



Gode rom

Quarterly Report 2/2015

Sognefjellshytta.

*A unique design made of laminated timber, delivered as pre cut from Moelven Limtre AS.
Jan Olav Jensen, Jensen og Skodvin Arkitekter. Photographer : Hampus Albert Lundgren.*

MOELVEN[®]

Amounts in NOK million	Second quarter		6 months		Total	
	2015	2014	2015	2014	2014	2013
Operating revenues	2 628,1	2 389,1	4 944,1	4 648,7	8 828,2	8 009,4
EBITDA	163,9	151,4	253,5	274,5	490,0	226,9
Gross operating margin/EBITDA	6,2 %	6,3 %	5,1 %	5,9 %	5,6 %	2,8 %
Depreciation	67,6	67,7	135,7	137,1	286,5	271,6
Operating profit before non-recurring items	96,2	83,7	117,8	137,4	203,6	-44,7
Impairment losses	47,9	0,0	47,9	0,0	0,0	0,0
Operating profit	48,3	83,7	69,9	137,4	203,6	-44,7
Net operating margin/EBIT	1,8 %	3,5 %	1,4 %	3,0 %	2,3 %	-0,6 %
Value change of financial instruments to fair value	25,2	-6,9	27,2	-12,4	-30,4	5,5
Profit before tax	59,0	60,9	67,7	93,8	115,3	-117,1
Profit per share in NOK	0,34	0,36	0,39	0,55	0,68	-0,71
Cash flow from operational activities, in NOK per share	3,11	0,56	2,15	0,36	2,71	0,67
Total equity *	55,3	45,5	1 638,8	1 575,6	1 592,3	1 518,2
Equity ratio *	0,7 %	-0,4 %	32,8 %	31,6 %	34,2 %	33,4 %
Total assets *	70,6	204,5	4 994,5	4 987,7	4 653,2	4 539,8
Investments *	47,0	47,0	78,1	83,8	195,1	351,2
Return on capital employed *	1,8 %	1,9 %	4,7 %	9,0 %	6,8 %	-1,5 %
Capital employed *	-98,0	19,7	3 004,1	3 097,3	2 959,9	3 020,1
Net interest-bearing liabilities *	-144,0	-29,8	1 356,9	1 509,0	1 353,1	1 476,0
Net working capital *	104,3	140,6	2 386,5	2 169,3	1 928,3	1 793,3
Number of employees *	29	7	3 413	3 302	3 326	3 276
Sick leave percentage *	-0,4 %	-0,1 %	5,7 %	5,4 %	5,5 %	5,3 %
Frequency of accidents with absence, H1 value *	-1,3	-3,1	16,1	18,7	15,9	16,0
Number of shareholders	948	952	948	952	948	953
Average number of shares (mill)	129,5	129,5	129,5	129,5	129,5	129,5

* The first column shows the change in value during the quarter

- Revenues in the second quarter increased by 10 per cent to NOK 2,628.1 million (NOK 2,389.1 million) and operating profit was NOK 48.4 million (NOK 83.7 million).
- Systematic improvement work and focus on operations has led to better results. Operating profit for the second quarter were NOK 96.2 million before recognition of an impairment of fixed assets for sale/discontinuation of NOK 47.9 million. This is an improvement of NOK 12.5 million compared to the same period last year.
- Additionally the financial statements have been charged with NOK 22 million as a result of corrected cost estimates following a new review of the project portfolio in the Electrical Installations business.
- There has been satisfactory demand for products in the timber processing part of the Group in the quarter.
- A good level of activity and a continued healthy and well-composed order backlog for Building Systems, particularly for housing modules.
- The acquisition of module manufacturer Hedalm AS has been approved by the Norwegian Competition Authority and takeover will take place on 1 October.

In brief

Throughout the second quarter there has been satisfactory market activity and demand for the Group's products and services. Activity picked up as the quarter progressed, which is normal for the season.

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

For processed goods prices have been satisfactory and overall at the same level as for the same period last year. For the Building Systems division the downturn in the Norwegian economy has become ever more noticeable, but activity and price levels remain satisfactory. On the Swedish market activity has increased compared to the same period last year.

At Moelven Nössemark Trä AB prolonged unsatisfactory results and a lack of opportunities for necessary improvements led the Board to adopt a decision to close down operations or sell the company in the second quarter. There are stakeholders who wish to enter into dialogue on acquiring the company.

At mid-year the Group entered into an agreement to acquire module manufacturer Hedalm AS at Hjellum in Hamar municipality. According to plan, the transaction will be completed on 1 October.

At the end of the quarter Moelven and Västvärmlands LBC established the transport company Woodtrans AS. Moelven's ownership interest in Woodtrans AS is 34%. The new company will take over the wood chip and processed goods transport from Pedersens Lastebiltransport AS, and will initially consist of 16 heavy goods vehicles operating in the combination market (wood chip, sawn timber and planed timber) in South Norway. For Moelven the establishment of the company represents an opportunity for synergies through more efficient transport management within a greater geographical area. Operations in Woodtrans AS will commence from 1 September.

On 23 April the general meeting decided to delegate authority to disburse dividends to the Board. The Board's authority to disburse dividends is limited to NOK 51,816,952. The Board's authority to disburse dividends assumes that the company has sufficient capital and liquidity at the time the dividend is approved by the Board. The authorization is valid until the next annual general meeting.

At the Corporate Assembly meeting after the annual general meeting, a new Board was elected. The new members of the Board are Olav Fjell (chairman), Mari Wilhelmsen and Asbjørn Bjørnstad. The Board additionally comprises Trond Stangeby (deputy), Elisabeth Krokeide, Lars-Håkan Karlsson (employee representative) and Martin Fauchald (employee representative). Complete information on the Group's governing bodies has been published at www.moelven.com.

Revenues and results

Revenues in the quarter increased by 10 per cent compared to the same period last year. The seasonal increase in activity and turnover was however more normal in 2015 than in 2014, as announced price increases in the building materials trade from 1 April led to higher turnover at the end of the first quarter.

All divisions had a higher level of activity than for the corresponding period in 2014. Overall, Timber had somewhat lower prices than in the second quarter last year. In the Building Systems division, it is the Modular Building business in Sweden and Modular System Interiors in particular that are responsible for improvements. Developments in raw material costs since the turn of the year have triggered a review of inventory estimates, which are prepared according to the FIFO principle. Along with an update of real value assessments of inventory, this has formed the basis for price adjustments totalling NOK -11 million in the quarter. In the same period in 2014 the corresponding amount was NOK 30 million. For the first six months price adjustments comprised NOK -28 million in 2015 and NOK 45 million in 2014 respectively. The items do not have any impact on cash flow.

The result for the second quarter has been charged with a technical impairment of NOK 48 million related to the decision to sell or close down operations at Moelven Nössemark Trä AB.

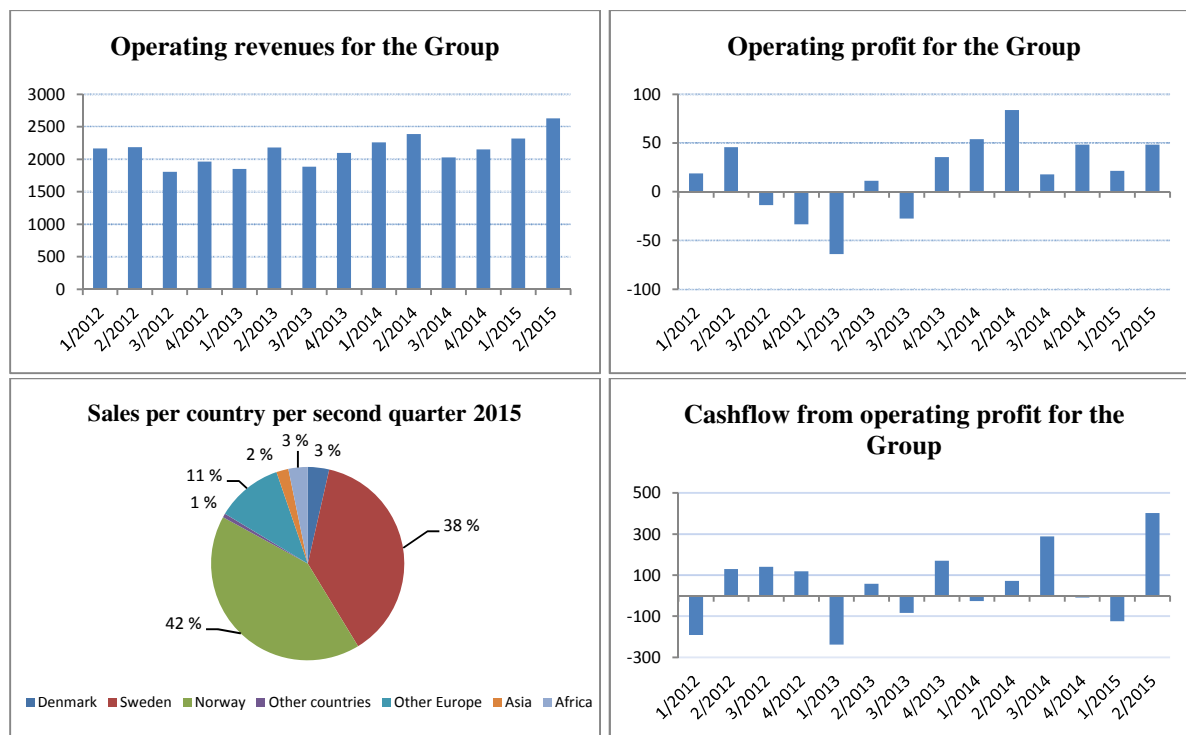
In addition, following a review of the project portfolio in the Electrical Installations business, cost corrections of NOK 22 million have been recognised. For the Group as a whole, the 2015 accounts to date have been charged with NOK 78 million in write downs and devaluation of projects.

Net financial expenses excluding changes in the value of financial instruments were somewhat higher than in Q2 2014. Net interest-bearing liabilities has been somewhat lower through the second quarter of 2015, but the combined loan margin has been higher. The Group employs financial instruments to hedge foreign exchange rates, interest rates and power prices. Non-cash items related to this totaled NOK 25.2 million (NOK -6.9 million) for the quarter and NOK 27.4 million to date (-12.4)

Currency- and interest hedging saw positive developments in the quarter. Following the interest rate increase towards the end of the quarter, the result from interest hedging is now positive year to date. Power contracts show a loss for both the quarter and to date.

MNOK	Second quarter		6 months		12 months	
	2015	2014	2015	2014	2014	2013
Operating revenues						
Timber	812,1	783,4	1 598,7	1 567,0	2 872,3	2 543,9
Wood	934,5	840,9	1 645,4	1 602,8	3 066,2	2 820,4
Building Systems	887,6	751,0	1 679,4	1 437,9	2 836,7	2 514,1
Other businesses	724,8	880,5	1 606,7	1 716,0	3 204,4	2 623,7
<i>Internal</i>	<i>-731,0</i>	<i>-866,7</i>	<i>-1 586,1</i>	<i>-1 675,1</i>	<i>-3 151,4</i>	<i>-2 492,7</i>
The Group	2 316,1	2 259,6	8 828,2	8 009,4	8 828,2	8 009,4
EBITDA						
Timber	53,6	63,2	86,3	128,0	199,5	104,4
Wood	84,8	74,6	119,3	117,6	225,3	128,4
Building Systems	29,7	20,7	57,4	44,6	98,8	18,9
Other businesses	-4,2	-7,2	-9,5	-15,7	-33,6	-24,7
The Group	163,9	151,4	253,5	274,5	490,0	226,9
Operating profit						
Timber *	-21,9	35,2	-16,8	71,1	83,0	-11,6
Wood	56,9	46,9	63,7	61,9	110,9	23,5
Building Systems	20,0	11,4	37,9	25,5	57,2	-19,1
Other businesses	-6,6	-9,8	-15,0	-21,1	-47,5	-37,5
The Group	48,3	83,7	69,9	137,4	203,6	-44,7

* Includes non-recurring items



Investments, balance sheet and funding

Investments totalling NOK 47.0 million (NOK 47.0 million) were made during the second quarter, and NOK 78.1 million (NOK 83.8 million) during the first half of the year. Investments in 2015 will, as in 2014, remain at a level below the amortization level.

At the end of the second quarter, the book value of the Group's total assets was NOK 4,994.5 million (NOK 4,987.7 million).

Cash flow from operating activities in the second quarter was NOK 403.1 million (NOK 72.5 million), which corresponds to NOK 3.11 per share (NOK 0.56). Operating profit for the quarter is with the addition of depreciation charged with non-cash write downs totalling NOK 70 million. The improvement compared to the same period last year is due to an improved underlying cash flow from operations and realization of inventory. Cash flow from working capital items was NOK 256.3 million in the second quarter (NOK -64.1 million) and NOK 58.4 million year to date (NOK -199.3 million).

Net interest-bearing liabilities were NOK 1,356.9 million (NOK 1,509.0 million) at the end of the second quarter. Financial leases are included in net interest-bearing liabilities in the amount of NOK 27.2 million (NOK 25.7 million). The liquidity reserve was NOK 263.0 million (NOK 425.5 million). The reduction in the liquidity reserve is due to refinancing carried out in July 2014. In the new agreement the available loan facility varies in time with the natural fluctuations in the Group's tied-up capital through the year.

Equity at the end of the quarter amounted to NOK 1,638.8 million (NOK 1,575.6 million), equivalent to NOK 12.65 (NOK 12.16) per share. The equity ratio was 32.8 per cent (31.6 per cent). Parts of the Group's equity are linked to ownership interests in foreign subsidiaries, principally in Sweden, and are thereby exposed to exchange rate fluctuations. The extent and consequences of likely variations in exchange rates are within acceptable risk limits. In the second quarter, exchange rate fluctuations resulted in an unrealised change in equity of NOK 10.7 million (NOK -3.4 million). Approximately half of the Group's assets are recognized in SEK. The total assets thus also change based on the exchange rate. The equity ratio in percent is therefore less impacted by exchange rate fluctuations than the nominal equity.

Divisions

Timber

Amounts in NOK million	Second quarter		6 months		Total	
	2015	2014	2015	2014	2014	2013
Sales to external customers	675,6	661,7	1 331,0	1 326,0	2 391,9	2 184,1
Sales to internal customers	136,5	121,7	267,7	241,0	480,4	359,8
Operating revenues	812,1	783,4	1 598,7	1 567,0	2 872,3	2 543,9
Depreciation	27,6	28,0	55,2	56,9	116,5	116,0
Operating profit before non-recurring items	26,0	35,2	31,1	71,1	83,0	-11,6
Impairment losses	-47,9	0,0	-47,9	0,0	0,0	0,0
Operating profit	-21,9	35,2	-16,8	71,1	83,0	-11,6
Operating margin in per cent **	1,3 %	4,5 %	1,9 %	4,5 %	2,9 %	-0,5 %
Net operating capital (% of operating revenues) *	-0,4 %	1,5 %	19,1 %	17,0 %	19,8 %	17,7 %
Total assets *	-143,4	29,3	1 669,1	1 671,5	1 754,5	1 684,3
Equity *	-13,9	29,3	777,5	793,5	813,5	748,4
Capital employed *	-65,6	15,1	1 205,6	1 226,2	1 282,2	1 277,5
Return on capital employed * **	3,3 %	-0,2 %	4,9 %	11,4 %	6,5 %	-0,9 %
Investments *	20,5	16,2	31,1	27,8	67,6	119,5
Number of employees *	9	3	715	702	703	677

* The first column shows the change in value during the quarter

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

Market activity and demand in the Timber division's primary markets was satisfactory for the season in the second quarter. Sales prices were nevertheless on average lower than for the same period last year.

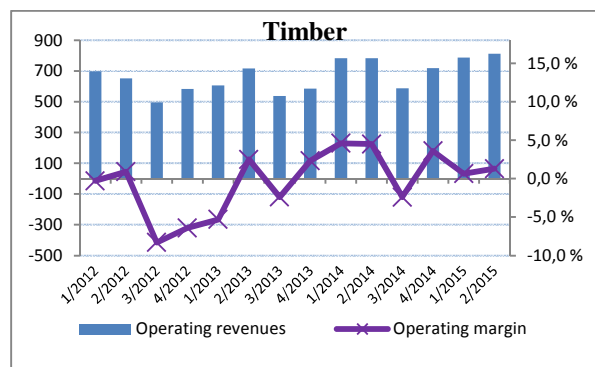
Developments are due to overall production and supply of sawn timber being greater than demand for some time. This mainly concerns the export markets in Europe, the Middle East and North Africa, but the situation has also partially extended to the Swedish domestic market. A weak exchange rate for both SEK and NOK has however contributed toward maintaining satisfactory competitiveness in export markets.

The volume of deliveries in the second quarter in total was higher than it was for the same period last year. Access to raw material has been good, and the prices for sawlogs were somewhat lower than in Q2 2014. Prices for wood chip and fibre products were also somewhat lower than in the same period last year. Due to price developments, the profits for the quarter have been charged with price adjustments to inventories totaling approx. NOK 7 million. The corresponding adjustment in the second quarter 2014 had a positive effect of approx. NOK 8 million. For the first six months the price adjustment constituted NOK -15 million (NOK 18 million).

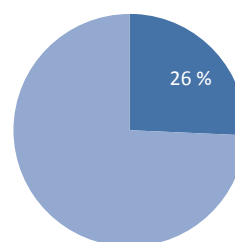
Operating conditions in the quarter were good, and the ongoing improvement work continues unabated to bring the units with poor earnings up to an acceptable profitability level.

The Moelven Nössemark Trä AB sawmill has seen poor results for some time. After examining several different business models to identify a concept that would create future profitability, in June it was concluded that this is not possible within the conditions the company is subject to as a part of the Moelven Group. The Board therefore adopted a decision to close or sell the company. In the accounts for the second quarter technical accounting write downs of fixed assets amounting to approx. NOK 48 mill have been recognised.

For the industrial component companies in the division, both price levels for finished products and production efficiency have improved compared to Q2 2014.



Timber's share of the Groups sale to external customers



Wood

Amounts in NOK million	Second quarter		6 months		Total	
	2015	2014	2015	2014	2014	2013
Sales to external customers	902,8	813,6	1 584,3	1 550,8	2 954,3	2 748,0
Sales to internal customers	31,8	27,3	61,1	52,0	111,9	72,5
Operating revenues	934,5	840,9	1 645,4	1 602,8	3 066,2	2 820,4
Depreciation and impairment	27,9	27,7	55,6	55,7	114,4	104,9
Operating profit	56,9	46,9	63,7	61,9	110,9	23,5
Operating margin in per cent	6,1 %	5,6 %	3,9 %	3,9 %	3,6 %	0,8 %
Net operating capital (% of operating revenues) *	-2,9 %	0,9 %	36,4 %	31,6 %	28,7 %	28,4 %
Total assets *	37,2	37,7	2 276,4	2 101,0	2 033,9	1 957,7
Equity *	59,1	39,2	866,6	826,0	815,1	788,2
Capital employed *	44,4	7,8	1 610,9	1 458,6	1 442,9	1 414,6
Return on capital employed *	6,5 %	4,4 %	8,4 %	8,7 %	7,9 %	1,8 %
Investments *	18,5	23,4	27,6	40,8	82,1	174,7
Number of employees *	20	6	1 018	999	993	1 011

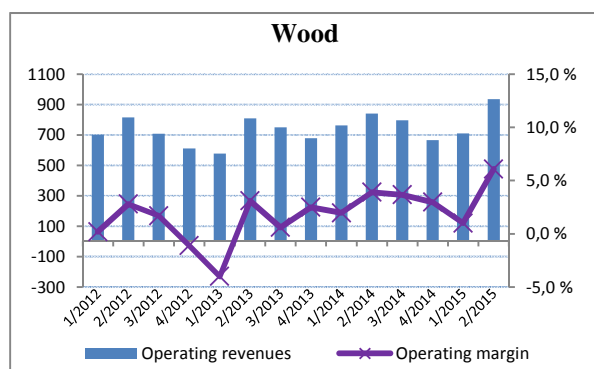
* The first column shows the change in value during the quarter

Normal activity increases took place in the division's markets during the second quarter. Economic developments in Scandinavia and the price developments for sawn timber have led to some pressure on prices for the Wood division's products, but the price picture nevertheless remained stable in the period. Overall, price levels were on a par with the same period in 2014. Supply volumes in the quarter were higher than for the previous year. This was mainly caused by an announced price increase in Norway from the second quarter in 2014, which led to abnormally high deliveries in the latter part of the first quarter and subsequently reduced deliveries in the beginning of the second quarter.

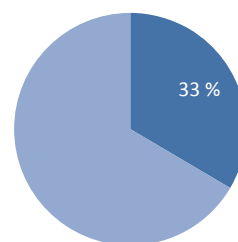
For the planing mills in Wood, which use sawn timber as a raw material, raw material costs were at the same level as the same period last year. For the timber-consuming units in the division access to raw material has been good, and the sawlog prices were somewhat lower than in Q1 2014. The prices for wood chip and fibre products were also somewhat lower. Due to price developments, the profits for the quarter have been charged with price adjustments to inventories totalling approx. NOK 4 million. The corresponding adjustment in the second quarter 2014 had a positive effect of approx. NOK 22 million. For the first six months the price adjustment amounted to NOK -13 million (NOK 27 million).

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

Investment in new adjusting machinery at Moelven Soknabruket AS commenced at the end of the second quarter. The project, with an overall budget of NOK 50 million, will be completed by year end and will contribute to a significant increase in capacity compared to the current facility, which dates back to 1975. The investment is part of efforts to further enhance Soknabruket's flexibility and competitiveness.



Wood's share of the Groups sale to external customers



Building Systems

Amounts in NOK million	Second quarter		6 months		Total	
	2015	2014	2015	2014	2014	2013
Sales to external customers	886,6	750,1	1 677,5	1 435,1	2 832,2	2 505,3
Sales to internal customers	1,1	0,9	1,8	2,8	4,4	8,8
Operating revenues	887,6	751,0	1 679,4	1 437,9	2 836,7	2 514,1
Depreciation and impairment	9,7	9,3	19,4	19,1	41,6	38,0
Operating profit	20,0	11,4	37,9	25,5	57,2	-19,1
Operating margin in per cent	2,3 %	1,5 %	2,3 %	1,8 %	2,0 %	-0,8 %
Net operating capital (% of operating revenues) *	2,1 %	3,6 %	12,3 %	16,0 %	11,0 %	14,4 %
Total assets *	35,0	17,8	1 378,5	1 259,7	1 256,4	1 189,9
Equity *	25,8	-17,7	573,8	536,2	523,9	544,1
Capital employed *	-2,2	0,8	624,4	640,1	600,1	637,6
Return on capital employed *	0,7 %	-0,8 %	12,9 %	8,6 %	10,6 %	-2,1 %
Investments *	6,4	5,8	18,0	11,1	37,9	43,4
Number of employees *	-1	-6	1 546	1 469	1 498	1 460

* The first column shows the change in value during the quarter

Glulam operations saw a good level of activity in the second quarter. The Swedish market is still growing, primarily for standard glulam for small buildings, but the project market has also picked up compared to the same time last year. Operations in Sweden have, as a consequence of unsatisfactory results in 2014, implemented restructuring and rationalisation measures. The full effect of the recently implemented measures will however not be achieved until the fourth quarter. Operations in Norway had a satisfactory level of activity in both standard glulam and projects, and increased both revenues and earnings compared to the same period last year.

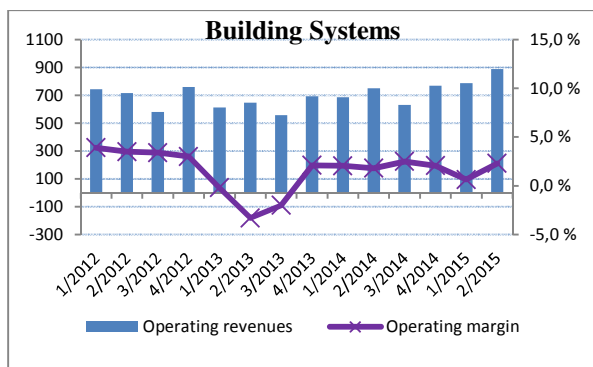
Besides the commitments related to completion of older, long-term projects, the Electrical Installations business has essentially been restructured and is operative in accordance with the new strategy for the company. The restructuring entails an increased focus on smaller projects and service jobs, and the discontinuation of business linked to large, complex projects. Following a review of the project portfolio, one has concluded that the likely value is lower than previous estimates. The financial statements for the second quarter have therefore been charged with a correction of costs of NOK 22 million.

For the Modular Building business in Sweden market activities and new orders were very good. Profits for the second quarter improved significantly compared with the same period last year. The main reasons are an increased share of projects with a high level of standardisation, as well as improved factory productivity. Norway also saw higher levels of activity than for Q2 2014, but profitability remains unsatisfactory. Measures to streamline production and concept adjustment continue unabated.

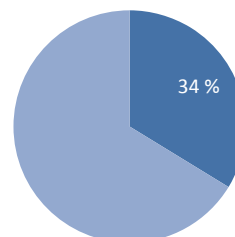
At mid-year an agreement was signed to acquire module manufacturer Hedalm AS at Hjellum in Hamar municipality. The transaction was approved by the Competition Authority in the beginning of August, and will be implemented with effect from 1 October. Hedalm AS has modern offices and production facilities with good opportunities for growth in both the organization and production. The acquisition provides the Group with greater specialization, capacity and ability to deliver large orders in the short term in all three segments in module operations, and thus strengthens the Group's position as the leading Nordic module manufacturer. The company will continue operation as a separate company coordinated with other module production in the Group.

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

Overall for the division the order backlog has increased during the period, and at the end of the quarter it was NOK 379 million higher than at the same time in 2014.



Building Systems' share of the Groups sale to external customers



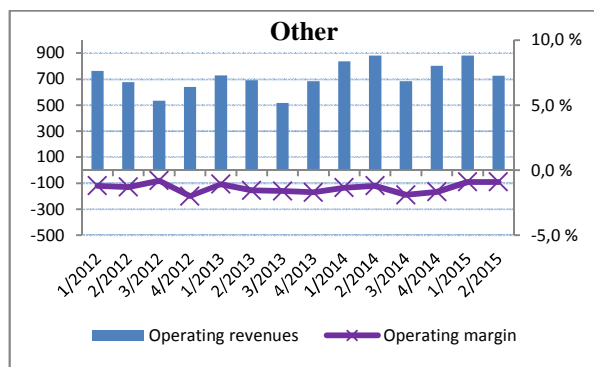
Other business

Amounts in NOK million	Second quarter		6 months		Total	
	2015	2014	2015	2014	2014	2013
Sales to external customers	184,6	181,4	394,7	374,0	721,6	645,3
Sales to internal customers	540,2	699,1	1 212,1	1 342,1	2 482,8	1 978,4
Operating revenues	724,8	880,5	1 606,7	1 716,0	3 204,4	2 623,7
Depreciation and impairment	2,5	2,6	5,5	5,4	13,9	12,8
Operating profit	-6,6	-9,8	-15,0	-21,1	-47,5	-37,5
Operating margin in per cent	-0,9 %	-1,1 %	-0,9 %	-1,2 %	-1,5 %	-1,4 %
Net operating capital (% of operating revenues) *	-1,2 %	-3,2 %	5,1 %	4,7 %	5,2 %	7,0 %
Total assets *	-239,8	4,9	2 481,2	2 769,9	2 702,7	2 695,7
Equity *	-1,0	-35,0	980,6	946,7	1 004,7	1 015,4
Capital employed *	-48,9	-54,0	2 033,4	2 182,4	2 104,8	2 162,0
Return on capital employed *	0,2 %	0,2 %	0,2 %	-0,3 %	-0,8 %	-0,2 %
Investments *	1,6	1,5	1,4	4,0	7,5	13,6
Number of employees *	1	4	134	132	132	128

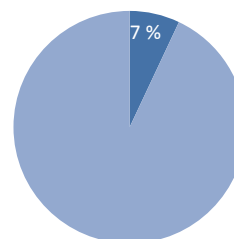
* The first column shows the change in value during the quarter

Other businesses include Moelven Industrier ASA, with common services in economics, finance, insurance, communications, HR and ICT. Timber supply and sales of wood chip and energy products are organised as a common function for the Group's timber processing industry and are included with the companies Moelven Skog AB, Moelven Virke AS and Vänerbränsle AB. Moelven Bioenergi AS is also included.

Fluctuations in operating revenues within the area of Other businesses are largely due to fluctuations in the level of activity within timber supply and sales of chip and energy products. The main activity is internal sales, which do not materially affect the results within the business area. In order to safeguard the supply of timber and market opportunities for wood chip and energy products in regions without local demand for pulp wood and wood chips, train solutions have been established for the transport of these. The arrangement entails increased external sales due to pulp wood now being purchased and subsequently sold externally. The business is based on fixed agreements on both the customer and supplier sides, and the risk is limited.



Other's share of the Groups sale to external customers



Employees

Employees	Per second quarter 2015				Per second quarter 2014			
	Male	Female	%Female	Total	Male	Female	%Female	Total
Timber	636	79	11,0 %	715	627	75	10,7 %	702
Wood	854	164	16,1 %	1 018	829	171	17,1 %	999
Building Systems	1 446	100	6,5 %	1 546	1 373	96	6,5 %	1 469
Others	100	34	25,4 %	134	101	31	23,5 %	132
The Group	3 036	377	11,0 %	3 413	2 930	373	11,3 %	3 302

Sickness absence rate in %	Per second quarter		H1 Value	Per second quarter	
	2015	2014		2015	2014
Timber	4,73 %	4,64 %	Timber	22,9	15
Wood	5,44 %	5,59 %	Wood	8,2	28,5
Building Systems	6,44 %	5,84 %	Building Systems	19,4	15,4
Others	3,37 %	2,41 %	Others	0,0	0,0
The Group	5,67 %	5,38 %	The Group	16,1	18,7

In the second quarter, absence due to illness was 5.3 per cent (5.5), where 2.7 per cent (2.6) represents long-term absence. The Group is still working on the reduction of absence due to illness below the maximum target level of 5 per cent. There were 21 (21) personal injuries during the quarter that resulted in absence. The LTI rate (number of personal injuries resulting in absence per million hours worked) was reduced somewhat compared with the end of the first quarter last year, but remains unacceptable. The goal is for no one to be injured on the job. In order to achieve this goal, safety work has continued high priority. Phase II of the *Hel Hjem* [Home in One Piece] safety campaign has been in effect since the second quarter of 2014. Central instruments are employee involvement/commitment and management focus on both individual entities and through the allocation of dedicated HSE resources to the divisions. There is also significant emphasis on reviewing both near-accidents and hazardous conditions/risk. As a result of the increased efforts for greater awareness and reporting, there was sharp increase in the recording of hazardous conditions throughout 2014. Work continues in 2015 with the further involvement of the operations organisations. The results achieved provide an increasingly better basis for more focused improvement measures, and the application of this data in the best possible manner will have high priority in the ongoing efforts to reduce the injury rate to 0.

Outlook

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

A continued high level of activity is expected in the timber market in the third quarter.

Continued weak growth for housing construction is expected in Norway. In Sweden, housing construction is increasing, but from a low level. However, the main portion of the Group's deliveries is made to the renovation and remodelling markets, which are more stable than the new build market. Activity levels are expected to comply with normal seasonal variations with a high level of activity in the third quarter and a reduction toward the end of the fourth quarter.

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

A plan of action has been implemented with a number of measures and projects that will be closely followed up in order to improve the results of ongoing operations, ensure better competitiveness in the long term and reduce the risk of losses related to certain projects. This work will proceed with great intensity in tandem with the work to rationalise capital use. The Board expects that, combined, the measures will significantly increase the Group's cash flow throughout an economic cycle significantly and contribute to achieving the Group's target of a return on capital employed of 13.0 per cent.

The Board is of the opinion that the Group has adequate solvency and access to liquidity over the long term to undertake any necessary restructuring. The Board expects that the Group's underlying operations and result improve further in 2015.

Statement by the Board and CEO

We confirm that the consolidated financial statements for the period from 1 January to 30 June 2015 have been prepared to the best of our judgement in accordance with IAS 34 Interim Reporting, and that the information presented in the financial statements for the first half of the year provide a fair representation of the Group's assets, debt, financial situation and overall results, in addition to providing a fair overview of important events during the accounting period and their influence on the financial statements for the first half of the year, the most central risk factors and factors of uncertainty that the business faces in the next accounting period, and significant transactions with related parties.

Moelv, 25 August 2015

The Board of Directors of Moelven Industrier ASA

Sign.
Olav Fjell
Chairman

Sign.
Trond Stangeby

Sign.
Elisabeth Krokeide

Sign.
Mari Wilhelmsen

Sign.
Asbjørn Bjørnstad

Sign.
Martin Fauchald

Sign.
Lars-Håkan Karlsson

Sign.
Morten Kristiansen
Acting President and CEO

Condensed quarterly financial statement for Moelven Group second quarter 2015

Profit and loss and total comprehensive income

Amounts in NOK million	Second quarter		6 months		Total	
	2015	2014	2015	2014	2014	2013
Operating revenues	2 628,1	2 389,1	4 944,1	4 648,7	8 828,2	8 009,4
Cost of goods sold	1 718,1	1 533,6	3 213,5	2 970,0	5 601,0	5 184,7
Payroll expenses	507,6	475,1	1 001,3	944,7	1 807,6	1 750,1
Depreciation	67,6	67,7	135,7	137,1	286,5	271,6
Impairment losses	47,9	0,0	47,9	0,0	0,0	0,0
Other operating expenses	238,6	229,0	475,8	459,4	929,5	847,7
Operating profit	48,3	83,7	69,9	137,4	203,6	-44,7
Income from associates	0,0	0,0	0,0	0,0	0,0	0,0
Value change of financial instruments to fair value	25,2	-6,9	27,2	-12,4	-30,4	5,5
Other financial income	30,8	5,0	36,9	11,0	28,2	20,2
Other financial expenses	-45,3	-20,9	-66,3	-42,2	-86,0	-98,1
Profit before tax	59,0	60,9	67,7	93,8	115,3	-117,1
Estimate income tax	15,4	14,8	16,8	22,9	27,0	-24,5
Net profit	43,6	46,1	50,9	70,9	88,4	-92,6
Non-controlling interest share	0,1	0,4	0,2	0,2	0,0	-1,6
Owner of parent company share	43,6	45,6	50,6	70,7	88,4	-91,0
Earnings per share (in NOK)	0,3	0,4	0,4	0,5	0,7	-0,7
Statement of comprehensive income						
Net profit	43,6	46,1	50,9	70,9	88,4	-92,6
Other comprehensive income						
<i>Items that are not reclassified subsequently to profit or loss</i>						
Actuarial gains (losses) on defined-benefit pension schemes	0,0	0,0	0,0	0,0	-40,0	18,8
Income tax on items that are not reclassified to profit or loss	0,0	0,0	0,0	0,0	10,8	-5,1
	0,0	0,0	0,0	0,0	-29,2	13,7
<i>Items that may be reclassified subsequently to profit or loss</i>						
Translation differences	11,7	-3,4	-4,4	-17,0	12,3	58,4
Proportion of other income and costs in associated companies	0,0	0,0	0,0	0,0	0,0	0,0
Other changes	0,0	3,0	0,0	3,5	-1,2	-5,0
Income tax on items that may be reclassified to profit or loss	0,0	0,0	0,0	0,0	0,0	0,0
	11,7	-0,4	-4,4	-13,5	11,1	53,4
Other comprehensive income, net of tax	11,7	-0,4	-4,4	-13,5	-18,1	67,1
Total comprehensive income for the period	55,3	45,7	46,5	57,4	70,3	-25,5
Comprehensive income assigned to:						
Owners of parent company	55,3	45,2	46,2	57,2	70,3	-23,9
Non-controlling interests	0,1	0,4	0,2	0,2	0,0	-1,6

Condensed statement of financial position

Amounts in NOK million	Per 30.06		Per 31.12.
	2015	2014	2014
Intangible assets	37,4	46,1	41,2
Tangible fixed assets	1 693,8	1 783,8	1 808,5
Financial fixed assets	8,0	12,1	7,6
Total fixed assets	1 739,2	1 842,0	1 857,3
Inventory	1 561,4	1 425,5	1 523,9
Receivables	1 677,7	1 706,4	1 251,1
Liquid assets	16,3	13,8	21,0
Total current assets	3 255,4	3 145,7	2 796,0
Total assets	4 994,5	4 987,7	4 653,2
Share capital*	647,7	647,7	647,7
Other equity	991,1	927,8	944,6
Total equity	1 638,8	1 575,6	1 592,3
Provisions	202,5	160,7	189,8
Long term interest-bearing liabilities	1 365,4	1 135,8	1 223,2
Long term interest-free liabilities	1,7	2,1	2,0
Total long term liabilities	1 569,5	1 298,6	1 415,1
Short term interest-bearing liabilities	0,0	385,9	144,3
Short term liabilities	1 786,2	1 727,6	1 501,6
Total short term liabilities	1 786,2	2 113,5	1 645,8
Total liabilities	3 355,7	3 412,1	3 060,9
Total equity and liabilities	4 994,5	4 987,7	4 653,2

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

Statement of change in equity for the Group

Amounts in NOK million	Equity assigned to owners of parent company					Non-controlling interests	Total equity
	Share capital	Share premium funds	Own shares	Other equity	Total		
Total per 1.1.2014	647,7	180,7	0,0	682,2	1 510,6	7,6	1 518,2
Comprehensive income for the period							
Net profit	0,0	0,0	0,0	70,7	70,7	0,2	70,9
Other comprehensive income							
Translation differences	0,0	0,0	0,0	-17,0	-17,0	0,0	-17,0
Other changes	0,0	0,0	0,0	-0,4	-0,4	3,8	3,5
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	-17,4	-17,4	3,8	-13,5
Transactions with owners, entered directly against equity							
Purchase of non-controlling interests	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Effect of acquisition	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Dividend to owners	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Share based payment transactions	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Total transactions with owners	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Total as at 30.06.2014	647,7	180,7	0,0	735,6	1 564,0	11,6	1 575,8
Total per 1.1.2015	647,7	180,7	0,0	752,6	1 581,0	11,4	1 592,3
Comprehensive income for the period							
Net profit	0,0	0,0	0,0	50,6	50,6	0,2	50,9
Other comprehensive income							
Translation differences	0,0	0,0	0,0	-4,4	-4,4	0,0	-4,4
Other changes	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Actuarial gains (losses) on defined-benefit pension schemes	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Income tax on other comprehensive income	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Other comprehensive income (net of tax)	0,0	0,0	0,0	-4,4	-4,4	0,0	-4,4
Transactions with owners, entered directly against equity							
Purchase of non-controlling interests	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Effect of acquisition	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Dividend to owners	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Share based payment transactions	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Total transactions with owners	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Total as at 30.06.2015	647,7	180,7	0,0	798,8	1 627,1	11,7	1 638,8

Cashflow statement for the Group

Amounts in NOK million	Per 30.06	
	2015	2014
CASH FLOW FROM OPERATIONAL ACTIVITIES:		
Net profit	50,9	24,9
<i>Adjustments to reconcile net profit with net cash flow from operations:</i>		
Depreciation	135,7	69,4
Impairment	47,9	0,0
Income from associated companies	0,0	0,0
Tax paid	0,0	0,0
Unpaid pension costs entered as costs and unreceived pension funds entered as income	-1,8	1,2
Loss (profit) on sale of fixed assets	-1,7	0,1
Net value change of financial instruments to fair value	-27,2	5,5
Income tax	16,8	8,0
<i>Changes in operating assets and liabilities:</i>		
Changes in inventory	50,5	-63,4
Changes in accounts receivable and other receivables	-185,5	-256,9
Changes in trade accounts payable	25,6	88,9
Changes in provisions and benefits to employees	17,9	3,0
Changes in short-term liabilities excluding borrowing	149,8	93,2
Cash flow from operational activities	278,9	-26,2
CASH FLOW FROM INVESTMENT ACTIVITIES:		
Investment in plant and equipment exc. acquisition	-78,1	-36,8
Net cash outlay on acquisition	0,0	0,0
Receipts from sale of fixed assets	1,7	0,3
Sale of other long-term investments	0,0	0,0
Acquisition of subsidiary, net of cash	0,0	0,0
Cash flow from investment activities	-76,4	-36,5
CASH FLOW FROM FINANCING ACTIVITIES:		
Raising short term debt	0,0	230,6
Repayment of short term debt	0,0	-0,5
Change in bank overdrafts	-95,9	-60,4
Purchase of non-controlling interests	0,0	0,0
Change in long term debt (borrowing facility)	-112,9	-119,6
Changes in other long-term liabilities	0,4	-4,6
Payment of dividend	0,0	0,0
Cash flow from financial activities	-208,4	45,5
Net increase (reduction) in liquid assets during year	-5,8	-17,2
Liquid assets start of period	14,4	25,9
Effect of exchange rate changes on liquid assets	0,0	0,0
Liquid assets end of period	8,5	8,7
Cash and cash equivalents		
Liquid assets	8,5	8,7
Unused drawing rights	254,5	388,9
Restricted bank deposits	0,0	0,0
Cash and cash equivalents	263,0	397,6

Notes to the summary consolidated quarterly financial statements

Note 1 – General information

Moelven Industrier ASA is a public limited liability company, registered in Norway. The company's head office is at Industriveien 2, 2390 Moelv, Norway. The summary consolidated financial statements for the second quarter of 2015 ended the 30th of June 2015 include Moelven Industrier ASA and its subsidiaries (collectively referred to as the “Group”) and the Group's interests in associated companies. The annual accounts for 2014 are available at 2014.moelven.com.

Note 2 – Statement of conformity

The consolidated financial statements for the second quarter of 2015 have been prepared in accordance with the requirements of IAS 34 “Interim Financial Reporting” which have been approved by the EU. The interim financial statements do not include all the information required in a complete annual report and ought to be read in conjunction with the consolidated financial statements for 2014.

The summary consolidated quarterly financial statements were approved by the Board on 25 August 2015.

Note 3 – Accounting policies

The accounting policies adopted in the quarterly financial statements are the same as those in the consolidated financial statements for 2014. Currency rates in the consolidated statements are derived from Norges Bank.

Note 4 – Critical judgements and estimates

The preparation of quarterly financial statements requires management to make judgements, estimates and assumptions that affect both which accounting policies are applied and the reported amounts of assets, liabilities, revenues and expenses. Actual amounts may differ from the estimated amounts.

In preparing these summary quarterly financial statements management has applied the same critical judgements in applying the accounting policies as it made when preparing the consolidated financial statements for 2014 and the principal sources of estimate uncertainty are the same when preparing these summary quarterly accounts as for the consolidated accounts for 2014.

Note 5 – Pensions and taxes

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

Note 6 – Seasonal fluctuations

Demand for the Group's products and services are normally subject to variability throughout the year. This involves a low season during the first quarter, increasing activity and a peak season over the second and third quarters, and diminishing activity in the final part of the fourth quarter.

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

Note 7 - Tangible fixed assets

Amounts in NOK million	Per 30.06	
	2015	2014
Book value per 1.1	1 838,3	1 913,8
Acquisitions	78,1	83,8
Business combinations	0,0	0,0
Disposals	0,0	0,0
Depreciations	-135,7	-137,4
Impairment losses	-47,9	0,0
Transfers	0,4	-7,2
Translation differences	-13,4	-34,3
Book value per 30.06	1 719,8	1 818,7

Note 8 - Financial instruments

Amounts in NOK million	Per 30.06.2015			Per 31.12.2014		
	Positive fair value	Negative fair value	Net fair value	Positive fair value	Negative fair value	Net fair value
Currency derivatives	7,8	-1,5	6,3	6,6	-10,2	-3,6
Interest rate derivatives	0,0	-61,5	-61,5	0,0	-80,1	-80,1
Power derivatives	0,0	-12,4	-12,4	0,0	-11,1	-11,1
Total	7,8	-75,4	-67,6	6,6	-101,4	-94,8

Amounts in NOK million	Per 30.06.2014			Per 31.12.2013		
	Positive fair value	Negative fair value	Net fair value	Positive fair value	Negative fair value	Net fair value
Currency derivatives	2,8	-10,0	-7,2	2,3	-7,4	-5,0
Interest rate derivatives	0,0	-44,3	-44,3	0,0	-44,8	-44,8
Power derivatives	0,0	-12,8	-12,8	0,0	-14,6	-14,6
Total	2,8	-67,1	-64,3	2,3	-66,8	-64,4

Note 9 – Operating segments

The divisions are divided in accordance with Moelven's three core activities: Timber (industrial goods), Wood (building products) and Building Systems (projects). There is also a division named "Other" in which the remaining units are placed. The divisions are built up around independent subsidiaries with activities clearly defined within the divisions. All transactions between the divisions are conducted on normal commercial terms. The split into divisions differs from the formal legal ownership structure. See the consolidated financial statements for 2014 for further information about segments.

Below is a reconciliation of the profit before taxes in the reporting segments with the company's profit before taxes.

Amounts in NOK million	Per 30.06	
	2015	2014
Timber	-15,7	57,9
Wood	52,1	46,3
Building Systems	38,2	26,3
Other	-6,8	-36,7
Profit before tax in segments	67,7	93,8
Eliminations	0,0	0,0
Profit before tax in Group Accounts	67,7	93,8

Note 10 – Related parties

Transactions with the owners are performed in some areas of the ordinary activities. Among other things, this relates to purchase of saw logs, where the Norwegian forest owner cooperatives are suppliers. There will also be deliveries of biofuel from the Moelven Group to a bioenergy plant owned by Eidsiva Energi AS, with possible buy-back of bioenergy for Moelven's industries in connection with the energy plant. Eidsiva Energi Marked AS trade electric power to Moelven's Norwegian industrial operations. All these transactions have in common that the arm's length principle shall be applied. Where other suppliers can offer better prices or terms, these will be used. About 40 per cent of Moelven's total purchasing requirement for saw log of 4 million cubic metres comes via the Norwegian forest owner cooperatives.

Moelven' supply of energy raw materials to Eidsiva's bioenergy plant represents between 40 and 50 GWh on an annual basis, while buying back energy represents between 20 and 30 GWh. Net delivery of energy raw materials is 20 GWh. The extent of the sale of electrical power corresponds to about 40 per cent of Moelven's total consumption of 185 GWh.

Moelven has a long tradition of running its operations in accordance with all the laws and ethical guidelines of the industry and is of the opinion that competition is positive for all parties in industry. In order to ensure that this culture is maintained, ethical guidelines and guidelines for complying with legislation on competition have been devised.

Note 11 - Events after the balance sheet date

There have not been any events after the balance sheet date which would have an impact on the income, expenses, assets and liabilities disclosed in the quarterly financial statements.

Moelven is organised into four divisions: Timber, Wood, Building Systems and Other. The sawmills in Timber supply sawed wood products and components to industrial customers in Scandinavia and the rest of Europe. These use the products as intermediate goods in their own production. Shavings, chip and bark products are also supplied and are used in the pulp, chipboard and biofuel industry. The processing companies in Wood supply the building products trade in Scandinavia with a broad range of building and interior products. A critical competitive advantage is the division's efficient distribution system which offers customers rapid and precise deliveries of a broad range of products. The companies within Building Systems deliver flexible system solutions for interior walls, modular buildings, electrical installations and load-bearing structures in glulam to projects and contractor clients, principally in Norway and Sweden. Other comprises holding companies, supply businesses and bioenergy companies. The division is heavily focused on developing concepts and systems in collaboration with the customers and experts within architecture, design and construction. In total, the Group is composed of 52 operating units in Norway and Sweden and has 3,302 employees. Moelven also has its own sales offices in Denmark, England, Germany and the Netherlands. The Moelven Group is owned by Glommen Skog SA (25.1 per cent), Eidsiva Vekst AS (23.8 per cent), Felleskjøpet Agri SA (15.8 per cent), Viken Skog SA (11.9 per cent), Mjøsen Skog SA (11.7 per cent), AT Skog SA (7.3 per cent) and Havass Skog SA (4.0 per cent). Most of the remaining 0.4 per cent is owned by private individuals.

Quality rooms

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