



Quarterly report 1/2020

*Thermowood 26x140 mm terrace decking and Rhombus Thermowood 26x068 mm ribs from Moelven Wood
Photo: Einar Breen/Nordiske Hjem*

MOELVEN[®]

Amounts in NOK million	First quarter		12 months	
	2020	2019	2019	2018
Operating revenues	2 735,5	2 695,8	10 297,5	11 020,8
EBITDA	149,4	217,8	629,8	932,7
Gross operating margin/EBITDA in per cent	5,5 %	8,1 %	6,1 %	8,5 %
Depreciation and impairment	79,8	76,8	294,4	346,5
Operating profit	69,6	140,9	335,4	586,2
Net operating margin/EBIT in per cent	2,5 %	5,2 %	3,3 %	5,3 %
Value change of financial instruments to fair value	-91,2	-5,4	-23,7	51,5
Profit before tax	-30,5	100,1	239,7	578,2
Profit per share in NOK	-0,18	0,60	1,46	3,47
Cash flow from operational activities, in NOK per share	-1,65	-1,22	4,49	5,20
Total equity	2 461,8	2 460,5	2 368,2	2 435,3
Equity ratio	39,8 %	41,8 %	42,9 %	45,9 %
Total assets	6 180,2	5 890,5	5 518,0	5 302,3
Investments	67,6	56,9	478,7	497,4
Return on capital employed in per cent, 12 month rolling	7,3 %	20,0 %	9,4 %	7,2 %
Capital employed	3 889,4	3 687,0	3 524,0	3 163,0
Net interest-bearing liabilities	1 412,8	1 117,6	1 136,4	721,4
Net working capital	2 745,9	2 689,9	2 293,2	2 373,3
Number of employees	3 374	3 527	3 399	3 524
Sick leave percentage	6,5 %	5,8 %	5,4 %	5,5 %
Lost Time Injury Frequency rate, rolling LTI-rate	9,6	11,2	11,3	10,9
Number of shareholders	869	882	882	901
Average number of shares (mill)	129,5	129,5	129,5	129,5

- Revenues in the first quarter were NOK 2,735.5 million (2,695.8).
- The operating result was NOK 69.6 million, NOK 71.3 million lower than for the first quarter of 2019.
- Return on employed capital (12-month rolling basis) was 7.3 per cent (20.0).
- Improved market balance in the international market for sawn timber.
- Delivery volumes to the building products somewhat higher than in the first quarter 2019.
- Improved order situation in Building Systems, but remaining low activity level.
- Operations at Moelven Eidsvold Værk AS have been stopped, and operations will be completely discontinued in the course of 2020.
- Significant negative market value changes on financial hedging instruments. Investment activity is being reduced due to the coronavirus pandemic.
- The coronavirus pandemic has increased sickness absence, but has not impacted operations and results significantly in the first quarter. The situation is causing uncertainty with regard to further developments.
- The systematic HSE work that has been going on for a long time produces results.

In brief

Although operating revenues and results so far have not been significantly affected, the development of the coronavirus pandemic has given Moelven some difficult challenges. The group chose at an early stage to issue a clear message based on the governments' instructions and recommendations, and the employees have taken the situation seriously and complied with the guidelines. The impact of the coronavirus pandemic on Moelven's own operations has thus been limited, although sickness absence has increased. By mid-March 100 employees were quarantined, while one was in isolation with confirmed infection. At the end of the first quarter 66 employees were quarantined and two were in isolation with confirmed infection and one was declared healthy. In mid-April the number of quarantined employees has been reduced to 13, and no new infections have been reported.

On the international sawn timber market, which comprises the majority of the group's exports, demand was satisfactory in the first quarter. The market balance has improved after several players, including Moelven, reduced production volumes in the fourth quarter of 2019. Market prices remained lower than in the first quarter of 2019 after falling significantly in the last six months of last year, but compared to the fourth quarter, developments were encouraging. For the export-oriented units, which mainly are a part of the Timber division, weak currencies in both Sweden and Norway have contributed to maintain international competitiveness. Overall, delivery volumes from the Timber division were higher than in the corresponding period of 2019.

Activity in the building products trade in Scandinavia was somewhat higher than in the first quarter of 2019. The renovation conversion and extension market still has a good level of activity, although new housing starts have declined in both Norway and Sweden. Deliveries from the Wood division were higher than in the corresponding period of 2019.

For The Building Systems division, lower demand for module-based apartment buildings made it necessary to reduce production capacity as early as 2019. The order situation improved in the first quarter of 2020, but as of now there is no basis for increasing production capacity. In building and construction, infrastructure and smaller projects activity has been good, with the exception of more basic modules that are used in building and construction in Sweden manufactured at our plant in Kil.

Access to forest raw materials was good in the first quarter. At the end of the quarter the timber stocks were higher than at the same time the previous year, and up towards the maximum level at several units. The prices for saw logs were lower than in the same period last year, both in Norway and Sweden. A good supply of chip and fibre products has led to a slight decline in prices to levels somewhat lower than in the same period last year in both Norway and Sweden.

From 1 January 2020 the group brought into use the first modules in a new management system for HSE, quality and the external environment. This is the result of an extensive project that started in 2019. The management system shall simplify and reduce the complexity of Moelven's improvement work. It will be a living system that to a greater extent exploits the synergies in the group, ensures compliance and provides better opportunities for certifications.

Moelven Valåsen AB was among the five finalists in the enterprise competition "Smart Industri 2019" that Kungl. Ingenjörsvetenskapsakademien (IVA) organises. Around 100 undertakings took part in the competition. Moelven Valåsen AB was one of two who received an honourable mention for implementing an internal "digitisation journey" of the entire production process, from timber to finished products, in what until now has been a traditional operation with a relatively low level of digitisation. The company has systematically sought available knowledge and combined best practices with its own solutions. So far, the work has led to reduced energy consumption and better utilisation of the raw material that maximises the product value of each log. The initiative, which involved the whole company, has also entailed a boost in expertise and greater attractiveness as an employer.

On 3 March another important milestone was reached for Moelven Pellets AS, when the first ship of premium pellets (ENplus A1) was loaded in Drammen harbour. The certification ENplus A1, which is the highest quality of pellets, has very stringent requirements in terms of length, hardness, moisture and energy content. It can thus be noted that the greatest single investment in Moelven's history has been successful so far and can be put into ordinary operation.

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.

When the competition authorities approved the sale of Eidsiva Vekst AS's and Felleskjøpet Agri SA's shareholdings in Moelven Industrier ASA to Glommen Mjøsen Skog SA and Viken Skog SA respectively in February 2020, Glommen Mjøsen Skog SA's stake increased to 71.5 per cent. Pursuant to the shareholder agreements, this in turn triggered a mandatory bid for the other shares subject to the agreements, and AT Skog SA with its share of 7.3 per cent chose to accept the bid. Following this, Moelven Industrier ASA's largest shareholder is Glommen Mjøsen Skog SA with 78.8 per cent and Viken Skog SA with 20.8 per cent. The remaining 0.4 per cent is distributed among a number of minor blocks of shares that are primarily owned by individuals.

Operating revenues and results

Operating revenues increased compared to the same period the previous year due to increased delivery volumes in the wood processing operations and a strengthened Swedish krone compared to the Norwegian krone. In the Building Systems division, activity levels were down somewhat compared to the first quarter of the previous year. In terms of results, the Timber division has seen a significantly weaker quarter than at the same time last year due to reduced finished product prices following the drop in prices in the international sawn timber market throughout 2019. For Wood the market prices were slightly lower than at the same time last year, but raw material costs were also reduced due to the price drop on sawn timber. In terms of results, the Wood division delivered on a par with the same period of 2019.

Reduced activity levels within the system interiors business in Norway and Sweden, as well as the modular buildings business in Sweden, led to a decrease in both operating revenues and operating profit compared with the first quarter last year.

The production volumes in the wood processing part of the group were on a par with the corresponding period of 2019, while at the same time below the delivery levels. Finished goods inventories have thus been reduced in the course of the quarter. Production at Moelven Eidsvold Værk AS stopped in the first quarter. The discontinuation is proceeding according to schedule, and will be completed in 2020.

The group's performance has been poorer in the last year, and measures to adjust activity and cost levels to the prevailing market conditions have been implemented on an ongoing basis. The coronavirus pandemic is now placing increased demands on further efficiency improving measures at several units, and the situation is being closely monitored.

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 operating result with a total of NOK -29.4 million in the quarter (9.5 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 due to mark-to-market adjustments on unrealised

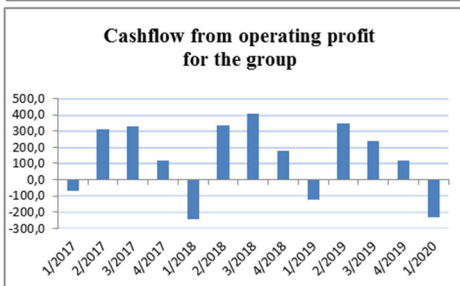
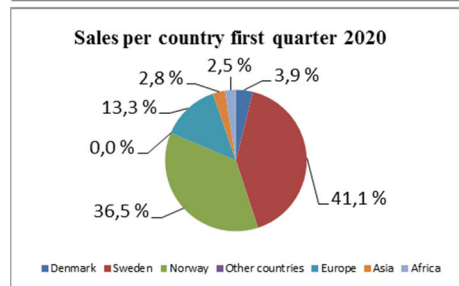
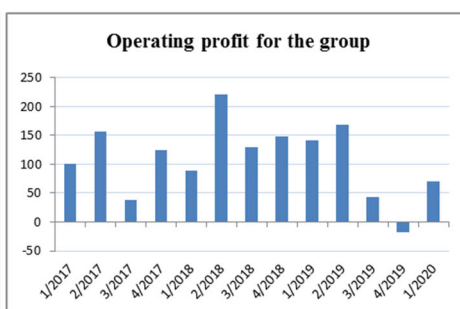
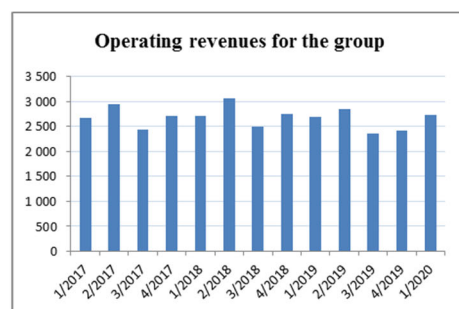
financial hedging instruments comprised NOK -91.2 million for the quarter (-5.4 million). Negative developments are mainly due to the sharp decline of NOK and partly SEK against EUR. Of the overall negative market value for the currency contracts, approximately 12% is linked to future contracts with maturity in Q2, 25% in the second half of the year, 42% in 2021, 30% in 2022 and 2% in 2023. For the interest hedges the average remaining term is slightly less than 5 years.

Profit before tax was minus NOK 30.5 million, compared to plus NOK 100.1 million in the first quarter of 2019. The main reasons for the decline are reduced margins within the Timber division, activity level within system interiors and the modular building business in Sweden, as well as a strong negative development in unrealized market values of financial hedging instruments.

Amounts in NOK million	First quarter		12 months	
	2020	2019	2019	2018
Operating revenues				
Timber	855,3	895,8	3 118,9	3 263,3
Wood	1 059,1	955,1	4 018,1	3 977,3
Building Systems	794,7	822,2	3 002,7	3 743,0
Other businesses	985,7	1 032,6	3 728,0	3 547,6
<i>Internal</i>	<i>-959,3</i>	<i>-1 009,9</i>	<i>-3 570,2</i>	<i>-3 510,5</i>
The Group	2 735,5	2 695,8	10 297,5	11 020,8

EBITDA				
Timber	77,2	117,3	243,1	449,4
Wood	59,7	60,1	265,4	318,5
Building Systems	17,8	46,1	135,0	189,0
Other businesses	-5,4	-5,8	-13,7	-24,1
The Group	149,4	217,8	629,8	932,7

Operating profit				
Timber	52,7	92,2	145,8	343,3
Wood	33,9	32,5	165,1	151,9
Building Systems	-3,1	26,4	56,8	128,3
Other businesses	-13,9	-10,1	-32,3	-37,2
The Group	69,6	140,9	335,4	586,2



Investments, balance sheet and funding

During the first quarter, total investments were NOK 67.6 million (NOK 56.9 million). According to the investment programme in the group's current strategy plan, investments in 2020 shall be reduced compared to 2019. As a result of the uncertainty caused by the coronavirus pandemic, it has also been decided that contracting of major investment projects will be postponed until the situation becomes clearer.

Depreciation in the quarter was NOK 79.8 million (76.8). At the end of the first quarter, the book value of the Group's total assets was NOK 6,180.2 million (NOK 5,890.5 million). The main causes of the increase are the inventory build-up in the second half of 2019 and that a strengthened Swedish krone in relation to the Norwegian result in the part of the group's balance sheet that comes from Swedish subsidiaries increasing through translation in the consolidated accounts.

Cash flow from operating activities in the first quarter was NOK -213.1 million (NOK -158.1 million), corresponding to NOK -1.65 (NOK -1.22) per share. The change compared to the same period last year is due to reduced cash flow from operations and natural fluctuations in the working capital items. Cash flow from working capital items was NOK -324.4 mill (-301.8).

Net interest-bearing liabilities were NOK 1,412.8 million (NOK 1,117.6 million) at the end of the quarter. Financial leases are included in net interest-bearing liabilities in the amount of NOK 185.3 million (NOK 220.7 million). Compared to the same time in 2019, the increase in debt is mainly due to increased capital binding in receivables and the strengthening of the SEK against the NOK. The group has a restrictive credit policy, and uses credit insurance and guarantees to secure receivables.

Cash reserves including unused credit facilities were NOK 734.1 million (NOK 981.1 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 process on refinancing the group's long-term financing is ongoing. This is going according to plan, and will be completed in the second quarter of 2020.

Equity at the end of the quarter amounted to NOK 2,461.8 million (NOK 2,460.5 million), equivalent to NOK 19.00 (NOK 18.99) per share. The equity ratio was 39.8 per cent (41.8 per cent).

The proposed dividend for 2019 of NOK 0.72 per share (1.74), totalling NOK 93.3 million (225.4), will, assuming approval at the Annual General Meeting on 27 April, only be charged to equity in the second quarter. Parts of the Group's equity are linked to ownership interests in foreign subsidiaries, principally in Sweden, and are thereby exposed to exchange rate fluctuations. The scope and consequences of likely exchange rate fluctuations are within acceptable risk limits. In the first quarter, exchange rate fluctuations resulted in an unrealised change in equity of NOK 131.8 million (NOK -57.9 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	
	2020	2019	2019	2018
Sales to external customers	699,9	719,6	2 512,3	2 628,4
Sales to internal customers	155,5	176,1	606,6	634,9
Operating revenues	855,3	895,8	3 118,9	3 263,3
Depreciation and impairment	24,5	25,1	97,4	106,2
Operating profit	52,7	92,2	145,8	343,3
Operating margin in per cent	6,2 %	10,3 %	4,7 %	10,5 %
Net operating capital (% of operating revenues)	16,0 %	16,5 %	15,8 %	18,3 %
Total assets	1 716,3	1 794,7	1 513,1	1 663,4
Equity	873,1	875,6	796,1	809,0
Capital employed	1 094,0	1 049,4	1 027,9	985,7
Return on capital employed in per cent, 12 month rolling	9,7 %	34,5 %	13,4 %	32,4 %
Investments	14,3	18,4	115,8	136,7
Total number of employees	625	642	629	620

Activity in the international sawn timber markets was good in the first quarter, despite the coronavirus pandemic. As the pandemic evolved as the quarter progressed, various measures have been implemented to limit its spread and impact the world over. This has resulted in challenges in terms of both market access and logistics, but deliveries for the division overall were nevertheless higher than for the corresponding period in 2019. Through the second half of 2019, high supply of goods led to a drop in market prices. The high supply was mainly lower grades of spruce, which increased due to storm fellings and powder-post beetle attacks, but had a significant impact on the overall price levels. Through the fourth quarter of 2019 several players reduced their production volumes, and the market balance has gradually improved as a result of this. In the first quarter of 2020 there has been a slightly positive development in market prices. However, the level is significantly lower than during the first quarter of 2019, and is the cause of the reduction in operating revenues.

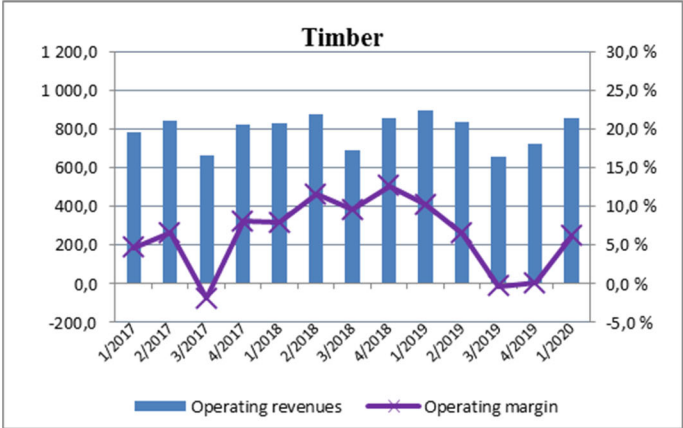
The Timber division sells a significant proportion of its production on the international sawn timber market. For the export-oriented units, continued weak currencies in both Sweden and Norway have contributed to maintaining competitiveness.

The various measures authorities the world over have implemented to manage the coronavirus pandemic, have caused disruption in the division's export markets. Priority is high to adjust production such that the products on offer match those that are in demand in the markets that at any time are accessible. The division has a well-diversified customer structure in terms of both geography and market segments. This has been important in order to maintain delivery volumes throughout the first quarter, and intensive efforts are being made to continue to maintain deliveries and thus also production.

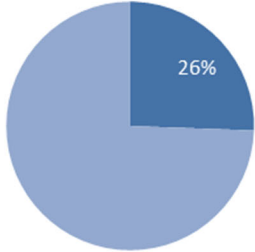
Production in the first quarter was on a par with the corresponding period the previous year. Completed rationalisation measures and cost-reductions have resulted in a reduction in production costs for the division as a whole, but not sufficient to compensate for the drop in market prices.

The result has been negatively impacted by value adjustments on inventories due to price developments. In the quarter this comprised a total of NOK -2.0 million. The corresponding adjustment in the first quarter of 2019 was NOK 8.3 million.

Access to all assortments of forest raw materials was good in the first quarter. At the end of the quarter the timber stocks were higher than at the same time the previous year, and up towards the maximum level at certain units. The prices for saw logs were lower than in the same period last year, both in Norway and Sweden. The situation for chip and fibre products was similar, with somewhat reduced price levels in both Norway and Sweden.



Timber's share of the Groups sale to external customers



Wood

Amounts in NOK million	First quarter		12 months	
	2020	2019	2019	2018
Sales to external customers	975,7	903,8	3 827,9	3 787,0
Sales to internal customers	83,4	51,3	190,2	190,3
Operating revenues	1 059,1	955,1	4 018,1	3 977,3
Depreciation and impairment	25,8	27,6	100,3	166,6
Operating profit	33,9	32,5	165,1	151,9
Operating margin in per cent	3,2 %	3,4 %	4,1 %	3,8 %
Net operating capital (% of operating revenues)	36,1 %	37,6 %	32,3 %	30,1 %
Total assets	2 940,8	2 692,5	2 514,4	2 466,9
Equity	1 158,8	1 045,5	1 064,2	1 048,3
Capital employed	1 987,7	1 798,9	1 711,6	1 648,0
Return on capital employed in per cent, 12 month rolling	9,2 %	10,6 %	9,3 %	8,9 %
Investments	38,7	12,2	117,2	198,1
Total number of employees	1 087	1 106	1 114	1 108

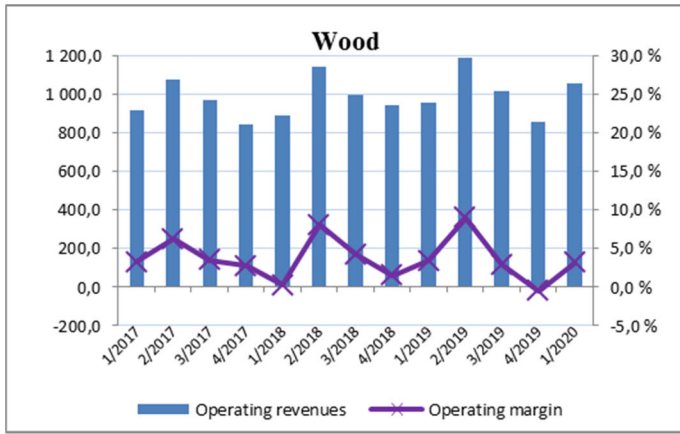
Activity in the building products trade in Scandinavia was overall somewhat higher in the first quarter of 2020 than in the corresponding period in 2019. Overall the delivery volumes from the Wood division increased somewhat compared to the previous year. The overall price level was lower than for the same period in 2019, although certain product categories saw a slight increase in prices. This mainly applies to customised products with a high level of processing, where demand has seen a steadily increasing trend in recent years. The division's combined units, which have both sawmill and planing mill production, had higher sales of sawn timber to the external market than in the first quarter of 2019. Here too the prices were somewhat lower than in the corresponding period last year. For the division as a whole the operating revenues increased compared to the first quarter of 2019 due to increased overall delivery volumes, as well as a strengthened Swedish krone in relation to the Norwegian krone.

Operating conditions in the quarter were good, and production proceeded according to plan despite the challenges the coronavirus pandemic have posed. Production costs developed as planned and ended on a par with the same period last year. For the division as a whole the operating result was somewhat better than in the first quarter of 2019.

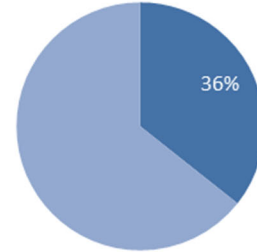
Profits for the quarter have been impacted by a value adjustment to inventories totalling NOK -27.4 million. The corresponding adjustment in the first quarter of 2019 was NOK 1.2 million.

For the timber-consuming units in the division, access to all assortments of forest raw materials has been good in the first quarter. At the end of the quarter the timber stocks were higher than at the same time the previous year, and up towards the maximum level at certain units. The prices for saw logs were lower than in the same period last year, both in Norway and Sweden. The situation for chip and fibre products was similar, with somewhat reduced price levels in both Norway and Sweden.

In September 2019 it was decided to discontinue operations at Moelven Eidsvold Værk AS. Production stopped as planned at the end of the first quarter 2020, and discontinuation of operations is going according to plan.



Wood's share of the Groups sale to external customers



Building Systems

Amounts in NOK million	First quarter		12 months	
	2020	2019	2019	2018
Sales to external customers	793,9	821,4	2 998,8	3 738,9
Sales to internal customers	0,8	0,8	3,9	4,2
Operating revenues	794,7	822,2	3 002,7	3 743,0
Depreciation and impairment	20,9	19,8	78,1	60,6
Operating profit	-3,1	26,4	56,8	128,3
Operating margin in per cent	-0,4 %	3,2 %	1,9 %	3,4 %
Net operating capital (% of operating revenues)	13,2 %	13,8 %	13,4 %	13,5 %
Total assets	1 866,3	2 002,1	1 751,0	1 751,4
Equity	825,9	788,6	786,6	780,9
Capital employed	1 055,7	1 082,4	1 044,0	846,4
Return on capital employed in per cent, 12 month rolling	2,9 %	13,5 %	5,6 %	14,7 %
Investments	10,3	15,4	55,9	93,5
Total number of employees	1 507	1 623	1 494	1 647

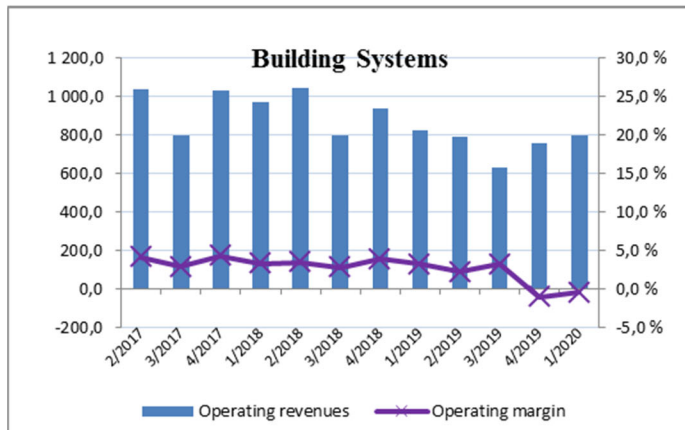
The order backlog for the division as a whole increased in the course of the first quarter 2020. At the end of the quarter the order backlog totalled NOK 478 million more than at the same time in 2019. It is primarily the building module operations that is responsible for the increase. Production capacity is not fully utilised.

For the glulam operations in both Norway and Sweden market activity has been satisfactory and somewhat better than normal for the season in the standard segment. The project markets were more hesitant in the first part of the quarter, as is normal for the season, while the coronavirus pandemic kept the normal seasonal increase in market activity towards the end of the quarter at bay. Initiated rationalisation measures and concept adjustments for glulam operations are going according to plan.

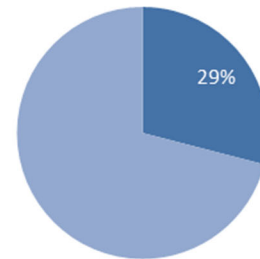
For the modular buildings operations in Norway, activities in the building and construction segment have been satisfactory with good production. Activity has been slow in the housing segment, albeit with sufficient volume to maintain operations in the factories. In 2019 operations were stopped in some factories with layoffs in the first half of the year due to a lack of orders. At the start of the second quarter of 2020 the order situation remains challenging and it will still take some time before the production rate and results reach the targeted level.

For the Swedish modular buildings operations, demand for standard modules for building and construction and leasing has been weaker than normal. The order intake has nevertheless been sufficient to secure the factory production. The housing segment remains somewhat hesitant, but with signs of improvement and an increase in orders. The order backlog improved in the first quarter, but an increase in production is still some way off. The capacity adjustments that were implemented in 2019 have not been reversed.

For system interiors market activity is hesitant in both Norway and Sweden. In Norway activity in some regions has dropped to levels that may lead to a need to adjust capacity if they persist. In Sweden the situation is somewhat better in the capital region, but price levels remain too low to create satisfactory profitability.



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

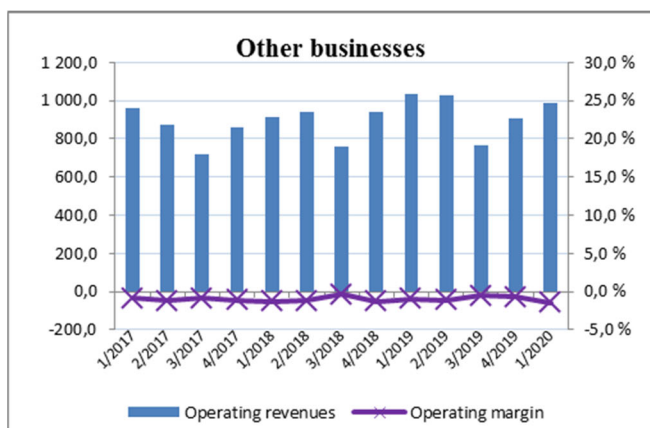


Other Businesses

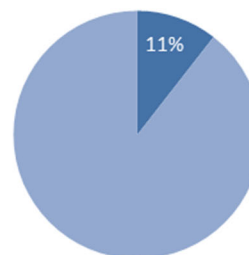
Amounts in NOK million	First quarter		12 months	
	2020	2019	2019	2018
Sales to external customers	288,6	277,1	1 059,9	969,0
Sales to internal customers	697,1	755,6	2 668,1	2 578,6
Operating revenues	985,7	1 032,6	3 728,0	3 547,6
Depreciation and impairment	8,6	4,3	18,6	13,1
Operating profit	-13,9	-10,1	-32,3	-37,2
Operating margin in per cent	-1,4 %	-1,0 %	-0,9 %	-1,0 %
Net operating capital (% of operating revenues)	6,3 %	5,1 %	2,6 %	2,0 %
Total assets	2 893,7	2 856,6	2 666,9	2 662,0
Equity	1 214,9	1 369,5	1 309,8	1 459,0
Capital employed	2 175,3	2 118,9	2 118,7	2 012,2
Return on capital employed in per cent, 12 month rolling	-0,6 %	-0,7 %	-0,4 %	-0,7 %
Investments	4,3	10,9	189,8	69,2
Total number of employees	155	157	162	149

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 bio energy plant in connection with Moelven Soknabruket AS, is also included in the area, but as of yet with no result items of significance. The bio energy plant started up in September 2019, and the pellets factory started trial production in September/October. The first pellet deliveries took place in October 2019. Ramp up of the factory has gone according to plan, and the pellets produced now have premium quality and are certified as Enplus A1. 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.



Other businesses's share of the groups sale to external customers



Employees

Employees	Per first quarter 2020				Per first quarter 2019			
	Male	Female	%Female	Total	Male	Female	%Female	Total
Timber	557	68	10,9 %	625	575	67	10,4 %	642
Wood	913	174	16,0 %	1 087	933	173	15,6 %	1 106
Building Systems	1 408	99	6,6 %	1 507	1 515	108	6,7 %	1 623
Other businesses	114	41	26,4 %	155	121	36	23,0 %	157
The Group	2 992	382	11,3 %	3 374	3 143	384	10,9 %	3 527

Sickness absence rate	Per first quarter	
	2020	2019
Timber	5,7 %	5,1 %
Wood	6,3 %	6,1 %
Building Systems	7,4 %	6,3 %
Other businesses	2,2 %	2,4 %
The Group	6,5 %	5,8 %

LTI Value	Per first quarter	
	2020	2019
Timber	10,8	11,3
Wood	10,6	9,3
Building Systems	9,4	13,1
Other businesses	0,0	4,0
The Group	9,6	11,2

Moelven's overall goal in safety work is that no one should be injured at work. The LTI rate on a 12 month rotating basis, which is an expression for the number of injuries with subsequent absence from work per million worked hours, was 9.6 (11.2) at the end of the first quarter 2020. The actual number of injuries with subsequent absence was reduced from 23 in the first quarter of 2019 to 13 in the same period of 2020. All injuries of a certain severity are investigated by the HSE manager from the group's central HR Department. 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 companies in the group to provide greater insight into the incident and thus be able to implement preventive measures to avoid similar incidents elsewhere. Work on investigating incidents started in March 2019.

Moelven greatly emphasises prevention of all injuries, regardless of whether they result in absence or not

(TRI rate – Total Recordable Injury rate). Target figures have therefore been set for the TRI rate, which is an expression of the number of injuries per million worked hours, on a 12 month rotating basis. In 2020 the goal is that the TRI rate shall be less than 24. After the first quarter the rotating TRI rate was 31.9 (38.6). The reduction in the number of injuries shows that the efforts have been effective, and work continues with high intensity and increased pressure on risk-reducing measures, an improved culture of safety and health-promoting work.

In comparison to 2019, there has been a great increase in the number of reported hazardous conditions. At the same time there is a reduction in the number of near-misses and injuries. This is a positive trend, and work is ongoing to maintain focus on the reporting of hazardous conditions and preventive safety work. From 1 January 2020 the group brought into use the first modules in a new management system for HSE, quality and the external environment. This is the result of an extensive project that started in 2019. The management system shall simplify and reduce the complexity of Moelven's improvement work. It will be a living system that to a greater extent exploits the synergies in the group, ensures compliance and provides better opportunities for certifications. Initially it is the management of irregularities and annual cycles that have been brought into use, but throughout 2020 and into 2021 further modules within checklists, risk assessment, document management, compliance and emergency preparedness will be implemented. Implementation of the modules will be followed by adapted training to provide the employees with a greater understanding of risk and better knowledge of HSE.

The group is continuing work on common requirements to both own employees and external parties, and will in the course of 2020 focus on the follow-up of contractors/visitors and clarification of own safety rules.

In the first quarter, absence due to illness was 6.5 per cent (5.8), where 2.9 per cent (2.6) represents long-term absence. The long-term trend for developments in sickness absence is declining, and the increase in the first quarter is largely absence related to the coronavirus pandemic. Regardless of the developments in the first quarter, many of Moelven's businesses already have sickness absence levels lower than the maximum target for 2020 of 4.2 per cent. There is nevertheless much to be gained, and work is ongoing to reduce sickness absence for both individual companies and the group as a whole to below the target level. Efforts, which include employee surveys, close follow-up of sickness absence and cooperation with the occupational health services, are particularly directed at those businesses with the highest sickness absence levels.

For Moelven the first quarter has been greatly affected by Covid-19. The key focus has been preventing infection and dispersion, following up advice from authorities and employee organisations, internal and external communication and the mobilisation of contingency plans both centrally and locally. In addition to the national measures in Sweden and Norway, the group has focused on measures directed at travel, internal and external meetings and gatherings, logistics procedures and closure/restrictions in canteens, dining rooms and gyms.

By mid-March 100 employees were quarantined, while one was in isolation with confirmed infection. At the end of the first quarter 66 employees were quarantined and two were in isolation with confirmed infection and one was declared healthy. In mid-April the number of quarantined employees has been reduced to 13, and no new infections have been reported. A total of 39 employees are affected by a form of layoff (Norway) or short-term work (Sweden).

Outlook

The coronavirus pandemic has changed the outlook and led to significantly greater uncertainty than was the case at the beginning of the year. In the April edition of “World Economic Outlook” the IMF estimated that the world economy will shrink by 3 per cent in 2020, while the January edition of the same report estimated growth of 3.3 per cent. If this is the case, it will be a significantly greater decline than the one during the financial crisis in 2008/2009, when the economy shrank by 0.1 per cent on an annual basis. Assuming that the pandemic recedes in the second half of the year such that the measures to prevent the spread of infection may gradually be lifted, the IMF estimates growth in the world economy of 5.8 per cent in 2021. Both uncertainty and differences in possible outcomes are however great, and make it necessary to plan for several different scenarios. So far, Moelven has not been greatly affected with regard to delivery volumes and earnings, but it must be assumed that the impact will increase in time. The 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 pandemic. Regulations have been introduced with regard to travel activity, large gatherings, hygiene, etc. Production procedures have as far as possible been adjusted such that operation of the business is affected to the least possible extent without compromising the employees’ safety.

For Moelven’s wood processing operations it is expected that demand for sawn timber from the export markets will gradually vary geographically and generally drop somewhat in the second quarter, which ordinarily is the high season. For the second half of the year uncertainty is greater, and depends both on the rate of infection, market access, logistics and developments in demand further down the value chain. The NOK and SEK weakened significantly against the key export currencies in the first quarter, and rates are currently at levels that ensure good competitiveness in the export markets.

A good level of activity is also expected in the building products trade in Scandinavia in the second quarter. The start up of new building projects is expected to drop, but the need for wood products for the completion of ongoing projects will contribute to continued satisfactory demand. In the private market, high activity in rehabilitation, remodelling and extensions is expected to maintain good demand. In the second half of the year the decline in new buildings will have a negative impact on demand, although this may be partly compensated by increased activity in public construction projects.

Unrelated to the coronavirus pandemic, the Building Systems division has had a lower level of activity than desirable in certain business areas, and has therefore already reduced production capacity somewhat. In the first quarter there have been several examples that new building projects, particularly for housing purposes, are being postponed. This is expected to continue, and will have a greater impact as ongoing projects are completed. If market activity fails to pick up going forward, this will lead to a need for further capacity adjustments. Increased activity in public projects may contribute to increase market activity in the time ahead.

Saw log inventories and the supply situation in Moelven’s geographies at the start of the second quarter of 2020 are good in both Norway and Sweden. Continued good access to raw materials 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 implementing measures and improvements that counter the negative impacts of the coronavirus pandemic. The group has a long-term goal of a return on capital employed of 13 per cent over an economic cycle. Even if improvement and restructuring work is pushed forward, it is nevertheless not expected that this target is possible to achieve for 2020. The process of refinancing the group’s long-term debt is ongoing, and will according to plan be completed in the second quarter. The Board is of the opinion that the Group has adequate solvency and access to liquidity over the long term to face the negative impacts of the coronavirus pandemic. As a consequence of the coronavirus pandemic, the Board expects an activity level and result for 2020 that overall is lower than 2019.

Quarterly accounts for the Moelven Group for the first quarter of 2020

Earnings and comprehensive income

Amounts in NOK million	First quarter		12 months	
	2020	2019	2019	2018
Operating revenues	2 735,5	2 695,8	10 297,5	11 020,8
Cost of goods sold	1 710,8	1 605,1	6 307,5	6 746,3
Payroll expenses	580,1	579,1	2 185,8	2 200,1
Depreciation and impairment	79,8	76,8	294,4	346,5
Other operating expenses	295,3	293,9	1 174,4	1 141,6
Operating Profit	69,6	140,9	335,4	586,2
Income from associates	0,0	0,0	0,0	0,0
Value change of financial instruments to fair value	-91,2	-5,4	-23,7	51,5
Other financial income	9,8	1,3	6,5	7,9
Other financial expenses	18,7	36,7	78,6	67,4
Profit before tax	-30,5	100,1	239,7	578,2
Estimate income tax	-6,8	21,7	51,3	127,0
Net profit	-23,6	78,4	188,4	451,2
Non-controlling interest share	-0,6	0,7	-0,2	1,8
Owner of parent company share	-23,0	77,7	188,6	449,4
Earnings per share (in NOK)	-0,2	0,6	1,5	3,5
Statement of comprehensive income				
Net profit	-23,6	78,4	188,4	451,2
Other comprehensive income				
<i>Items that are not reclassified subsequently to profit or loss</i>				
Actuarial gains (losses) on defined-benefit pension schemes	0,0	0,0	0,1	0,1
Income tax on items that are not reclassified to profit or loss	0,0	0,0	0,0	0,0
	0,0	0,0	0,0	0,1
<i>Items that may be reclassified subsequently to profit or loss</i>				
Translation differences	131,9	-57,9	-17,3	41,2
Proportion of other income and costs in associated companies	0,0	0,0	0,5	0,2
Other changes	-15,0	0,9	-2,4	7,1
Income tax on items that may be reclassified to profit or loss	0,0	0,0	0,0	0,0
	116,9	-56,9	-19,2	48,5
<i>Items that may be reclassified subsequently to profit or loss</i>				
Other comprehensive income, net of tax	116,9	-56,9	-19,1	48,6
Total comprehensive income for the period	93,3	21,5	169,3	499,8
Comprehensive income assigned to:				
Owners of parent company	94,1	20,7	169,6	498,0
Non-controlling interests	-0,6	0,7	-0,2	1,8

Consolidated balance sheet

Amounts in NOK million	Per 31.03		Per 31.12	
	2020	2019	2019	2018
Intangible assets	81,8	79,8	81,2	84,9
Tangible fixed assets	2 328,4	2 000,0	2 226,4	1 873,5
Financial fixed assets	6,0	6,9	5,9	7,0
Total fixed assets	2 416,3	2 086,7	2 313,6	1 965,4
Inventory	1 824,8	1 771,5	1 742,9	1 673,9
Contract assets	93,3	104,9	71,5	126,0
Receivables	1 818,7	1 796,4	1 365,8	1 483,1
Liquid assets	27,0	131,0	24,3	53,9
Total current assets	3 763,9	3 803,8	3 204,4	3 336,9
Total assets	6 180,2	5 890,5	5 518,0	5 302,3
Share capital*	647,7	647,7	647,7	647,7
Other equity	1 814,1	1 812,8	1 720,5	1 787,6
Total equity	2 461,8	2 460,5	2 368,2	2 435,3
Provisions	248,6	272,1	242,1	261,1
Long term interest-bearing liabilities	1 240,4	1 000,7	952,5	668,7
Lease liabilities	185,3	220,7	198,8	43,4
Long term interest-free liabilities	0,0	0,8	0,0	0,9
Total long term liabilities	1 674,2	1 494,3	1 393,5	974,1
Short term interest-bearing liabilities	0,0	0,0	0,0	9,4
Contract liabilities	142,3	85,7	137,7	78,8
Short term liabilities	1 901,9	1 857,2	1 618,7	1 804,7
Total short term liabilities	2 044,2	1 942,9	1 756,4	1 892,9
Total liabilities	3 718,4	3 437,2	3 149,8	2 867,0
Total liabilities and equity	6 180,2	5 897,7	5 518,0	5 302,3

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

Consolidated statement of changes in equity

Amounts in NOK million	Equity assigned to owners of parent company					Non-controlling interests	Total equity
	Share capital	Share premium funds	Own shares	Other equity	Total		
Total pr 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	78,4	78,4	-0,7	77,7
Other comprehensive income							
Translation differences	0,0	0,0	0,0	-57,9	-57,9	0,0	-57,9
Other changes	0,0	0,0	0,0	0,9	0,9	0,0	0,9
Actuarial gains (losses) on defined-benefit pension schemes	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Income tax on other comprehensive income	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Other comprehensive income (net of tax)	0,0	0,0	0,0	-57,0	-57,0	0,0	-57,0
Transactions with owners, entered directly against equity							
Purchase of non-controlling interests	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Effect of acquisition	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Dividend to owners	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Share based payment transactions	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Total transactions with owners	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Total as at 31.03.2019	647,7	130,9	0,0	1 661,8	2 440,4	12,8	2 453,3
Total pr 1.1.2020	647,7	130,9	0,0	1 576,3	2 354,9	13,2	2 368,2
Comprehensive income for the period							
Net profit	0,0	0,0	0,0	-23,0	-23,0	-0,6	-23,6
Other comprehensive income							
Translation differences	0,0	0,0	0,0	131,8	131,8	0,2	131,9
Other changes	0,0	0,0	0,0	-15,0	-15,0	0,0	-15,0
Actuarial gains (losses) on defined-benefit pension schemes	0,0	0,0	0,0	0,3	0,3	0,0	0,3
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	117,1	117,1	0,2	117,2
Transactions with owners, entered directly against equity							
Purchase of non-controlling interests	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Effect of acquisition	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Dividend to owners	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Share based payment transactions	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Total transactions with owners	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Total as at 31.03.2020	647,7	130,9	0,0	1 670,4	2 449,0	12,8	2 461,8

Consolidated statement of cash flow

Amounts in NOK million

	Per 31.03.	
	2020	2019
CASH FLOW FROM OPERATIONAL ACTIVITIES:		
Net profit	-23,6	78,4
<i>Adjustments to reconcile net profit with net cash flow from operations:</i>		
Depreciation	79,8	76,8
Impairment	0,0	-0,4
Income from associated companies	0,0	0,0
Tax paid	-28,6	-37,9
Unpaid pension costs entered as costs and unreceived pension funds entered as income	-0,6	-0,1
Loss (profit) on sale of fixed assets	-0,2	-0,5
Net value change of financial instruments to fair value	91,2	5,4
Income tax	-6,8	21,7
<i>Changes in operating assets and liabilities:</i>		
Changes in inventory	-82,0	-97,6
Changes in accounts receivable and other receivables	-474,9	-293,0
Changes in trade accounts payable	112,1	6,0
Changes in provisions and benefits to employees	6,4	11,0
Changes in short-term liabilities excluding borrowing	114,0	72,1
Cash flow from operational activities	-213,1	-158,1
CASH FLOW FROM INVESTMENT ACTIVITIES:		
Investment in plant and equipment exc. acquisition	-67,6	-56,9
Net cash outlay on acquisition	0,0	0,0
Receipts from sale of fixed assets	0,8	0,5
Sale of other long-term investments	0,0	0,0
Acquisition of subsidiary, net of cash	0,0	0,0
Cash flow from investment activities	-66,7	-56,4
CASH FLOW FROM FINANCING ACTIVITIES:		
Raising short term debt	0,0	0,0
Repayment of short term debt	0,0	0,0
Change in bank overdrafts	0,0	-9,4
Purchase of non-controlling interests	0,0	0,0
Change in long term debt (borrowing facility)	290,7	332,0
Changes in other long-term liabilities	-0,1	-0,1
Payment of leases	-5,4	-5,4
Payment of dividend	0,0	0,0
Cash flow from financial activities	285,2	317,2
Net increase (reduction) in liquid assets during year	5,4	102,6
Liquid assets start of period	19,4	6,3
Effect of exchange rate changes on liquid assets	0,0	0,0
Liquid assets end of period	24,7	108,9
Cash and cash equivalents		
Liquid assets	24,7	108,9
Unused drawing rights	709,4	872,2
Restricted bank deposits	0,0	0,0
Cash and cash equivalents	734,1	981,1

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 2020, ending on 31 March 2020, includes Moelven Industrier ASA and its subsidiaries (collectively referred to as the “Group”) and the Group's interests in associated companies. The annual accounts for 2019 are available at www.moelven.no.

Note 2 – Statement of conformity

The consolidated financial statements for the first quarter of 2020 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 2019. The consolidated quarterly financial statements were approved by the Board on 27 April 2020.

Note 3 – Accounting policies

The accounting policies adopted in the quarterly financial statements for 2020 are the same as those in the consolidated financial statements for 2019, including principles related to IFRS 16, which were implemented on 1 January 2019. Changes to accounting principles as a result of IFRS 16 are described in the consolidated accounts note 3. 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 2019 and the principal sources of estimate uncertainty are the same when preparing these quarterly accounts as for the consolidated accounts for 2019.

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 – Fixed assets, intangible assets and goodwill

Fixed assets, intangible assets and goodwill

Amounts in NOK million

	Per 31.03.	
	2020	2019
Book value per 1.1	2258,6	1910,7
Acquisitions	67,6	56,9
Lease acquisitions	16,2	0,0
Business combinations	0,0	0,0
Disposals	0,0	0,0
Depreciations	-79,8	-77,2
Impairment losses	0,0	0,0
Transfers	0,0	182,9
Translation differences	98,6	-41,2
Book value per 31.03.	2 361,2	2 032,1

Note 8 - Financial instruments

Amounts in NOK million	Per First quarter 2020			31.12.2019		
	Positive fair value	Negative fair value	Net fair value	Positive fair value	Negative fair value	Net fair value
Currency derivatives		-74,7	-74,7	4,9	-9,7	-4,8
Interest rate derivatives		-58,7	-58,7		-44,9	-44,9
Power derivatives		-9,3	-9,3		-1,9	-1,9
Total	0,0	-142,8	-142,8	4,9	-56,5	-51,6

Amounts in NOK million	Per First quarter 2019			31.12.2018		
	Positive fair value	Negative fair value	Net fair value	Positive fair value	Negative fair value	Net fair value
Currency derivatives	6,9	-4,0	2,9	16,9	-4,4	12,5
Interest rate derivatives	0,5	-51,6	-51,1	0,0	-69,8	-69,8
Power derivatives	14,9		14,9	30,8	-1,3	29,5
Total	22,3	-55,6	-33,3	47,7	-75,5	-27,8

Note 9 – Operating segments

The divisions are divided in accordance with Moelven's three core activities: Timber (industrial goods), Wood (building products) and Building Systems (projects). There is also a division named "Other" in which the remaining units are placed. The divisions are built up around independent subsidiaries with activities clearly defined within the divisions. All transactions between the divisions are conducted on normal commercial terms. The split into divisions differs from the formal legal ownership structure. See the consolidated financial statements for 2019 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	
	2020	2019	2019	2018
Timber	21,4	88,5	140,6	339,2
Wood	36,0	19,6	135,9	136,2
Building Systems	-4,3	26,0	52,9	127,4
Other	-83,5	-34,1	-89,8	-24,5
Profit before tax in segments	-30,5	100,1	239,7	578,2
<i>Eliminations</i>	<i>0,0</i>	<i>0,0</i>	<i>0,0</i>	<i>0,0</i>
Profit before tax in Group Accounts	-30,5	100,1	239,7	578,2

Note 10 – Related parties

Transactions with the owners are performed in some areas of the ordinary activities. Among other things, this relates to purchase of 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 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 has a long tradition of running its operations in accordance with all the laws and ethical guidelines of the industry and is of the opinion that competition is positive for all parties in industry. In order to ensure that this culture is maintained, ethical guidelines and guidelines for complying with legislation on competition have been devised.

Note 11 - Events after the balance sheet date

There have not been any events after the balance sheet date which would have an impact on the income, expenses, assets and liabilities disclosed in the quarterly financial statements. The coronavirus pandemic is discussed in the Board of Directors' report.

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 wood products and components to industrial customers in Scandinavia and the rest of Europe, the Middle East and North Africa. The industrial customers use the products as intermediate goods in their own production. Shavings, chip and bark products are also supplied and are used in the pulp, chipboard and biofuel industry. The 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 37 production companies in Norway and Sweden and has 3,374 employees. Moelven also has its own sales offices in Denmark, England and Germany. The Moelven group is owned by Glommen Mjøsen Skog SA (78.8 per cent) and Viken Skog SA (20.8 per cent). Most of the remaining 0.4 per cent is owned by private individuals.

Moelven gir folk gode rom

For mer informasjon:

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