

# Quarterly report 1/2023



## Cover photo

Elgiganten chooses glulam from Moelven when building the Nordic region's largest warehouse and logistics facility in Jönköping. It is the logistics real estate company Catena that is building the facility with BRA Bygg as main contractor.

Photo: Jonas Ingman

Amounts in NOK million	First quarter		12 months	
	2023	2022	2022	2021
Operating revenues	3,573	3,945	14,439	14,872
EBITDA	209	816	2,106	3,389
Gross operating margin/EBITDA in per cent	5.9 %	20.7 %	14.6 %	22.8 %
Depreciation and impairment	80	84	350	403
Operating profit	129	732	1,756	2,986
Net operating margin/EBIT in per cent	3.6 %	18.6 %	12.2 %	20.1 %
Profit before tax	79	754	1,754	2,991
Profit per share in NOK	0.49	4.59	10.7	18.1
Cash flow from operational activities, in NOK per share	-1.57	-1.37	11.1	20.9
Total equity	4,986	5,089	4,737	4,588
Equity ratio	59.9 %	58.6 %	59.9 %	55.5 %
Total assets	8,331	8,691	7,904	8,269
Investments	169	68	501	420
Return on capital employed in per cent, 12 month rolling	23.6 %	76.9 %	35.6 %	73.5 %
Capital employed	5,235	5,382	4,998	4,890
Net interest-bearing liabilities	-817	-1,081	-1,079	-1,312
Net working capital	3,091	3,676	2,808	3,093
Number of employees	3,306	3,325	3,332	3,312
Sick leave percentage	6.6 %	8.5 %	6.7 %	5.7 %
Lost Time Injury Frequency rate, rolling LTI-rate	7.9	5.8	8.0	6.9
Average number of shares (mill)	129.5	129.5	129.5	129.5

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

- The first quarter of 2023 was characterised by low levels of activity on the domestic markets in Scandinavia, good demand from the export markets and an overall higher cost level as a result of inflation.
- Operating revenues: NOK 3,573 million (3,945).
- Operating profit: NOK 129 million (732)
- Return on employed capital (12-month rolling basis) remained very good at 23.6 per cent (76.9).
- Good activity in the international saw timber market.
- Poor demand from the building products trade in Scandinavia.
- Overall, a satisfactory order situation within the Building Systems division, with the exception of certain segments in the glulam business.

## In brief

Activity in the international sawn timber market was better in the first quarter of 2023 than expected at the beginning of the year, with the exception of the domestic market in Scandinavia. Sawn timber prices, that fell in the second half of 2022, saw a slight recovery during the quarter. Historically the prices are at a good level, but a generally higher cost level puts considerable pressure on margins. Private consumption has long been an important driving force for developments in overall demand. This is being curbed by inflation, increasing interest rates and continued uncertainty about the war in Ukraine and economic developments. Demand for timber is impacted due to fewer new builds and reduced maintenance and renovation activities. This impact is being partially offset by the fact that timber is regarded as being an attractive, sustainable material and is thus taking market shares from other types of materials.

Activities in the Scandinavian building products trade saw a substantial reduction during the first quarter of 2023, compared to the same period in 2022. The consumer market is still suffering from the greatest decline, although activities in the other market segments have also been suffering from a reduction as projects are being completed and the market is adjusting to fewer new projects being initiated. Activity in the renovation, conversion and extension market has been satisfactory in the first quarter, which, however, ordinarily is characterised by seasonally lower activity than in the second and third quarters. Overall, the price levels for processed goods have decreased since the first quarter of 2022.

The supply of forestry raw materials during the first quarter was satisfactory in relation to the production levels in both Norway and Sweden. Production at our timber-producing units has been reduced slightly in order to adjust our stock levels of intermediate and finished goods. At the end of the quarter, our total sawlog stocks were lower than at the same time in 2022, but adequate for our current production plans. Prices for sawlogs from spruce and pine in both Norway and Sweden have increased when compared to the first quarter of 2022. Realised prices for cellulose chips and other by-products increased in Norway when compared to the first quarter of 2022.

Activities relating to building and construction, infrastructure and minor projects in our Building Systems Division have been good overall during the quarter, although certain segments have seen a significantly lower level of activity. A poor order intake and weak prospects for developments in the market for module-based buildings for residential purposes in Norway gave rise to the decision to discontinue operations at Moelven Byggmodul AS's production line at Hjellum in December 2022. The costs associated with this have been taken into account in the accounts for 2022. We will continue to concentrate on the housing segment, but our efforts will be more clearly aimed at selected subcategories. The two module production lines at our Moelv factory have sufficient capacity to handle this investment, as well as the production of modules for the building and construction market and the project market. Activities in some segments of the building module market have also declined in Sweden. As a result, Moelven Byggmodul AB gave 18 employees at the production facility in Kil notice of dismissal in mid-January 2023. Demand is still good for the company's other market segments – rental modules, housing and projects.

For the glulam business in Norway, the demand for certain types of glulam beams for both the building materials trade and industrial customers has dropped significantly, partly as a result of reduced start-ups of new projects in the housing and holiday home markets. At the beginning of January 2023, 16 of the 18 employees at Moelven Limtre AS's factory at Vatnestrøm in Agder were therefore notified of

layoffs for three months. On the basis of developments in the quarter, layoffs were extended by a further three months.

Elgiganten has chosen glulam from Moelven when building one of the Nordic region's largest warehouse and logistics facilities in Jönköping in Sweden. It is the logistics real estate company Catena AB that is building the facility with the BRA Group as main contractor. The project has high sustainability requirements and aims to be environmentally certified in accordance with BREEAM Excellent. Certification places high demands on the entire production stage, not least in terms of material choices, which is the reason the framework is built from glulam. The load-bearing structure of the 76,600 square metre building consists of its entirety of glulam from Moelven Töreboda AB in Sweden and the sister company Moelven Limtre AS in Norge. In total, project deliveries from Moelven constitute 6,300 m<sup>3</sup> glulam.

## Operating revenues and profits/losses

Operating revenues for the first quarter of 2023 were lower than for the corresponding period the previous year. The reason for this is lower prices for sawn and processed timber, in addition to lower delivery volumes for the Wood Division. For the Building Systems division, operating revenues were somewhat higher than in the same period of 2022.

In terms of profit, our timber processing business suffered a significant decrease in profits compared to the same period in 2022. Overall, prices have been significantly lower than during the same period in 2022. At the same time, the cost side is impacted by a generally higher cost level. For processed goods, reduced demand, especially from the consumer market, has resulted in a drop in delivery volumes in addition to price levels. Chip and fibre product prices were higher overall than during the first quarter of 2022, but these are only compensating slightly for the sawn timber prices.

The operating profit in the Building Systems division improved compared to the same period in 2022, mainly as a result of good profitability in the module business, where the Swedish operations have had a good level of activity and the Norwegian operations have improved profitability after the focus on the apartment segment was significantly reduced through the discontinuation of operations at the production line at Hjellum in the fourth quarter of 2022. The glulam business also reported improved results following a period of good deliveries in the project market.

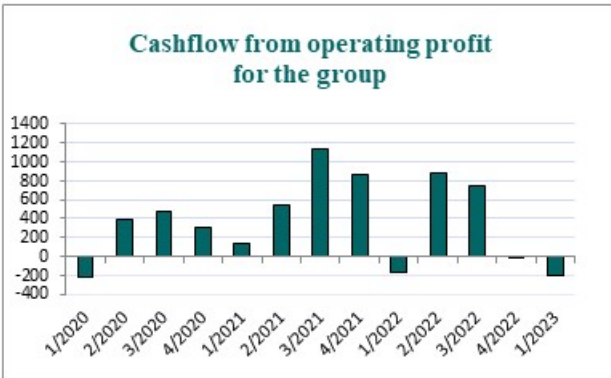
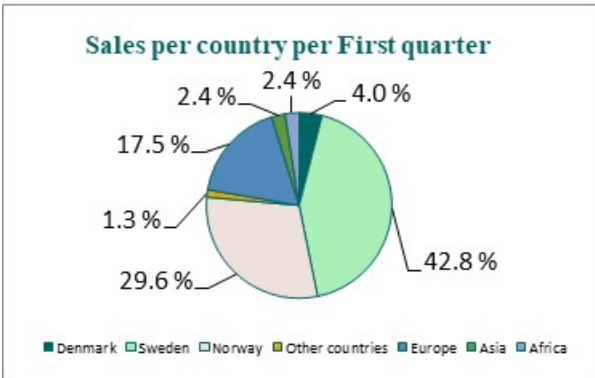
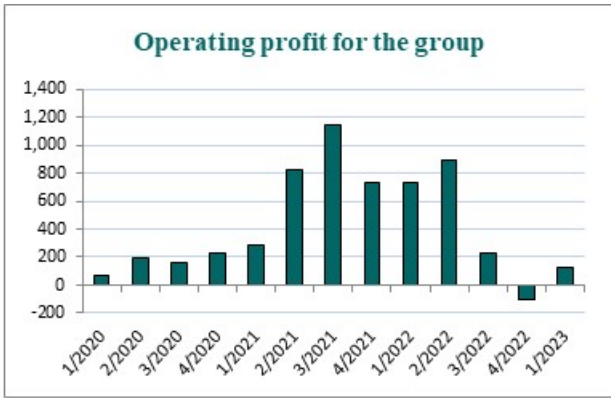
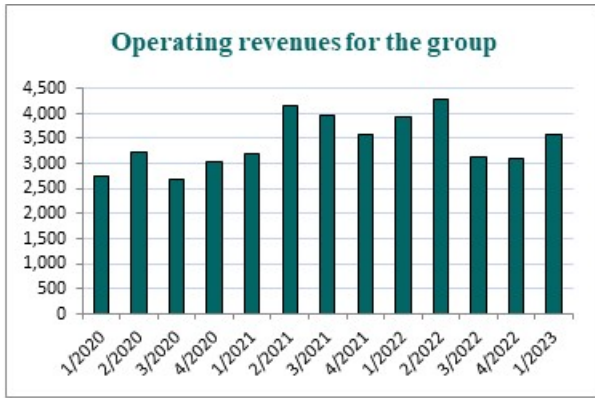
The Group utilises financial instruments in order to reduce the impact of short-term fluctuations in foreign exchange rates, interest rates and energy prices. Non-cash items connected to fair value adjustments on capitalised, unrealised hedging instruments comprised NOK -40 million for the quarter (42 million).

Pre-tax profit for the quarter was NOK 79 million (754).

Amounts in NOK million	First quarter		12 months	
	2023	2022	2022	2021
<b>Operating revenues</b>				
Timber	1,121	1,382	4,944	5,046
Wood	1,247	1,571	5,528	6,164
Building Systems	1,056	1,019	3,833	3,913
Other businesses	1,437	1,315	4,741	4,553
<i>Internal</i>	-1,288	-1,342	-4,608	-4,803
<b>The Group</b>	<b>3,573</b>	<b>3,945</b>	<b>14,439</b>	<b>14,872</b>

<b>EBITDA</b>				
Timber	90	426	1,239	1,794
Wood	33	318	757	1,504
Building Systems	79	54	84	160
Other businesses	6	-10	-31	-6
<i>Internal</i>	2	29	57	-62
<b>The Group</b>	<b>209</b>	<b>816</b>	<b>2,106</b>	<b>3,389</b>

<b>Operating profit</b>				
Timber	65	400	1,132	1,691
Wood	4	290	645	1,384
Building Systems	62	34	15	19
Other businesses	-4	-21	-93	-47
<i>Internal</i>	2	29	57	-62
<b>The Group</b>	<b>129</b>	<b>732</b>	<b>1,756</b>	<b>2,986</b>



## Investments, balance sheet and financing

During the course of the first quarter, investments totalling NOK 169 million (68) were activated. This increase in investment activities is based on the Group's long-term strategy plan and mainly comprises three individual projects that are current throughout 2023.

Depreciation and write-downs for the quarter amounted to NOK 80 million (84). At the end of the first quarter of 2023, the book value of the Group's total assets was NOK 8,331 million (NOK 8,691 million). The reduction in total assets is mainly due to investment activity and reduced inventories.

Cash flow from operating activities in the first quarter of 2023 was NOK -204 million (NOK -177 million), corresponding to NOK -1.57 (NOK -1.37) per share. The decline compared to the first quarter of 2022 is mainly due to weaker earnings. Cash flow from working capital items was NOK -315 million in the first quarter (-562).

At the end of the first quarter of 2023 the Group had net interest-bearing investments of NOK 817 million (1,081). The strong liquidity situation is mainly due to good cash flow from operations in the previous two years. Liquidity reserves including unused credit facilities were NOK 2,982 million (3,220).

Equity at the end of the first quarter 2023 amounted to NOK 4,986 million (NOK 5,089 million), which is equivalent to NOK 38.49 (39.28) per share. The equity ratio was 59.9 per cent (58.6).

The proposed dividend for 2022 of NOK 5.36 per share (9.06), totalling NOK 694 million (1,174), will, assuming approval at the Annual General Meeting on 4 May 2023, only be charged to equity and disbursed in the second quarter of 2023.

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 probable exchange rate fluctuations are within acceptable risk limits. In the first quarter, exchange rate fluctuations resulted in an unrealised change in equity of plus NOK 185 million (minus NOK 93 million). Approximately half of the Group's assets are recognised in SEK. The total assets thus also change based on the exchange rate. The equity ratio in percent is therefore less impacted by exchange rate fluctuations than the nominal equity.



## Divisions

### Timber

Amounts in NOK million	First quarter		12 months	
	2023	2022	2022	2021
Sales to external customers	906	1,125	4,126	3,911
Sales to internal customers	215	256	818	1,135
Operating revenues	1,121	1,382	4,944	5,046
Depreciation and impairment	25	26	106	103
Operating profit	65	400	1,132	1,691
Operating margin in per cent	5.8 %	28.9 %	22.9 %	33.5 %
Net operating capital (% of operating revenues)	12.2 %	14.1 %	12.1 %	14.5 %
Total assets	3,206	3,473	2,907	3,079
Equity	1,639	1,665	1,508	1,285
Capital employed	1,676	1,703	1,545	1,327
Return on capital employed in per cent, 12 month rolling	40.0 %	112.2 %	56.4 %	104.8 %
Investments	46	31	177	194
Total number of employees	654	638	653	630

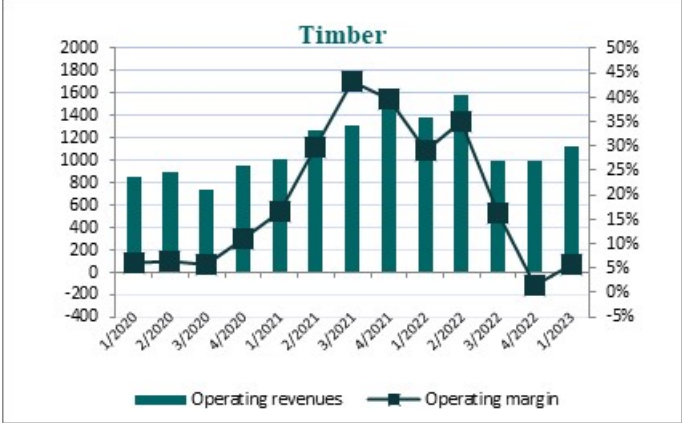
Demand for sawn timber was good in Europe in the first quarter, but poor in the domestic market in Scandinavia. In the rest of the export markets, demand was satisfactory. Price levels on the international sawn timber market improved somewhat, but levelled off towards the end of the quarter. The level is still good in historical terms, but the increased cost levels in society mean that the operating margins are lower.

During 2022 private consumption continued to fall as a result of high inflation and uncertain future outlooks relating to the war in Ukraine, inflation, central bank interest rates and further economic developments. This has affected demand for timber in the form of reduced new build activities, maintenance and renovation. The impact of this is countered to a certain extent by wood being considered as an attractive and sustainable material, thus taking market shares from other types of materials. Through the second half of 2022, industrial customers reduced inventory levels and took a wait-and-see approach to placing new, larger orders in anticipation of further price declines. Sawn timber prices fell to levels that made production constraints increasingly relevant rather than further declines in finished goods prices. Combined with increased demand from the underlying activity level on the export markets and industrial customers' need to increase inventory levels, this improved the market balance in the first quarter of 2023. For the Timber Division's units, delivery volumes during the first quarter of 2023 were on a par with those that applied during the same period in 2022.

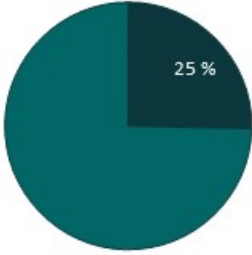
The production volume was lower than in the first quarter of 2022. Unit processing costs rose due to increased energy costs and an increased cost level in society in general. Access to transport capacity, which previously was a significant challenge, has improved, but prices have significantly increased from previous normal levels.

For both NOK and SEK the exchange rates compared to the Group's key export currencies are at levels that ensure good competitiveness in our export markets.

The supply of forestry raw materials during the first quarter was satisfactory in relation to the production levels in both Norway and Sweden. Production at our timber-producing units has been reduced slightly in order to adjust our stock levels of intermediate and finished goods. At the end of the quarter, our total sawlog stocks were lower than at the same time in 2022, but adequate for our current production plans. Prices for sawlogs from spruce and pine in both Norway and Sweden have increased when compared to the first quarter of 2022. Realised prices for cellulose chips and other by-products increased in Norway when compared to the first quarter of 2022.



**Timber's share of the Groups sale to external customers**



## Wood

Amounts in NOK million	First quarter		12 months	
	2023	2022	2022	2021
Sales to external customers	1,174	1,499	5,260	5,916
Sales to internal customers	73	72	268	247
Operating revenues	1,247	1,571	5,528	6,164
Depreciation and impairment	28	28	112	119
Operating profit	4	290	645	1,384
Operating margin in per cent	0.4 %	18.5 %	11.7 %	22.5 %
Net operating capital (% of operating revenues)	34.1 %	33.6 %	27.4 %	28.6 %
Total assets	3,747	4,161	3,392	3,866
Equity	1,715	1,719	1,650	1,529
Capital employed	2,344	2,033	2,005	1,746
Return on capital employed in per cent, 12 month rolling	15.7 %	69.8 %	28.7 %	62.7 %
Investments	83	29	234	155
Total number of employees	1,073	1,103	1,084	1,108

Demand from the building supplies trade for wood-based construction products was low during the first quarter of 2023. The main reason for the decline is reduced start-ups of new homes and holiday homes, as well as reduced activity in the consumer market related to renovation and maintenance of homes and holiday homes. Activities in the professional market have been better, but even here there has been a declining trend as started projects have been completed. The overall price levels were lower than during the corresponding period in 2022 and when coupled with reduced delivery volumes this has meant that operating revenues were significantly lower than for the first quarter of the previous year.

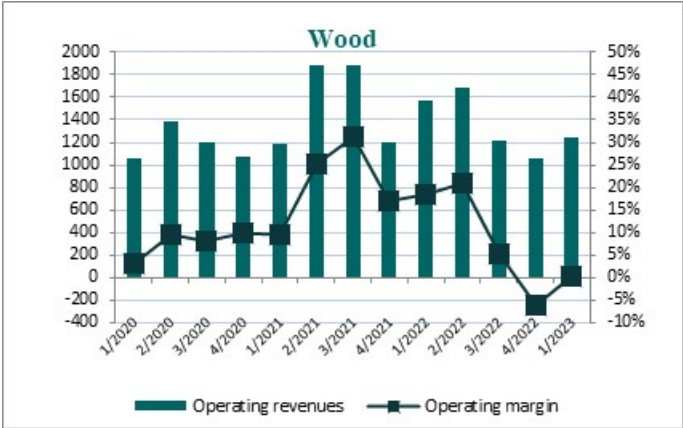
Reduced demand for planing loads meant that it was necessary to implement measures in order to avoid an excessive build-up of finished goods during the run-up to the winter season. Planing production for the Scandinavian market has therefore been reduced in favour of increased production of sawn timber and planing loads adapted to export markets.

The sawlog sorting facility at Moelven Soknabruket AS, which was completely destroyed in a fire in September 2022, will be out of operation until a new sorting facility can be commissioned. This is expected to happen during the first quarter of 2024. In order to ensure a continued supply of timber to the plant, temporary sorting solutions have therefore been established in the forest in cooperation with the supplier. This scheme ensures that sawn timber production can be continued while the timber sorting facility is being rebuilt, but it will mean a reduction in production and sawn timber yields when compared to the normal state of affairs.

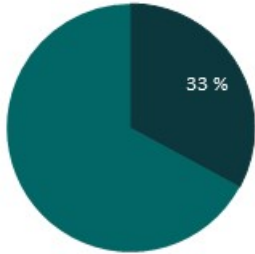
For the division's timber consuming units, processing costs increased compared to the same period last year. In addition to planing production for export and reduced efficiency at Moelven Soknabruket AS as a result of reduced timber sorting capacity, the main reasons for this are increased energy costs and an increased cost level in society in general.

The supply of forestry raw materials during the first quarter was satisfactory in relation to the production levels in both Norway and Sweden. At the end of the quarter, our total sawlog stocks were lower than at the same time in 2022, but adequate for our current production plans. Prices for sawlogs from spruce and pine in both Norway and Sweden have increased when compared to the first quarter

of 2022. Realised prices for cellulose chips and other by-products increased in Norway when compared to the first quarter of 2022.



**Wood's share of the Groups sale to external customers**



## Building Systems

Amounts in NOK million	First quarter		12 months	
	2023	2022	2022	2021
Sales to external customers	1,053	1,018	3,829	3,899
Sales to internal customers	3	1	3	13
Operating revenues	1,056	1,019	3,833	3,913
Depreciation and impairment	17	20	69	140
Operating profit	62	34	15	19
Operating margin in per cent	5.9 %	3.3 %	0.4 %	0.5 %
Net operating capital (% of operating revenues)	14.5 %	11.6 %	15.3 %	11.1 %
Total assets	1,984	1,772	1,775	1,694
Equity	765	688	678	667
Capital employed	902	806	877	782
Return on capital employed in per cent, 12 month rolling	5.5 %	3.4 %	2.2 %	2.2 %
Investments	6	4	36	54
Total number of employees	1,391	1,401	1,408	1,383

Overall, the order backlog for the division's businesses fell through the first quarter of 2023, but the level was nevertheless higher than at the same time in 2022 and is overall at a satisfactory level. Declining activity in some market segments has necessitated capacity-limiting measures in some units.

As regards our glulam businesses in both Norway and Sweden, demand from the consumer market for standard glulam was poor in the first quarter, as expected. For the Norwegian business, the demand for certain types of glulam beams for both the building materials trade and industrial customers has dropped significantly, partly as a result of reduced start-ups of new projects in the housing and holiday home markets. At the beginning of January 2023, 16 of the 18 employees at Moelven Limtre AS's factory at Vatnestrøm in Agder were therefore notified of layoffs for three months. On the basis of developments through the quarter, this was extended by a further three months.

Activities in the project market, particularly in Sweden, were good. In order to satisfy demand, part of the production for project deliveries in Sweden has taken place at the glulam factory in Moelv. This partnership has worked well, and proves that Moelven is capable of delivering on projects that would be too large for the individual units. The largest individual project has been load-bearing structures for Elgiganten's new warehouse and logistics facility in Jönköping, Sweden.

The load-bearing structure of the 86,000 square metre building consists of its entirety of glulam from Moelven Töreboda AB in Sweden and the sister company Moelven Limtre AS in Norge. In total, project deliveries from Moelven constitute 6,300 m<sup>3</sup> glulam.

The project is also a good example that the steel prices, along with a growing interest in building sustainably with wood, have contributed towards increasing the demand for glulam buildings when priority would previously have been placed on steel load-bearing structures.

Production costs increased compared to the same period in 2022, mainly due to increased energy costs, increased prices for other input factors and increased price levels in society in general. Reduced prices for sawn timber are heading in the opposite direction.

As regards our building module operations in Norway, activities in the building and construction segment have been satisfactory and production has been good. Activities in the project market have been reduced, with few public tenders. A poor order intake and weak prospects for developments in the market for module-based buildings for residential purposes in Norway gave rise to the decision to

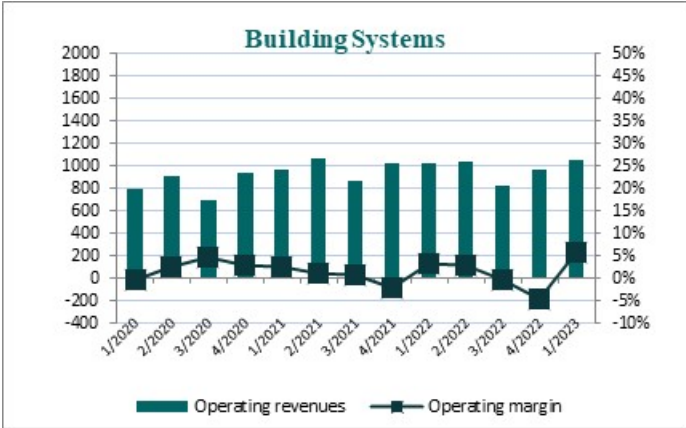
discontinue operations at Moelven Byggmodul AS's production line at Hjellum in December 2022. We will continue to concentrate on the housing segment, but our efforts will be more clearly aimed at selected subcategories. The two module production lines at our Moelv factory have sufficient capacity to handle this investment, as well as the production of modules for the building and construction market and the project market.

The closure of operations at Hjellum was taken into account in the accounts for 2022.

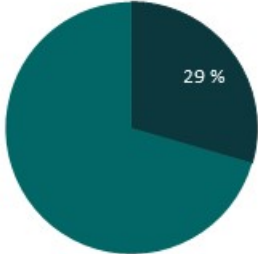
Activities in some segments of the building module market have also declined in Sweden. As a result, in the beginning of 2023 Moelven Byggmodul AB gave 18 employees at the production facility in Kil notice of dismissal. This is due to the fact that a drop in construction activities has reduced the demand for accommodation modules of the type produced in Kil. For the Swedish Modular Buildings business's other market segments – rental modules, housing and projects – demand remained good during the first quarter. Incoming orders in the first quarter of 2023 were satisfactory, and the order situation at the end of the quarter provides the basis for a good level of activity into the second quarter of 2023.

The results for our Modular Buildings operations were also negatively impacted by increased costs in society.

As regards Moelven Modus AS, our interior systems company, market activities during the first quarter were satisfactory. Although some parts of the country have adopted a slightly hesitant attitude, several exciting project enquiries have been received and the order situation is good. Action plans designed to improve competitiveness and restore profitable operations are now producing results.



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



## Other Businesses

Amounts in NOK million	First quarter		12 months	
	2023	2022	2022	2021
Sales to external customers	481	333	1,342	1,253
Sales to internal customers	956	982	3,399	3,300
Operating revenues	1,437	1,315	4,741	4,553
Depreciation and impairment	10	11	62	41
Operating profit	-4	-21	-93	-47
Operating margin in per cent	-0.3 %	-1.6 %	-2.0 %	-1.0 %
Net operating capital (% of operating revenues)	4.3 %	6.7 %	2.5 %	5.2 %
Total assets	3,566	3,914	3,344	3,969
Equity	2,458	2,571	2,443	2,714
Capital employed	2,402	2,639	2,421	2,868
Return on capital employed in per cent, 12 month rolling	-4.8 %	-2.7 %	-5.5 %	-2.3 %
Investments	34	4	54	18
Total number of employees	188	183	187	191

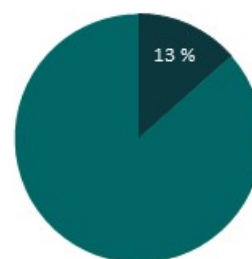
Other businesses include Moelven Industrier ASA, with shared services for finance, accounting, insurance, communications, HR and ICT. In addition, timber supply and sales of wood chips and energy products are included as a shared function for the Group's timber processing industry. This includes Moelven Skog AB, Moelven Virke AS, Vänerbränsle AB, Moelven Bioenergi AS, Moelven Pellets AS and the recently founded Moelven Pellets AB.

Operating revenues in the area of Other Businesses are largely due to activities within timber supply and sales of wood chip and energy products. A major part of this turnover is intercompany.

Production at Moelven Pellets AS' factory at Sokna was restarted in week 8 after the fire on the night of 22 December 2022. Production will run at somewhat reduced capacity until the dryer is fully restored this summer. Moelven Pellets AB has started the groundwork for the new pellet factory the company will build in Karlskoga. The project is scheduled to start production in the first quarter of 2025.



Others' share of the groups sale to external customers



## Employees

Employees	Per First quarter 2023				Per First quarter 2022			
	Male	Female	% Female	Total	Male	Female	% Female	Total
Timber	583	71	10.9 %	654	568	70	11.0 %	638
Wood	900	173	16.1 %	1,073	926	177	16.0 %	1,103
Building Systems	1,265	126	9.1 %	1,391	1,287	114	8.1 %	1,401
Other businesses	130	58	30.9 %	188	127	56	30.6 %	183
<b>The Group</b>	<b>2,878</b>	<b>428</b>	<b>12.9 %</b>	<b>3,306</b>	<b>2,908</b>	<b>417</b>	<b>12.5 %</b>	<b>3,325</b>

Sickness absence rate	Per First quarter		12 months rolling basis	LTI per First quarter		TRI per First quarter	
	2023	2022		2023	2022	2023	2022
Timber	6.1 %	8.2 %	Timber	9.5	8.8	18.1	15.6
Wood	6.0 %	8.3 %	Wood	4.7	3.4	19.9	18.0
Building Systems	7.8 %	9.3 %	Building Systems	10.6	7.2	22.2	18.6
Other businesses	2.2 %	3.6 %	Other businesses	0.0	0.0	3.3	6.5
<b>The Group</b>	<b>6.6 %</b>	<b>8.5 %</b>	<b>The Group</b>	<b>7.9</b>	<b>5.8</b>	<b>19.6</b>	<b>17.2</b>

The injury rate fell in the first quarter of 2023 compared to the end of 2022, but increased compared to the end of the first quarter of 2022. The LTI rate is the injury rate expressed as the number of injuries with subsequent absence from work due to sickness absence per million hours worked. For 2023, the intermediary target is for the LTI rate measured on a 12-month rolling basis to be less than 5. At the end of the quarter, the Group as a whole had an LTI rate of 7.9. This is 0.1 lower than at the beginning of the year, but 2.1 higher than at the end of the first quarter of 2022. The level is nevertheless low compared to previous years, and the long-term trend is still falling. The actual number of injuries resulting in absence in the first quarter of 2023 was 8, the same as the corresponding period in 2022.

The TRI rate is the total number of injuries per million hours worked. For 2023, the intermediary target is for the TRI rate measured on a 12-month rolling basis to be less than 20. At the end of the first quarter of 2023, the TRI rate was 19.6, unchanged from the beginning of the year, and 2.4 higher than at the end of the first quarter of 2022. As for the LTI rate, the long-term trend for the TRI rate is also falling. The total number of injuries with and without absence in the first quarter of 2023 was 22, compared to 21 in the same period in 2022.

Internal investigations are routinely conducted of all injuries with a certain degree of seriousness. The investigation is being carried out in cooperation with the Group's central HR department. One of the main goals of the investigations is to find the root cause of the injury. In addition, the methodology used ensures a systematic and impartial investigation of the incident focusing on considering whether adequate and relevant safety procedures and measures were implemented and worked as intended. The results of investigations are shared with all employees in the group to provide greater insight into the incident and thus be able to implement preventive measures to avoid similar incidents elsewhere.

In order to build on the solid foundations developed in the HSE area through the action plan "HSE towards 2023," a new prioritised action plan has been adopted in the first quarter: "HSE towards 2025". In HSE towards 2025, the focus on the working environment and sense of belonging will be strengthened, to ensure good care of our employees. No one should be injured at work at Moelven, and no one should fall ill from working at Moelven. Everyone should feel cared for and seen. A trust-



based working environment where all employees feel a sense of belonging is important for sickness absence, commitment and safety at work.

The key points of HSE towards 2025 are:

1. Completed safety inspections by HSE towards 2023 are closed.
2. Promote health and the working environment, including focus on presence work.
3. Ensure good skills development within HSE in all parts of the organisation.
4. Proactive work on risk and undesirable incidents.
5. Ensure compliance with and support of HSE work throughout the organisation.

The long-term trend for developments in absence from work due to sickness has been falling for some time, but the COVID-19 pandemic resulted in greater variations than normal.

Sick leave in the first quarter of 6.6 per cent (8.5) was higher than normal. Long-term sick leave was 2.9 per cent, compared to 2.7 per cent at the same time in 2022. In the first quarter of 2022, short-term sick leave was strongly affected by local COVID-19 outbreaks. For the 2017-2021 period, average sick leave was 6.0 per cent.

Many of Moelven's businesses already have absence levels that are lower than our maximum target for 2023 of 4.0 per cent. However, there is still much to be gained, and section two in the action plan "HSE towards 2025" addresses precisely this. Among other things, emphasis will be placed on using insight into "best practice" to establish procedures for follow-up of sick leave. In addition, culture building and further development of active employees based on the value platform, as well as the development of leadership modules related to health-promoting workplaces and the working environment are important areas.

## Outlook

In the April edition of the “World Economic Outlook”, the IMF estimates growth in the world economy will drop from 3.4 per cent in 2022 to 2.8 per cent in 2023, before increasing to 3.0 per cent in 2024. The estimate for 2023 has thus been reduced by 0.1 percentage points since the January 2023 report.

In the first quarter of 2023, much uncertainty in the banking sector has come in addition to high inflation, rising interest rates and the war in Ukraine as the main reasons for their expectations about current economic growth declining to one of its lowest levels in nearly 30 years, with the exception of the financial crisis of 2009 and the pandemic year of 2020. Inflation is expected to peak in 2023, but is unlikely to reach the desired levels for a few years to come. The greatest uncertainty factor is still the war in Ukraine and as long as it continues, it is more difficult than ever to predict future macroeconomic developments.

Demand for sawn timber has been better than expected in Europe so far in 2023, but there is great uncertainty ahead related to further developments. In Scandinavia, demand has been weaker than expected. An increase in the high season is expected, but the overall level will be lower than in previous years. In other parts of the world, activity levels are expected to slow down in the years to come, but remain at a satisfactory level.

For both NOK and SEK the exchange rates compared to the Group’s key export currencies are at levels that ensure good competitiveness in our export markets. A significantly increased general cost level means that margins have nevertheless been significantly reduced.

As regards the market for processed timber in Scandinavia, activities relating to renovation, modernisation and extension are expected to fall when compared to the two previous years. Developments in consumer demand will depend to a greater extent on changes in disposable income. Sales of new homes and holiday homes have been falling for some time and the commencement of new building projects is at a very low level. Activities for this segment in 2023 are expected to remain low. This may partly be compensated for by increased activity in public sector construction projects.

At the start of the second quarter of 2023, timber stocks are at satisfactory levels in both Norway and Sweden. Continued satisfactory access to raw materials is expected with regard to the existing production plans.

The Building Systems division has implemented measures to adapt production capacity to the prevailing market conditions, to a level that looks set to continue through the second quarter of 2023. For the division as a whole, higher interest rates and high construction costs are expected to lead to lower start-ups, but with somewhat greater activity in the renovation, conversion and extension market.

The Group has a long-term goal of achieving a return on average capital employed of 13 per cent over the course of an economic cycle. At the end of the first quarter, the rate of return was 23.6 per cent. The Board considers the Group’s solvency and long-term access to liquidity to be good, and sufficient to implement planned improvement measures in accordance with the Group’s strategy. A number of projects and investment plans are ongoing to equip the Group for the future. This applies not only to international financial competitiveness, but also to safety, information technology, the climate and the environment.

In the second quarter of 2023, generally weaker demand is expected for several of the Group's product categories, which, combined with high energy costs and increased cost levels in general, will result in

poorer profit developments than in previous years. However, uncertainty is very high due to matters and framework conditions that Moelven does not control itself, and the result for 2023 as a whole is expected to be significantly weaker than for 2022.

## Quarterly accounts for the Moelven Group for the first quarter of 2023

### Condensed income statement and comprehensive income

Amounts in NOK million	First quarter		12 months	
	2023	2022	2022	2021
Operating revenues	3,573	3,945	14,439	14,872
Cost of goods sold	2,336	2,140	8,296	7,564
Payroll expenses	625	609	2,395	2,465
Depreciation and impairment	80	84	350	403
Other operating expenses	402	379	1,642	1,454
<b>Operating Profit</b>	<b>129</b>	<b>732</b>	<b>1,756</b>	<b>2,986</b>
Financial income	16	47	74	48
Financial expenses	63	25	77	46
<b>Profit before tax</b>	<b>79</b>	<b>754</b>	<b>1,754</b>	<b>2,991</b>
Estimate income tax	16	160	365	642
<b>Net profit</b>	<b>64</b>	<b>595</b>	<b>1,389</b>	<b>2,349</b>
Non-controlling interest share	0.0	0.1	0.2	0.4
Owner of parent company share	63	595	1,389	2,349
Earnings per share (in NOK)	0.49	4.59	10.72	18.13
<b>Statement of comprehensive income</b>				
Net profit	64	595	1,389	2,349
<b>Other comprehensive income</b>				
<i>Items that are not reclassified subsequently to profit or loss</i>				
Reclassification of realised translation differences to profit and loss	0	0	-3	-6
Actuarial gains (losses) on defined-benefit pension schemes	0	0	0	-2
Income tax on items that are not reclassified to profit or loss	0	0	0.1	0.4
<i>Items that may be reclassified subsequently to profit or loss</i>				
Translation differences	185	-93	-62	-138
	185	-94	-65	-146
<b>Total comprehensive income for the period</b>	<b>248</b>	<b>501</b>	<b>1,324</b>	<b>2,203</b>
<b>Comprehensive income assigned to:</b>				
Owners of parent company	248	501	1,323	2,203
Non-controlling interests	0.2	0.0	0.2	0.2

## Condensed statement of financial position

Amounts in NOK million	Per 31.03		Per 31.12	
	2023	2022	2022	2021
Intangible assets	62	86	62	86
Tangible fixed assets	2,512	2,154	2,343	2,200
Financial fixed assets	3	3	3	3
<b>Total fixed assets</b>	<b>2,578</b>	<b>2,242</b>	<b>2,408</b>	<b>2,289</b>
Inventory	2,014	2,244	2,111	2,174
Contract assets	226	231	186	149
Receivables	2,424	2,556	1,828	2,023
Liquid assets and current financial investments	1,090	1,418	1,370	1,634
<b>Total current assets</b>	<b>5,753</b>	<b>6,449</b>	<b>5,495</b>	<b>5,980</b>
<b>Total assets</b>	<b>8,331</b>	<b>8,691</b>	<b>7,904</b>	<b>8,269</b>
Share capital*	648	648	648	648
Other equity	4,338	4,441	4,090	3,940
<b>Total equity</b>	<b>4,986</b>	<b>5,089</b>	<b>4,737</b>	<b>4,588</b>
Provisions	388	456	350	312
Long term interest-bearing liabilities	160	196	169	195
Lease liabilities	87	93	89	102
<b>Total long term liabilities</b>	<b>635</b>	<b>745</b>	<b>608</b>	<b>610</b>
Contract liabilities	299	255	168	244
Short term liabilities	2,410	2,602	2,391	2,828
<b>Total short term liabilities</b>	<b>2,709</b>	<b>2,857</b>	<b>2,559</b>	<b>3,072</b>
<b>Total liabilities</b>	<b>3,345</b>	<b>3,602</b>	<b>3,166</b>	<b>3,682</b>
<b>Total liabilities and equity</b>	<b>8,331</b>	<b>8,691</b>	<b>7,904</b>	<b>8,269</b>

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

## Consolidated statement of changes in equity

Amounts in NOK million	Equity assigned to owners of parent company			Total	Non-controlling interests	Total equity
	Share capital	Share premium funds	Other equity			
Total pr 01.01.2022	648	131	3,806	4,585	2	4,588
<b>Comprehensive income for the period</b>						
<b>Net profit</b>	0	0	595	595	0.1	595
<b>Other comprehensive income</b>						
Translation differences	0	0	-93	-93	-0.1	-93
<b>Other comprehensive income (net of tax)</b>	0	0	-93	-93	-0.1	-93
<b>Total as at 31.03.2022</b>	<b>648</b>	<b>131</b>	<b>4,308</b>	<b>5,086</b>	<b>2</b>	<b>5,089</b>
Total pr 01.01.2023	648	131	3,956	4,735	3	4,737
<b>Comprehensive income for the period</b>						
<b>Net profit</b>	0	0	63	63	0.0	64
<b>Other comprehensive income</b>						
Translation differences	0	0	185	185	0.2	185
<b>Other comprehensive income (net of tax)</b>	0	0	185	185	0.2	185
<b>Total as at 31.03.2023</b>	<b>648</b>	<b>131</b>	<b>4,204</b>	<b>4,983</b>	<b>3</b>	<b>4,986</b>

## Consolidated statement of cash flow

Amounts in NOK million	Per 31.03	
	2023	2022
<b>CASH FLOW FROM OPERATIONAL ACTIVITIES:</b>		
Net profit	64	595
<i>Adjustments to reconcile net profit with net cash flow from operations:</i>		
Depreciation	79	84
Impairment	1	0.0
Income from associated companies	-3	0
Tax paid	-101	-340
Unpaid pension costs entered as costs and unreceived pension funds entered as income	0	0.3
Loss (profit) on sale of fixed assets	-3	0
Net value change of financial instruments to fair value	40	-42
Income tax	16	160
Other	2	0
<i>Changes in operating assets and liabilities:</i>		
Changes in inventory and contract assets	59	-99
Changes in accounts receivable and other receivables	-597	-652
Changes in trade accounts payable	12	80
Changes in provisions and benefits to employees	8	-10
Changes in short-term liabilities excluding borrowing	220	46
<b>Cash flow from operational activities</b>	<b>-204</b>	<b>-178</b>
<b>CASH FLOW FROM INVESTMENT ACTIVITIES:</b>		
Investment in plant and equipment exc. acquisition	-169	-68
Investment in current financial assets	0	200
Receipts from sale of fixed assets	9	1
Sale of subsidiaries excl cash in business sold	0	66
<b>Cash flow from investment activities</b>	<b>-160</b>	<b>199</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES:</b>		
Net borrowing (+) / repayment (-) of long term debt	-10	1
Payment of leases	-10	-9
Net paid interests	6	0
<b>Cash flow from financial activities</b>	<b>-14</b>	<b>-9</b>
<b>Net increase (reduction) in liquid assets during year</b>	<b>-378</b>	<b>12</b>
Liquid assets start of period	1,340	1,214
Effect of exchange rate changes on liquid assets	105	-52
<b>Liquid assets end of period</b>	<b>1,066</b>	<b>1,174</b>

## Notes to the consolidated financial statements

### **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 consolidated financial statements for the first quarter of 2023, ending on 31 March 2023, includes Moelven Industrier ASA and its subsidiaries (collectively referred to as the “Group”) and the Group's interests in associated companies. The accounts are unaudited. The annual accounts for 2022 are available at [www.moelven.no](http://www.moelven.no).

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

The consolidated financial statements for the first quarter of 2023 have been prepared in accordance with the requirements of IAS 34 “Interim Financial Reporting” which have been approved by the EU. The interim financial statements do not include all the information required in a complete annual report and ought to be read in conjunction with the consolidated financial statements for 2022. The consolidated quarterly financial statements were approved by the Board on 4 May 2023.

### **Note 3 – Accounting policies**

The accounting policies adopted in the quarterly financial statements for 2023 are the same as those in the consolidated financial statements for 2022. Currency exchange rates in the consolidation are retrieved from Norges Bank.

### **Note 4 – Critical judgements and estimates**

The preparation of quarterly financial statements requires management to make judgements, estimates and assumptions that affect both which accounting policies are applied and the reported amounts of assets, liabilities, revenues and expenses. Actual amounts may differ from the estimated amounts. In preparing these quarterly financial statements management has applied the same critical judgements in applying the accounting policies as it made when preparing the consolidated financial statements for 2022 and the principal sources of estimate uncertainty are the same when preparing these quarterly accounts as for the consolidated accounts for 2022.

### **Note 5 – Pensions and taxes**

The calculations of pension costs and pension liabilities are undertaken annually by actuaries. In the quarterly accounts pension costs and pension liabilities are based on forecasts from actuaries. The income tax expense is determined in each quarter on the basis of the expected annual income tax expense.

### **Note 6 – Seasonal fluctuations**

Demand for the Group's products and services is normally subject to variability throughout the year. This means a low season through the first quarter, increasing activity and a high season through the second and third quarters and less activity in the last part of the fourth quarter.

Due to the annual seasonal variation in raw material access and market activity, the Group's working capital varies by NOK 300 million to NOK 400 million from its highest level in May/June to its lowest in November/December.



## Note 7 – Sales revenues

First quarter Amounts in NOK million	Timber		Wood		Building systems		Other		Group	
	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
Norway	98	177	433	782	427	464	84	109	1,042	1,532
Sweden	109	238	482	485	577	476	344	195	1,512	1,394
Rest of Europe	558	571	161	173	44	75	0	0	763	819
Rest of the world	138	137	77	15	0	0	0	0	215	153
<b>Total Sales revenues</b>	<b>903</b>	<b>1,122</b>	<b>1,153</b>	<b>1,456</b>	<b>1,049</b>	<b>1,015</b>	<b>428</b>	<b>304</b>	<b>3,532</b>	<b>3,897</b>
Other operating revenues	1	2	19	38	4	3	17	4	40	47
<b>Total operating revenues</b>	<b>904</b>	<b>1,124</b>	<b>1,171</b>	<b>1,495</b>	<b>1,053</b>	<b>1,018</b>	<b>445</b>	<b>308</b>	<b>3,573</b>	<b>3,945</b>

## Note 8 – Fixed assets, intangible assets and goodwill

Amounts in NOK million	Per 31.03	
	2023	2022
Book value per 1.1	2,357	2,217
Acquisitions	169	68
Lease acquisitions	7	2
Disposals	-6	0
Depreciations	-79	-84
Impairment losses	-1	0
Transfers	-2	7
Translation differences	83	-38
<b>Book value per 31.12.</b>	<b>2,529</b>	<b>2,171</b>

## Note 9 - Financial instruments

Amounts in NOK million	31.03.2023			31.12.2022			31.03.2023		
	Positive fair value	Negative fair value	Net fair value	Positive fair value	Negative fair value	Net fair value	Level 1*	Level 2*	Level 3*
Currency derivatives	13	-40	-27	16	-8	8		-27	
Interest rate derivatives	11		11	14		14		11	
Embedded derivative - currency	-11		-11		-9	-9.3		-11	
Money market fund									
<b>Total</b>	<b>13</b>	<b>-40</b>	<b>-26</b>	<b>30</b>	<b>-17</b>	<b>13</b>			

Amounts in NOK million	31.03.2022			31.12.2021			31.03.2022		
	Positive fair value	Negative fair value	Net fair value	Positive fair value	Negative fair value	Net fair value	Level 1*	Level 2*	Level 3*
Currency derivatives	39	-23	16	18	-24	-6		16	
Interest rate derivatives	4	-8	-4	1	-26	-25		-4	
Embedded derivative - currency		-0.3	-0.3	0.5		0.5		-0.3	
Money market fund	201		201	400		400		201	
<b>Total</b>	<b>244</b>	<b>-31</b>	<b>213</b>	<b>420</b>	<b>-50</b>	<b>370</b>			

\*

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.

## Note 10 – Operating segments

The divisions are divided in accordance with Moelven's three core activities: Timber (industrial goods), Wood (building products) and Building Systems (projects). There is also a division named "Other" in which the remaining units are placed. The divisions are built up around independent subsidiaries with activities clearly defined within the divisions. All transactions between the divisions are conducted on normal commercial terms. The split into divisions differs from the formal legal ownership structure. See the consolidated financial statements for 2021 for further information about segments. Below is a reconciliation of the profit before taxes in the reporting segments with the company's profit before taxes.

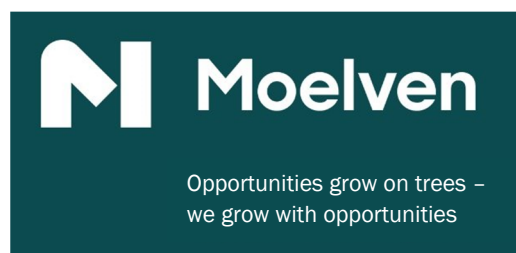
Amounts in NOK million	First quarter		12 months	
	2023	2022	2022	2021
Timber	61	413	1,133	1,682
Wood	8	281	658	1,364
Building Systems	61	34	13	23
Other	-53	-3	-107	-16
Internal	2	29	57	-62
<b>Profit before tax</b>	<b>79</b>	<b>754</b>	<b>1,754</b>	<b>2,991</b>

## Note 11 – 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. Here the arm's length principle is applied. Where other suppliers can offer better prices or terms, these will be used. About 40 per cent of Moelven's total purchasing requirement for sawlogs of 4,6 million cubic metres comes via the Norwegian forest owner cooperatives.

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.

Moelven is organised into three divisions: Timber, Wood and Building Systems. There is also an Other Businesses reporting area, which consists of the holding companies, supply businesses and bioenergy companies. The sawmills in Timber supply sawn timber products and components to industrial customers in Scandinavia and the rest of Europe, the Middle East, North Africa and China. The industrial customers use the products as intermediate goods in their own production. Shavings, chips and bark products are also supplied and are used in the pulp, chipboard and biofuel industry. The companies in Wood supply the building products trade in Scandinavia with a broad range of building and interior products. A critical competitive advantage is the division's efficient distribution system, which offers customers rapid and precise deliveries of a broad range of products. The companies within Building Systems deliver flexible system solutions for interior walls, modular buildings and load-bearing structures in glulam to projects and contractor clients, principally in Norway and Sweden. The division focuses on developing concepts and systems in collaboration with the customers and experts within architecture, design and construction. In total, the Group is composed of 34 production companies in Norway and Sweden and has 3,306 employees. Moelven also has sales offices in Denmark, England, Germany and China. The Moelven group is owned by Glommen Mjøsen Skog SA (66.8 per cent) and Viken Skog SA (32.8 per cent). Most of the remaining 0.4 per cent is owned by private individuals.



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