities and resources to be leading in product development and innovation. We have always been a company at the forefront and use the opportunities that shifting times provide.

Moelven's vision, mission, set of values and personnel concept form the basis for all of our employees and the strategic choices that we make

OUR PERSONNEL CONCEPT:

MOELVEN CREATES OPPORTUNITIES TO PEOPLE WHO SEEK THEM

Moelven is a good and reliable workplace, but also and interesting one. At Moelven, we not only develop products and services, we also provide opportunities to people who want to develop.

OPERATIVE INCOME
10 297 500 000

OPERATING PROFIL
335 400 000

H2-NUMBER
34.8

H2-number: Number of injuries with and without absence per million worked hours, 12 months rolling.

46
production locations

37
production companies

EMPLOYEES
3399

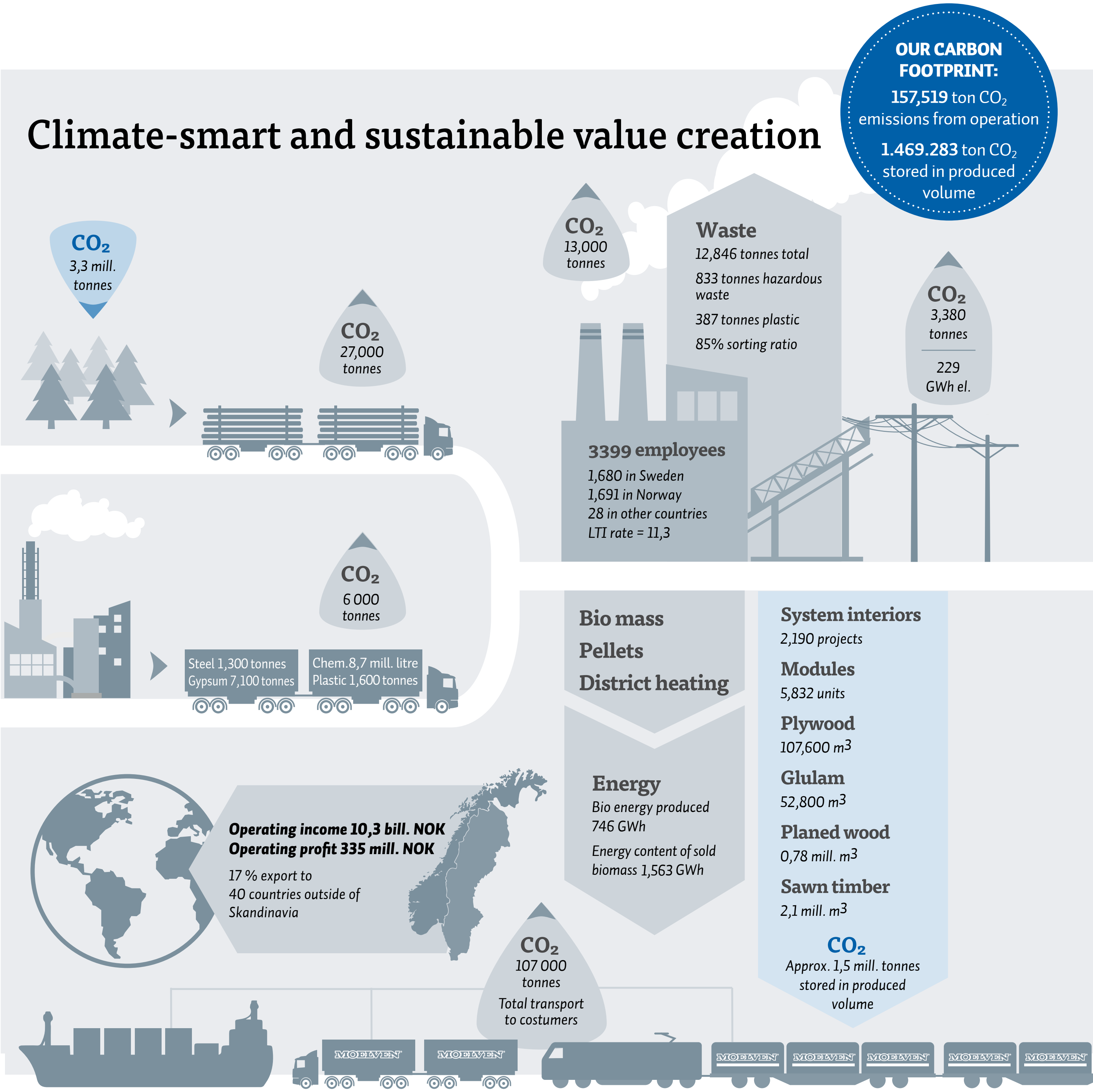
WOMEN
383

MEN
3016

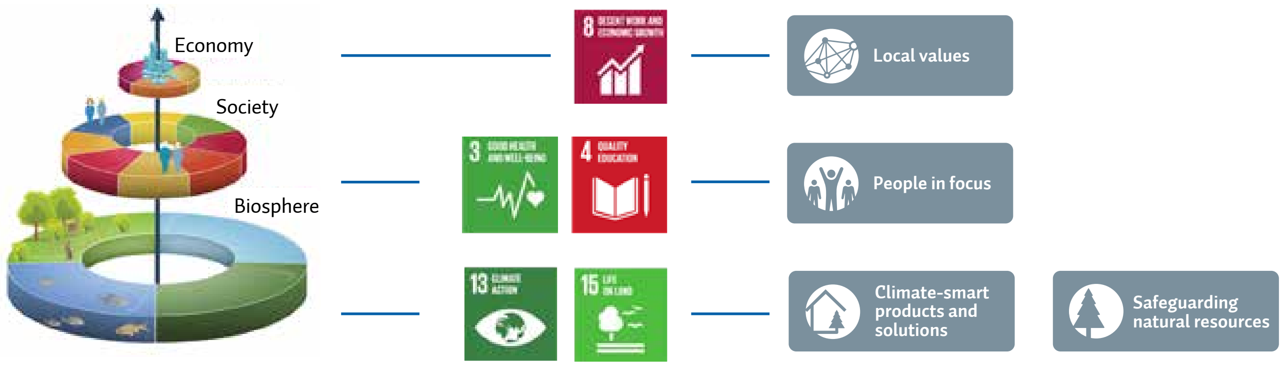
2
producing countries

Costumers in
40
countries

Climate-smart and sustainable value creation



Five sustainable development goals – four focus areas



Focus areas, goals and priorities

Four focus areas	Important topics	Results in 2019	Goals and priorities
We and the materials we produce shall be climate positive	1. Energy consumption in own production 2. Goods transport 3. Production of bioenergy 4. Climate benefits from forests 5. Climate-smart design 6. Waste management	· **229** GWh el. · **157,519** tonnes of CO_2 emissions · **1 469 283** tonnes CO_2 stored in finnished goods	· **10 % reduction in electricity consumption by end of 2022** · 208 GWh el. consumtion · Minimum Euro 6 lorries by 2022 · Streamline logistics · 10 % reduction in scope 3 emissions by end of 2022
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 controlled · **387** tonnes of plastic recovered · **1,651** tonnes of plastic consumed · **85 %** sorting ratio	· **90 % waste sorting ratio at all facilities by end of 2021** · Increase share of bioplastic an recycled plastic as much as possible · Work for introduction of environmentally-friendly alternatives to plastic
We shall be an attractive and safe workplace	1. HSE 2. Engaged and competent employees 3. Safe chemical use	· **11.3** LTI rate · **34.8** TRI rate · **207.5** absence due to injury rate · **3,208** risk reports · **5.4 %** absence due to illness · **3,399** employees	· **LTI < 5, TRI < 20, absence due to illness < 4 % by end of 2022** · **Risk reports >3500**
We shall create green workplaces	1. Economic value creation in local communities 2. Local environment	· **828 MNOK** in total value creation in Norway and Sweden · **4,235 MNOK** estimated contribution to society · **3,399** direct jobs · No violations of the Pollution Control Act or similar legislation that have led to fines	· **No violations of the Pollution** Control Act or similar legislation in 2020

Basic premise – We are a reliable partner

MAIN FIGURES LAST 5 YEARS

Amounts in NOK million	2019	2018	2017	2016	2015
THE GROUP					
Operating revenues	10,297.5	11,020.8	10,768.4	10,309.7	9,690.4
Gross operating profit (EBITDA)	629.8	932.7	716.1	601.6	553.9
Depreciation	296.2	280.4	278.1	290.1	289.6
Impairment	-1.8	66.1	17.6	16.5	49.5
Operating profit	335.4	586.2	420.4	295.0	214.8
Financial items	-95.8	-8.0	-46.8	-42.5	-56.3
Profit before tax	239.7,	578.2	373.6	252.5	158.5
Total assets	5,518.0	5,302.3	5,044.6	4,766.8	4,778.1
Equity in per cent	42.9	45.9	41.5	38.0	36.8
Operating margin in per cent	,3.3	5.3	3.9	2.9	2.2
Investments	478.7	497.4	357.0	275.2	215.8
Number of employees	3,399	3,524	3,546	3,492	3,426
TIMBER					
Operating revenues	3,118.9	3,263.3	3,118.2	3,020.6	3,010.1
Gross operating profit (EBITDA)	243.1	449.4	266.9	181.1	145.1
Depreciation	97.4	98.7	102.7	111.1	119.5
Impairment	-	7.4	17.6	16.5	49.5
Operating profit	145.8	343.3	146.7	53.5	-23.9
Financial items	,-5.1	-4.1	-17.4	-13.1	-9.0
Profit before tax	140.6	339.2	129.3	40.4	-32.9
Total assets	1,513.1	1,663.4	1,545.5	1,567.1	1,664.5
Operating margin in per cent	4.7	10.5	4.7	1.8	-0.8
Investments	115.8	136.7	99.2	64.2	75.9
Number of employees	629	620	650	674	679
WOOD					
Operating revenues	4,018.1	3,977.3	3,805.6	3,529.9	3,275.7
Gross operating profit (EBITDA)	265.4	318.5	265.7	274.5	237.4
Depreciation and impairment	100.3	166.6	110.9	113.8	113.7
Operating profit	165.1	151.9	154.8	160.6	123.7
Financial items	-29.2	-15.6	-24.8	-24.4	-27.1
Profit before tax	135.9	136.2	129.9	136.2	96.6
Total assets	2,514.4	2,466.9	2,413.9	2,151.6	2,146.7
Operating margin in per cent	4.1	3.8	4.1	4.5	3.8
Investments	117.2	198.1	119.9	114.7	96.8
Number of employees	1,114	1,108	1,079	1,039	1,009
BUILDING SYSTEMS					
Operating revenues	3,002.7	3,743.0	3,856.4	3,616.8	3,375.2
Gross operating profit (EBITDA)	135.0	189.0	206.7	166.3	185.2
Depreciation and impairment	78.1	60.6	52.8	51.2	44.4
Operating profit	56.8	128.3	153.9	115.1	140.8
Financial items	-3.9	-1.0	-1.6	-1.7	-0.1
Profit before taxes	52.9	127.4	152.3	113.4	140.7
Total assets	1,751.0	1,751.4	1,808.9	1,653.2	1,616.8
Operating margin in per cent	1.9	3.4	4.0	3.2	4.2
Investments	55.9	93.5	118.9	84.5	40.2
Number of employees	1,494	1,647	1,687	1,647	1,607
OTHER OPERATIONS					
Operating revenues	3,728.0	3,547.6	3,414.6	3,388.9	3,003.8
Gross operating profit (EBITDA)	-13.7	-24.1	-23.2	-20.3	-13.9
Depreciation and impairment	18.6	13.1	11.7	13.9	12.0
Operating profit	-32.3	-37.2	-34.9	-34.2	-25.9
Financial items	-57.5	12.7	-2.9	-3.4	-20.1
Profit before tax	-89.8	-24.5	-37.8	-37.6	-45.9
Investments	189.8	69.2	19.1	11.8	3.0
Number of employees	162	149	130	132	131

Report of the Board of Directors for 2019

2019 IN BRIEF

Following five years with increases in operating revenues and improved results, 2019 was a year that saw a decline in operating revenue and results for the group as a whole. The backdrop is first and foremost reduced activity levels in module operations and lower prices and delivery volumes for sawn timber and building wood. For the group as a whole operating income dropped by 6.6 per cent to NOK 10.3 billion (11.0) and the operating result by NOK 42.4 per cent to NOK 335.4 million (586.2). The group's rate of return on employed capital dropped from 19.0% to 9.4%. The main objectives in Moelven's long-term strategy plans are focused on creating a business with international competitiveness and a resilience that limits volatility in results and cash flow. The decline in profits from 2018 to 2019 was significant. In the context of the loss of activity in the module market and the price reduction in the international market for sawn timber, the board is nevertheless of the opinion that the long-term improvement work that forms the basis of the strategy is yielding results.

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 2019 demand for sawn timber internationally has been good, although the economic downturn and trade war between the USA and China somewhat dampened activities. On the supply side, the overall supply of sawn timber has been at a level that has led to an imbalance in the marked and a decline in process compared to the previous year. Weak Scandinavian currencies, in particular against the Euro, have contributed to maintain good competitiveness for the export-oriented units.

The UK is an important export market for Moelven. Market activity was good in 2019, although the Brexit issue caused some uncertainty through the year. Moelven implemented measures early on to mitigate risk related to Brexit, and views uncertainty with regard to the UK going forward to be mainly related to economic developments.

The Wood division mainly sells its processed wood products on the industrial and building materials markets in Scandinavia. Demand from this market has been satisfactory, although building activity has dropped somewhat compared to 2018. The division also has seven so-called combined units that use saw timber as a raw material in their operations. Depending on the quality and dimensions of raw materials, this results in a certain volume of sawn timber that is not processed by the unit but sold externally. The share of sawn timber sold externally from the combined units increased in 2019 compared to the previous year, and is one of the reasons the division increased operating revenues.

Timber stocks at the start of the year were satisfactory with regard to planned production levels for the winter of 2019. Access to timber has generally been good throughout the year. At the end of 2019, inventories were somewhat higher than at the start of the year. Both timber prices and prices for chip and fibre products have been higher in 2019 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 activities in these markets has declined somewhat in 2019, in particular in module projects for residential purposes. For the year as a whole, the overall demand for the division's products and services were somewhat lower than in the previous year. At the turn of the year the total order backlog for the division was NOK 131 million higher than at the same time in 2018. The low market activity and an improved, yet still weak order situation, makes it necessary to uphold the capacity reductions that have been implemented in 2019.

Events in 2019

On 13 February a fire broke out in the lumber dryers at Moelven Trysil AS. The fire brigade was notified just after seven in the morning, and Moelven quickly gained control of all employees at the sawmill. No one was injured, but several of the dryers sustained significant damage. The least affected dryers returned to operation relatively quickly, and at the end of the first quarter, drying capacity was back at approximately 50 per cent of the level before the fire. Damage to the other dryers proved to be so extensive that when age was taken into account, it was decided to build new ones rather than replace the old ones. A waiting period and a deductible on the general and consequential loss insurance of approx. NOK 5 million was charged to the accounts in the first quarter. The new dryers were started up in November/December 2019.

Both Moelven Töreboda AB and Moelven Våler AS celebrated their 100-year anniversaries in the second quarter. At the same time, Moelven Limtre AS celebrated its 60th anniversary. The anniversaries underscore that there is much history and experience behind the products and services the group currently supplies. In May the 85.4 metre tall Mjøstårnet was awarded its official status as the world's tallest wooden building. Chairman Steve Watts of the international Council on Tall Buildings and Urban Habitat, CTBUH, described Mjøstårnet as "a step into the future" that will have a great impact on the development of the cities of the future. Moelven Industrier ASA was established in 1899, and throughout its 120-year history, Moelven, with projects such as the Olympic halls for the 1994 games and more than 200 wooden bridges and two world records with "Treet" in Bergen and "Mjøstårnet" in Brumunddal, has moved the boundaries for what is possible to build from wood. As a symbol that one of the world's leading centres of expertise in wood structures is in the Moelven group, the group donated the monument "Silva" to Ringsaker municipality. The monument is eight metres tall, eight metres in diameter, can be illuminated according to the season and is made from glulam beams from Moelven Limtre AS.

On Wednesday 22 May module number 90,000 left the Moelven Byggmodul AS factory. Since the current Moelven Byggmodul AS factory was built in 1975, the company has produced and supplied sustainable wood modules for the building and construction sector, public buildings, commercial buildings and buildings for residential purposes. After the acquisition of Moelven Byggmodul Hjellum AS, the apartment concept will be maintained by the latter, while Moelven Byggmodul AS has specialised its production for the building and construction sector and public and commercial buildings.

Rebuilding of the dry sorting line at Moelven Notnäs Ransby AB, Ransby department after the fire in November 2018 was completed according to plan. The new dry sorting line was put into operation in the summer of 2019.

In September the new bioenergy plant that Moelven Pellets AS has built at Sokna was put into operation. Commissioning went according to plan, and Moelven Soknabruket AS closed its old heating plant in October. The bio-energy centre's two combustion boilers will have a total installed power of 24 MW, and will provide environmentally friendly thermal energy to both Moelven Soknabruket AS and Moelven Pellets AS's new pellets factory. The pellets factory started trial production at the September/October turn of the month. The startup went according to plan, and the first deliveries took place as early as October. In the beginning of 2020 the requirements to ENplus certification of the pellets were met. A partnership agreement has been concluded with SCA for the delivery of pellets. The agreement entails that the Swedish SCA group acquires the entire production volume from the factory.

In September it was decided to further specialise operations at Moelven Løten AS. This will be done by moving the production of standard goods to Moelven Våler AS, while Moelven Løten AS will produce only specialty products from large pine logs from the turn of the year. The change means that operations will be reduced to one shift. Staffing has therefore been reduced by a total of seven people. Timber consumption will be reduced from approx. 90,000 m^3 to 75,000 m^3.

Following a thorough process, in September 2019 an agreement was signed for the procurement of a new management system for HSE, quality and the external environment. The supplier Landax provides a comprehensive tool to support all HSE work in Moelven. A common way of working will reinforce the way in which we follow up and implement preventive work. A course of implementation has been planned where different modules are introduced in phases. In the years ahead training and new ways of working will characterise much of the HSE work at Moelven.

On 30 September the Board of Moelven Eidsvold Værk AS decided to close down the company. Moelven Eidsvold Værk AS is a combined facility with both a sawmill and planing mill, and has 60 employees. Discontinuation will take place in 2020. In August 2019 employees were informed that a closure of the plant was being considered. The background was high operating costs and an extensive need for investments to make operations competitive in a more normal market situation than has been the case in recent years. Following a comprehensive study, one has not succeeded in finding alternative solutions that could justify further operations, and the decision to discontinue was therefore made.

In October Moelven was host for parts of the programme for SIKT 2019. SIKT is an annual conference where His Royal Highness Crown Prince Haakon invites young leaders and talents between 20 and 40 to participate. The SIKT conference gathers around 200 participants from all over the country, and represents trade and industry, entrepreneurs, the public sector, NGOs, culture, sports, the media and academia. The goal of the conference is that all participants can learn from each other and discuss common challenges and opportunities in the Norway of the future. Four of the group's employees took part in the conference.

In October 2019 the residential project "Cederhusen," designed by BAU arkitekter and supplied by Moelven Byggmodul AB, was announced as winner of the 2019 Haninge Architectural Award. As justification for the nomination, which in itself is recognition of the architectural quality of module-based buildings, the jury stated that "'Cederhusen' is a wooden building that merges with its surroundings. The buildings tie the

city and nature together in a pleasing way and create great variation in expression with a small selection of materials. With its long balconies and common roof terrace, all residents experience proximity to nature and views of the emerging district Vega in Stockholm."

A good example of the strategy applied in practice is Moelven Modus's new self-designed offices in Malmö. Newst! has named the office one of Sweden's most attractive offices in 2019. When the office was designed, it was to create new standards not only for what an office can look like, but also to accommodate new work forms and patterns. In other words: "Innovation" and focus on "People." In addition, Modus's solutions are proven to be sustainable compared to traditional in situ solutions, particularly when the opportunities for reuse are exploited.

On 29 November Finansparken Bjergsted in Stavanger was officially opened. Finansparken Bjergsted is the new headquarters of Sparebank 1 SR Bank, and is northern Europe's largest commercial building based on wooden load-bearing structures at 22,800 m². Both Moelven Limtre AS and Moelven Modus AS have had significant deliveries to the building with glulam load-bearing structures and interiors of Eco Panel and Multi Room solutions. The use of wood, both in load-bearing structures and as a part of the indoor environment, is an important contributory factor to the building in all likelihood being certified at the BREEAM Outstanding, which is the highest level for environmental certification of buildings.

Strategy – People, Innovation, Sustainability and Profitability

The sustainability and 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.

The glulam beams that were used as tables during the SIKT conference have subsequently been repurposed as part of the loadbearing structure for Tande Bridge across the E6 motorway south of Moelv.

Photo: Moelven/Alexander Eriksson, SIKT

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 2018 a strategic decision was made 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 bio-energy purposes. Small-scale briquet production has also been carried out. The decision taken in the spring of 2018 entailed building a new pellets factory and a new bioenergy plant at Sokna outside Hønefoss, at an overall investment of NOK 270 million, of which Enova supports the bioenergy effort with 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. Both the bioenergy plant and the pellets factory started up in the autumn of 2019. The pellets factory has provided 7 new jobs, and will double pellet production Norway when it reaches full production. 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 has been a brand new bio-energy plant that will both supplies the sawmill and the pellet factory with thermal 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.

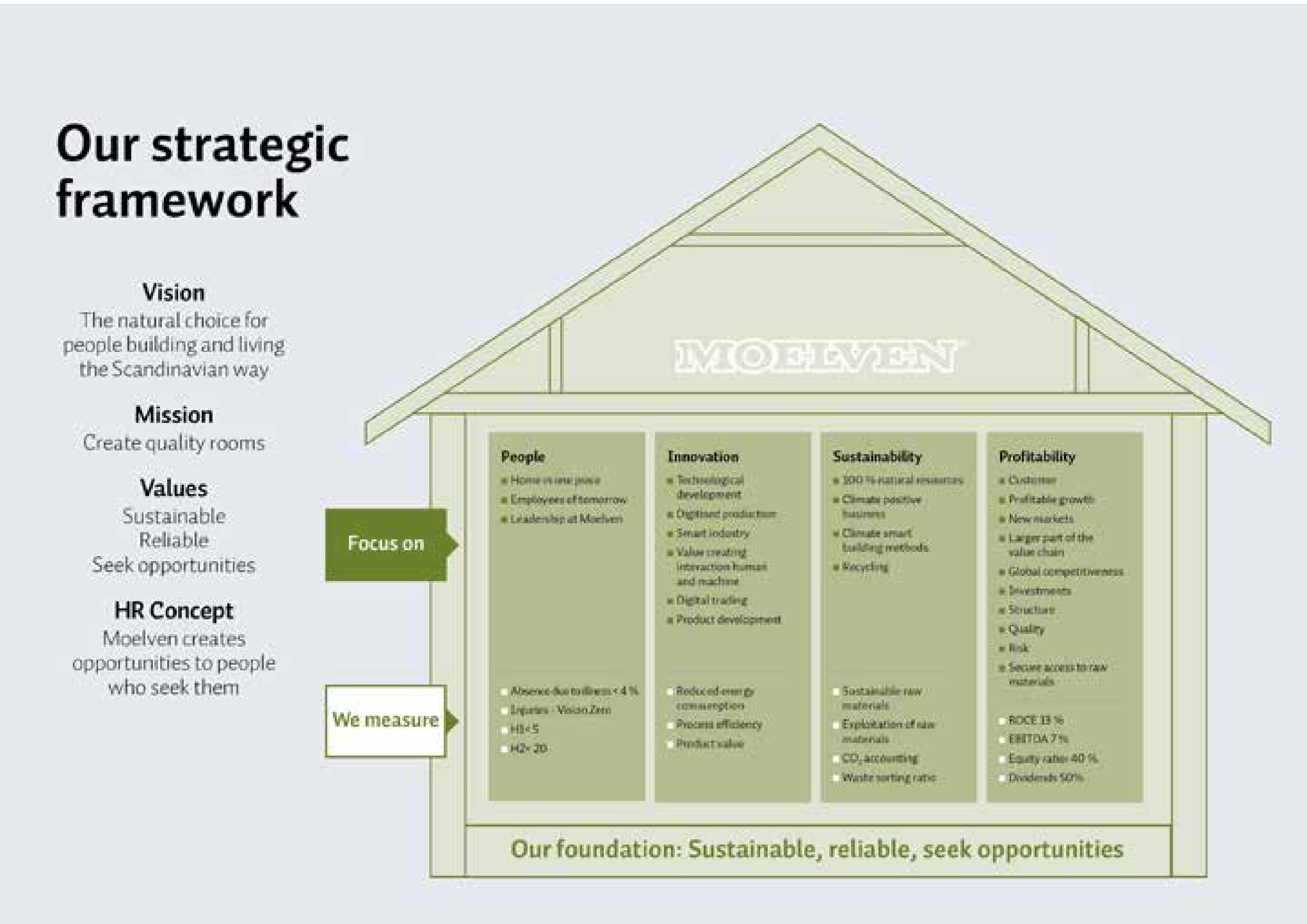
Besides the environmental and sustainability theme, HSE has become steadily more important in the strategy work. The group has a long-term target of zero injuries – it should be safe to work at Moelven. The developments in injury rate have been unsatisfactory, and the LTI rate increased from 10.9 in 2018 to 11.3 in 2019. In the strategy plan, intermediate objectives have been established on the path towards the long-term objective.

	2019	2020	2021	2022
LTI rate	11.3	< 6	< 5	< 4
TRI rate	34.8	< 24	< 20	< 16
Reports per employee	0.94	> 1.0	> 1.1	> 1.2
Absence due to illness	5.4%	< 4.2 %	< 4.0 %	< 4.0 %

The health, safety and environment strategy can be summarized in nine points:

- Clear goals
- Active leadership and active employee participation
- 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 still 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. Further growth in the strategy period should take place by strengthening the basic business we already have. 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 2019. In addition, several organizational changes are being implemented, as well as major investment projects that will improve efficiency and profitability.

Moelven's strategic framework summarises the corporate strategy and is used to clarify what work should be done and which priorities should be made to achieve the objectives.

CORPORATE GOVERNANCE

On 2 May 2019 Asbjørn Bjørnstad stepped down from the Board of Directors after 4 years. Gudmund Nordtun was elected as new board member, and since 2 May 2019 the board has consisted of Olav Fjell (chairman), Trond Stangeby (deputy chairman), Elisabeth Krokeide, Aud Ingvild Storås, Gudmund Nordtun, 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. Comprehensive information on the group's governing bodies is published at www.moelven.no and in note 27.

Corporate structure

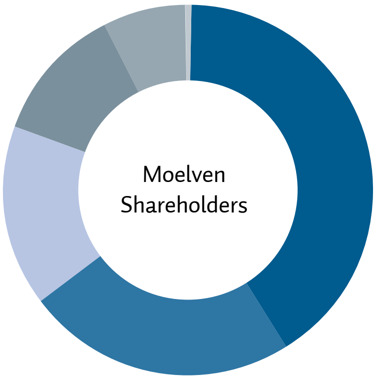
In the second quarter the operations at the Timber division's sales offices in the Netherlands and Poland were discontinued. The companies Moelven Nederland B.V. and Moelven Polska Sp.z.o.o were discontinued in 2019. Market responsibilities for the Netherlands and Poland have been transferred to Moelven Deutschland GmbH.

Moelven Multi3 AS will merge with Moelven Wood Prosjekt AS as of 1 January 2020. Both companies are a part of the Wood division and are wholly-owned subsidiaries in the group. The specialist expertise from Moelven Multi3 AS in the areas of fire-safe wood, finger joints and precut, as well as production of the ISO3 stanchion, will be continued in Moelven Wood Prosjekt AS, but the merger will rationalise both production and sales.

THIS IS THE MOELVEN GROUP

Ownership structure

- Glommen Mjøsen Skog SA (40.8 %)
- Eidsiva Vekst AS (23.8 %)
- Felleskjøpet Agri SA (15.9 %)
- Viken Skog SA (11.9 %)
- AT Skog SA (7.3 %).
- Other (0.4 %)



On 5 December 2019 it was announced that Eidsiva Vekst AS and Felleskjøpet Agri SA had entered into an agreement to sell their shareholdings of 23.8 per cent and 15.9 per cent respectively to the company Skog Holdco AS, which was owned by Viken Skog SA, AT Skog SA and Felleskjøpet Agri SA. Pursuant to the shareholding agreements that exist between the largest shareholders, there is a right of pre-emption between these if any of them want to sell their shares. Viken Skog SA with its 11.9 per cent of the shares and Glommen Mjøsen Skog SA, which after the merger between Glommen Skog SA and Mjøsen Skog SA own 40.8 per cent of the shares, both announced in the beginning of January 2020 that they wanted to exercise their right of pre-emption. The competition authorities approved the transaction in February, and the new ownership constellation was thus Glommen Mjøsen Skog SA 71.5 per cent, Viken Skog SA 20.8 per cent, AT Skog SA 7.3 per cent and other shareholders 0.4 per cent. Glommen Mjøsen Skog SA's increased ownership share triggered a mandatory bid for the remaining shares subject to the shareholder agreements. At the end of February 2020 AT Skog SA announced that it would accept the bid, while Viken Skog SA retains its share. When the transaction with AT Skog SA has been concluded, Glommen Mjøsen Skog SA will own 78.8 per cent of the shares, Viken Skog SA 20.8 per cent and other shareholders 0.4 per cent.

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, England and Germany. 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 3,399 (3,524) employees at the end of 2019, 1,691 (1,696) work in Norway, 1,680 (1,797) in Sweden, 20 (21) in Denmark and 8 (10) 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. 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 3 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 2019, there were 629 (620) employees, 251 (249) of them in Norway, 370 (361) in Sweden and 8 (10) in other countries.

Wood

The Wood division comprises 16 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 2019, there were 1,114 (1,108) employees, 608 (601) of them in Norway, 486 (486) in Sweden and 20 (21) in Denmark.

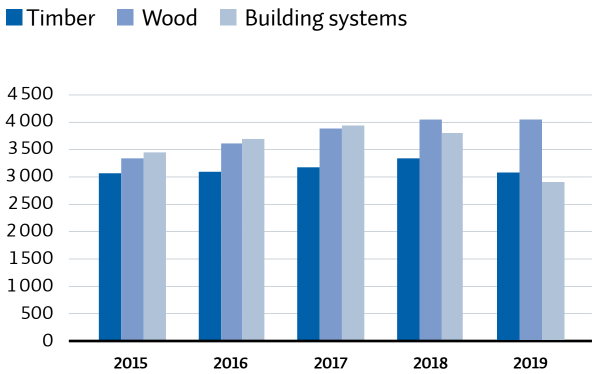
Building Systems

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, Building Modules and System Interiors, 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 2019, there were 1,494 (1,647) employees, 765 (788) of them in Norway and 729 (859) 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.

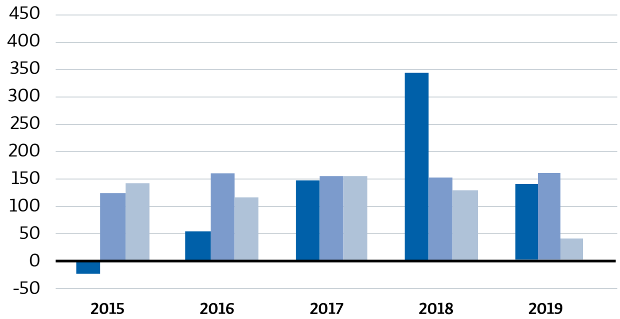
Other Businesses

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, Moelven Virke AS, Vänerbränsle AB, Moelven Bioenergi AS and Moelven Pellets AS. In addition there is the affiliate Weda Skog AB. At the end of 2019, there were 162 (130) employees, 67 (51) of them in Norway and 95 (79) in Sweden.

Operating revenues



Operating results



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 that is published in the group's Sustainability Report.

OPERATING REVENUES AND RESULTS

The group

Amounts in NOK million	2019	2018
Operating revenue	10,297.5	11,020.8
EBITDA	629.8	932.7
Depreciation and impairment	294.4	346.5
Operating Profit	335.4	586.2
Profit before tax	239.7	578.2

Operating revenues in 2019 dropped by 6.6 per cent compared to 2018. The main causes are reduced activity levels in module operations and lower prices and delivery volumes for sawn timber. In the module business, activity was lower in 2019 than in the previous year in particular for modules for apartment buildings. Sawn timber is the main product of the Timber division, and reduced prices are the main cause of the drop in operating revenues for the division. Sawn timber is however also an important input factor for many of the companies in Wood and Building Systems. Price developments for sawn timber thus impact the cost level in these divisions.

Raw material costs for the timber-consuming part of the group increased overall in 2019 compared to 2018. Overall, the prices for chip and fibre products also increased somewhat and reduced the cost effect from increased timber prices.

The operating result for 2019 declined by 32.3 per cent to NOK 335.4 million (586.2) and the operating margin dropped from 5.3 per cent to 3.3 per cent. In 2019 impairments of NOK 17.0 million have been implemented as a result of the decision in the third quarter of 2019 to discontinue operations at Moelven Eidsvold Værk AS. 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 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 impacted the 2019 operating result with a total of NOK -32.8 million in the quarter (88.6 million). 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 in 2019 comprised NOK 23.7 million (NOK 51.5 million)

In the fourth quarter a change was made in the group's procedures for hedging power prices. The change entailed that the market value of the hedging contracts is now covered by the exception rule in IFRS on procurement for own use, and is therefore no longer capitalised. As a result of this the positive market value that was capitalised as of 31/12/2018 was expensed in the financial results by NOK 30.8 million. The overall positive market value for non-capitalised hedging contracts for electrical power was NOK 13.2 million as at 31/12/2019.

The market value change also includes basis swap effects. For 2019 this comprised NOK 17.6 million (-0.2). 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.

Timber

Amounts in NOK million	2019	2018
Operating revenue	3,118.9	3,263.3
EBITDA	243.1	449.4
Depreciation and impairment	97.4	106.2
Operating Profit	145.8	343.3
Profit before tax	140.6	339.2

Activity in the international sawn timber markets was very good at the beginning of 2019, but declined somewhat as the year progressed. At the same time the supply of lower qualities, particularly of spruce, has increased as a result of storm fellings and powder-post beetle attacks. The high supply of goods resulted in a fall in market prices, and this is main reason for the drop in operating revenues. Overall delivery volumes were lower than in 2018. Towards the end of the year, however, large sections of the industry scaled back production volumes, and this has helped improve the market balance. For the export-oriented units, which mainly are a part of the Timber division, continued weak currencies in both Sweden and Norway have contributed maintaining competitiveness. At the turn of the year the division overall had a relatively good order backlog, with price levels that indicate a levelling off of the falling trend that characterised all of 2019.

The UK is an important export market, particularly for the Swedish units in Timber. Even though there no longer is any doubt that the UK will leave the EU, great uncertainty still remains related to how this will impact economic developments in the longer term. Moelven has, to the extent this is possible before the trade agreements with the EU are in place, implemented measures to maintain deliveries.

Production volume in 2019 was lower than in the previous year, mainly due to planned lower production time and production constraints to balance inventories towards the end of the year. This resulted in higher unit costs than planned, despite the fact that the implementation of rationalisation and cost-reductions has followed scheduled plans. In addition to lost processing value as a result of reduced production, the result has been affected by value adjustments to inventories because of price developments. For the year as a whole, the profits have seen a negative effect of a value adjustment to inventories totalling NOK 21.2 million. The corresponding value adjustment in 2018 was NOK 12.3 million. The value adjustment has no cash flow effect.

Access to all assortments of forest raw materials was good in 2019. At the end of the year the timber stocks were higher than at the same time the previous year, and up towards the maximum level at certain units. Both timber prices and prices for chip and fibre products have been higher in 2019 than the previous year.

In the second quarter the operations at the Timber division's sales offices in the Netherlands and Poland were discontinued. The companies Moelven Nederland B.V. and Moelven Polska Sp.z.o.o were discontinued in 2019. Market responsibilities for the Netherlands and Poland have been transferred to Moelven Deutschland GmbH.

Wood

Amounts in NOK million	2019	2018
Operating revenue	4,018.1	3,977.3
EBITDA	265.4	318.5
Depreciation and impairment	100.3	166.6
Operating Profit	165.1	151.9
Profit before tax	135.9	136.2

Activity in the building materials trade in Scandinavia dropped somewhat in 2019 compared to the previous year. It was mainly demand for construction wood that declined, while interior products saw good demand. Overall, delivery volumes for processed products from the Wood division were lower than in 2018. For the year as a whole, price levels were higher than in 2018, even with a slight decline towards the turn of the year. The price levels for processed products and increased deliveries of sawn timber from the combination units contributed to operating revenues increasing compared to the previous year.

Operating conditions were generally good throughout the year, but the fire at Moelven Trysil AS resulted in some operational disruptions at the plant in Trysil and partly at the units affected by the continuity plans. Excess costs and a waiting period until the consequential loss insurance took effect was charged to the accounts in the first quarter to the tune of NOK 5 million.

Overall production in the division was somewhat lower than in 2018. This is mainly due to the process of closing down operations at Moelven Eidsvold Værk AS, reduced drying capacity at Moelven Trysil AS after the fire in February and adjustment of the production plans at certain other units to balance inventories. At Moelven Trysil AS construction of new dryers has been according to schedule, and all were started up in the course of December.

Reduced production and operational disruptions led to unit costs increasing compared to 2018.

The planing mills in the division use mainly sawn timber as raw material. As a result of price trends for sawn timber internationally, the raw material costs for these units have been reduced through the year.

For the timber-consuming units in the division, access to all assortments of forest raw materials has been good throughout the year. At the end of 2019 the timber stocks were higher than at the same time the previous year, and up towards the maximum level at certain units. Both timber prices and prices for chip and fibre products have been higher in 2019 than the previous year.

Due to price developments the profits have seen a negative effect of a value adjustment to inventories totalling NOK 11.6 million. The corresponding value adjustment in 2018 was NOK 76.3 million. The value adjustment has no cash flow effect.

As a result of the decision made in the third quarter 2019 to discontinue operations at Moelven Eidsvold Værk AS, the year to date operating result has been charged with cost provisions totalling NOK 17.0 million.

The cumulative operating profit for 2018 has been charged by a total of NOK 66.1 million in impairments related to the decision in the third quarter of 2018 to discontinue Moelven Are AS, and conducted impairment tests on fixed assets in connection with the annual settlement that indicated a drop in value totalling NOK 52.5 million.

Building Systems

Amounts in NOK million	2019	2018
Operating revenue	3,002.7	3,743.0
EBITDA	135.0	189.0
Depreciation and impairment	78.1	60.6
Operating Profit	56.8	128.3
Profit before tax	52.9	127.4

At the turn of the year, the order backlog was NOK 131 million higher than at the same time in 2018. It is primarily the building module operations that is responsible for the improvement. However, slow market activity and a weak order situation at certain units still make it necessary to maintain the reduced capacity.

For the glulam operations in both Norway and Sweden activity levels dropped somewhat compared to the previous year. In both countries production costs are too high to achieve good results with the current activity and price levels. This means that there are high requirements to the implementation of rationalisation measures and concept adjustments going forward, and improvement projects have been implemented.

For the building module operations in Norway, activities in building and construction have been good in 2019, and production for this market segment has been satisfactory. The new robot line that has been installed at the factory in Moelv has started up, and will provide further rationalisation of operations in the time ahead. In the housing segment activity has been poor, and lay-offs were implemented throughout the first six months and up to August. The production was restarted, albeit with somewhat reduced capacity in August. Towards the end of the year the order situation improved further, but it will still take some time before the production rate and results reach the targeted level.

For the Swedish module operations, demand for more basic modules used in building and construction and leasing has been somewhat weaker than normal. The housing segment remains somewhat hesitant, but towards the end of 2019 there were signs of improvement. The order backlog also improved for the Swedish operations towards the end of the year, but an increase in production is still some way off. Overall for the operations in Sweden there has not been a basis to reverse the capacity adjustments that have been implemented in the course of 2019. Pursuant to Swedish legislation, layoffs are not permitted. In order to adjust capacity to the market conditions, redundancies are therefore necessary. Through lay-offs and terminations of agreements for hiring in personnel, overall capacity has been reduced by slightly more than 30 per cent in the course of the year.

For system interiors from Moelven Modus market activity has been good in both Norway and Sweden, particularly in and around the capitals and major cities. In Norway activity in certain other areas, such as northern and western Norway, have dropped to levels that may lead to a need to adjust capacity if they persist. In Sweden the situation is better, but price levels remain too low to create satisfactory profitability. The market's focus on the environment has strengthened significantly, as well as requirements to flexibility and good design in activity-based working environments. Material choices and product documentation are becoming more and more important in connection with the environmental certification of buildings. All of this, in addition to the authorities' focus on proper working conditions in the construction industry, is good for the business. In the course of 2019 s new painting line started up at the factory in Hulån in Sweden, and an investment was made in new production equipment for the production of Eco Panel at the factory in Norway. The investments will contribute to further rationalisation of production.

Other Businesses

Amounts in NOK million	2019	2018
Operating revenue	3,728.0	3,547.6
EBITDA	-13.7	-24.1
Depreciation and impairment	18.6	13.1
Operating Profit	-32.3	-37.2
Profit before tax	-89.8	-24.5

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, Moelven Virke AS, Vänerbränsle AB and Moelven Bioenergi AS. Moelven Pellets AS, which was established in June 2018 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. The energy centre started up in September, and the pellets factory started trial production in September/October. The first pellet deliveries took place in October. Starting up of the factory has gone according to plan throughout the fourth quarter. A partnership agreement has been concluded with SCA for the delivery of pellets. The agreement entails that the Swedish SCA group acquires the entire production volume from the Moelven Pellets AS factory at Sokna. Fluctuations in operating revenues in the area of Other Businesses are largely due to the level of activity within timber supply and sales of wood chips and energy products. These are mainly internal sales, which do not materially affect the results within the business area. In order to safeguard the supply of timber and market opportunities for wood chip and energy products in regions without local demand for pulp wood and wood chips, Moelven is to a certain extent involved in the purchase resale of this, based on established train solutions for transport, among other things. The business is based on fixed agreements on both the customer and supplier sides.

INVESTMENTS, BALANCE SHEET AND FINANCING

During 2019, total investments were NOK 478.7 million (NOK 497.4 million). The high investment rate is in accordance with the investment programme in the group's strategy plan. The most extensive single investment in 2019 has been Moelven Pellets AS's construction of a new pellet factory and energy centre at Sokna outside Hønefoss. The project is included in the overall investment amount by NOK 169 million in 2019.

Depreciations and impairments for 2019 comprised NOK 294.4 million (346.5). For 2019 the total includes NOK 17.0 million related to the discontinuation of operations at Moelven Eidsvold Værk AS, and overall for 2018 NOK 66.1 million related to the discontinuation of Moelven Are AS and valuation pursuant to IAS 36.

At the end of 2019, the book value of the Group's total assets was NOK 5,518.0 million (NOK 5,302.3 million). In addition to high investments in 2018/2019 and the accounting effects of the implementation of IFRS 16 – Leasing, increased inventories are the main reason of the increase in total assets.

Cash flow from operating activities was NOK 466.3 million (653.1) in 2019, corresponding to NOK 3.60 per share (NOK 5.04). The change compared to last year is due to weaker earnings and natural fluctuations in working capital items. Cash flow from working capital items was NOK 14.3 million (-167.5).

Net interest-bearing liabilities were NOK 1,136.4 million (NOK 721.4 million) at the turn of the year. Leasing is included in net interest-bearing liabilities in the amount of NOK 198.8 million (NOK 43.4 million). The increase from 31/12/2018 is mainly due to the balancing of all leases in accordance with IFRS 31.12.2018 – Leasing, which was implement from 16 January 2019.

The liquidity reserve was NOK 951.0 million (NOK 1,239.4 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. The main funding is due on 17 June 2021 and the process on refinancing this has been initiated.

Equity at the end of 2019 amounted to NOK 2,368.2 million (NOK 2,435.3 million), equivalent to NOK 18.3 (NOK 18.7) per share. The equity ratio was 42.9 per cent (45.9 per cent). The dividend for 2018 of NOK 1.74 per share (0.68), totalling NOK 225.4 million (88.1), was paid and charged to equity in the second quarter 2019 (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 2019 the change was NOK -30.8 million (-17.3 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.

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.

Sawn timber prices

The Moelven Group's units annually use around 4.5 million cubic metres sawn spruce and pine in production. The total value is approximately NOK 2,500

Sensitivity analysis

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

Factor	Δ EBIT NOK mill.	NOK per share
EBIT		
Sawlog price - spruce and pine	28	0,22
Sawn timber spruce	15	0,12
Sawn timber 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 bps.	6	0,05

million, including transport costs. Spruce and pine account for approximately equal portions of the round timber. Moelven does not own any forest, but buys all its timber 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 cost of timber 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 timber 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 225 GWh of electric power a year is bought via the Group's electricity suppliers 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 through bilateral agreements with electricity suppliers 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 shall not be entered into 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 2019, the total equity that is exposed to exchange rate risk amounted to SEK 1,302.3 million (SEK 1,371.5 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 comprises a long term credit facility from June 2016 with an overall scope of NOK 850 million and SEK 750 million. The loan agreement included options to extend the term by up to two years. These were exercised in 2017 and 2018 respectively. Further extension is not possible, and the loan agreement's final maturity is in June 2021. The refinancing process has been initiated and will be completed by the end of the second quarter of 2020 according to plan.

The loan agreement includes normal default clauses with regard to dividends, equity, net equity value and debt ratio. As at 31 December 2019, 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.

On 13 February 2019 a fire broke out in the lumber dryers at Moelven Trysil AS. The fire brigade was quickly notified, and Moelven quickly gained control of all employees at the sawmill. No one was injured, but several of the dryers sustained significant damage. The least affected dryers returned to operation relatively quickly, and at the end of the first quarter, drying capacity was back at approximately 50 per cent of the level before the fire. Damage to the other dryers proved to be so extensive that when age was taken into account, it was decided to build new ones rather than replace the old ones. Using established continuity plans, the operational disruption was limited by using capacity at other plants.

A waiting period and a deductible on the general and consequential loss insurance of approx. NOK 5 million was charged to the accounts in the first quarter. The new dryers were started up in November/December 2019.

Information technology

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 strongly emphasises maintaining a good reputation, and this is closely monitored by corporate management. 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. There is financial risk linked to any loss of Moelven's reputation. The reputation risk is not quantified.

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

The global climate crisis will have an increasing impact on Moelven. The risk is changing both for Moelven and society at large. At the same time, great opportunities are arising for those that are a part of the green shift. Moelven is to a certain extent exposed to transition risk. In general, changes to regulations, policy and reputation will have a potentially positive effect for Moelven, as wood products are considered an important component of the green shift. There are good opportunities to expand the market and offer new products and services. At the same time it is clear that competition for climate-friendly building materials is increasing, with constantly new products, solutions and players on the market.

Moelven is exposed to significant acute physical climate risk. Extreme weather can harm standing forest, which in turn can have a potential effect on quality, price levels and access to timber. Floods are also relevant as many of Moelven's sawmills are in close proximity to rivers and waterways. These are known problems that have been subject to strategic work for many years. Chronic physical climate risk, such as increased volatility in weather conditions, more precipitation and increased average temperatures can also affect Moelven. In the short term such harvesting can be affected by wet and warm winters, and in the longer term raw material quality can be affected.

Moelven has conducted a climate risk and opportunity survey to better understand how the company will be affected by these global trends and how the company shall ensure long-term value-creation ahead in time. The analysis is based on the reporting recommendations of the "Task Force on Climate-related Financial Disclosures" (TCFD). TCFD was initiated by the G20 countries' "Financial Stability Board" to help companies and owners better understand how climate changes are affecting management, strategy, risk and objectives.

Management

The Board of Directors' role

The Board of Directors' responsibilities and tasks follow current legislation and the rules of procedure for Moelven Industrier ASA. This gives the Board the overall responsibility to ensure competent control of the company's operations. The relationship to climate risk and climate opportunities falls within this. In accordance with the current rules of procedure, the Board annually reviews and adopts the company's policy for sustainable operations and code of conduct. These provide guidelines for how Moelven shall integrate considerations to the outside world in value creation. The sustainability policy also stipulates that Moelven shall publish its results and progress in the area through an annual sustainability report. The sustainability report is processed and adopted by the Board along with the company's annual accounts and the report of the Board of Directors. No separate board committees have been established with regard to climate risk and sustainability.

The role of management

The CEO is responsible for the day-to-day management of Moelven's operations and follows the guidelines provided by the Board.

Monitoring and control of climate and sustainability issues is organised under economy and finance in corporate management, where responsibility for internal control and risk management is otherwise located. In addition group- and/or division-wide functions for control and follow-up have been established where this is appropriate. Examples are raw materials supply, the raw materials certification schemes PEFC™ and FSC®, energy follow-up and HSE.

There are also examples of climate related issues that are closely integrated in the day-to-day operational activities. This applies in particular to product certifications, operation permits, etc. Moelven has a decentralised organisational model where most of the operative units are independent legal entities. The local boards and company management have independent responsibility for the follow-up of climate and sustainability issues at the unit level.

Strategy and scenario analysis

In the risk assessment and strategy process, Moelven is considering the short-, medium- and long-term time horizons: Short-term 0-5 years, medium long-term 5-10 years and long-term 10-30 years. The definition follows the time frame stipulated by the IEA in the World Energy Outlook. The short term viewpoint is in line with Moelven's existing strategic outlook. In the medium long-term the investments and assets are considered in terms of possible trends and risks towards 2030, with a change in global policy and markets related to climate action. The long-term view is also relevant as several European countries have existing targets of virtually zero emissions in 2050. Both Norway and Sweden have committed to emissions cuts through the 2015 Paris Agreement. In June 2017 Norway adopted the Climate Act, whose key objective is to reduce greenhouse gas emissions by at least 40 per cent by 2030 from the benchmark year of 1990. In addition, Norway shall be a low-emission society in 2050 with a reduction in greenhouse gas emissions of 80-95 per cent. Among other things, the EU has proposed a new framework, the European Green Deal, which proposes adopting an ambition that the whole of EU shall become carbon neutral by 2050.

Risks and opportunities have been identified through scenario development, where Moelven has developed two scenarios for the short, medium-long and long term. Scenario 1 describes a world that implements measures to limit global warming to well below two degrees by the end of the century, in accordance with recommendations from the IPCC. This scenario mainly uses data from the IEA's Sustainable Development Scenario and the IPCC's RCP 4.5.

Scenario 2 describes a world that wants to act, but is struggling to implement effective measures, which leads to a global warming of between 2.5 to 3.5 degrees. This scenario mainly uses data from the IEA's Stated Policies and the IPCC's RCP 8.5. In addition to the IPCC and IEA estimates, both scenarios include local factors and alternative sources, as Moelven operational areas may diverge from global perspectives. For example, Norway may implement measures in accordance with recommendations from the IPCC, while global policy and initiatives are not yet structured in accordance with a world that limits the global warming to well below two degrees.

Identified risks

#	Risk	Risk type	Risk description	Risk level	Ability to impact	Time horizon
A	**Unpredictable access to raw materials**	Physical acute climate risk and Physical chronic climate risk	Increased prevalence of storms and extreme precipitation in the Nordic region. The market balance in the entire value chain is disturbed as a result of supply side shock in the raw materials market. Increased risk of forest fires in the Nordic region. Unpredictable outbreaks of pests and fungus.	High	Low	Short / Long (0-30 years)
B	**Extreme weather damage to industry and infrastructure**	Physical acute climate risk	Larger and more frequent extreme weather incidents in the Nordics. Damage or need for preventive measures that e.h. are limited to a geographical area will impact competitiveness.	High	Medium	Short / Long (0-30 years)
C	**Changed raw material quality**	Physical chronic climate risk	Increased temperature contributes to better growth conditions for trees, but also poorer quality.	Medium	Low	Long (10-30 years)
D	**The final product cannot withstand a more extreme climate**	Physical chronic climate risk	Extreme weather requires more robust materials. Impregnating agents (creosote) may regulated to a greater extent.	Medium	Low	Long (10-30 years)
E	**Changed requirements for the storage of materials**	Physical chronic climate risk	More extreme weather creates challenges in storing materials outdoors.	Medium	Low	Short / Medium (0-10 years)
F	**Increased electricity prices**	Market	Norway sells electricity to other countries, e.g. the UK.	Medium	Low	Short / Long (0-30 years)
G	**Increased prices of fossil fuels**	Statutes and regulations	Norwegian authorities increase the CO_2 tax to achieve goals of emission reductions in the transport sector.	Medium	Medium	Short / Medium (0-10 years)
H	**Fossil fuels subject to emissions restrictions**	Statutes and regulations	New regulations that impose requirements on the restructuring of operational forms or investments in new plants and equipment.	Low	Medium	Long (10-30 years)
I	**Building materials from other industries become eco-friendly**	Technology	Other sectors adopt new technology, for example CCS in concrete production.	High	Low	Long (10-30 years)
J	**Changed perception of the role of forests in the green shift**	Reputation	Increased knowledge and engagement about the role of the forest in the green shift and potential new requirements to management.	High	Medium	Medium (5-10 years)

Moelven is particularly exposed to physical climate risk, technology risk and reputation risk. Physical climate risk comes from changes in weather and climate, and with regard to Moelven this will mainly affect raw material access and the frequency and the severity of floods. Raw material access can be impacted through extreme weather, where a historic example is the hurricane Gudrun in 2005 that felled forest equivalent to one year's normal harvesting in Sweden. Forest fire is also a risk factor that increases in line with increased average temperatures and drought periods. Harvesting can also be affected by long, mild winters, due to challenges related to accessibility in the forest. This risk has affected Moelven in the past, and it is assumed that the risk level will increase in time with climate changes.

Today wood materials are perceived to be among the most sustainable building materials, but Moelven can risk increased competition in the area due to technology developments in other sectors. Examples are the use of carbon capture in the cement and concrete industry or the use of sustainable hydrogen in steel electrolysis. Moelven has little impact on this risk, but already has a well-established brand as a manufacturer of sustainable building materials. The risk is already present, with competing products that are clearly marketed as sustainable. The risk is expected to significantly increase if carbon capture is adopted for cement production in Norway, and that the plans for emissions-free production of steel is realised in Sweden.

Moelven also faces a potential reputation risk, where there are great expectations that the forestry industry and bio-economy shall act as an accelerator for the green shift. In order for this to materialise, it is important that the authorities' instruments assist the industry to develop further, including through facilitation of increased efficiency in transport and long-term framework conditions. At the same time, new requirements are being considered on the sustainable management of forests at the EU level, which potentially may have consequences for Moelven's operations and external stakeholders view of Moelven.

Moelven is actively working on the risks in order to reduce the consequences and likelihood that they occur as summarised in the below table:

By comparing the two scenario, Moelven will have better conditions for long-term value creation in scenario 1 (low emissions). Physical climate risk is lower in this scenario, and one may expect increased demand for the group's products. Scenario 2 means increased unpredictability both in terms of physical and transitional risk that will impose increased requirements on Moelven's risk and opportunity management to ensure long-term value creation.

#	Risk	Description of risk-mitigating measures
A	**Unpredictable access to raw materials**	Centralised and competent purchasing organisation, long business relationships that are loyal in their procurements.
B	**Flood damage to industry and infrastructure**	Flood embankments, contingency plans to both maintain deliveries and protection of plants and machinery. Strategic and continuous work for good quality and scaling of infrastructure (road and rail)
C	**Changed raw material quality**	Contact and engagement with research communities. Internal competence development and product development.
D	**The final product cannot withstand a more extreme climate**	Product development, development of construction methods, cooperation with e.g. paint manufacturers.
E	**Changed requirements for the storage of materials**	Building of climate storage, umbrella roofs, development of packaging materials.
F	**Increased electricity prices**	Purchasing and hedging strategy.
G	**Increased prices of fossil fuels**	Build expertise on and exploit alternative energy sources.
H	**Fossil fuels subject to emissions restrictions**	Adopt new and improved technology for the production of bio-raw materials for energy purposes.
I	**Building materials from other industries become eco-friendly**	Work for constant improvement of own climate footprint and documentation of the overall climate footprint. Participation in research and development of objective and good calculation methods for climate footprint over time.
J	**Changed perception of the role of forests in the green shift**	Contribute to research and social education.

Identified opportunities

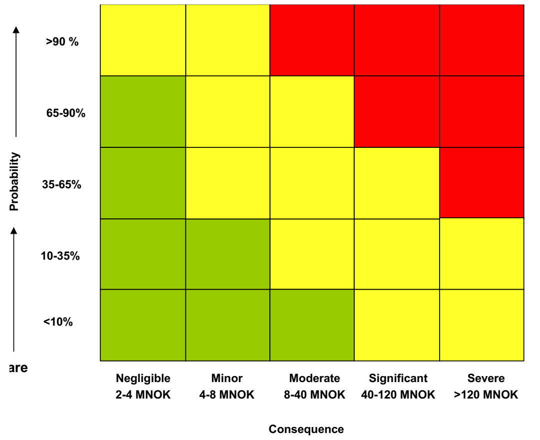
The climate changes and the green shift also afford significant new opportunities for Moelven. It is difficult to quantify the opportunities, as these must be assessed on a case-by-case basis. However, in general it is natural to believe that the opportunities exceed the potentially negative risk, if Moelven actively grasps the opportunities that climate change and the green shift will provide.

#	Opportunity	Opportunity type	Description of opportunity	Financial impact
A	**Increased energy efficiency in own production**	Resource efficiency	Technology developments make it possible to increase the utilisation of resources in production processes Note! Thermal and electricity.	Lower production costs Income from sale of surplus heat
B	**New regulations and improved infrastructure enable increasingly sustainable transport**	Resource efficiency	Use of up to 74 ton road transport in Norway on the entire road network, including the forest truck roads will trigger a major rationalisation potential.	Reduced costs linked to transport
C	**The use of renewable energy for own production**	Renewable energy	technology developments make renewable energy more efficient Statutes and regulations facilitate the use of renewable energy	Lower production costs
D	**Increased demand for bioenergy for heating**	Market, products and services	Increased awareness among consumers about climate footprint for heating	Increased value of Moelven's products
E	**Increased demand for wood-based products and materials**	Market, products and services	Stricter requirements to climate-friendly buildings Increased demand for raw materials that replace fossil fuels (e.g. fuel, plastics, etc.) Forest fires in Southern Europe drive international demand	Increased market share and sale of Moelven's products **Increased income from a broader portfolio**
F	**Restrictions on imported wood**	Market	Norwegian authorities implement restrictions on imported wood due to increased risk of the introduction of foreign pests	Less competition from foreign players Increased market share
G	Increased growth of forests	Market	A warmer climate improves the growth conditions for forest in Norway and Sweden	Increased access to raw materials and lower prices
H	**Changed raw material quality**	Market	Increased temperature contributes to better growth conditions for forests, but also changes in quality. Depending on geography and customer segment, this may entail development opportunities.	Increased revenues from a more diverse product portfolio and/or greater volume.
I	Increased access to expertise and labour	Reputation	Increased attractiveness as an industry	Increased competitiveness

Risk management

In 2019 Moelven carried out the first climate risk and opportunity assessment. The process has been organised under finance in corporate management. In order to quantify the risk, Moelven has used its own risk framework that is based on the COSO framework, with the same risk categories that are used for other risk assessments in the company. Risk is reported with the categories High, Medium and Low.

The exact consequence and likelihood has not been reported, as the quality of the analyses is considered to be insufficiently mature for external publication. Consequence and likelihood are therefore jointly reported in the categories high, medium and low based on the following consequence categories.



Category	Financial impact	Reputation consequence
Very high	**>NOK 120 million**	Long-term international media coverage and/or serious and significant loss of market shares
High	**NOK 40-120 million**	Long-term international / domestic media coverage and / or loss of market shares
Medium	**NOK 8-40 million**	Domestic media coverage
Low	**NOK 4-8 million**	Local media coverage
Very low	**NOK 0-4 million**	Media coverage with no impact on reputation

The results of the assessment of climate risk and opportunities in 2019 have been evaluated by corporate management and the board, and these assessments will form the basis for strategic discussions in the short, medium and long term. In the course of 2020 Moelven will establish a new internal control system at the group level, and the climate risk process will be integrated in this. This will allow climate risk and opportunities to be managed in the same manner as other risks and opportunities in the group and play a part in the group's strategy and budget processes.

Key figures and objectives

Description		2019	2018	2017	Objectives for 2022
Total CO_2 emissions	tCO_2-eq	243,443	246,646	235,785	**214,443**
Scope 1	tCO_2-eq	13,053	17,555	10,741	**8,000**
Scope 2 (location-based)	tCO_2-eq	3,348	3,105	2,539	**3,013**
Scope 2 (market-based)	tCO_2-eq	118,270	115,784	116,307	**106,443**
Scope 3	tCO_2-eq	112,120	113,306	122,017	**101,975**
GEVA	tCO_2-eq /EBITDA	-17 %	+50 %	-14 %	**-5 % per year**
Energy consumption of fossil fuels in Moelven	MWh	39	61	44	**-5 % per year**
Electricity consumption	GWh	229	230	231	**208**
Load filling rate Wood Sverige		58.2	59.9	59.7	**61**
Load filling rate F-load Wood Norge		45.1	45.4	45.2	**45**

For details related to the greenhouse gas accounts, see the 2019 sustainability report.

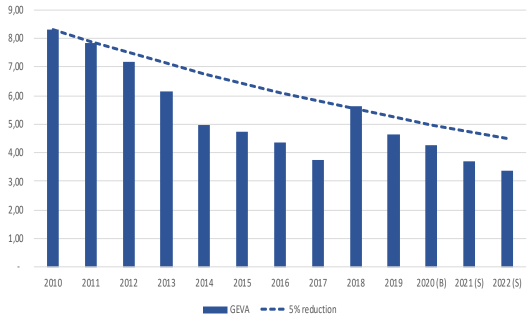
GEVA (Greenhouse gas Emissions per Value Added) is an expression for the relationship between greenhouse gas emissions and value added. Calculations have been made that show an annual reduction of 5%, i.e. that the greenhouse gas emissions will be less compared to value added, is required in order for it to be possible to reach the goals of the Paris Agreement. Moelven has tied its sustainability strategy to the Paris Agreement, and is thus committed to working for such a reduction. GEVA measured for a single year provides little value in terms of information, as it is the long.term development that is emphasised.

The biomass boiler that provides thermal energy for Moelven Valåsen AB was put out of operation in 2018 due to a fire.

A backup solution involving an oil-based heating system was established to ensure energy supplies.

The consumption of fuel oil in the period the backup solution was operative is the main reason for the increase of scope 1 emissions and the GEVA value in 2018.

The new biomass boiler that was built after the fire has been in operation throughout 2019, and has made a strong contribution to the reduction in CO_2 emissions within scope 1 compared to 2018. A slight increase in the use of fossil energy sources at certain other units, in combination with reduced EBITDA for the group as a whole, prevented the GEVA value to drop to the 2017 level. However, within the existing strategy, measures have been planned that will contribute to a further reduction in the strategy period.



Realised GEVA for the period 2010-2019
Budget and strategy 2020-2022

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 published in the group's Sustainability Report.

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 published in the group's Sustainability Report.

INNOVATION

Moelven views innovation as the entire process from an idea arises until the customer has bought a new product or service 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 itself engage in basic research, 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 remaining 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 Mjøsen Skog SA, University of Utrecht and Linneuniversitetet. The main objective of BioNext is to identify and assess commercial, regulatory and technical solutions towards a financially 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 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 finding 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 CO_2 benefits. In 2019 it was decided to initiate a case study based on input from Moelven, among others. The goal is to find good objective and applicable methods for examining CO_2 footprints for buildings in wood and concrete respectively throughout the building's lifetime, and to compare these. One of the factors that complicates such comparisons is that different building methods are used depending on the choice of material. Moelven's view is that wood's inherent good environmental properties, including carbon storage, is a positive contribution to reduce CO_2 emissions, and that the use of wood in future buildings therefore is a part of the solution to the climate crisis. Moelven is also working for the research programme to investigate yet another case concerning the extension of existing buildings using wood as a topic. Preserving the buildings we already have, and resolving new needs by extending or remodelling, will be more economical and provide a smaller climate footprint than demolishing in order to build new buildings. It also is a good fit in concepts related to land use and densification. Overall both building with wood but at the same time not using no more wood than necessary, matches Moelven's sustainability strategy of being a climate positive business.

Moelven is also member and 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 Glommen Mjøsen Skog SA, Statskog SF, Gausdal Bruvoll SA, Moelven Industrier ASA, Hunton Fiber AS, Forestia AS, Boligpartner AS, Kontur Arkitekter AS, Begna Bruk SA and NTNU. NWC is registered as a cooperative enterprise with a non-financial object. 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 participant in Woodworks! Norwegian Forest and Wood Cluster, which is a comprehensive forestry and wood-based industry cluster originating in Trøndelag. From 2020 the Arena Skog project has extended its scope and is now called Arena Pro. 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 product innovation

The laminated timber area has been at the forefront of developing new products and technical solutions for many years.

The newest development project that has been initiated in Glulam is Moelven Töreboda AB's collaboration with the innovation company Modvion to develop modular windpower towers from glulam. Windpower generally becomes more profitable the higher the windmills can be built. Winds are stronger and more stable at heights, and larger rotor blades can power a larger generator. The first prototype of a glulam windpower tower is 30 metres tall and will be assembled on Björkö in the Gothenburg archipelago in the spring of 2020. The project's objective is to develop a concept that allows one to build 150 metre tall windpower towers from glulam.

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 Limträ 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.

The products developed in the mechanised wood industry must in most cases be packed in some sort of protection against the elements. It is not practically possible to have direct deliveries from manufacturer to customer with no intermediate storage where the products may be exposed to precipitation, dirt or sunlight. In order to preserve quality and thus value, packaging is used that meets specific requirements to waterproofing, UV protection and tearing strength. Moelven currently uses a polyethylene film as cover packaging. In order to minimise the climate footprint, a variety that is made from 95 per cent recycled plastic is used. At the same time, work is being done to find alternative and even more sustainable solutions. There are working products on the market that are made from reinforced paper laminated with a layer of polyethylene and polypropylene. However, the products are costly and difficult to recycle due to their complex composition. At Moelven Valåsen AB a trial is being carried out where the sawn timber packages and covered by PE laminated liquid carton and the sides treated with wax as simple protection against humidity. The PE laminated liquid carton is recyclable when fibre is separated from the PE component. The trials are promising, but much development remains before this solution can replace current plastic packaging based on recycled plastic.

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.

Product development and process 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. Transport is one of the major sources of greenhouse gas emissions in Sweden and Norway, and represents a third of the emissions, according to Naturvårdsverket in Sweden and the Norwegian Environment Agency. Rationalisation of transport provides reduced costs and environmental impact, while the customer is ensured access to a broad product range with short delivery times. In addition to work to rationalise transport, Moelven is also working on finding alternatives to traditional means of transport based on fossil fuels. For this reason, in 2019 Moelven in cooperation with LBC Logistik AB has taken the initiative for the first biogas truck in the Swedish forestry industry. The biogas truck will be delivered in the spring of 2020 and will operate in the area Värmland-Stockholm-Gothenburg. The procurement will allow Moelven to develop experience and expertise on how biogas trucks can be used on a larger scale to reduce the climate footprint from the transport industry.

Wood pellets are no longer a particularly innovative product, but both process development and innovation were key when Moelven Pellets AS built the new pellet factory and energy centre at Sokna outside Hønefoss. The goal of the project was to integrate the pellet factory and energy centre in the sawmill concept at Moelven Soknabruket AS in a manner that entails that energy consumption and costs related to the production of white wood pellets are reduced to a level much lower than what is customary in the industry. The use of only pure residual raw materials from the sawmills provide pellets of the best quality class (Premium/EN Plus A1). In addition, the factory enables logistics solutions that are significantly more climate friendly than previously due to very short transport distances for both the raw materials and significantly reduced transport distances for the finished product, which is shipped from the port of Drammen. Within the energy concept, innovation and new ways of thinking was necessary both due to demanding targets for low energy consumption and due to the cold climate. Compared to other pellet factories, through an innovative energy concept with integration towards the sawmill operations, Moelven's factory will have a significantly lower specific energy consumption compared to other factories. Similar plants that are in operation today have been installed in Central Europe, with a significantly milder climate than in Norway. Before the construction of Moelven Pellets AS's plant, no one has had operational experience with as cold a climate as at Sokna. It has therefore been necessary with development and adjustment of both the energy centre and the drying plant for chips for pellet production.

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.

"The Smart Digital Sawmill" now comprises the template for deploying similar solutions at several of the group's companies.

For the timber-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 timber intake with X-ray sorting arrived in 2018. On the Swedish side Moelven Valåsen AB has similar equipment. Here every log is analysed, so that it may be used most efficiently. This means less waste and better utilisation of the natural resource.

The Moelven group has spent considerable resources on adopting modern IT tools to optimise operations and maintenance in industrial operations. The downtime system Axxos has been further developed and new functionality and associated concepts have been brought into use. Axxos makes it easier to identify causes of lost time or lost operational availability, so that measures for process or machine improvement can be implemented. In order to achieve a better overview of the machinery installations and thus more efficient maintenance, the selected maintenance system that is fully integrated with the downtime system has been introduced. In this manner necessary maintenance can quickly be implemented to rectify discrepancies 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. 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.

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 2019 was NOK 188.4 million (451.2). The equity ratio was 42.9 per cent (45.9 per cent). The Group has adequate equity to disburse a dividend in accordance with the applicable dividend policy. Based on the results for 2019 and taking into account the normal seasonal variations in the Group's employed capital and equity ratio, the Board proposes a dividend of NOK 0.72 (1.74) per share to the annual general meeting. This totals NOK 93,269,724 (225,401,834).

The parent company Moelven Industrier ASA, which distributes a dividend for the Group, had a net profit of NOK 67.4 million (312.7) for the year in 2019 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

Although activity in the world economy has declined somewhat, there is still growth. Growth is expected to continue, but at a slightly slower rate in the next years. The trade conflict between the USA and China appears to be moving towards a solution. In the USA the economy is still improving, although the growth rate is lower and uncertainty greater than previously. However, building activity and demand for sawn timber remains high. Moelven has only occasional deliveries to the United States, but the group sees a positive effect from an improved global market balance. The growth rate in China and Japan is decreasing, partly due to the trade war that has been ongoing between China and the US. A solution to the trade situation will send a positive signal to the economy. In other parts of Asia, however, there are signs of increasing activity. For the British there is no longer any doubt that Brexit will be carried out, although it is still unclear how this will happen. Moelven has as far as possible implemented measures to ensure that deliveries to the UK can be maintained in the event of Brexit. Uncertainty relating to the consequences of Brexit are thus primarily related to economic developments in the UK after implementation.

The Middle East and North Africa are important export markets for Moelven, but remain characterised by conditions that complicate international trade. In general, positive and stable developments in international demand for industrial wood are expected.

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.

In mid-March 2020 it is clear to most people that the Covid-19 pandemic may have a great impact on developments in the world economy, but how great and how extensive the impact will be is impossible to tell. So far Moelven has not been significantly affected, but may in time be affected by failing logistics systems and an economic downturn. The Moelven Group has as far as possible introduced measures to both limit infection in society in general and to protect own employees and the business against operational disruptions as a result of the epidemic. Restrictions have been introduced with regard to travel activities, large gatherings, hygiene, etc., but beyond this operation of the business is being maintained in accordance with the original business plan for 2020.

NOK and SEK remain at a level that contributes to improve competitiveness on the export markets.

In Norway demand for processed products in 2020 is expected to remain on a par with 2019, 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. The order situation for building module operations remains weak, and it is taking time to finally clarify the projects that are on the market. Activity in the renovation, conversion and extension market remains good. Increased interest for wood as a building material contributes to maintain activity levels.

Timber inventories and the supply situation in Moelven's geographies at the start of 2020 are good in both Norway and Sweden. Continued good access to raw material in the winter season is expected.

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. The group has a long-term goal of a return on capital employed of 13 per cent over an economic cycle. Parts of the strategic programme for operations improvements and structuring of the group is being pushed ahead to counter weaker economic developments than assumed by the strategy plan. This will contribute to continued strengthened profitability in 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 2020 as a whole the Board expects a level of activity and result on a par with 2019, although the coronavirus pandemic has introduced uncertainty.

Moelv 17 March 2020
The Board of Moelven Industrier ASA

Olav Fjell Chairman of the Board	Trond Stangeby Deputy chair	Elisabeth Krokeide
Ingvild Storås	Gudmund Nordtun	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: 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 2019, equity in the parent company Moelven Industrier ASA was NOK 870.7 million (NOK 896.5 million). For the group as a whole, equity was NOK 2,368.2 million (NOK 2,435.3 million). The equity ratio was 42.9 per cent (45.9 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 2 May 2019 the General Meeting decided to issue a dividend of NOK 1.74 per share, or NOK 225,401,834 in total. The dividend was paid out prime May 2018. Based on the annual net profit for 2019 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 0.72 per share, or NOK 93.269.724 in total. The parent company, Moelven Industrier ASA, which will distribute the dividend on behalf of the Group, posted annual net profit of NOK 67.4 million in 2019, 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 870 shareholders. The six largest shareholders, Glommen Mjøsen Skog SA (40.8 per cent), Eidsiva Vekst AS (23.8 per cent), Felleskjøpet Agri SA (15.8 per cent), Viken Skog SA (11.9 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.

On December 5, 2019, it was announced that Eidsiva Vekst AS and Felleskjøpet Agri SA had entered into an agreement to sell their shareholdings of 23.8 percent and 15.9 percent respectively to the company Skog Holdco AS, which was owned by Viken Skog SA, AT Skog SA and Felleskjøpet Agri SA. According to the shareholders' agreements that exist among the largest shareholders, there is a pre-emptive right between them if any of them want to sell their shares. Viken Skog SA with 11.9 per cent of the shares and Glommen Mjøsen Skog SA, which after the merger of Glommen Skog SA and Mjøsen Skog SA owns 40.8 per cent of the shares, both announced in early January 2020 that they would exercise the pre-emptive right. The competition authorities approved the transaction in February, and thus the new ownership distribution was Glommen Mjøsen Skog SA 71.5 per cent, Viken Skog SA 20.8 per cent, AT Skog SA 7.3 per cent and the remaining shareholders 0.4 per cent. Glommen Mjøsen Skog SA's increase in ownership interest triggered a mandatory bid for the other shares covered by the shareholders agreements. At the end of February 2020, AT Skog SA announced that they would accept the bid, while Viken Skog SA retained its ownership stake. When the transaction with AT Skog SA is completed, Glommen Mjøsen Skog SA will own 78.8 per cent of the shares, Viken Skog SA 20.8 per cent and the other shareholders 0.4 per cent.

A number of shareholders' agreements have been entered into between the 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 4.2 million m^3 measured under bark, approximately 40 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 60 and 70 GWh on an annual basis, while buying back energy represents between 20 and 30 GWh. Net delivery of energy raw materials is around 40 GWh.

The extent of the sale of electrical power corresponds to about 40 per cent of Moelven's total consumption of 229 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, 17. March 2020
Moelven Industrier ASA

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

Annual accounts 2019

Moelven Group and Moelven ASA

FINANCIAL KEY FIGURES

Amounts in NOK million	Explana-tions*	2019	2018	2017	2016	2015
RESULTS						
Operating revenues		10,297.5	11,020.8	10,768.4	10,309.7	9,690.4
Gross operating profit (EBITDA)		629.8	932.7	716.1	601.6	553.9
Depreciation and impairment		294.4	346.5	295.7	306.6	339.1
Operating profit		335.4	586.2	420.4	295.0	214.8
Net interest and financial items		-95.8	-8.0	-46.8	-42.5	-56.3
Profit before tax		239.7	578.2	373.6	252.5	158.5
Net profit		188.4	451.2	293.0	179.1	117.0
BALANCE SHEET						
Investments in production equipment	A	478.7	497.4	357.0	275.2	215.8
Total assets		5,518.0	5,302.3	5,044.6	4,766.8	4,778.1
Equity		2,368.2	2,435.3	2,092.5	1,813.4	1,756.9
Net interest-bearing liabilities		1,136.4	721.4	761.7	1,026.9	1,110.4
Capital employed	B	3,524.0	3,163.0	2,884.4	2,846.9	2,870.8
EARNINGS/RETURN						
Net operating margin	C	3.3 %	5.3 %	3.9 %	2.9 %	2.2 %
Gross operating margin	D	6.1 %	8.5 %	6.6 %	5.8 %	5.7 %
Return on equity	E	7.8 %	19.9 %	15.0 %	10.0 %	7.0 %
Return on capital employed. 12 months rolling	F	9.4 %	19.0 %	14.2 %	9.9 %	7.2 %
Return on total assets	G	6.2 %	11.3 %	8.6 %	6.2 %	4.6 %
Interest cover	H	2.9	9.5	5.9	3.6	2.3
CAPITAL STRUCTURE						
Equity ratio	I	42.9 %	45.9 %	41.5 %	38.0 %	36.8 %
Asset turnover	J	1.9	2.1	2.2	2.2	2.1
Debt-equity ratio	K	0.48	0.30	0.36	0.57	0.63
Net interest bearing debt / EBITDA		1.80	0.77	1.06	1.71	2.00
LIQUIDITY						
Liquid ratio I	L	1.82	1.76	1.67	1.64	1.59
Liquid ratio II	M	0.73	0.77	0.77	0.74	0.68
Cash flow from operational activities	N	467.4	653.1	421.5	584.6	351.5
SHARES						
Profit per share in NOK	O	1.46	3.47	2.26	1.41	0.91
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	3.61	5.04	3.25	4.51	2.71
Equity per share	Q	18.18	18.70	16.08	13.95	12.29
Assessment value in NOK as at 01.01		20.06	13.98	13.68	13.06	12.28
Dividend per share in NOK	R	0.72	1.74	0.68	0.48	0.40
PERSONNEL						
Number of employees as at 31.12		3 399	3 524	3 546	3 492	3 426
Sick leave percentage	S	5.4 %	5.5 %	5.6 %	5.6 %	5.5 %
Frequency of accidents with absence. H1 value	T	11.3	10.9	12.4	12.8	15.7

* 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: Operating profit
Operating revenues

D: Operating profit + depreciation and impairments
Operating revenues

E: Net profit
Average equity

F: Operating profit + interest income
Average capital employed, 12 months

G: Operating profit + interest income
Average total capital

H: Profit before tax + finance cost
Finance cost

I: Equity
Total capital

J: Operating revenues
Average total capital

K: Net interest bearing debt
Equity

L: Current assets
Short term debt

M: Liquid funds + financial assets + receivables
Short term debt

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

O: Earnings assigned to Moelven's shareholders
Average number of shares

P: Cash flow from operations
Average number of shares

Q: Total equity assigned to Moelven's shareholders
Average number of shares

R: Dividend proposal

S: Sickness absence
Available hours - overtime

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

INCOME STATEMENT FOR THE GROUP

Amounts in NOK million	Note	2019	2018
Sales revenue	7	10,182.1	10,960.8
Other operating revenues		115.4	60.0
Operating revenues	**6**	**10,297.5**	**11,020.8**
Product expenses		6,407.3	6,921.8
Changes in inventory raw materials. goods under manufacture and finished goods		-99.8	-175.5
Payroll expenses	11, 22, 27	2,185.8	2,200.1
Depreciation of tangible and intangible assets	8, 10	296.2	280.4
Impairment of tangible assets	8. 10	-1.8	66.1
Other operating expenses	11	1 174.4	1 141.6
Operating expenses		**9,962.0**	**10,434.5**
Operating profit		**335.4**	**586.2**
Income from associates	16	0.0	0.0
Value increase of financial instruments to fair value		24.9	52.0
Other financial income	12	6.5	7.9
Value reduction of financial instruments to fair value		-48.6	-0.5
Other financial costs	12	-78.6	-67.4
Net financial items		**-95.8**	**-8.0**
Profit before tax		**239.7**	**578.2**
Income tax	13	51.3	127.0
Net profit		**188.4**	**451.2**
Profit assigned to:			
Non-controlling interests		-0.2	1.8
Owners of parent company		188.6	449.4
Annual profit transferred to/from other equity		188.4	451.2
Total allocation		**188.4**	**451.2**
Earnings per share (in NOK)			
Earnings per share assigned to Moelven's shareholders	20	1.5	3.5

Statement of comprehensive income

Amounts in NOK million	Note	2019	2018
Net profit		**188.4**	**451.2**
Other comprehensive income			
Items that are not reclassified subsequently to profit or loss			
Actuarial gains (losses) on defined-benefit pension schemes	22	0.2	-1.2
Income tax on items that are not reclassified to profit or loss	13	0.0	0.3
		0.1	-0.9
Items that may be reclassified subsequently to profit or loss			
Translation differences		-28.1	-17.3
Proportion of other income and costs in associated companies	16	0.3	0.5
Other changes		0.1	7.1
Income tax on items that may be reclassified to profit or loss	13	0.0	0.0
		-27.8	-9.7
Other comprehensive income. net of tax		-27.6	-10.7
Total comprehensive income for the period		160.8	440.6
Comprehensive income assigned to:			
Owners of parent company		161.0	438.8
Non-controlling interests		-0.2	1.8

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Amounts in NOK million	Note	2019	2018
ASSETS			
Deferred tax assets	14	49.1	47.7
Goodwill	10	16.3	16.4
Other intangible assets	10	15.9	20.8
Total intangible assets		**81.2**	**84.9**
Land		121.2	105.1
Buildings and other property		719.1	475.1
Machinery and plant		1,335.7	1,239.4
Fixtures and fittings. tools. office machines etc.		50.4	53.9
Total fixed assets	**8**	**2,226.4**	**1,873.5**
Investments in associated companies	16	3.8	3.8
Investments in other shares	15	0.4	0.5
Bonds and other receivables		1.0	1.6
Net pension funds	22	0.7	1.1
Total financial fixed assets		**5.9**	**7.0**
Total assets		**2,313.6**	**1,965.4**
Inventories	**17**	**1,742.9**	**1,673.9**
Accounts receivable	18	1,178.4	1,315.3
Contract asset	7, 18	71.5	126.0
Other receivables	18	187.4	293.8
Total receivables		**1,437.3**	**1,609.1**
Financial derivatives	25	4.9	47.6
Bank deposits. cash etc.	19	19.4	6.3
Total current assets		**3,204.4**	**3,336.9**
Total assets		**5,518.0**	**5,302.3**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Amounts in NOK million	Note	2019	2018
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		1,576.3	1,643.2
Total equity assigned to owners of parent company		**2,354.9**	**2,421.8**
Non-controlling interests		13.2	13.5
Total equity		**2,368.2**	**2,435.3**
Pension liabilities	22	20.7	22.0
Deferred tax	14	170.1	191.0
Other provisions	23	51.4	48.0
Total provisions		**242.1**	**261.1**
Liabilities to credit institutions	5	952.4	668.6
Other long term liabilities	5. 9	198.8	43.4
	5	0.1	0.1
Other long term liabilities - non interest-bearing	5	0.0	0.9
Total long term liabilities		**1,151.3**	**713.0**
Liabilities to credit institutions	5	2.6	9.4
Financial derivatives	25	56.4	75.5
Accounts payable	25	561.9	663.6
Public duties payable	25	145.2	139.4
Tax payable	13	88.7	99.0
Contract liability	7.25	137.7	78.8
Other short term liabilities	24	763.7	827.2
Total short term liabilities		**1,756.4**	**1,892.9**
Total liabilities		**3,149.8**	**2,867.0**
Total equity and liabilities		**5,518.0**	**5,302.3**
Number of shares (Face value per share NOK 5.-)	26	129 541 284	129 541 284

Moelv, 17. March 2020
Moelven Industrier ASA

Olav Fjell
Chairman of the Board

Trond Stangeby
Deputy chair

Elisabeth Krokeide

Ingvild Storås

Gudmund Nordtun

Martin Fauchald

Lars-Håkan Karlsson

Morten Kristiansen
CEO

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Amounts in NOK million	Equity assigned to owners of parent company						
	Share capital	Share premium	Own shares	Other equity	Total	Non-controlling interests	Total equity
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	-2.3
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**	**-22.3**	**1.9**	**-20.3**
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	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**
Total as at 1.1.2019	647.7	130.9	0.0	1, 640.5	2, 419.1	13.5	2, 432.6
COMPREHENSIVE INCOME FOR THE PERIOD							
Net profit	**0.0**	**0.0**	**0.0**	**188.6**	**188.6**	**-0.2**	**188.4**
Other comprehensive income							
Translation differences	0.0	0.0	0.0	-28.0	-28.0	-0.1	-30.8
Other changes	0.0	0.0	0.0	0.1	0.1	0.0	0.1
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**	**-27.8**	**-27.8**	**-0.1**	**-27.9**
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	0.6	0.6	0.0	0.6
Dividend to owners	0.0	0.0	0.0	-225.4	-225.4	0.0	-225.4
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**	**-224.8**	**-224.8**	**0.0**	**-224.9**
Total as at 31.12.2019	**647.7**	**130.9**	**0.0**	**1,576.4**	**2,355.0**	**13.2**	**2,368.2**

CONSOLIDATED CASH FLOW STATEMENT

Amounts in NOK million	Note	2019	2018
CASH FLOW FROM OPERATIONAL ACTIVITIES:			
Net profit		188.4	451.2
Adjustments to reconcile net profit with net cash flow from operations:			
Depreciation	8. 10	296.2	280.4
Impairment	8. 10	-1.8	66.1
Income from associated companies	16	0.0	0.0
Tax paid	13	-109.8	-50.6
Unpaid pension costs entered as costs and unreceived pension funds entered as income		0.2	1.4
Profit / loss on sale of fixed assets		4.9	-3.5
Net value change of financial instruments to fair value		23.7	-51.5
Non cash financial items		36.7	47.4
Interest payments received		0.6	0.2
Interest paid		-37.3	-47.6
Income tax	13	51.3	127.0
Changes in operating assets and liabilities:			
Changes in inventory		-69.0	-149.8
Changes in accounts receivable and other receivables		172.5	23.3
Changes in trade accounts payable		-101.7	-58.1
Changes in provisions and benefits to employees		-19.0	18.2
Changes in short-term liabilities excluding borrowing		31.5	-1.1
Cash flow from operational activities		**467.4**	**653.1**
CASH FLOW FROM INVESTMENT ACTIVITIES:			
Investment in plant and equipment exc. acquisition	8.10	-478.7	-497.4
Net cash outlay on acquisition		0.0	0.0
Receipts from sale of fixed assets		3.9	1.8
Sale of other long-term investments		0.0	0.0
Purchase of subsidiaries. reduced by cash in company		0.0	0.0
Cash flow from investment activities	**8**	**-474.9**	**-495.6**
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	9.4
Purchase of non-controlling interests		0.0	0.0
Change in long term debt facility - loan payments		-704.9	-398.7
Change in long term debt facility - new loans		987.6	303.4
Payment of other long term debt		-0.9	-7.4
Hovedstol for leieforpliktelser (IFRS 16)		-26.3	
Payment of dividend		-225.4	-88.1
Cash flow from financial activities	**25**	**20.6**	**-181.4**
Net increase (reduction) in liquid assets during year		13.1	-23.9
Liquid assets 1.1		6.3	30.2
Effect of exchange rate changes on liquid assets		0.0	0.0
Liquid assets 31.12	**25**	**19.4**	**6.3**
Cash and cash equivalents 31.12			
Liquid assets 31.12		19.4	6.3
Unused drawing rights 31.12		931.6	1 233.1
Restricted bank deposits		0.0	0.0
Cash and cash equivalents 31.12	**19**	**951.0**	**1 239.4**

CHANGES IN LIABILITIES ARISING FROM FINANCING ACTIVITIES

Amounts in NOK million	Liabilities		Cash management		Hedging instruments			Net
	Other borrowings	Finance leases	Deposit	Over-draft	Currency and el.power Assets	Liabilities	Interest Liabilities	
Restated balance at 1.1.2019	**668.6**	**43.4**	**6.3**	**-9.4**	**47.6**	**5.7**	**69.8**	**724.2**
Changes form financing cash flows:	281.8	-32.7	-	-	-	-	-	249.0
Proceeds from loans and borrowings	987.6							
Installments and other changes in bank overdrafts	-705.8	-32.7						
Changes arising from obtaining and losing control of subsidaries or other businesses:								
								-
The effect of changes in foreign exchange rates:	-1.9							-1.9
								-
Changes in fair value:					-42.7	5.9	-24.9	23.7
								-
Ohter changes:	2.8	188.1	13.1	9.4	-	-	-	187.2
Changes in bank overdraft	2.8	191.4	55.7	9.4				
			-5.9					
Capitalized borrowing costs - long term			-24.1					
Capitalized interest costs - long term			-11.8					
Capitalized net interest derivatives			-1.4					
Capitalized borrowing costs - cash mangagement			0.6					
Capitalized interest costs - cash management								
Changes in finance leases		-3.2						
Balance at 31.12.2019	**951.2**	**198.8**	**19.4**	**-**	**4.9**	**11.6**	**44.9**	**1,182.2**

Note 1 – General information

Moelven Industrier ASA is a public limited liability company, registered in Norway. The company's headquarters are located 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

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 17/3/2020 and the ordinary general meeting to discuss the annual accounts has been fixed for 27/4/2020.
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

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. 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 in which the investment is made. 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.
Associated companies are enterprises in which the group has significant influence, but not control, over the financial and operational management. We have holdings between 20% and 50% in our associated companies. The Group accounts include the Group's share of profits from associated companies 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, where detailed information is provided in note 25.
Internal group transactions and intra group balances, including internal earnings and unrealised gains and losses are eliminated. Unrealised earnings in respect of transactions with associated companies and jointly controlled enterprises are eliminated with the group's share of the company/enterprise. 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 and 2019 fiscal years.

	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

IFRS 9 Financial instruments

The standard regulates the classification, measurement and accounting of financial assets and financial liabilities. The standard was implemented on 1 January 2018
The implementation of IFRS 9 did not lead to significant changes in the classification and measuring of the group's financial instruments, and comparative figures for 2018 and earlier 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

See section 3.16 for more information on the application of financial instruments and hedging.

IFRS 15 Revenue from contracts with customers

IFRS 15 Revenue from contracts from customers, which replaces the current revenue recognition standards (IAS11 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 overall effect of the initial application of IFRS 15 was immaterial for the consolidated accounts, and retained earnings were therefore not adjusted as at 1 January 2018.

IFRS 16 Leases

IFRS 16 Leases superseded the current standard IAS 17 Leases, and was implemented from the 2019 fiscal year.
The new standard changes the Moelven group's recognition of leases for the agreements which under IAS 17 have been recognized as operational leases.
Pursuant to IAS 17, as at 31/12/2019 the Moelven group had 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 obligation for leases pursuant to IAS 17 31/12/2018 was NOK 44.2 million. Similarly the right of use of the rent as asset was entered at NOK 40.1 million. The change in deferred tax as a result of the implementation was NOK 0.13 million and adjustments from previous years comprised NOK 4.33 million. This was entered against equity. The opening balance for the 2019 accounting year after the introduction of IFRS 16 was NOK 206.8 million for the right of use of the leased objects and NOK 209.5 million in financial obligations for the lease agreements.
The new standard requires capitalisation of all leases when recognising usage right assets and rent obligations, and one no longer distinguishes between financial and operational leases. 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 included as part of the new standard. Certain contracts include several lease components, including options for purchases. This has been taken into account cf. IFRS 16 27 d). The effect of the new standard affects EBITDA and operating profit, as a result of rent costs change classification from operating expenses to depreciation and interest charge
On the balance sheet the group's liabilities increase with the calculated current value of the rent obligations. Correspondingly, the group's assets 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 has been reduced as a result of increased total assets.
IFRS 16 was implemented with retroactive effect, and the overall impact of initial implementation was recognised on 1 January pursuant to IFRS 16 C5 b). The balance sheet value was recognised as if the standard had been applied since the time of implementation, but discounted at the tenants marginal loan interest at the time of initial application of IFRS 16 C8 b) i). The group's internal loan interest as at 1 January 2019 was 3.9% for Swedish companies and 3.95% for Norwegian companies.
The initial measurement was carried out in accordance with IFRS 16 clause 26. Contracts were measured at current value at entry into contract using the contract's loan interest where stated For other contracts, the group's internal loan interest in Norway and Sweden was applied.
The practical solutions cf. IFRS 16 clause 5 a) and b) were applied. This concerns contracts of low value, as well as agreements with a shorter term than12 months. This entails that no balance entry is made of lease agreements that are ended within twelve months after the time of initial application or where the underlying asset is of low value.

3.3 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.

Transactions in foreign currencies

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.

Foreign operations
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").

3.4 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 Principles for income recognition

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.
For the Building operations segment a contract will be recognised as income over time if the asset produced does not have an alternative use for Moelven without this leading to significant financial loss, but only to the extent that Moelven is entitled to payment for the services provided to date. Alternative use is not deemed to exist 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.

Examples are:
- Moelven enters into contracts with customers on the sale of modules for housing purposes, schools, office premises, service buildings or other commercial purposes. The contract includes factory production of modules, delivery to the customer's building site and installation of the modules. The contract comprises a project and has a total price for the delivery, payment from the customer is made on an ongoing basis according to the contract's payment plan.
- Moelven enters into agreements with a small number of larger customers that include custom manufactured modules, e.g. rental modules, that have been produced in accordance with the customer's needs and specifications. The difference from the previous example is that the contract includes only production and no installation. The modules are unique for the recipient customer and cannot be sold to others without significant adjustments.
- Moelven enters into a contract for the sale and installation of walls or a complete system of interior walls. The module walls are factory-produced and installed at the customer. The walls are adapted for the customer's floor plan and the requirements specified in the contract.
- Moelven custom-produces load-bearing glulam elements designed according to the customer's needs and order. Examples of such deliveries are custom straight or curved glulam beams for bridges and buildings. It is common that assembly is included for custom-produced solutions. Without significant adjustments, it is not possible to sell these customised units to other customers as they have been designed, constructed and produced to meet a function in a building or for a bridge. A special delivery usually comprises several elements that are to be installed and fit the structure they are produced for.

Moelven will have enforceable right to payment for services that are provided to date if this is agreed with the buyer, or if such settlement is custom or practice established over time in the construction industry. Where it is recognised over time, the customer has no right of cancellation. When considering whether the group has met it's delivery obligation over time, one will use the method that is best suited to measure the actual 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. Not including the financing element in sales is being considered. 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.

3.6 Segment

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.

3.7 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. The interest costs accrue during the building period until the fixed asset is ready for intended use or sale. Balance entry of the loan costs is done until the point when the asset is completed. If the cost price exceeds the asset's fair value, it is written down.

3.8 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 subsidiaries 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.

3.9 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.

3.10 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 years 10 years 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.

3.11 Leasing
IFRS 16 Leases superseded the current standard IAS 17 Leases, and was implemented from the 2019 fiscal year. Further Information on the implementation period and consequences for the group are described in section 3.2.

3.12 Intangible assets
Intangible assets acquired separately are entered on the balance sheet at cost. The cost 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 predetermined 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.

3.13 Business combinations, goodwill and non-controlling interests
Business combinations are entered in accordance with the acquisition method. 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 recognised 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 interest 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.
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.

3.14 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.

3.15 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 fllow. 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 26.

3.16 Derivatives, hedging and accounting

The group performs financial hedging transactions using financial derivatives. 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.
Financial derivatives that are not recognised as hedging instruments are classified and assessed at fair value through profit or loss. 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.

3.17 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.

3.18 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.

3.19 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.

3.20 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.

3.21 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.

3.22 Pensions

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 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 entered as if they were contribution-based schemes. 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.

3.23 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.

3.24 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.

3.25 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.

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

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

	2019	2018
Swedish krone (SEK)		
Income statement rate	0,9305	0,9363
Balance sheet rate	0,9442	0,9701
Danish krone (DKK)		
Income statement rate	1,3193	1,2880
Balance sheet rate	1,3202	1,3322
Euro (EUR)		
Income statement rate	9,8502	9,5996
Balance sheet rate	9,8638	9,9483
British pound (GBP)		
Income statement rate	11,2362	10,8502
Balance sheet rate	11,5936	11,1213

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 2019 and 2018. 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 2019

NOK mill	EUR	GBP	DKK	USD	Others
Operating revenues	932	421	182	46	3,6
Operating expenses	623	17	209	9	15,3
Net exposure	**308**	**404**	**-27**	**37**	**-12**
Estimated annual net exposure	308	404	-27	37	-12
Hedging volume as at 31.12.2019 maturing <12 months	218	120		3	
Hedging ratio as at 31.12.2019 for the next 12 Months	**70.6 %**	**29.8 %**	**0.0 %**	**7.1 %**	**0.0 %**

Transaction risk and hedges in the main currencies in 2018

NOK mill	EUR	GBP	DKK	USD	Andre
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	316	400	31	54	20
Hedging volume as at 31.12.2018maturing <12 months	238	97	5	6	2
Hedging ratio as at 31.12.2018 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 Change	Net gain (losses)	FX rate after Change	Net gain (losses)	FX rate after Change	Net gain (losses)	FX rate after Change	Net gain (losses)
Change EURNOK	9.60	403	9.70	4.03	10.56	40.26	9.50	-4.03	8.64	-40.26
Change GBPNOK	10.85	531	10.96	5.31	11.94	53.12	10.74	-5.31	9.77	-53.12
Change DKKNOK	1.29	48	1.30	0.48	1.42	4.84	1.28	-0.48	1.16	-4.84
Change 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 Change	Net gain (losses)	FX rate after Change	Net gain (losses)	FX rate after Change	Net gain (losses)	FX rate after Change	Net gain (losses)
Change EURNOK	9.95	186	10.05	-94.54	10.94	-85.95	9.85	94.54	8.95	85.95
Change GBPNOK	11.12	126	11.23	-105.69	12.23	-96.08	11.01	105.69	10.01	96.08
Change DKKNOK	1.33	8	1.35	-12.66	1.47	-11.51	1.32	12.66	1.20	11.51
Change 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	2019	2018
10 % change SEK/NOK	116.1	102.8
10 % change EUR/NOK	5.5	6.2
10 % change DKK/NOK	3.4	3.1
10 % change GBP/NOK	11.3	6.1
Total effect	**136.3**	**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.

The group's average net debt in 2019 was NOK 1 125.0 million (817.7). 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 11.4 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 2019 the hedge ratio was 48.4 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 2019	Average hedged share	Interest rate movement -100 bp	Interest rate movement +100 bp
Estimated interest cost. 100% floating rate	1 125.00		11.4	-11.4
Secured portion not affected by market fluctuations		50.5 %	-5.8	5.8
Net effect on annual interest expenses before unrealized items			**5.6**	**-5.6**
Unrealized gains / losses on hedging instruments that are recognized			-24.6	26.4
The total effect including unrealized value change			**-19.0**	**20.8**

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	P/L effect in EUR 1000	P/L effect in NOK mill. 9.75	10.00	10.25
Increase in the price of 1 EUR / MWh	229.17	-229.17	-2.23	-2.29	-2.35
Hedged share of consumption upcoming year	68 %	155.13	1.51	1.55	1.59
Sensitivity taking into account hedging		**-74.04**	**-0.72**	**-0.74**	**-0.76**

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	P/L effect in NOK mill. 9.75	10.00	10.25
Yearly consumption	229.17	30	65.26	68.75	70.47
Changes in the cost of currency change EURNOK from 9.75				**1.72**	**3.44**

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 31.12.2019 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 9,75	10,00	10,25
Hedging according to IFRS 9 relating to own use (consumption in Norway and Seden)	384 919	11,547.57	112.59	115.48	118.36

*) Assuming EUR 30/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 2019, the Group's credit amount was NOK 16.9 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	Cash flows per year					
	31.12.2019	0-2 mos.	3-10 mos.	2021	2022	2023	2024 +
Debt to credit institutions	952.4	5.1	27.1	973.9	8.8		
Interest rate derivatives	-	2.0	7.7	8.9	8.7	8.7	17.3
Financial leasing	198.8	5.0	25.2	24.9	21.0	13.2	15
Other long term debt. interest-bearing	0.1		0.1				
Other long term debt. non interest-bearing							
Long-term contracts	**1,151.3**	**12.1**	**60.1**	**1,007.7**	**38.5**	**21.9**	**32.3**
Debt to credit institutions	2.6	2.6					
Liabilities to suppliers	561.9	561.9					
Financial derivatives	56.4						
Tax payable	88.7	18.0	67.0	3.7			
Public duties payable	145.2	145.2					
Other short term liabilities	827.1	237.9	200.4				
Total contracts with annual renewal	**1 681.9**	**965.6**	**267.4**	**3.7**	**-**	**-**	**-**

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	2,6
Long-term interest-bearing debt (payable in 12 months or later)	1 121,1

Long-term interest-bearing debt by currency

NOK million	2019	2018
NOK	334.0	595.8
SEK	618.4	72.8
Total	**952.4**	**668.6**

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	2019	2018
Interest-bearing debt	1,155.8	791.9
Interest-bearing assets	19.4	6.3
Net interest-bearing liabilities	1,136.4	721.4
Total equity	2,368.2	2,435.3
Liabilities/equity	**0.48**	**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	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**
Sales to external customers	10,297.5	11,020.8	2,512.3	2,628.4	3,827.9	3,787.0	2,998.8	3,738.9	1,059.9	969.0
Sales to internal customers	0.0	0.0	606.6	634.9	190.2	190.3	3.9	4.2	2,668.1	2,578.6
Operating revenues	10,297.5	11,020.8	3,118.9	3,263.3	4,018.1	3,977.3	3,002.7	3,743.0	3,728.0	3,547.6
Gross operating profit (EBITDA)	629.8	932.7	243.1	449.4	265.4	318.5	135.0	189.0	-13.7	-24.1
Depreciation and impairment	294.4	346.5	97.4	106.2	100.3	166.6	78.1	60.6	18.6	13.1
Operating profit	335.4	586.2	145.8	343.3	165.1	151.9	56.8	128.3	-32.3	-37.2
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	6.5	7.9	4.1	5.5	9.3	23.6	4.7	4.3	42.5	54.8
Value change financial instr.	-23.7	51.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Financial costs	-78.6	-67.4	-9.2	-9.6	-38.5	-39.3	-8.6	-5.3	-100.0	-42.0
Profit before tax	239.7	578.2	140.6	339.2	135.9	136.2	52.9	127.4	-89.8	-24.5
Operating margin in per cent	3.3 %	5.3 %	4.7 %	10.5 %	4.1 %	3.8 %	1.9 %	3.4 %	-0.9 %	-1.0 %
Cash flow from operating profit	629.8	932.7	243.1	449.4	265.4	318.5	135.0	189.0	-13.7	-24.1
Fixed assets	2,226.4	1,873.5	605.0	581.8	752.2	748.8	536.4	401.2	332.8	141.6
Inventory	1,742.9	1,673.9	452.6	461.4	1,060.7	991.9	192.4	185.4	37.3	35.2
Accounts receivable	1,178.4	1,315.3	204.6	262.0	420.2	428.0	423.9	485.1	129.7	140.2
Accounts payable	561.9	663.6	203.3	202.0	204.7	249.1	149.1	211.7	254.3	280.0
Projects net	-66.2	47.2	0.0	0.0	0.0	0.0	-66.2	47.2	0.0	0.0
Net operating capital (% of operating revenues)	22.3 %	21.5 %	15.8 %	18.3 %	32.3 %	30.1 %	13.4 %	13.5 %	2.6 %	2.0 %
Total assets	5,518.0	5,302.3	1,513.1	1,663.4	2,514.4	2,466.9	1,751.0	1,751.4	2,666.9	2,662.0
Interest bearing liabilities	1,155.8	727.7	231.7	176.7	647.4	599.7	257.5	65.5	808.9	553.3
Interest free liabilities	1,994.1	2,139.3	485.2	677.7	802.9	818.9	707.0	904.9	548.2	649.8
Capital employed	3,524.0	3,163.0	1,027.9	985.7	1,711.6	1,648.0	1,044.0	846.4	2,118.7	2,012.2
Return on capital employed	9.4,%	19.0,%	13.4,%	32.4,%	9.3,%	8.9,%	5.6,%	14.7,%	-0.4,%	-0.7,%
Equity	2,368.2	2,435.3	796.1	809.0	1,064.2	1,048.3	786.6	780.9	1,309.8	1,459.0
Equity ratio	42.9,%	45.9,%	52.6,%	48.6,%	42.3,%	42.5,%	44.9,%	44.6,%	49.1,%	54.8,%
Investments	478.7	497.4	115.8	136.7	117.2	198.1	55.9	93.5	189.8	69.2
Number of full-time equivalents	3,399	3,524	629	620	1,114	1,108	1,494	1,647	162	149
Sick leave in %	5.4 %	5.5 %	4.5 %	4.3 %	5.5 %	5.1 %	6.1 %	6.5 %	1.6 %	3.1 %
H1 value	11.3	10.9	12.7	9.3	12.3	9.3	10.8	13.6	3.8	0.0

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

Operating revenues	2019	2018
Operating revenues for reported segments	13,867.7	14,531.3
Elimination of internal transactions	-3,570.2	-3,510.5
Consolidated operating revenues	10,297.5	11,020.8

Profit before tax	2019	2018
Annual profit from reported segments	239.7	578.2
Elimination of internal transactions	0.0	0.0
Consolidated profit before tax	239.7	578.2

Assets	2019	2018
Total assets from reported segments	8,445.5	8,543.7
Elimination of internal transactions	-2,927.5	-3,241.3
Consolidated total assets	5,518.0	5,302.3

Liabilities	2019	2018
Total liabilities from reported segments	4,488.8	4,446.5
Elimination of internal transactions	-1,339.0	-1,579.5
Consolidated total liabilities	3,149.8	2,867.0

6.2 – Geographical segments

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

Amounts in NOK million	Operating revenues	
	2019	2018
Norway	4,405.4	4,329.5
Sweden	4,188.0	4,717.7
Denmark	444.9	416.4
United Kingdom	421.2	494.1
Germany	170.0	204.3
Other Europe	188.3	444.1
Asia	208.4	187.5
Africa	264.3	224.6
Other countries	7.0	2.6
Total	**10,297.5**	**11,020.8**

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.

Amounts in NOK million	Number of employees		Fixed Assets		Capital employed		Investments	
	2019	2018	2019	2018	2019	2018	2019	2018
Norway	1,691	1,696	1,260.0	930.8	2,387.5	1,973.1	346.0	302.4
Sweden	1,680	1,797	965.7	942.3	2,041.6	2,222.8	132.7	195.0
Denmark	20	21	0.7	0.3	33.1	31.6	0.0	0.0
England	6	6	0.1	0.1	9.7	9.0	0.0	0.0
Germany	2	2	0.0	0.0	5.7	5.7	0.0	0.0
Netherlands	0	1	0.0	0.0	-0.1	1.4	0.0	0.0
Poland	0	1	0.0	0.0	0.0	0.5	0.0	0.0
Internal					-953.5	-1,080.6		
Total	**3,399**	**3,524**	**2,226.4**	**1,873.5**	**3,524.0**	**3,163.0**	**478.7**	**497.4**

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.

Beløp i NOK mill	Reporting segment									
	Timber		Wood		Building Systems		Other		The Group	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
Geographic market										
Norway	518.3	449.3	2,029.7	1,989.1	1,481.3	1,624.1	204.3	286.9	4,227.6	4,297.0
Sweden	674.9	730.9	1,295.4	1,330.4	1,469.7	1 957.7	741.5	668.0	4,175.6	4,637.0
Other European countries	813.4	1 023.8	398.1	423.8	46.2	147.9	-	-	1,257.7	1,595.4
Rest of the world	459.8	395.0	61.4	36.3			-	-	521.2	431.4
Total	**2,466.4**	**2,599.1**	**3,784.6**	**3,779.6**	**2,997.2**	**3,729.6**	**945.8**	**954.9**	**10,182.1**	**10,960.8**
Customer type										
Industrial customers	2,466.4	2,599.1	1,213.3	994.6	74.3	92.5	945.8	954.9	4,693.8	4,588.7
Building products chains / Retailers			2,571.3	2,785.0	160.3	199.5			2,725.7	2,934.4
Contractors/Developers					2,196.3	2,733.0			2,196.3	2,733.0
Other customers					566.4	704.8			566.4	704.8
Total	**2,466.4**	**2,599.1**	**3,784.6**	**3,779.6**	**2,997.2**	**3,729.6**	**945.8**	**954.9**	**10,182.1**	**10,960.8**
Produkttyper										
Sawn timber	2,000.5	2,175.5	387.5	369.3					2,388.0	2,540.7
Building products			2,087.9	2,060.6	234.6	291.9			2,322.5	2,348.3
Interior products			483.4	650.1					483.4	650.1
Customer-tailored building products.	219.8	205.7	184.5	104.8	2,758.9	3,434.0			3,163.2	3,744.5
Other	61.8	48.6	505.0	459.9			690.3	623.9	1,257.1	1,132.4
By-products	184.3	169.2	136.3	134.9	3.7	3.7	255.5	236.9	567.9	544.7
Total	**2,466.4**	**2,599.1**	**3,784.6**	**3,779.6**	**2,997.2**	**3,729.6**	**945.8**	**860.8**	**10,182.1**	**10,960.8**
Fulfilment of delivery obligation										
A specific time	2 466.4	2 599.1	3 784.6	3 779.6	238.3	295.6	945.8	860.8	7 435.1	7 535.1
Over time					2 758.9	3 434.0			2 758.9	3 434.0
Revenue from contract with customers	2 466.4	2 599.1	3 784.6	3 779.6	2 997.2	3 729.6	945.8	954.9	10 182.1	10 960.8
Other operating revenue	**45.9**	**29.3**	**43.3**	**7.4**	**1.6**	**9.2**	**114.1**	**14.1**	**115.4**	**60.0**
External operating revenue as stated in Note 6	2 512.3	2 628.4	3 827.9	3 787.0	2 998.8	3 738.8	1 059.9	969.0	10 297.5	11 020.8

Recognised operating revenue and costs where the delivery obligation is met over time *)		2019	2018
Consolidated operating revenues		1,072.5	1,869.4
Accumulated accured expenses		888.6	1,559.7
Accumulated contributions		25.1	120.8
Recognised loss from loss of value on contractual assets		**0**	**0**
Contractual asset (Earned. not invoiced income)	18, 25	71.5	126.0
Contractual obligation (Advance payment from customer)	25	137.7	78.8
Other accruals related to contracts with customers (+ obligation / - asset)		-17.4	27.2

*) Projects in production, not handed over to customer

For projects that are directed by outside companies, invoicing is performed monthly with payment terms from the contract. 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, income 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 31.12.2017	**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	-	-1.8	-0.0	-0.0	-1.8
Transfers	-5.2	-1.6	-15.1	0.0	-22.0
Translation differences	-1.0	-10.5	-48.0	-2.3	-61.7
Acquisiton value as at 31.12.2018	**105.1**	**1,292.9**	**4,468.1**	**301.1**	**6,167.2**
Accumulated ordinary depreciations 31.12.2017	0.0	759.2	3,004.4	234.5	3,998.1
Disposals accumulated depreciations	0.0	-5.2	-5.3	-0.2	-10.7
Depreciation and write downs for the year	0.0	68.8	258.6	14.3	341.6
Translation differences	0.0	-5.0	-28.9	-1.5	-35.4
Accumulated ordinary depreciations 31.12.2018	**0.0**	**817.7**	**3,228.8**	**247.1**	**4,293.6**
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**
Acquisiton value as at 31.12.2018	**105.1**	**1,292.9**	**4,468.1**	**301.1**	**6,167.1**
Acquisitions	-4.6	148.5	320.4	13.4	477.7
Disposals	0.0	-6.2	1.1	-0.1	-5.1
Transfers	21.7	185.4	-13.9	0.1	193.2
Translation differences	-1.0	-10.5	-48.0	-2.3	-61.8
Acquisiton value as at 31.12.2019	**121.1**	**1,610.0**	**4,727.8**	**312.2**	**6,771.0**
Accumulated ordinary depreciations 31.12.2018	0.0	817.7	3,228.8	247.1	4,293.6
Disposals accumulated depreciations	-0.1	0.5	-72.1	-3.4	-75.1
Depreciation and write downs for the year	0.0	67.4	205.0	16.4	288.8
Translation differences	0.0	5.2	30.4	1.7	37.3
Accumulated ordinary depreciations 31.12.2019	**-0.1**	**890.9**	**3,392.0**	**261.8**	**4,544.7**
Book value 31.12.2018	105.1	475.1	1,239.4	53.9	1,873.5
Book value 31.12.2019	**121.2**	**719.1**	**1,335.7**	**50.4**	**2,226.4**

Ordinary depreciation rates are given in note 3.11

Note 8

Ordinary depreciation rates are given in note 3.11

The negative amount of NOK 4.6 million shown as acquisitions of plots in 2019 is due to received public grants regarding the construction of the flood embankment at Moelven Trysil AS. The gross investment was capitalized in 2018.

Written downs

The write downs for 2019 includes NOK 1.2 million regarding plants that were temporarily out of operation at 31 December 2018, but not written down.

The accounts for 2018 are charged with write downs of NOK 66.1 million on the basis of impairment testing in accordance with IAS 36, which showed that the calculated
recoverable amount of some of the cash-generating units tested was lower than the bookvalue. NOK 13.6 million was related to the restructuring of Moelven Are AS. The remaining NOK 52.5 million was mainly related to Moelven Eidsvold Værk AS.

Note 9 - Leases

The table shows the Group's capitalized lease commitments, as well as the cash flow effect of the lease commitments

Rigt-of-use assets			
Amounts in NOK millions	**Buildings and other real estate**	**Machines, transport and operating equipment**	**Total 2019**
Booked value	138.9	68.0	206.9
Depreciation charge for the year	15.1	11.5	26.6
Additions to right-of-use asstes	8.6	8.5	17.1
Derecognition of right-of-use assets	-0.4	0	-0.4
Total	**132.0**	**64.9**	**196.9**

Cash outflow for leases	2019
Interest on lease liabilities	3.2
Lease innstallment	52.8
Total cash outflow for leases	**56.0**
Total cash outflow for leases according to IAS 17	26.63

Some property leases contain extension options exercisable by the Group up to one year before the end og the non-cancellable contract period. The extention options held are exercisable only by the Group and not by the lessor.
When implementing the standard, probability of exercise has been assessed. The Group reassesses whether it is reasonably certain to exercise the options if there is a significant changes in circumstances within its control.

Effects of implementation	Jan 2019
Right-of-use assets according to IAS 17 of 31.12.18	71.5
Discounted	70.3
+finance lease	44.2
-Recognition exemption for leases of low-value assets	-0.2
-Recognition exemption for leases with less than 12 months of lease term at transition	-2.4
-Extention options reasonably certain to be exercised	94.64
Lease liabilities recognised at 1 January 2019	**206.54**

Note 10 a - Intangible assets

Beløp i NOK mill.	Goodwill	Other intangible assets	Total
Acquisiton value as at 31.12.2017	**13.3**	**79.9**	**93.2**
Acquisitions	0.0	5.4	5.4
Transfers	0.0	0.0	0.0
Translation differences	0.1	-0.7	-0.6
Acquisiton value as at 31.12.2018	**16.4**	**84.6**	**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**
	0 %	20 %	
Acquisiton value as at 31.12.2018	**16.4**	**84.6**	**101.0**
Acquisitions	0.0	1.1	1.1
Translation differences	0.0	0.0	0.0
Acquisiton value as at 31.12.2019	**16.3**	**85.2**	**101.5**
Accumulated ordinary depreciations 31.12.2018	0.0	63.8	63.8
Depreciation and write downs for the year	0.0	0.0	0.0
Accumulated ordinary depreciations 31.12.2019	**0.0**	**69.3**	**69.3**
Book value 31.12.2018	16.4	20.8	37.2
Book value 31.12.2019	**16.3**	**15.9**	**32.2**
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:	2019	2018
Sør-Tre/Granvin/Eco Timber	13.3	13.3
Other units	3.0	3.1
Total	16.3	16.4

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 2018 or 2019.

Maximum exposure to possible write down of goodwill is NOK 16.3 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	2019		2018	
	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	0.0
Other	3.0	0.0	0.0	0.0
Total goodwill	16.3	0.0	13.3	0.0

Note 11 Payroll expenses, employees and remuneration to auditor

11 a Payroll expenses

Amounts in NOK million	2019	2018
Payroll cost	1,704.2	1,728.1
Social security cost	366.8	360.1
Pension costs - contribution-based pension schemes	113.6	112.1
Pension costs - defined-benefit pension schemes	1.1	-0.2
Total	**2,185.8**	**2,200.1**

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	2019	2018
Legally required audit	5.1	4.5
Other attestation services	0.0	0.0
Tax consultancy	0.1	0.1
Other. non auditing services	0.9	0.5
Total	**6.1**	**5.2**

Note 12 - Financial income and costs

Beløp i NOK mill	2019	2018
Financial income	31.4	59.9
Financial costs	-127.2	-67.9
Financial income		
Interest income from financial assets*	0.6	0.6
Foreign currency gains	1.9	3.6
Other financial income	3.7	3.7
Value increase of financial instruments to fair value	24.9	52.0
Total financial income	**31.4**	**59.9**
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	-22.9	-18.0
Other financial costs	-10.2	-1.7
Value reduction of financial instruments to fair value	-48.6	-0.5
Total financial costs	**-127.2**	**-67.9**
Net financial items	**-95.8**	**-8.0**

* measured at amortized cost

Note 13 - Tax expence

Amounts in NOK million	2019	2018
Tax payable	71.3	109.8
Deferred tax changes	-20.0	17.2
Total tax expences	51.3	127.0

Amounts in NOK million	2019	2018
Tax payable for the year	88.7	99.0
Total tax payable	88.7	99.0

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	2019	2018
Profit before tax	239.7	578.2
Tax calculated with the group's tax rate 22 per cent (23 per cent)	52.7	133.0
Tax effects of:		
Difference due to different tax rates	-0.7	-4.4
Change of tax rate in Norway	0.0	-0.7
Contribution from associated companies	0.0	0.0
Permanent differences	10.0	10.0
Other	-10.8	-10.9
Tax cost on the income statement	51.3	127.0

	2019	2018
Weighted average tax rate	21.4 %	22.0 %

Amounts in NOK million		2019			2018	
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	0.2	0.0	0.1	-1.2	0.3	-0.9
Elements that can be later reclassified to earnings						
Translation differences	-28.1	0.0	-28.1	-17.3	0.0	-17.3
Other changes	0.4	0.0	0.4	7.6	0.0	7.6
Other income and expenses during the period (after tax)	-27.6	0.0	-27.6	-10.9	0.3	-10.7

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	2019	2018
Temporary differences		
Asset reserves	-3.9	-4.0
Inventory	24.7	51.3
Cost provisions	-23.8	-33.2
Other short-term temporary differences	297.8	328.2
Sub-total short-term differences	**294.8**	**342.3**
Fixed assets	-71.0	-21.7
Profit and loss account	5.4	6.7
Pension funds	0.0	0.0
Pension commitments	-20.3	-21.9
Other long-term items	368.5	384.5
Sub-total long-term items	**282.6**	**347.7**
Tax-assessed loss carry-forward.	-11.8	-4.8
Net temporary differences	**565.7**	**685.2**
Deferred tax asset	49.1	47.7
Deferred tax	170.1	191.0
Net deferred tax	**121.0**	**143.3**

14.2 Assets with deferred tax from loss carry-forward

Amounts in NOK million	2019	2018
Norway	1.2	0.2
Sweden	0.0	0.0
Denmark	0.0	-0.6
Total deferred tax benefit from loss carry-forward	**1.2**	**-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	2019	2018
Net deferred tax obligation 1 January	143.3	129.0
Included on income statement	-20.0	17.2
Other income and costs pensions	0.0	0.2
Included in equity	0.0	0.0
Translation differences and other	-2.2	-3.2
Net deferred tax obligation 31 December	**121.0**	**143.3**

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					162
Total others					**402**
Total group					**434**

Note 16 - Investments in associated companies

Amounts in NOK million	2019	2018
Book value as ate 01.01	3.8	3.8
Proportion of annual profit	0.3	0.5
Additions	0.0	0.0
Disposals	-0.3	-0.5
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 % [1]	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 [2]	30.0 % SEK	10.0	10.1	0.00	3 000 000	3.0	2.6
WoodTrans AS. Norway	34.0 % NOK	1.3	4.8	0.80	445	0.4	1.2
Sum							3.8

1) Voting rights is equal to ownership share

2) The company has had a deviating accounting with balance sheet date 31.08. The result of four months in 2018 are included with 2019 and the company will from now on follow the year.

Note 17 - Inventory

Amounts in NOK million	2019	2018
Raw materials and purchased semi finished goods	587.0	573.8
Goods in processing	217.5	228.4
Finished own products	935.8	865.4
Prepayments to supplier	2.6	6.3
Total inventory	**1,742.9**	**1,673.9**
Inventory valued at acquisition cost	1 374.1	1 324.9
Inventory valued at fair value	368.8	349.0
Total inventory	**1,742.9**	**1,673.9**

Write down of inventory to fair value in 2019 is included in profit and loss with NOK 44.0million. The equivalent value in 2018 was NOK 17.6 million.

Note 18 - Accounts receivable and other receivables

Amounts in NOK million	Note	2019	2018
Accounts receivable			
Accounts receivable gross		1,182.5	1,319.4
Provision for loss on accounts receivable		-4.1	-4.1
Earned not invoiced	7	71.5	126.0
Accounts receivable entered on the balance sheet		**1,249.9**	**1,441.3**
Overdue receivables without hedging		30.2	24.4
in % of gross receivables		2.6 %	1.8 %
LGD (Loss given default) of gross accounts receivables*		0.24	0.44
The year's confirmed losses on receivables			
Changes in provision for loss		-0.0	0.2
Losses on receivables on income statement		0.0	0.6
POD is calculated on the basis of the last three years' loss on claims		**-0.0**	**0.8**
Other receivables			
VAT in credit			
Other receivables		19.7	16.6
Total other receivables		168.0	150.7
Total andre fordringer		**187.8**	**167.3**

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	2019	2018
NOK	603.1	582.2
SEK	462.1	590.2
EUR	67.0	62.8
DKK	18.7	14.2
GBP	23.7	66.5
Other currencies	3.9	3.5
Total	**1,178.4**	**1,319.4**

Age distribution of outstanding accounts receivable

Amounts in NOK million	2019	2018
Accounts receivable within credit terms	917.4	1 008.0
Under 30 days beyond due date	238.5	282.7
31 to 60 days beyond due date	10.4	19.2
61 to 90 days beyond due date	6.0	2.0
91 to 180 days beyond due date	1.5	1.7
Over 180 days beyond due date	4.7	5.8
Total	1,178.4	1,319.4

Note 19 - Cash and cash equivalents

Amounts in NOK million	2019	2018
Bank deposits 31.12.	19.4	6.3
Unused drawing rights 31.12	931.6	1,233.1
Restricted bank deposits	0.0	0.0
Cash and cash equivalents 31.12	**950.9**	**1,239.4**

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.

	2019	2018
Annual profit assigned to Moelven's shareholders	188.6	449.4
Average number of shares	129.5	129.5
Earnings per share	**1.46**	**3.47**

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.

	2019	2018
Total equity assigned to owners of parent company	2,355.0	2,421.8
Average number of shares	129.5	129.5
Equity per share	**18.18**	**18.70**

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	141,630 **	556310-4206
Moelven Dalaträ AB	100 %	20,000 SEK	200,000	51,931 **	556118-4614
Moelven Nössemark Trä AB	100 %	300 SEK	3,000	24,758 **	556199-3782
Moelven Årjäng Såg AB	100 %	300 SEK	3,000	47,210 **	556215-9177
Moelven Notnäs Ransby AB	100 %	3,250 SEK	650,000	63,261 **	556217-1636
Moelven Component AB	100 %	2,580 SEK	25,800	7,361 **	556217-2543
Moelven Profil AS	100 %	15,000	15,000	15,030 *	997 404 165
UJ-Trading AB	100 %	1,500 SEK	15,000	8,498 **	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	4,721 **	559158-0211
Wood					
Moelven Wood AS	100 %	5,500	5,500	10,000 *	941 809 030
Moelven Wood AB	100 %	9,000 SEK	90,000	14,198 **	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	20,804 **	556297-9129
Moelven Wood Interiör AB	100 %	3,800	38,000	64,489 **	556148-6803
Moelven Valåsen Wood AB	100 %	20,100 SEK	201,000	26,803 **	556343-2839
Moelven Edanesågen AB	100 %	4,000 SEK	4,000	73,578 **	556061-4462
Moelven Lovene AB	100 %	5,000 SEK	50,000	6,609 **	556851-8517

Note 21 - Konsernselskaper (forts.)

Amounts in NOK 1,000	Holding %	The company's share capital	Number of shares in Moelven's ownership	Book value 31.12	Organization number
Moelven Vänerply AB	100 %	20,000 SEK	200,000	18,884 **	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	14,637 **	556451-0278
Moelven Multi3 AS	100 %	3,425	6,850	7,192 *	993 797 758
Building Systems					
Moelven Limtre AS	100 %	11,000	11,000	43,028 *	913 711 300
Moelven Töreboda AB	100 %	12,000 SEK	120,000	45,322 **	556023-8023
Moelven ByggModul AS	100 %	31,688	158,440	89,299 *	941 809 219
Moelven Byggmodul Hjellum AS	100 %	4,206	50,001	59,585 *	927 486 210
Moelven Byggmodul AB	100 %	5,000 SEK	50,000	84,978	556310-7134
Moelven Modus AS	100 %	22,000	2,200	95,000 *	951 269 778
Moelven Modus AB	100 %	4,000 SEK	40,000	43,056 **	556175-3178
Moelven Elprosjekt AS	100 %	10,000	50,000	12,000 *	980 342 182
Moelven Elektro AB	100 %	100	1,000	1,983 **	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	23,605 **	556624-0957
Broberg Skogs AB	100 %	300 SEK	3,000	1,983 **	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	2,650 **	556432-9851
Skåre Kontorshotell AB	100 %	100 SEK	1,000	685 **	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:

	2019	2018
Return on pension funds	2.30 %	2.60 %
Discount rate	2.30 %	2.60 %
Annual pay increase	2.25 %	2.75 %
Annual G adjustment (National Insurance Scheme's amount)	2.00 %	2.50 %
Annual adjustment of pensions being paid	2.00 %	2.50 %
Average employer's contribution factor	14.10 %	14.10 %

22.2 - Pension commitments entered in the accounts

Amounts in NOK million	2019	2018
Present value of the secured pension commitments	7.2	4.0
Present value of the unsecured pension commitments	15.7	18.6
Total present value of pension commitments	22.9	22.6
Fair value of pension funds	-3.9	-3.3
Net pension liability outside Norway	1.0	1.6
Pension commitments entered	**20.0**	**20.9**
In the balance sheet the pension commitments are entered gross with the following amounts:		
Net pension funds	0.7	1.1
Pension liabilities	20.7	22.0

22.3 – Pension costs

Amounts in NOK million	2019	2018
Pension entitlements accrued in the year	0.6	0.6
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**	**1.1**
Contribution pension costs and other pension costs	113.6	110.8
Pension cost (net) entered on the income statement	**114.7**	**111.9**

Note 23 - Provisions

Guarantee liability on projects

Guarantee provisions	2019	2018
Guarantee provisions as at 1.1	30.0	39.1
Used during the year	-1.4	-2.4
Reversed during the year	0.1	-11.8
New provisions during the year	9.7	11.7
Guarantee provisions 31.12	**38.4**	**36.5**

In the balance sheet the guarantee obligation is entered with the following amount:

	2019		2018	
	Amount in the balance sheet	Guarantee	Amount in the balance sheet	Guarantee
Other provisions	51.4	13.0	48.0	25.3
Other short term liabilities	901.4	38.4	906.0	11.2
		51.4		36.5

Other guarantee liability

	2019	2018
Loan guarantees/financial guarantees	0.01	19.5

Note 24 - Other short-term liabilities

Other short term liabilities	Note	2019	2018
Accrued holiday pay		200.4	200.3
Bonus provisions		190.0	162.8
Accrued costs		154.2	254.4
Other short term liabilities		219.0	209.8
Total other short term liabilities		**763.7**	**827.2**

Note 25 - Financial instruments

25.1 Book value of financial assets and obligations by category

Financial assets 31.12.2019

Amounts in NOK million	Amortized cost	Recognized at fair value	Book value	Level 1*)	Level 2*)	Level 3*)	Total fair value
Accounts receivable	1,178.4		1,178.4				
Contract asset	71.5		71.5				
Other receivables	187.4		187.4				
Financial instruments - currency derivative		4.9	4.9		4.9		4.9
Fin. instr. - emb. cur. derivative in hedg. of el.power							
Financial instruments - power derivative							
Bank deposits etc.	19.4		19.4				
Investments in equities	0.4		0.4			0.4	0.4
Total	**1,457.1**	**4.9**	**1,462.0**				

*Description is presented on the next page

Financial obligations 31.12.2019

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	952.4		952.4				
Financial leases	198.8		198.8				
Other long term liabilities	0.1		0.1				
Financial instruments - currency derivative		9.7	9.7		9.7		9.7
Fin. instr. - emb. cur. derivative in hedg. of el.power		1.9	1.9		1.9		1.9
Financial instruments - interest derivative		44.9	44.9		44.9		44.9
Payables	561.9		561.9				
Contract asset	137.7		137.7				
Overdrafts	0.0		0.0				
Total	**1,850.9**	**56.4**	**1,907.4**				

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	1,314.7		1,314.7				
Other receivables	126.0		126.0				
Other receivables	167.3		167.3				
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
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	**1,614.8**	**47.6**	**1,662.4**				

Financial obligations 31.12.2018

Beløp i NOK mill	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				
Financial leases	43.4		43.4				
Other long term liabilities	6.8		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.power	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				
Payables	78.8		78.8				
Overdrafts	9.4		9.4				
Total	**1,470.6**	**75.5**	**1,540.3**				

25.1 (Cont.)1

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

Beløp i NOK mill	As of 31 December	
	2019	2018
Interest rate derivatives		
Maturing under 1 year	70.8	0.0
Maturing 2 - 5 years	367.2	295.5
Maturing 6 - 10 years	112.4	310.0
Total	**550.4**	**605.5**
Currency derivatives. forward contracts for sale of foreign currency		
Maturing 0-6 months	306.6	198.7
Maturing 7-12 months	151.2	74.5
Maturing >12 months	231.0	0.0
Total	**688.8**	**273.2**
Currency derivatives. forward contracts for purchase of foreign currency		
Maturing 0-6 months	57.2	66.3
Maturing 7-12 months		20.2
Maturing >12 months		0.0
Total	**57.2**	**86.5**
Power derivatives		
Maturing less than 1 year		47.4
Maturing 1-2 years		41.8
Maturing 3-4 years		16.6
Total	**0.0**	**105.8**
Power derivatives accounted according to IAS 39 as purchase for own use*		
Maturing less than 1 year	46.4	14.9
Maturing 1-2 years	59.6	27.0
Maturing 3-4 years	13.9	15.7
Total	**119.9**	**57.6**

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 13.2 million in 2019 and NOK 24.4 million in 2018.

Note 26 - Share capital and share premium reserve

Shareholders		Number of shares	Ownership of voting shares in per cent
Glommen Mjøsen Skog SA	Norway	52,914,177	40,85 %
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 %
AT Skog SA	Norway	9,442,026	7,29 %
5 largest owners		**129,073,362**	**99,64 %**
Other 864 shareholders		467,922	0,36 %
Total 869 shareholders		**129,541,284**	**100 %**

Summary of shareholders as at 31.12.2019		Summary of shareholders as at 31.12.2018	
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	Asbjørn Bjørnstad	0	Elisabeth Krokeide	0	Bjarne Hønningstad	2700
John Arne Ulvan	0	Jan Kollsgård	0	Gudmund Nordtun	0		
Olav A. Veum	0	Anders Roger Øynes	0	Aud Ingvild Storås	0		
Olav Breivik	0	Tor Henrik Kristiansen	0	Martin Fauchald *)	0	**Deputy members**	
Ole Theodor Holth	0	Gunnar Aakrann Eek	0	Lars-Håkan Karlsson *)	0	Morten Sveiverud	2607
Maren Kyllingstad	0	Anne Sagstuen Nysæther	0			Even Rognan Lutnæs	500
Jan Larsson *)	0	Oscar Östlund		**Deputy members**		Magne Vikøren	500
Trond Sønes *)	0	Stein Morten Velta *)	0	Roar Evenrud *)	74	Yngve Andreassen	0
Ann-Christine Löfborg *)	0	Ove Gunnarsson *)	0	Terje Johansen	0		
John Inge Lorentsen *)	0	Leif Bjarne Undem *)	0	Wenche Ravlo	0		
				Leif Eneblom *)	0		
				Ole Magnus Vinna *)	0		
				Jan Peter Olsson *)	0		

*) Employee's representatives

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 2h of May 2019, has been the guideline for the 2019 financial year. An identical declaration, which will be presented to the general meeting of 27nd of April 2020, will be the guideline for the 2020 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.

	2019			2018		
Amounts in NOK 1.000 paid during the financial year	**Salaries**	**Pension costs**	**Other benefits**	**Salaries**	**Pension costs**	**Other benefits**
Remuneration to:						
CEO Morten Kristiansen	5,123.9	213.4	259.6	4,918.3	208.4	259.2
Managing Director Timber. Anders Lindh	2,179.4	166.4	237.8	2,095.7	161.0	241.2
Managing Director Wood, Bjarne Hønningstad	2,513.0	176.2	209.6	2,429.8	172.6	212.7
Managing Director Building Systems. Marcus Johansson - until nov.18				1,756.9	542.1	83.7
Total	**9,816.3**	**556.0**	**707.0**	**11,200.7**	**1,084.1**	**796.8**

The President had the funtion as the Managing Director of Building Systems in 2019

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.

27.4 - Remuneration to the board and corporate assembly

Amounts in NOK 1.000 paid during the financial year	2019	2018
Remuneration to the board of Directors	1,306.4	1,326.8
Remuneration to the corporate assembly	294.1	310.0

The chairman of the board of directors receives NOK 546,000 and the board members NOK 150,000 in annual remuneration. Deputy members of the board receive NOK 6,100 per meeting. The chairman of the corporate assembly receives NOK 65,500 in annual remuneration. The members and deputy members of the corporate assembly receive NOK 6,100 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 869 shareholders, of which the fifth largest, Eidsiva Vekst AS, Felleskjøpet Agri SA and the forest owner cooperatives Glommen 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 229 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 reporting period

No subsequent events have taken place that should have any effect on the 2019 annual report.

ANNUAL ACCOUNTS FOR MOELVEN INDUSTRIER ASA

Amounts in NOK million	Note	2019	2018
Other operating revenues	15	125.7	117.0
Operating revenues	**2**	**125.7**	**117.0**
Payroll expenses	10.11	74.2	65.7
Depreciation on tangible and intangible fixed assets	9	10.9	9.1
Other operating expenses	10	87.8	84.3
Operating expenses		**172.9**	**159.0**
Operating profit		**-47.1**	**-42.1**
Income from investment in subsidiaries 1)		155.7	392.8
Value increase of financial instruments to fair value	8	13.2	13.6
Interest income from group companies	15	50.3	54.1
Other interest income		7.8	
Other financial income from group companies		3.6	30.2
Other financial income		0.0	3.0
Value reduction of financial instruments to fair value	8	0.0	0.0
Impairment of financial assets	6	-19.0	-17.7
Interest costs to group companies		-4.5	-2.7
Other interest costs		-36.6	-35.7
Other financial costs		-31.5	-55.4
Net financial items		**139.0**	**382.3**
Ordinary result before taxes		**91.9**	**340.3**
Tax on ordinary result	3	24.5	27.5
Net profit		**67.4**	**312.7**
Allocated to dividend. NOK 1.74 / NOK 0.68 per share		-93.3	-225.4
To/from other equity		25.9	-87.3
Total	**14**	**-67.4**	**-312.7**

1) Including group contribution

BALANCE AS AT 31.12

Amounts in NOK million	Note	2019	2018
ASSETS			
Deferred tax assets		17.2	20.4
Other intangible assets		3.5	5.3
Total intangible assets		**20.7**	**25.7**
Land		3.7	3.7
Buildings and other property		4.1	4.6
Machinery and plant		4.0	4.8
Fixtures and fittings. tools. office machinery etc.		28.8	22.5
Total tangible fixed assets		**40.6**	**35.5**
Investments in subsidiaries		1,093.4	1,112.0
Investments in associated companies		3.8	3.8
Loans to group companies		1,385.4	1,188.1
Other long-term recivables		0.7	1.4
Total financial fixed assets		**2,483.3**	**2,305.4**
Total fixed assets		**2,544.7**	**2,366.6**
Accounts receivable		0.1	0.1
Accounts receivable group companies	15	2.4	4.7
Receivables group contributions/dividend	15	155.7	392.8
Other receivables		14.5	14.8
Total receivables		**172.7**	**412.5**
Financial derivatives	8	9.7	22.1
Bank deposits. cash etc.	5	0.0	0.0
Total current assets		**182.7**	**434.6**
Total assets		**2,727.4**	**2,801.2**

BALANCE AS AT 31.12

Amounts in NOK million	Note	2019	2018
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		0.0	0.0
Retained earnings		**778.6**	**778.6**
Total equity		92.1	117.9
Pension liabilities	**14**	**870.7**	**896.5**
Total allowances for liabilities	11	19.6	20.4
Liabilities to credit institutions		**19.6**	**20.4**
Other long-term not interest-bearing debt	5	941.6	656.6
Total long term liabilities		**941.6**	**656.6**
Liabilities to credit institutions	5	680.5	833.8
Financial derivatives	8	61.6	88.6
Trade accounts payable		12.9	8.2
Trade accounts payable to group companies	15	2.5	2.0
Public duties payable		5.0	4.8
Dividends		93.3	225.4
Tax payable	3	21.5	22.6
Other short term liabilities	4	18.0	42.2
Total short term liabilities		**895,4**	**1,227.7**
Total liabilities		**1,856.6**	**1,904.7**
Total equity and liabilities		**2,727.4**	**2,801.2**
Guarantee liability	7	591.4	548.1
Number of shares (Face value per share NOK 5.-)	16	129,541.284	129,541.284

Moelv, 17. March 2020
Moelven Industrier ASA

Olav Fjell
Chairman of the Board

Trond Stangeby
Deputy chair

Elisabeth Krokeide

Ingvild Storås

Gudmund Nordtun

Martin Fauchald

Lars-Håkan Karlsson

Morten Kristiansen
CEO

CASH FLOW STATEMENT

Amounts in NOK million	Note	2019	2018
CASH FLOW FROM OPERATIONAL ACTIVITIES:			
Ordinary result before taxes		91.9	340.3
Tax paid this year	3	-21.5	-7.5
Depreciation	9	10.9	9.1
Value change investments		19.0	17.7
Correction items - financial derivatives		-13.2	-13.6
Unpaid pension costs entered as costs and unreceived pension funds entered as income	11	-1.2	-0.7
Changes in accounts receivable and other receivables		-0.5	-3.5
Delimination of group contribution/dividend		237.1	-291.7
Changes in trade accounts payable		5.2	0.4
Changes in short-term liabilities excluding borrowing		-23.7	22.5
Cash flow from operational activities		**304.1**	**73.0**
CASH FLOW FROM INVESTMENT ACTIVITIES:			
Investment in plant and equipment exc. acquisition	9	-14.2	-10.0
Net cash flow from investments in shares		0.0	0.0
Generated funds from mergers		0.0	0.0
Long-term investments. financial		-197.0	33.6
Cash flow from investment activities		**-211.2**	**23.6**
Profit before tax			
Changes in short-term loans and overdraft	5	-154.5	100.9
Changes in long-term liabilities		-225.4	-88.1
Payment of dividend		286.9	-109.3
Cash flow from financial activities		**-93.0**	**-96.6**
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	2019	2018
Subsidiaries' proportion of joint costs	69.5	64.1
Subsidiaries' proportion of IT services	45.2	43.3
Rent income - outside the group	0.5	0.7
Rent income - inside the group	3.1	3.0
Other	7.4	5.9
Total other operating income	**125.7**	**117.0**

In accordance with the company specification under note 15, a total of NOK 122.0 million is operating income from our subsidiaries. Total Norwegian operating income amounts to NOK 58.6 million, Swedish NOK 62,2 million and Danish company NOK 1.2 million.

Note 3 - Tax

Amounts in NOK million	2019	2018
TAX EXPENSE FOR THE YEAR		
Recognized tax on ordinary income:		
Total tax payable	21.5	22.6
Changes in deferred tax from income statement	3.1	4.0
Correction of taxes in previous years	0.0	1.0
Tax expence	**24.5**	**27.5**
Taxable income:		
Ordinary result before taxes	91.9	340.3
Permanent differences	19.9	-228.8
Actuarial losses entered against OCI	0.2	-1.2
Changes in temporary differences	-14.5	-12.0
Use of tax loss carry forwards	0.0	0.0
Taxable income:	**97.5**	**98.3**
Tax payable in the balance sheet		
Tax on income	-21.5	-10.9
Tax payable on received group contribution	0.0	33.5
Tax payable in the balance sheet	**-21.5**	**22.6**
Calculation of effective tax rate		
Ordinary result before taxes	91.9	340.3
Calculated tax on ordinary result before taxes	20.2	78.3
Tax effect of permanent differences	4.4	-52.6
Effect on deferred tax from change in tax per cent from 24 % to 23 %	0.0	0.9
Correction of taxes in previous years	0.0	1.0
Total	**24.6**	**27.5**
Effective tax rate	26.8 %	8.1 %

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

Amounts in NOK million	2019	2018	Changes
Fixed assets	-7.0	-5.5	-1.5
Gains and losses	0.6	0.7	-0.1
Provisions	0.0	-0.2	0.2
Pensions commitments	-19.4	-20.4	1.0
Other differences	-0.6	-0.6	0.0
Total	**-26.4**	**-26.0**	**-0.4**
Shares and other securities	-51.7	-66.5	14.9
Calculation base for deferred taxes	**-78.1**	**-92.6**	**14.5**
Deferred tax assets / deferred tax (22%)	**-17.2**	**-20.4**	
Effect from change in tax per cent	0.0	0.9	

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

		2019	2018
Long-term interest-bearing liabilities in		680.5	833.8
NOK			
SEK			
DKK	3.97 %	323.2	583.8
EUR	3.70 %	618.5	72.8
Total long-term interest-bearing debt		0.0	0.0
Net interest-bearing debt		0.0	0.0
Sum langsiktig rentebærende gjeld		**941.7**	**656.6**
Netto rentebærende gjeld		**1,622.2**	**1,490.4**

5.2 Repayment schedule long-term liabilities

Amounts in NOK million	2019	2018
Long-term liabilities that fall due for payment in		
1 year	0.0	0.0
2 years	941.7	0.0
3 years	0.0	656.6
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	2019	2018
Ceiling	1,558.2	1,577.6
Withdrawal	941.6	656.6
Remaining term in months	17	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	2019	2018
as at 31.12	1,558.2	1,577.6
in 1 year	1,558.2	1,577.6
in 2 years	0.0	1,577.6
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 31.12.2019 these were NOK 312 million. As a result of normal seasonal variations, the group's net interest-bearing debt was at its highest in May 2019, NOK 1,335.9 million. The long term loan facilities as at 31.12.2019 will cover liquidity needs for the coming one 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	2019	2018
Unconditional guarantees	321.4	230.0
Payment and contract guarantees	210.2	264.2
Tax deduction guarantees	59.8	53.9
Total	**591.4**	**548.1**

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.

	2019	2018
Financial assets entered at fair value		
Exchange rate derivatives	9.7	22.1
Total assets presented on the financial derivatives line	9.7	22.1
Financial obligations entered at fair value		
Interest rate derivatives	44.9	68.7
Exchange rate derivatives	16.5	19.9
Total obligations presented on the financial derivatives line	61.4	88.6

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).

	2019	2018
Value changes of financial instruments recognised in the profit and loss account		
Value change financial instruments. gain	13.2	13.6
Value change financial instruments. loss	0.0	0.0
Net result of financial instruments	13.2	13.6

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	2019	2018
Interest rate derivatives		
Maturing under 1 year	70.8	0.0
Maturing 2 - 5 years	367.2	295.5
Maturing 6 - 10 years	112.4	310.0
Total	**550.4**	**605.5**
Currency derivatives. forward contracts for sale of foreign currency		
Maturing 0-6 months	359.4	262.1
Maturing 7-12 months	153.6	80.7
Maturing >12 months	231.0	0.0
Total	**744.1**	**342.7**
Currency derivatives. forward contracts for purchase of foreign currency		
Maturing 0-6 months	536.9	435.8
Maturing 7-12 months	194.9	138.9
Maturing >12 months	210.5	1.9
Total	**942.3**	**576.6**
Power derivatives		
Maturing under 1 year	46.4	62.3
Maturing 1-2 years	59.6	68.8
Maturing 3-4 years	13.9	32.2
Total	**119.8**	**163.3**

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 31.12.2017	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
Disposals accumulated depreciations	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	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 31.12.2018	3.7	29.5	11.6	63.1	32.0	139.9
Acquisitions	0.0	0.0	0.0	14.2	0.0	14.2
Disposal acquisition value	0.0	0.1	0.0	0.0	0.0	0.1
Acquisition value as at 31.12.2019	**3.7**	**29.6**	**11.6**	**77.3**	**32.0**	**154.2**
Accumulated ordinary depreciations 31.12.2018	0.0	24.9	6.8	40.6	26.7	99.1
Profit before tax	0.0	0.1	0.0	0.0	0.0	0.1
Depreciation and write downs for the year	0.0	0.5	0.8	7.9	1.8	10.9
Accumulated ordinary depreciations 31.12.2019	**0.0**	**25.5**	**7.6**	**48.5**	**28.5**	**110.0**
Book value 31.12.2018	3.7	4.6	4.8	22.5	5.3	40.8
Book value 31.12.2019	**3.7**	**4.1**	**4.0**	**28.8**	**3.5**	**44.1**
Ordinary depreciation rates in per cent	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	2019	2018
Salaries	57.9	51.3
Employer contribution and social costs	9.5	8.7
Pension costs ref. defined benefit and contribution based pension schemes	6.1	4.7
Other benefits/other personnel costs inc. proportion charged to subsidiaries	0.6	0.9
Total	**74.2**	**65.7**
Number of man years	**61**	**60**

10.2 – Remuneration to group management

Amounts in NOK million	2019			2018		
	Salary	Pension costs	Other benefits	Salary	Pension costs	Other benefits
CEO Morten Kristiansen	5,123.9	213.4	259.6	4,918.3	208.4	259.2
Head of Timber division. Anders Lindh	2,179.4	166.4	237.8	2,095.7	161.0	241.2
Head of Wood division. Bjarne Hønningstad	2,513.0	176.2	209.6	2,429.8	172.6	212.7
Head of Building Systems division. Marcus Johansson				1,756.9	542.1	83.7
Total	**9,816.3**	**556.0**	**707.0**	**11,200.7**	**1,084.1**	**796.8**

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.

10.3 – Remuneration to auditor

Amounts in NOK million	2019	2018
Amount ex VAT		
Legally mandated account audit	0.7	0.7
Other services related to certification	0.0	0.0
Tax advisory services	0.0	0.0
For services other than audit	**0.3**	**0.2**
Total	**1.1**	**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

Amounts in NOK million	2019	2018
Return on pension funds	2.30 %	2.60 %
Discount rate	2.30 %	2.60 %
Annual pay increase	2.25 %	2.75 %
Annual G adjustment (National Insurance Scheme's basic amount)	2.00 %	2.50 %
Annual adjustment of pensions being paid	2.00 %	2.50 %

11.2 – Pension costs

Amounts in NOK million	2019	2018
Pension entitlements accrued in the year	0.2	0.3
Interest costs on the pension commitments	0.5	0.4
Pension costs secured and unsecured defined benefit schemes	**0.7**	**0.7**
Contribution pension costs and other pension costs	5.4	4.0
Profit before tax	**6.1**	**4.7**

11.3 - Pension liabilities

Amounts in NOK million	2019	2018
Balance as at 01.01.		
Accrual of future pensions	21.2	20.4
Pension commitments (gross)	**21.2**	**20.4**
Pension funds	-3.3	-3.0
Employer contributions	2.5	2.5
Pension commitments (net)	**20.4**	**19.9**
Balance as at 31.12		
Pension commitments (gross)	21.1	21.2
Pension funds (anticipated)	-3.9	-3.3
Employer contributions	2.4	2.5
Pension commitments (net)	**19.6**	**20.4**
Net pension funds. secured schemes that can be netted	**0.0**	**0.0**
Pension commitments. secured (and unsecured) schemes that cannot be netted	19.6	20.4
Pension commitments. contractual pension (AFP)	0.0	0.0
Total pension commitments	**19.6**	**20.4**

11.4 – Key figures

	2019	2018
Number of active members secured schemes	3	4
Number of pensioners secured schemes	6	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 2019	Number of shares in Moelven's ownership	Total face value	Book value 31.12.
Moelven Industrier ASA owns								
Moelven Van Severen AS	Namsos	100 %	35,000	47,501	2,393	3,500	35,000	35,005
Moelven Østerdalsbruket AS	Stor-Elvdal	100 %	20,000	42,686	9,114	2,000	20,000	20,005
Moelven Våler AS	Våler	100 %	48,000	114,335	22,629	4,800	48,000	48,005
Moelven Soknabruket AS	Ringerike	100 %	30,000	110,154	31,226	3,000	30,000	32,511
Moelven Numedal AS	Flesberg	100 %	10,000	37,718	8,512	1,000	10,000	10,005
Moelven Løten AS	Løten	100 %	12,000	24,612	1,281	1,200	12,000	12,005
Moelven Telemarksbruket AS	Bø	51 %	14,198	17,811	-589	710	14,059	7,590
Moelven Wood AS	Eidsvoll	100 %	5,500	21,160	3,742	5,500	5,500	10,000
Moelven Langmoen AS	Ringsaker	100 %	18,000	75,643	4,799	1,800	18,000	37,156
Moelven Portefølje AS	Ringsaker	100 %	1,000	2,007	44	1,000	1,000	1,152
Moelven Eidsvoll AS	Eidsvoll	100 %	8,500	31,294	-809	850	8,500	18,500
Moelven Treinteriør AS	Ringsaker	100 %	3,500	15,496	8,321	3,500	3,500	8,482
Moelven Modus AS	Ullensaker	100 %	22,000	121,008	22,675	2,200	22,000	95,000
Moelven ByggModul AS	Ringsaker	100 %	31,688	103,398	29,589	158,440	31,688	89,299
Moelven Bioenergi AS	Ringsaker	100 %	6,000	17,837	4,311	6.000,000	6,000	6,800
Moelven Limtre AS	Ringsaker	100 %	11,000	57,179	3,878	11,000	11,000	43,028
Moelven Industrier AB	Sverige	100 %	197,046 SEK	497,124	-18,471	19.704,581	197,046	241,406
Moelven Danmark A/S	Danmark	100 %	5,000,DKK	19,378	962	50 000	5,000	12,417
Moelven U.K. Ltd	Storbritannia	100 %	950 GBP	840	32	950,000	50	10,426
Moelven Deutschland GmbH	Tyskland	100 %	110 EUR	575	-1	11	110	217
Moelven Are AS	Spydeberg	100 %	300	45,799	-94	100	300	43,116
Moelven Mjøsbruket AS	Gjøvik	100 %	12,000	55,104	22,645	12,000	12,000	15,990
Moelven Eidsvold Værk AS	Eidsvoll	100 %	32,500	14,068	-52,311	32,500	32,500	13,578
Moelven Trysil AS	Trysil	100 %	15,600	47,578	14,096	15,600	15,600	35,634
Moelven Multi3 AS	Ringsaker	100 %	3,425	9,496	-3,072	6,850	3,425	7,192
Moelven Virke AS	Ringsaker	100 %	5,000	11,873	5,046	50,000	5,000	4,546
Moelven Sør Tre AS	Kragerø	100 %	8,487	19,755	1,958	8,487	8,487	50,000
Moelven Granvin Bruk AS	Granvin	99.3 %	1,490	20,624	-641	2,959	1,480	16,672
Moelven Wood Prosjekt AS	Ringsaker	100 %	300	5,729	2,811	3,000	300	11,000
Moelven Profil AS	Grue	100 %	15,000	23,060	2,293	15,000	15,000	15,030
Moelven ByggModul Hjellum AS	Hamar	100 %	4,206	54,638	-49,789	50,001	4,206	54,585
Moelven Elprosjekt AS	Ringsaker	100 %	10,000	12,094	-396	50,000	10,000	12,000
Moelven Pellets AS	Ringsaker	100 %	37,500	73,457	-11,347	37,500	37,500	75,000
Total Moelven Industrier ASA								**1.093,355**

*) 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 2019	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	10,084	0	3.000,000	3,000	2,632
Woodtrans AS, Norway	34.0 % NOK	1,310	4,773	804	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 31.12.2018	647.8	130.9	0.0	117.9	896.5
Annual profit				67.4	67.4
Allocated to dividend				-93.3	-93.3
Equity 31.12.2019	**647.8**	**130.9**	**0.0**	**92.0**	**870.7**

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 %	1.5	0.9	28.1	6.0	0.1	
Moelven Østerdalsbruket AS	100 %	1.1	1.2	39.3	10.0	0.0	
Moelven Våler AS	100 %	5.7	1.5	62.5	25.0		
Moelven Soknabruket AS	100 %	2.1	4.0	101.0	30.0		0.1
Moelven Numedal AS	100 %	2.4	0.7	25.5	6.5		
Moelven Løten AS	100 %	1.5	0.1	-	2.5		
Moelven Telemarksbruket AS	51 %	1.2		-			
Moelven Wood AS	100 %	8.0				0.9	0.1
Moelven Langmoen AS	100 %	1.2	1.1	26.5		0.0	
Moelven Eidsvoll AS	100 %	0.7	0.7	18.0			
Moelven Treinteriør AS	100 %	0.5	0.2	4.6	7.5		
Moelven Modus AS	100 %	5.4			6.0	0.0	0.0
Moelven ByggModul AS	100 %	5.1	1.0	27.0		0.8	
Moelven ByggModul Hjellum AS	100 %	3.1					0.0
Moelven Bioenergi AS	100 %	0.4	0.1	2.7		0.3	0.3
Moelven Elprosjekt AS	100 %		0.0	-	1.2		
Moelven Limtre AS	100 %	6.9	1.3	36.0	10.0	0.0	
Moelven Industrier AB	100 %	0.1	15.9	377.7			2.0
Moelven Are AS	100 %	0.3		-		0.0	
Moelven Mjøsbruket AS	100 %	3.1	0.3	8.2	27.0		
Moelven Eidsvold Værk AS	100 %	1.4	2.3	55.4		0.0	0.0
Moelven Trysil AS	100 %	1.0	0.7	28.0	15.0		
Moelven Multi3 AS	100 %	1.6	0.4	8.1		0.0	
Moelven Virke AS	100 %	0.6			4.0		
Moelven Sør Tre AS	100 %	0.4	0.3	7.2	3.0		
Moelven Granvin Bruk AS	99.3 %	0.7	0.7	17.5			
Moelven Wood Prosjekt AS	100 %	0.3				0.0	
Moelven Profil AS	100 %	1.4	0.9	20.9	2.0		
Moelven Portefølje AS	100 %						
Moelven Pellets AS	100 %	1.0	3.9	180.0		0.2	-0.0
Moelven Danmark AS	100 %	0.9					
Moelven UK Ltd.	100 %	0.2					
Moelven Polska sp.z.o.o	100 %	0.0					
Moelven Deutschland GmbH	100 %	0.1					
Moelven Nederland B.V	100 %	0.0					

Note 15 - Transactions with related parties (cont.)

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
Swedish companies owned by Moelven Industrier AB							
Moelven Notnäs Ransby AB	100 %	8.4	1.2	32.8			
Moelven List AB	100 %	1.1	0.7	18.7			
Moelven ByggModul AB	100 %	9.9					
Moelven Norsälven AB	100 %	0.0	0.0	-			
Moelven Wood Interiör AB	100 %	1.6	0.8	18.2			
Moelven Component AB	100 %	1.7	0.3	6.2			
Skåre Kontorshotell AB	100 %		0.2	5.5			
Moelven Wood AB	100 %	6.5					
Moelve Valåsen Wood AB	100 %	1.3	1.1	28.3			
Moelven Valåsen AB	100 %	9.7	1.1	28.3			
Moelven Dalaträ AB	100 %	4.5	0.0	-			
Moelven Modus AB	100 %	3.4	0.7	15.3			
Moelven Edanesågen AB	100 %	2.2	2.3	61.4			
Moelven Årjäng Såg AB	100 %	3.7					
Moelven Skog AB	100 %	1.9	1.1	29.9			
Moelven Töreboda AB	100 %	3.4	0.9	20.5			
Vänerbränsle AB	82.3 %	0.1					
Moelven Malmö Holding AB	100 %					0.0	
Moelven Lovene AB	100 %	0.1	0.1	1.9			
Moelven Vänerply AB	100 %	2.1	1.6	43.7			
UJ Trading AB	100 %	0.4					
Moelven Export Sales AB	100 %	0.0					
Total 2019		**122.0**	**50.3**	**1 385.0**	**155.7**	**2.4**	**2.5**
Total 2018		**115.7**	**48.3**	**1 881.1**	**392.8**	**4.8**	**2.0**

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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, which comprise:

- The financial statements of the parent company Moelven Industrier ASA (the Company), which comprise the balance sheet as at 31 December 2019, 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 2019, the income statement, statement of changes in equity and statement of cash flows 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 2019, 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 2019, 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 information in the annual report, except 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 consolidated 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 consolidated 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 scepticism 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 proposed allocation of the result 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, 19 March 2020
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 26 March 2020:

- Annual report and proposed Annual Financial Statement by the Board of Directors and President/CEO for the 2019 accounting year for Moelven Industrier ASA and group.
- Board's proposed allocation of net 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 2019, including allocation of the net profit 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.

26 March 2020

Rolf Th. Holm
Chairman of the Corporate Assembly

Financial calendar 2020

3 February 2020
Fourth Quarter report 2019

27 April 2020
General meeting – Annual Accounts 2019

Publishing Quarterly

30 April 2020
First Quarter Report 2020

31 August 2020
Second Quarter Report 2020

2 November 2020
Third Quarter Report 2020

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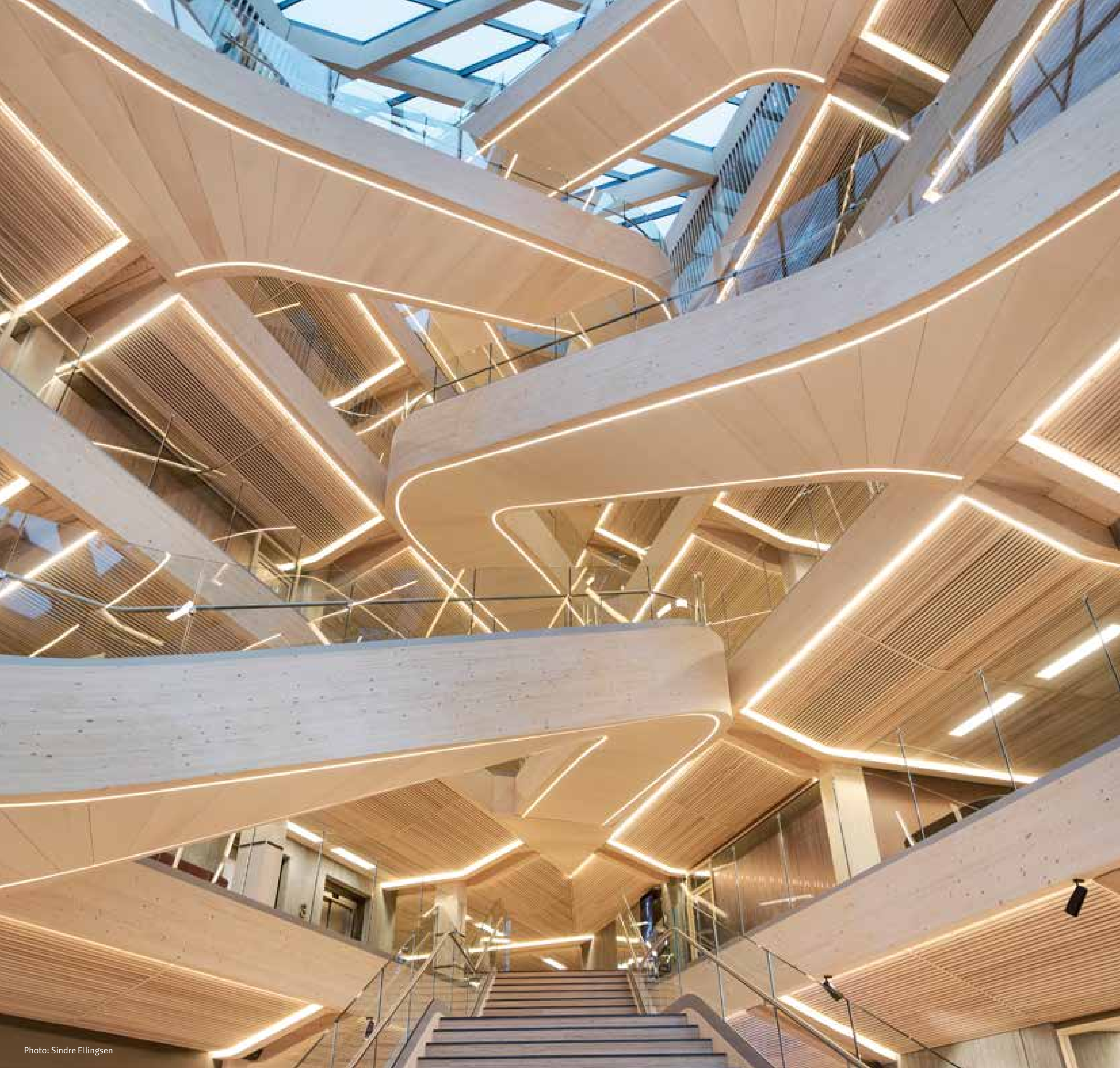

Photo: Sindre Ellingsen

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