



Quarterly Report 2/2017

*Moelven Modus AS has supplied glass walls and interior solutions.
Photo: Andreas Hylthén*

MOELVEN®

Amounts in NOK million	Second quarter		6 months		Total	
	2017	2016	2017	2016	2016	2015
Operating revenues	2,941.5	2,930.4	5,618.9	5,534.9	10,309.7	9,690.4
EBITDA	224.4	245.7	392.6	345.7	601.6	553.9
Gross operating margin/EBITDA	7.6 %	8.4 %	7.0 %	6.2 %	5.8 %	5.7 %
Depreciation and impairment	68.3	70.4	135.1	140.3	306.6	339.1
Operating profit	156.1	175.4	257.5	205.4	295.0	214.8
Net operating margin/EBIT	5.3 %	6.0 %	4.6 %	3.7 %	2.9 %	2.2 %
Value change of financial instruments to fair value	3.3	-2.3	-0.9	-9.0	14.6	5.6
Profit before tax	141.9	154.3	222.9	161.6	252.5	158.5
Profit per share in NOK	0.85	0.91	1.33	0.96	1.41	0.91
Cash flow from operational activities, in NOK per share	2.02	1.75	1.35	-0.01	3.25	4.51
Total Equity *	76.2	90.4	1,964.8	1,833.8	1,813.4	1,756.9
Equity ratio (in per cent) *	-0.2 %	0.5 %	36.2 %	33.9 %	38.0 %	36.8 %
Total assets *	245.3	190.2	5,428.3	5,409.4	4,766.8	4,778.1
Investments *	89.1	49.5	149.4	86.0	275.2	215.8
Return on capital employed in per cent, 12 month rolling *	-0.6 %	4.2 %	11.8 %	11.8 %	10.0 %	7.2 %
Capital employed *	41.0	13.9	3,106.7	3,140.5	2,835.9	2,870.8
Net interest bearing liabilities *	-144.0	-132.0	1,037.1	1,236.7	1,026.9	1,110.4
Net working capital *	116.1	149.4	2,520.1	2,588.1	2,082.2	2,081.2
Total number of employees *	40	77	3,558	3,529	3,492	3,426
Sick leave percentage *	-0.2 %	-0.5 %	5.6 %	5.6 %	5.6 %	5.5 %
Frequency of accidents with absence, rolling LTI value *	-1.1	0.3	11.6	15.4	12.8	15.7
Number of shareholders	934	941	934	941	934	941
Average number of shares (mill)	129.5	129.5	129.5	129.5	129.5	129.5

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

- Revenues in the second quarter were NOK 2,941.5 million (NOK 2,930.4 million) and NOK 5,618.9 million (NOK 5,534.9 million) for the first six months.
- Operating profit in the second quarter was NOK 156.1 million (NOK 175.4 million) and NOK 257.5 million (NOK 205.4 million) for the first six months.
- The reduction in operating profit compared to the second quarter of 2016 is due to displacements of activity levels between the first and second quarters due to Easter and a later start to the high season in 2017 due to poor weather conditions.
- Good international demand for sawn timber.
- Satisfactory activity in the building materials trade in Scandinavia.
- Good level of activity and good order backlog in Building Systems.

In brief

Overall, demand for the Group's products and services have been normal for the season. Easter in 2017 fell in the second quarter and affected activity levels somewhat compared to the same period of 2016.

Internationally there has been good demand for sawn timber in general, but delivery rates to North Africa and Asia were reduced somewhat due to problems related to sea transport and public regulations. The currency situation continued to contribute to maintain competitiveness.

Demand from the building materials trade in Scandinavia was characterised by cold weather at the start of the quarter, but picked up to normal levels from the middle of the period. Price developments for both sawn

timber and processed goods were positive compared to the second quarter of 2016.

For the Building Systems division, demand and activity levels remained high throughout the quarter, both for the Norwegian and Swedish operations.

Overall, access to sawlogs has been normal for the season, and sawlog inventories are satisfactory at the end of the quarter. For the Norwegian units prices of sawlogs have been slightly higher than during the corresponding period last year, while price levels in Sweden have been at the same level as last year. In both countries prices for wood chip and fibre products have been at the same level as the second quarter of 2016.

In May Moelven Trysil AS was once again hit by flooding, after heavy rains led to increased discharge in Trysilelva. Flood contingency measures at the company are good, and no major damage occurred. It is however the third time in four years that the company is affected by flooding. Now that the Norwegian Water Resources and Energy Directorate has made a decision to contribute to a flood barrier, a project has been initiated to build a 7-800 metre flood barrier scheduled for completion in the spring of 2018.

In May the boards of the two Timber companies Moelven Notnäs AB and Moelven Ransbysågen AB decided to merge the companies. The merger will be conducted in accordance with the applicable Swedish rules, with Moelven Notnäs AB as the acquiring company. The merger will be operational from 1 September 2017.

On 2 June a fire broke out at Moelven Värmlands Trä AB's plant in Säffle. The fire was quickly extinguished, and there were no injuries. Material damage turned out to be less than first assumed and operational disruptions as a result of the fire were limited to approximately a week.

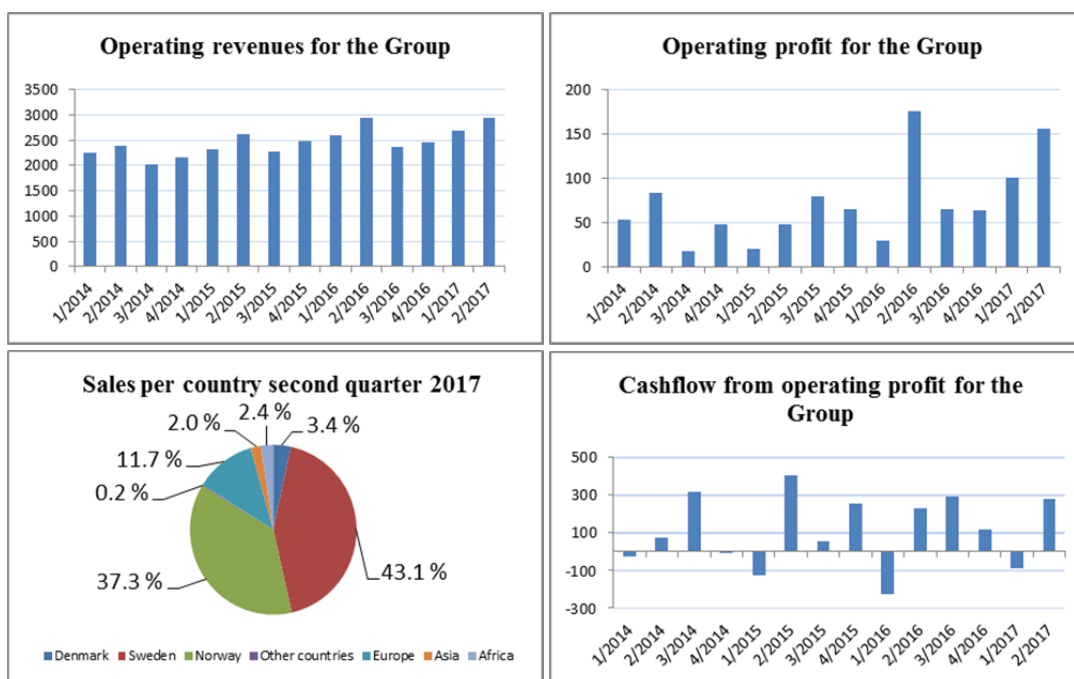
Revenues and results

Revenues in the quarter increased marginally compared to the second quarter of 2016 as a result of higher price levels. However, for Wood and Building Systems in particular, raw material prices have also increased, and the result has thus not kept up with developments in the prices of finished goods.

The FIFO principle requires that inventory calculations are adjusted in line with developments in raw material costs. Along with an update of real value assessments of inventory, this has provided a positive effect totalling NOK 10.7 million (-1.7 million) in the quarter, and NOK 17.7 million (2.7 million) for the first six months. 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 related to fair value assessments on unrealized financial instruments totalled NOK 3.3 million (NOK -2.3 million) for the quarter and NOK -0.9 million (NOK -9.0 million) for the first six months.

Amounts in NOK million	Second quarter		6 months		Total	
	2017	2016	2017	2016	2016	2015
Operating revenues						
Timber	842.7	852.0	1,627.4	1,633.2	3,020.6	3,010.1
Wood	1,076.0	1,062.5	1,992.3	1,868.3	3,529.9	3,275.7
Building Systems	1,037.4	1,002.0	2,029.9	1,979.4	3,616.8	3,375.2
Other businesses	873.2	929.3	1,834.3	1,792.7	3,388.9	3,003.8
<i>Internal</i>	-887.8	-915.5	-1,865.0	-1,738.7	-3,246.5	-2,974.5
The Group	2,941.5	2,930.4	5,618.9	5,534.9	10,309.7	9,690.4
EBITDA						
Timber	81.1	76.2	143.0	107.8	181.1	145.1
Wood	94.6	117.5	151.6	149.9	274.5	237.4
Building Systems	56.6	62.6	111.5	103.8	166.3	185.2
Other businesses	-8.0	-10.5	-13.5	-15.8	-20.3	-13.9
The Group	224.4	245.7	392.6	345.7	601.6	553.9
Operating profit						
Timber	55.7	48.4	92.6	52.0	53.5	-23.9
Wood	67.4	89.0	97.1	93.3	160.6	123.7
Building Systems	43.5	51.7	86.4	81.8	115.1	140.8
Other businesses	-10.6	-13.7	-18.6	-21.7	-34.2	-25.9
The Group	156.1	175.4	257.5	205.4	295.0	214.8



Investments, balance sheet and funding

Investments totalling NOK 89.1 million (NOK 49.5 million) were made during the second quarter, and NOK 149.4 million (NOK 86.0 million) during the first half of the year. Investments in 2017 increased compared to 2016, partly due to projects that have been postponed. The depreciations were NOK 68.3 million (NOK 70.4 million) in the quarter and NOK 135.1 million (NOK 140.3 million) for the first six months. At mid-year, the Group's total assets were reported as NOK 5,428.3 million (NOK 5,409.4 million).

Cash flow from operating activities in the second quarter was NOK 262.2 million (NOK 226.3 million), corresponding to NOK 2.02 per share (NOK 1.75). The corresponding cash flow for the first half of the year was NOK 174.5 million (NOK -0.9 million), which corresponds to NOK 1.35 (NOK -0.01) per share. The improvement compared to last year is mainly due to reduced employed capital in projects. Cash flow from working capital items was NOK 125.4 million in the second quarter (NOK 26.1 million) and NOK -115.2 million year to date (NOK -285.1 million).

Net interest-bearing liabilities were NOK 1,037.1 million (NOK 1,236.7 million) at the end of the second quarter. Financial leases are included in net interest-bearing liabilities, amounting to NOK 18.8 million (NOK 31.5 million). The liquidity reserve was NOK 888.6 million (NOK 665.5 million). In the Group's main financing the available loan facility varies in time with the natural fluctuations in the Group's tied-up capital through the year.

Equity at the end of the second quarter amounted to NOK 1,964.8 million (NOK 1,833.8 million), which is equivalent to NOK 15.17 (NOK 14.16) per share. The equity ratio was 36.2 per cent (33.9 per cent). The dividend for 2016 of NOK 0.48 per share, totalling NOK 62.2 million, was paid and 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 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 31.3 million (NOK -23.6 million). Year to date the change was NOK 41.0 million (NOK -42.3 million). Approximately half of the Group's assets are recognized in SEK. The total assets thus also change based on the exchange rate, and the equity ratio in per cent is therefore less impacted by exchange rate fluctuations than the nominal equity.

Divisions

Timber

Amounts in NOK million	Second quarter		6 months		Total	
	2017	2016	2017	2016	2016	2015
Sales to external customers	675.2	671.9	1,289.1	1,317.4	2,410.6	2,487.4
Sales to internal customers	167.5	180.1	338.3	315.8	610.0	522.7
Operating revenues	842.7	852.0	1,627.4	1,633.2	3,020.6	3,010.1
Depreciation and impairment	25.4	27.8	50.4	55.8	127.6	169.0
Operating profit	55.7	48.4	92.6	52.0	53.5	-23.9
Operating margin in per cent *	6.6 %	5.7 %	5.7 %	3.2 %	1.8 %	-0.8 %
Net operating capital (% of operating revenues) *	0.1 %	-0.9 %	17.0 %	17.3 %	16.3 %	18.7 %
Total assets *	-19.1	-86.0	1,543.5	1,604.8	1,567.1	1,664.5
Equity *	71.4	29.7	844.2	861.3	787.8	841.0
Capital employed *	61.7	-63.6	1,073.4	1,143.5	1,093.7	1,222.2
Return on capital employed in per cent, 12 month rolling*	1.0 %	5.8 %	8.8 %	3.8 %	4.6 %	-1.9 %
Investments *	20.4	16.5	42.9	23.0	64.2	75.9
Total number of employees *	-9	20	651	697	674	679

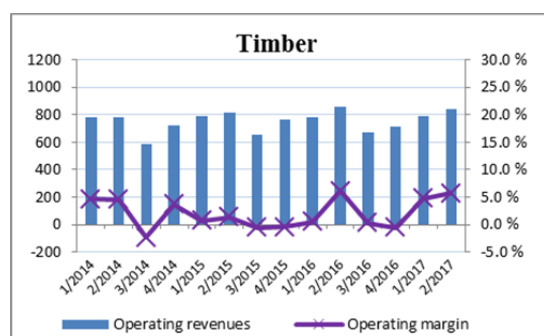
* The columns regarding the quarterly numbers show the change in the quarter

Market activity and demand in the Timber division's main markets was good in the second quarter. Deliveries to certain countries in North Africa and Asia have however been somewhat reduced due to problems related to sea transport and public regulations. Corrected for Moelven Tom Heurlin AB being transferred to the Wood division from 1 January 2017, delivery volumes nevertheless increased compared to the corresponding period in 2016. Average prices were overall higher than for the same period last year, and the EUR exchange rate in particular continues to contribute to shore up competitiveness. Operating revenues measured in NOK are adversely affected by the consolidation rate for SEK being lower in the current year than last year.

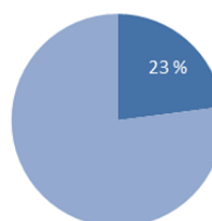
Operational conditions for the quarter were stable and good, and production volumes increased compared to the same period in 2016. However, processing costs increased somewhat as a result of ongoing measures to reduce capital binding in intermediary inventory, as well as accelerated maintenance. Inventory levels at the end of the quarter were satisfactory.

Due to price developments the profits for the quarter have seen a positive effect of a price adjustment to inventories totalling NOK 2.4 million. The corresponding adjustment in the second quarter of 2016 resulted in a charge of NOK 3.4 million. Year to date the price adjustments comprised NOK 3.6 million (NOK -8.9 million).

The supply of sawlogs has been normal for the season. Sawlogs inventories were satisfactory at the end of the quarter. For the Norwegian units prices of sawlogs have been slightly higher than during the same period last year, while price levels in Sweden have been at the same level as last year. In both countries prices for wood chip and fibre products have been at the same level as the second quarter of 2016.



Timber's share of the Groups sale to external customers



Wood

Amounts in NOK million	Second quarter		6 months		Total	
	2017	2016	2017	2016	2016	2015
Sales to external customers	1,025.8	1,016.3	1,893.3	1,787.3	3,359.7	3,153.8
Sales to internal customers	50.2	46.3	99.0	81.0	170.2	121.9
Operating revenues	1,076.0	1,062.5	1,992.3	1,868.3	3,529.9	3,275.7
Depreciation and impairment	27.2	28.5	54.5	56.6	113.8	113.7
Operating profit	67.4	89.0	97.1	93.3	160.6	123.7
Operating margin in per cent *	6.3 %	8.4 %	4.9 %	5.0 %	4.5 %	3.8 %
Net operating capital (% of operating revenues) *	0.3 %	-3.1 %	33.1 %	29.8 %	27.6 %	27.7 %
Total assets *	81.6	61.3	2,561.7	2,337.6	2,151.6	2,146.7
Equity *	75.2	69.2	1,071.0	975.1	932.0	919.6
Capital employed *	78.1	21.3	1,770.7	1,633.5	1,493.8	1,525.6
Return on capital employed in per cent, 12 month rolling*	-1.5 %	2.0 %	10.2 %	9.8 %	10.3 %	8.0 %
Investments *	24.7	24.7	44.3	43.7	114.7	96.8
Total number of employees *	15	23	1,069	1,041	1,039	1,009

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

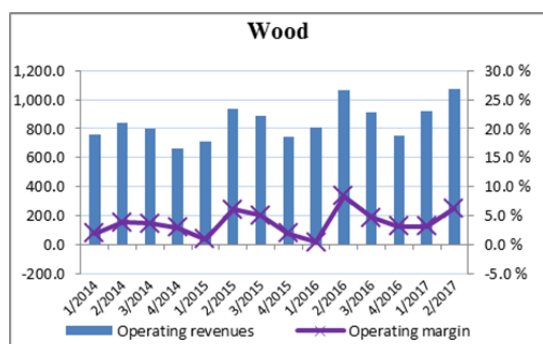
Cold weather at the start of the quarter and the fact that Easter fell in April in 2017, meant that the high season got off to a somewhat slower start than in the previous year. From mid-May and on, however, activity and demand were satisfactory and on a par with normal levels. Overall, average prices were somewhat higher than for the same period last year. For the quarter, overall delivery volumes were lower than for the corresponding period in 2016. Activity at Moelven Tom Heurlin AB, which was transferred to the Wood division from the Timber division effective from 1 January 2017, has been reduced in order for the company to provide satisfactory profitability.

Operating conditions in the quarter were stable and good, but operations were adversely impacted by a flood at Moelven Trysil AS and a minor fire at Moelven Värmlands Trä AB's plant in Säffle. Corrected for these events, operations have improved compared to the same period in 2016.

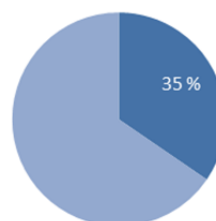
The planning mills in the division use mainly sawn timber as raw material, and raw material costs for these units has therefore increased as a result of the price developments for sawn timber.

Access sawlogs has, with certain regional exceptions, been normal for the season. Sawlog inventories were satisfactory at the end of the quarter. For the Norwegian units prices of sawlogs have been slightly higher than during the same period last year, while price levels in Sweden have been at the same level as last year. In both countries prices for wood chip and fibre products have been at the same level as the second quarter of 2016.

Due to price developments the profits for the quarter have seen a positive effect of a price adjustment to inventories totalling NOK 8.3 million. The corresponding adjustment in the second quarter of 2016 was NOK 1.7 million. Year to date the price adjustments constituted NOK 14.1 million (NOK 11.6 million). The division has been successful with HSE work and efforts to reach the Group's targets of 0 injuries. In the second quarter of 2017 there were no injuries with absence at any of the companies, and sick leave levels are also decreasing steadily.



Wood's share of the Groups sale to external customers



Building systems

Amounts in NOK million	Second quarter		6 months		Total	
	2017	2016	2017	2016	2016	2015
Sales to external customers	1,037.2	1,001.6	2,029.3	1,977.6	3,611.1	3,371.2
Sales to internal customers	0.2	0.4	0.6	1.7	5.7	4.1
Operating revenues	1,037.4	1,002.0	2,029.9	1,979.4	3,616.8	3,375.2
Depreciation and impairment	13.1	10.9	25.1	22.0	51.2	44.4
Operating profit	43.5	51.7	86.4	81.8	115.1	140.8
Operating margin in per cent *	4.2 %	5.2 %	4.3 %	4.1 %	3.2 %	4.2 %
Net operating capital (% of operating revenues) *	0.6 %	3.1 %	12.8 %	17.5 %	12.5 %	12.9 %
Total assets *	-41.1	-15.5	1,723.7	1,757.0	1,653.2	1,616.8
Equity *	56.5	36.7	795.7	722.4	692.2	665.5
Capital employed *	67.6	21.8	890.3	817.0	775.6	743.2
Return on capital employed in per cent, 12 month rolling*	-1.2 %	2.8 %	14.6 %	25.1 %	14.4 %	21.8 %
Investments *	40.7	7.4	53.5	16.0	84.5	40.2
Total number of employees *	32	-134	1,702	1,497	1,647	1,607

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

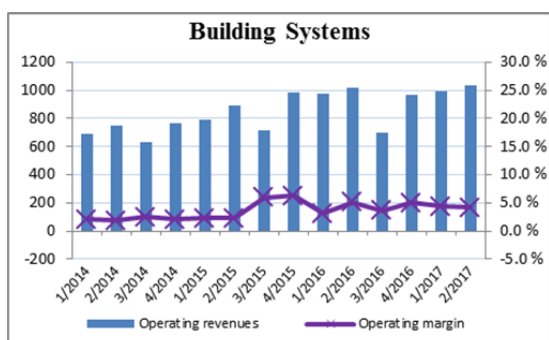
Corrected for Easter, the division's overall activity was higher than in 2016. At the end of the quarter the order backlog for the division totalled NOK 57 million more than at the same time in 2016. Revenues for the second quarter in 2016 include NOK 60 million from the part of the electrical installations business that was transferred to the "Other businesses" reporting area in the second quarter and subsequently sold off by the Group in the fourth quarter of 2016.

For the Glulam business demand is good both for standard glulam and projects in both countries. The use of glulam is experiencing a good trend, with increasing demand for load-bearing structures for various building purposes.

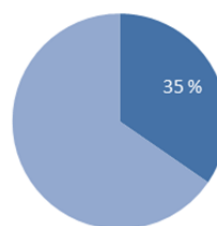
Activity levels for the Modular Building business in Sweden remains very high, particularly in the residential and project markets. For the Norwegian operations the market situation in the residential segment has been good for some time, and in the course of the second quarter demand in projects and standard modules has also picked up somewhat.

For System Interiors– Moelven Modus – demand is good in the big cities Oslo, Stockholm, Gothenburg and Malmö. This applies to new buildings and the renovation, conversion and extension market. The market in south-west Norway remains weak, albeit improving.

The remaining electrical installation operations in the division no longer has any projects on building sites, but clarification on the final settlement related to some projects remains.



Building Systems' share of the Groups sale to external customers

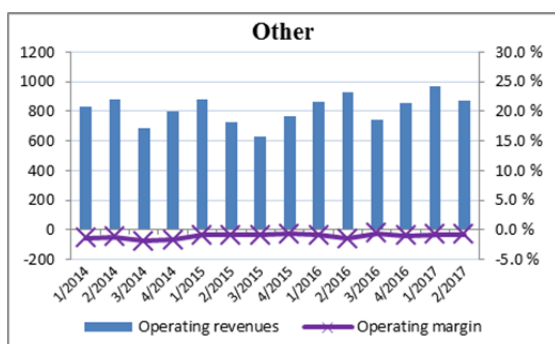


Other businesses

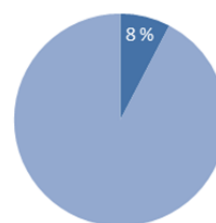
Amounts in NOK million	Second quarter		6 months		Total	
	2017	2016	2017	2016	2016	2015
Sales to external customers	224.6	260.9	449.6	493.5	1,006.9	763.4
Sales to internal customers	648.6	668.4	1,384.7	1,299.2	2,382.0	2,240.4
Operating revenues	873.2	929.3	1,834.3	1,792.7	3,388.9	3,003.8
Depreciation and impairment	2.5	3.2	5.1	6.0	13.9	12.0
Operating profit	-10.6	-13.7	-18.6	-21.7	-34.2	-25.9
Operating margin in per cent *	-1.2 %	-1.5 %	-1.0 %	-1.2 %	-1.0 %	-0.9 %
Net operating capital (% of operating revenues) *	-1.4 %	-1.1 %	3.5 %	6.0 %	4.9 %	5.9 %
Total assets *	-188.9	-48.0	2,458.2	2,548.3	2,453.6	2,468.1
Equity *	-99.9	-65.9	936.7	907.6	1,044.8	1,007.5
Capital employed *	-113.2	6.3	1,849.1	2,011.2	1,879.6	1,976.7
Return on capital employed in per cent, 12 month rolling*	0.1 %	-0.4 %	-0.2 %	0.0 %	-0.2 %	0.4 %
Investments *	3.3	0.9	8.7	3.2	11.8	3.0
Total number of employees *	2	168	136	294	132	131

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

Other businesses include Moelven Industrier ASA, with group shared services in economics, finance, 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. Year-to-date figures for 2016 also include Moelven Elektro AS. As of 1 June 2016, this company, which focused exclusively on maintenance contracts and small and medium size projects, was transferred to the "Other businesses" reporting area. On 1 December 2016 Moelven Elektro AS was sold to Bravida Norge AS, and was therefore no longer a part of the Group at year end. Apart from this reorganization and sale of operations, 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 chips and energy products. The main activity is internal sales, which do not materially affect the results within the business area. In order to safeguard the supply of sawlogs and market opportunities for wood chip and energy products in regions without local demand for pulp wood and wood chips, train solutions have been established for the transport of these. The business is based on fixed agreements on both the customer and supplier sides.



Other's share of the Groups sale to external customers



Employees

Employees	Per second quarter 2017				Per second quarter 2016			
	Male	Female	%Female	Total	Male	Female	%Female	Total
Timber	580	71	10.9 %	651	617	80	11.5 %	697
Wood	902	167	15.6 %	1,069	877	164	15.8 %	1,041
Building Systems	1,581	121	7.1 %	1,702	1,403	94	6.3 %	1,497
Other businesses	104	32	23.5 %	136	256	38	12.9 %	294
Total number of employees	3,167	391	11.0 %	3,558	3,153	376	10.7 %	3,529

Sickness absence rate in %	Per second quarter	
	2017	2016
Timber	4.41 %	5.01 %
Wood	5.04 %	5.07 %
Building Systems	6.64 %	6.39 %
Other businesses	2.97 %	2.14 %
The Group	5.62 %	5.55 %

LTI Value	Per second quarter	
	2017	2016
Timber	13.5	22.2
Wood	6.7	8.8
Building Systems	15.0	18.0
Other businesses	3.2	0.0
The Group	11.6	15.4

The increase in the number of employees compared to the same time in 2016 is due to increased activity in the Building Modules companies in Sweden. In the second quarter, absence due to illness was 5.4 per cent (5.0), where 3.1 per cent (2.6) represents long-term absence. A number of Moelven's operations already have sickness absence levels lower than the 2017 target of 4.5 per cent, but work continues to further reduce sickness absence for the Group as a whole. 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.

There were 17 (22) personal injuries with subsequent sick leave during the quarter. So far this year there have been 40 (44) injuries with subsequent absence. In addition to the reduction in the number of injuries, higher activity levels and thus a higher number of worked hours have contributed to a reduction in the LTI rate (number of personal injuries with absence per million hours worked) compared to last year. Moelven's goal is that no one is injured at work, and injury rates are thus still unacceptably high. HSE work has a high priority in the work of the board, the corporate management and the safety committee. The latter comprises the CEO, division managers, the HR Director and two employee representatives for the building and timber processing parts of the Group respectively, and is the governing body for HSE work. Work on training and awareness-raising is constantly ongoing in order to establish a culture for safety at all levels. All of Moelven's subsidiaries have completed the course "Clear HSE management" for everyone with operational and personnel responsibility, in addition to employee representatives and senior safety representatives.

Outlook

The growth in the global economy continues, but a more moderate rate is expected ahead. In Norway the mainland economy is approaching normal levels after a period of poor developments. In Sweden the strong growth from previous years continues. The rest of Europe continues with a marginal positive growth rate. In the USA the economy is still improving, although the growth rate is somewhat lower than previously. Growth in China is declining, while there are indications of higher activity in the rest of Asia. The Middle East and North Africa are still characterized by unrest and regulations from public authorities that complicate international trade. However, the underlying demand is good in the latter markets.

Positive and stable developments in the international market for sawn timber are expected. The currency situation continues to contribute to maintain competitive ability in export markets, particularly for the Group's Swedish businesses where trading is in EUR or USD. Prices in GBP have increased, and thus compensate some of the margin shortfall as a result of the depreciation of the pound following the Brexit referendum.

In Norway demand for processed products is expected to remain on a par with the previous year, albeit with regional differences. Building activity in and around the major cities, with the exception of south-west Norway, is expected to remain high. In Sweden the need for new homes remains high and activity in the new building market is strong. The renovation, conversion and extension market is also experiencing good levels of activity, although the changes in the renovation, conversion and extension deduction have slowed activities somewhat. No major changes are expected in the markets, and the Swedish market is expected to be at the same level as the previous year. Sawlog inventories and access to sawlogs at the start of the third quarter are satisfactory with regard to planned production.

For the Glulam business it is expected that the positive trend of choosing wood for load bearing structures will continue.

In both Norway and Sweden demand is good for module-based buildings for housing purposes. Demands toward short construction times are increasing. This applies equally to homes, schools and care facilities. In Sweden the market for system interiors is strong in the areas around Stockholm, Gothenburg and Malmö. On the Norwegian side of the border the market in the Oslo region is strong. In the rest of the country the market for new commercial buildings is showing signs of improvement following a slow period. Good activity is expected to continue in Norway and Sweden in renovation, conversion and extension.

For the Group as a whole revenues are expected to increase somewhat. The programme for operational improvement and structuring of the Group in line with the long-term strategy plan continues unabated and will contribute to continued improved profitability for the underlying operations.

The Group's composition, with divisions that experience different impacts from economic fluctuations and units that operate in different markets, provides the Group with a good starting point for further improvements. The result for 2017 is expected to be somewhat better than for 2016. The Group has a long-term goal of a return on capital employed of 13 per cent over an economic cycle. The Board is of the opinion that the Group has sufficient solidity and long-term access to liquidity to implement the restructuring and improvement projects required to achieve this goal.

Statement by the Board and CEO

We declare to the best of our judgement that the financial statements for the period 1 January to 30 June 2017 have been prepared in accordance with *IAS 34 – Interim Reporting*, and that the information in the accounts provide a fair representation of the Company's and Group's assets, debt, financial situation and overall results. We also declare, to the best of our judgement, that the financial statements provide 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 and uncertainty factors that the business faces in the next accounting period, and significant transactions with related parties.

Moelv, the 24th August 2017

Sign.
Olav Fjell
Chairman

Sign.
Trond Stangeby

Sign.
Elisabeth Krokeide

Sign.
Aud Ingvild Storås

Sign.
Martin Fauchald

Sign.
Asbjørn Bjørnstad

Sign.
Lars-Håkan Karlsson

Sign.
Morten Kristiansen
Acting President and CEO

Summary quarterly accounts for the Moelven Group for the second quarter 2017

Earnings and comprehensive income

Amounts in NOK million	Second quarter		6 months		Total	
	2017	2016	2017	2016	2016	2015
Operating revenues	2,941.5	2,930.4	5,618.9	5,534.9	10,309.7	9,690.4
Cost of goods sold	1,883.2	1,846.3	3,559.8	3,544.2	6,552.5	6,207.3
Payroll expenses	562.5	568.2	1,114.0	1,113.2	2,113.2	1,943.3
Depreciation and impairment	68.3	70.4	135.1	140.3	306.6	339.1
Other operating expenses	271.4	270.2	552.5	531.9	1,042.5	985.9
Operating profit	156.1	175.4	257.5	205.4	295.0	214.8
Income from associates	0.0	0.0	0.0	0.0	0.0	0.0
Value change of financial instruments to fair value	3.3	-2.3	-0.9	-9.0	14.6	5.6
Other financial income	3.5	3.7	6.2	7.3	32.4	51.2
Other financial expenses	21.0	22.5	39.9	42.0	89.4	113.0
Profit before tax	141.9	154.3	222.9	161.6	252.5	158.5
Estimate income tax	31.9	35.6	50.4	37.0	73.4	41.5
Net profit	110.0	118.8	172.5	124.6	179.1	117.0
Non-controlling interest share	-0.2	0.4	0.0	0.4	-4.1	-0.5
Owner of parent company share	110.2	118.4	172.4	124.3	183.1	117.6
Earnings per share (in NOK)	0.9	0.9	1.3	1.0	1.4	0.9
Statement of comprehensive income						
Net profit	110.0	118.8	172.5	124.6	179.1	117.0
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	-1.9	50.0
Income tax on items that are not reclassified to profit or loss	0.0	0.0	0.0	0.0	-0.5	12.5
	0.0	0.0	0.0	0.0	-1.4	37.5
<i>Items that may be reclassified subsequently to profit or loss</i>						
Translation differences	31.3	-23.6	41.1	-42.3	-67.3	61.7
Proportion of other income and costs in associated companies	0.0	0.0	0.0	0.0	0.1	0.0
Other changes	-2.9	0.0	0.0	0.0	4.4	0.1
Income tax on items that may be reclassified to profit or loss	0.0	0.0	0.0	0.0	0.0	0.0
	28.3	-23.6	41.1	-42.3	-62.7	61.8
Other comprehensive income, net of tax	28.3	-23.6	41.1	-42.3	-64.1	99.3
Total comprehensive income for the period	138.3	95.2	213.6	82.3	114.9	216.3
Comprehensive income assigned to:						
Owners of parent company	138.5	94.8	213.6	82.0	119.0	216.8
Non-controlling interests	-0.2	0.4	0.0	0.4	-4.1	-0.5

Consolidated balance sheet

Amounts in NOK million	Per 30.06		Per 31.12	
	2017	2016	2016	2015
Intangible assets	75.9	33.5	72.8	35.5
Tangible fixed assets	1,686.8	1,661.4	1,637.2	1,765.2
Financial fixed assets	8.2	9.4	8.7	8.9
Total fixed assets	1,771.0	1,704.4	1,718.7	1,809.6
Inventory	1,576.5	1,494.4	1,464.1	1,526.7
Receivables	1,954.1	2,136.9	1,568.5	1,433.7
Liquid assets	126.7	73.7	15.6	8.1
Total current assets	3,657.3	3,705.0	3,048.1	2,968.5
Total assets	5,428.3	5,409.4	4,766.8	4,778.1
Share capital*	647.7	647.7	647.7	647.7
Other equity	1,317.1	1,186.1	1,165.7	1,109.2
Total equity	1,964.8	1,833.8	1,813.4	1,756.9
Provisions	234.7	142.8	180.6	111.9
Long term interest-bearing liabilities	1,141.9	1,306.7	910.2	1,034.3
Long term interest-free liabilities	6.4	11.8	6.5	12.1
Total long term liabilities	1,383.0	1,461.3	1,097.4	1,158.2
Short term interest-bearing liabilities	0.0	0.0	112.4	79.7
Short term liabilities	2,080.5	2,114.3	1,743.7	1,783.3
Total short term liabilities	2,080.5	2,114.3	1,856.1	1,862.9
Total liabilities	3,463.5	3,575.6	2,953.4	3,021.2
Total equity and liabilities	5,428.3	5,409.4	4,766.8	4,778.1

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

Consolidated statement of changes in equity

Amounts in NOK million	Equity assigned to owners of parent company					Non-controlling interests	Total equity
	Share capital	Share premium funds	Own shares	Other equity	Total		
Total pr 1.1.2016	647.7	180.7	0.0	917.4	1,745.8	11.1	1,756.9
Comprehensive income for the period							
Net profit	0.0	0.0	0.0	124.3	124.3	0.4	124.6
Other comprehensive income							
Translation differences	0.0	0.0	0.0	-42.3	-42.3	0.0	-42.3
Other changes	0.0	0.0	0.0	-5.4	-5.4	0.0	-5.4
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	-47.7	-47.7	-0.1	-47.7
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 30.06.2016	647.7	180.7	0.0	994.0	1,822.4	11.4	1,833.7
Total pr 1.1.2017	647.7	180.7	0.0	978.2	1,806.6	6.8	1,813.4
Comprehensive income for the period							
Net profit	0.0	0.0	0.0	172.4	172.4	0.0	172.5
Other comprehensive income							
Translation differences	0.0	0.0	0.0	41.0	41.0	0.1	41.1
Other changes	0.0	0.0	0.0	-3.0	-3.0	3.0	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	38.1	38.1	3.1	41.1
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	-62.2	-62.2	0.0	-62.2
Share based payment transactions	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total transactions with owners	0.0	0.0	0.0	-62.2	-62.2	0.0	-62.2
Total as at 30.06.2017	647.7	180.7	0.0	1,126.5	1,954.9	9.9	1,964.8

Consolidated statement of cash flow

Amounts in NOK million	Per 30.06.	
	2017	2016
CASH FLOW FROM OPERATIONAL ACTIVITIES:		
Net profit	172.5	124.6
<i>Adjustments to reconcile net profit with net cash flow from operations:</i>		
Depreciation	135.1	140.3
Impairment	0.0	0.0
Income from associated companies	0.0	0.0
Tax paid	-57.5	-31.4
Unpaid pension costs entered as costs and unreceived pension funds entered as income	2.2	5.3
Loss (profit) on sale of fixed assets	-13.8	-0.7
Net value change of financial instruments to fair value	0.9	9.0
Income tax	50.4	37.0
<i>Changes in operating assets and liabilities:</i>		
Changes in inventory	-112.4	32.3
Changes in accounts receivable and other receivables	-386.2	-703.8
Changes in trade accounts payable	131.0	136.8
Changes in provisions and benefits to employees	54.1	30.9
Changes in short-term liabilities excluding borrowing	198.3	218.7
Cash flow from operational activities	174.5	-0.9
CASH FLOW FROM INVESTMENT ACTIVITIES:		
Investment in plant and equipment exc. acquisition	-149.4	-86.0
Net cash outlay on acquisition	0.0	0.0
Receipts from sale of fixed assets	16.3	1.1
Sale of other long-term investments	0.0	0.0
Acquisition of subsidiary, net of cash	5.0	0.0
Cash flow from investment activities	-128.1	-84.9
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	-112.4	-79.7
Purchase of non-controlling interests	0.0	0.0
Change in long term debt (borrowing facility)	233.7	232.3
Changes in other long-term liabilities	1.8	-0.4
Payment of dividend	-62.2	0.0
Cash flow from financial activities	60.9	152.3
Net increase (reduction) in liquid assets during year	107.3	66.4
Liquid assets start of period	6.6	3.6
Effect of exchange rate changes on liquid assets	0.0	0.0
Liquid assets end of period	113.9	70.0
Cash and cash equivalents		
Liquid assets	113.9	70.0
Unused drawing rights	774.7	595.5
Restricted bank deposits	0.0	0.0
Cash and cash equivalents	888.6	665.5

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 2017 ended 30 June 2017 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 2016 are available at www.moelven.com.

Note 2 – Statement of conformity

The consolidated financial statements for the second quarter of 2017 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 2016. The summary consolidated quarterly financial statements were approved by the Board on 24 August 2017.

Note 3 – Accounting policies

The accounting policies adopted in the quarterly financial statements are the same as those in the consolidated financial statements for 2016.

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 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 2016 and the principal sources of estimate uncertainty are the same when preparing these summary quarterly accounts as for the consolidated accounts for 2016.

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 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 – Fixed assets, intangible assets and goodwill

Amounts in NOK million	Per 30.06.	
	2017	2016
Book value per 1.1	1,669.7	1,790.1
Acquisitions	149.4	86.0
Business combinations	0.0	0.0
Disposals	-2.5	-1.1
Depreciations	-135.1	-140.3
Impairment losses	0.0	0.0
Transfers	3.2	3.4
Translation differences	38.1	-53.8
Book value per 30.06.	1,722.9	1,684.3

Note 8 - Financial instruments

Amounts in NOK million	Per second quarter 2017			31.12.2016		
	Positive fair value	Negative fair value	Net fair value	Positive fair value	Negative fair value	Net fair value
Currency derivatives	9.7	-2.7	7.0	5.6	-1.1	4.6
Interest rate derivatives	0.0	-83.4	-83.4	0.0	-82.6	-82.6
Power derivatives	1.2	-0.3	0.9	3.4	0.0	3.4
Total	10.9	-86.5	-75.5	9.0	-83.7	-74.7

Amounts in NOK million	Per second quarter 2016			31.12.2015		
	Positive fair value	Negative fair value	Net fair value	Positive fair value	Negative fair value	Net fair value
Currency derivatives	4.9	-1.9	3.0	7.0	-5.7	1.2
Interest rate derivatives	0.0	-93.4	-93.4	0.0	-82.6	-82.6
Power derivatives	0.0	-7.9	-7.9	0.0	-11.3	-11.3
Total	4.9	-103.2	-98.2	7.0	-99.6	-92.7

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 2016 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	
	2017	2016
Timber	86.5	43.5
Wood	88.8	78.4
Building Systems	85.9	80.7
Other	-38.3	-41.0
Profit before tax in segments	222.9	161.6
<i>Eliminations</i>	<i>0.0</i>	<i>0.0</i>
Profit before tax in Group Accounts	222.9	161.6

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. 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 Marked AS also trades 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 timber of 4.3 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 210 GWh.

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

Note 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 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 the Timber division 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 44 production companies in Norway and Sweden and has 3,558 employees. Moelven also has its own sales offices in Denmark, England, Germany and the Netherlands. The Moelven Group is owned by Glommen Skog SA (29.1 per cent), Eidsiva Vekst AS (23.8 per cent), Felleskjøpet Agri SA (15.8 per cent), Viken Skog SA (11. per cent), Mjøsen Skog SA (11.8 per cent) and AT Skog SA (7.3 per cent). Most of the remaining 0.4 per cent is owned by private individuals.

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