



Quarterly Report 2/2018

*Elvegata, Brumunddal
Delivered by Moelven Byggmodul Hjellum AS
Photo: Ricardofoto AS*

Amounts in NOK million	Second quarter		6 months		12 months	
	2018	2017	2018	2017	2017	2016
Operating revenues	3,055.7	2,941.5	5,773.4	5,618.9	10,768.4	10,309.7
EBITDA	289.6	224.4	449.7	392.6	716.1	601.6
Gross operating margin/EBITDA in per cent	9.5 %	7.6 %	7.8 %	7.0 %	6.6 %	5.8 %
Depreciation and impairment	69.8	68.3	140.8	135.1	295.7	306.6
Operating profit	219.8	156.1	308.9	257.5	420.4	295.0
Net operating margin/EBIT in per cent	7.2 %	5.3 %	5.4 %	4.6 %	3.9 %	2.9 %
Value change of financial instruments to fair value	16.0	3.3	50.0	-0.9	-4.7	14.6
Profit before tax	223.1	141.9	306.7	222.9	373.6	252.5
Earnings per share	1.32	0.85	1.83	1.33	2.26	1.41
Cash flow from operational activities, in NOK per share	1.58	3.10	0.91	1.35	5.22	3.25
Equity *	254.3	221.4	2,143.0	1,964.8	2,092.5	1,813.4
Equity ratio (i %) *	3.0 %	2.8 %	39.4 %	36.2 %	41.5 %	38.0 %
Total assets *	250.0	209.1	5,433.0	5,428.3	5,044.6	4,766.8
Investments *	82.7	89.1	191.4	149.4	357.0	275.2
Return on capital employed in per cent, 12 month rolling *	3.4 %	4.2 %	15.7 %	11.7 %	14.2 %	7.2 %
Capital employed *	25.6	-8.8	3101.4	3,117.7	2,884.4	2,846.9
Net interest bearing liabilities *	-245.8	-331.6	924.2	1,037.1	761.7	1,026.9
Operating working capital *	140.7	81.4	2,544.7	2,520.1	2,071.5	2,082.2
Total number of employees *	-12	40	3,548	3,558	3,546	3,492
Sick leave percentage *	-0.6 %	-0.2 %	5.8 %	5.6 %	5.6 %	5.6 %
Lost Time Injury Frequency rate, rolling LTI-rate *	0.3	-3.7	13.0	11.4	12.4	12.8
Number of shareholders	901	941	901	934	901	934
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

- Operating revenues in the second quarter increased to NOK 3,055.7 million (2,941.5 million).
- The operating profit increased to NOK 219.8 million (NOK 156.1 million).
- The Group's rate of return on capital employed improved to reach 15.7% (11.7%).
- Good international demand for sawn timber products.
- Delivery volumes to the building materials trade at a normal level for the season.
- Satisfactory activity level in Building Systems.
- Unacceptably high injury rate.

In brief

Overall, demand for the Group's products and services has been normal and at a satisfactory level, although the high season in the building products trade in Norway and Sweden got off to a slower start than usual. Compared to the corresponding period last year, delivery volumes increased this year, but adjusted for Easter in 2017 being in the second quarter, activity levels overall have been almost equal.

Access to sawlogs was good in the second quarter. The generally dry weather and the associated risk of forest fires has not affected the supply situation significantly in the period. Sawlog inventories at the end of the quarter were generally somewhat higher than at the same time last year, and were satisfactory with regard to the existing production plans. The prices for sawlogs were higher than for the corresponding period in 2017. In both Sweden and Norway prices of chip and fibre products have increased compared to the second quarter last year.

In May, 24 of a total of 96 employees at Moelven Byggmodul AB's facility in Sandsjöfors were given notice of layoffs. The reason is a need to adjust capacity during a period of somewhat reduced demand in the market in general, combined with delays in several projects on the way to market.

At Moelven Våler AS a modernization project for sorting sawlogs is well under way.

The Group is investing NOK 58 million in the project, which is also supported by Innovation Norway. Norwegian Wood Cluster is also involved in the project. A key part of the modernization is the X-ray technology being used. By way of more information on twig properties, twig distance, heartwood and the distance between the growth rings, the logs can be sorted better and thus improve both market adjustment and resource exploitation. Besides the purely operational advantages of new timber sorting, the investment thus also gives the sawmill a big stride in a more sustainable direction.

Sustainability is one of the basic values on which Moelven is based, and is assigned a high priority in development of the Group. An important area in which to achieve this is to employ new technology and exploit the opportunities inherent in new digital solutions. In the project "The Smart Digital Sawmill," Moelven and a number of technology partners are working to link the entire value chain at a sawmill to one Big Data solution. Real-time data from all underlying systems and machinery are fed into one and the same system, where advanced analysis and machine learning technologies exploit the information in ways one has previously been unable to do. Patterns have already been identified and results have been produced that will be presented at the Wood Products and Technology trade fair in Gothenburg at the end of August. The project will be concluded in the course of the autumn 2018, and will in the long term form the basis for deploying similar solutions at more of the Group's companies.

On 30 June 2018, the Moelven Group acquired all of the shares in the company Broberg Skogs AB in Torsby in Sweden from SB Skog AS. The company operates within timber purchases and forestry management in northern Värmland, which is an important area for Moelven. With its network and expertise, the company will be an important contributor for the Group's sawmills in the region, and a good supplement to Moelven Skog's activities. The company has five employees.

Operating revenues and profit

Operating revenues in the quarter increased compared to the second quarter in 2017. The backdrop is increased finished goods prices for both sawn timber and processed wood products. Sawn timber is the main product of the Timber division, and increased prices are an important cause of improved revenue for both the Group and the division itself. Sawn timber is an important input for many of the companies in Wood and Building Systems, and price developments for sawn timber are thus also one of the causes for increased raw material costs in these divisions.

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 30.3 million (10.7 million) in the quarter, and NOK 41.8 million (17.7 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 16.0 million (NOK 3.3 million) for the quarter and NOK 50.0 million (NOK -0.9 million) for the first six months. For the second quarter the amounts include basis swap effects of NOK 0.1 million (-3.4), and for the first six months NOK 26.4 million (-6.0). Basis swaps are hedging instruments that when viewed for the entire term have a market value change equalling zero, and where the accounting effect therefore is reversed over time.

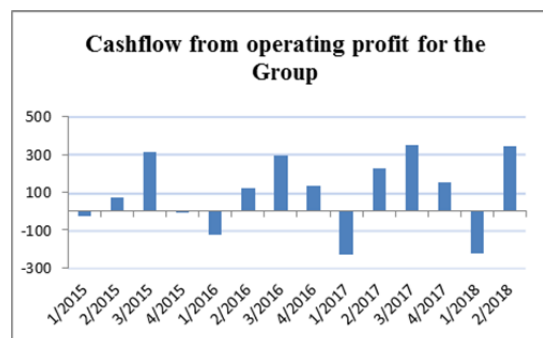
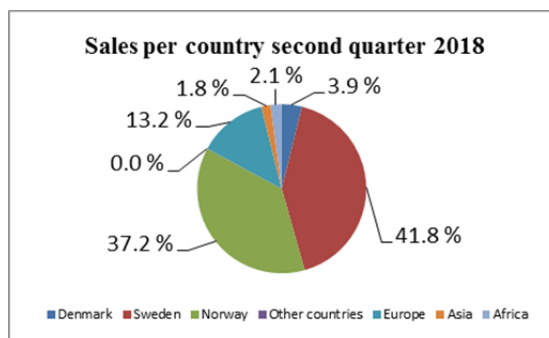
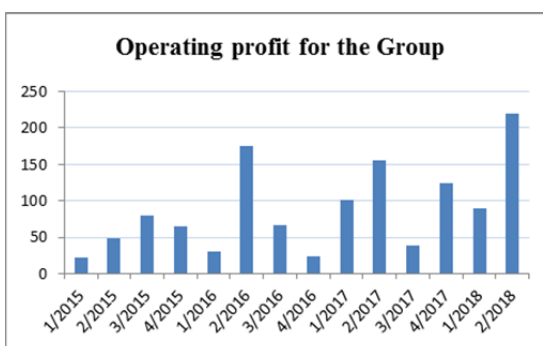
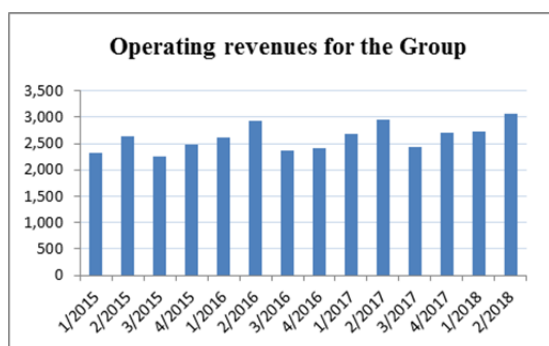
Amounts in NOK million	Second quarter		6 months		12 months	
	2018	2017	2018	2017	2017	2016
Operating revenues						
Timber	878.4	842.7	1,712.4	1,627.4	3,118.2	3,020.6
Wood	1,143.1	1,076.0	2,036.6	1,992.3	3,805.6	3,529.9
Building Systems	1,041.3	1,037.4	2,009.9	2,029.9	3,856.4	3,616.8
Other businesses	937.0	873.2	1,849.9	1,834.3	3,414.6	3,388.9
<i>Internal</i>	-944.0	-887.8	-1,835.5	-1,865.0	-3,426.4	-3,246.5
The Group	3,055.7	2,941.5	5,773.4	5,618.9	10,768.4	10,309.7

EBITDA

Timber	126.4	81.1	216.7	143.0	266.9	181.1
Wood	119.4	94.6	148.8	151.6	265.7	274.5
Building Systems	52.2	56.6	100.8	111.5	206.7	166.3
Other businesses	-8.4	-8.0	-16.6	-13.5	-23.2	-20.3
The Group	289.6	224.4	449.7	392.6	716.1	601.6

Operating Profit

Timber	102.1	55.7	167.9	92.6	146.7	53.5
Wood	92.9	67.4	95.0	97.1	154.8	160.6
Building Systems	36.3	43.5	68.9	86.4	153.9	115.1
Other businesses	-11.5	-10.6	-22.9	-18.6	-34.9	-34.2
The Group	219.8	156.1	308.9	257.5	420.4	295.0



Investments, balance sheet and funding

Investments totalling NOK 82.7 million (NOK 89.1 million) were made during the second quarter, and NOK 191.4 million (NOK 149.4 million) during the first half of the year. The increase in the investment rate is taking place in accordance with investment programme in the Group's long-term strategy. The depreciations were NOK 69.8 million (NOK 68.3 million) in the quarter and NOK 140.8 million (NOK 135.1 million) for the first six months. At mid year, the Group's total assets were reported as NOK 5,433.0 million (NOK 5,428.3 million).

Cash flow from operating activities in the second quarter was NOK 340.9 million (NOK 262.2 million), corresponding to NOK 2.63 per share (NOK 2.02). Corresponding figures for the first six months were NOK 117.6 million (NOK 174.5 million), which is equivalent to NOK 0.91 (NOK 1.35) per share. The change compared to last year is due to natural fluctuations in working capital items. Cash flow from working capital items was NOK 105.0 million in the second quarter (NOK 125.4 million) and NOK -250.3 million year to date (NOK -154.7 million).

Net interest-bearing liabilities were NOK 924.2 million (NOK 1 037.1 million) at the end of the second quarter. Financial leases are included in net interest-bearing liabilities in the amount of NOK 14.1 million (NOK 18.8 million). The liquidity reserve was NOK 936.9 million (NOK 888.6 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 2 143.0 million (NOK 1 964.8 million), which is equivalent to NOK 16.54 (NOK 15.17) per share. The equity ratio was 39.4 per cent (36.2 per cent). The dividend for the previous year of NOK 0,68 (0.48) per share, totalling NOK 88.1 million (62.2), 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 scope and consequences of likely exchange rate fluctuations are within acceptable risk limits. In the second quarter, exchange rate fluctuations resulted in an unrealised change in equity of NOK 32.0 million (NOK 31.3 million). Year to date the change was NOK -98.0 million (41.1 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 percent is therefore less impacted by exchange rate fluctuations than the nominal equity.

Divisions

Timber

Amounts in NOK million	Second quarter		6 months		12 months	
	2018	2017	2018	2017	2017	2016
Sales to external customers	715.8	675.2	1,408.8	1,289.1	2,499.5	2,410.6
Sales to internal customers	162.6	167.5	303.6	338.3	618.8	610.0
Operating revenues	878.4	842.7	1,712.4	1,627.4	3,118.2	3,020.6
Depreciation and impairment	24.3	25.4	48.8	50.4	120.3	127.6
Operating profit	102.1	55.7	167.9	92.6	146.7	53.5
Operating margin in per cent *	5.1 %	5.2 %	9.8 %	5.7 %	4.7 %	1.8 %
Net operating capital (% of operating revenues) *	-0.4 %	-1.2 %	16.5 %	17.0 %	17.5 %	16.3 %
Total assets *	-51.4	-147.3	1,511.2	1,543.5	1,545.5	1,567.1
Equity *	96.9	12.6	869.6	844.2	752.7	787.8
Capital employed *	57.2	-133.7	1,068.9	1,073.4	988.6	1,093.7
Return on capital employed in per cent, 12 month rolling*	13.7 %	10.9 %	21.6 %	8.8 %	14.3 %	4.6 %
Investments *	22.1	20.4	42.0	42.9	99.2	64.2
Total number of employees *	-17	-9	622	651	650	674

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

Market activity and demand in the division's main markets was good in the second quarter. Internationally, demand is seeing a positive impact from activity levels in the global economy in general. In addition to being a good building material that is in more and more demand, wood is also widely used for packaging. The good demand for all qualities and assortments, in combination with low inventories in the production stage, resulted in a price increase for sawn timber in the second quarter too. This is the main cause of the increase in operating revenues compared to the same period in 2017. Delivery volumes were somewhat lower than in the corresponding period last year, partly due to operations at Moelven Norsälven AB being discontinued in the fourth quarter of 2017.

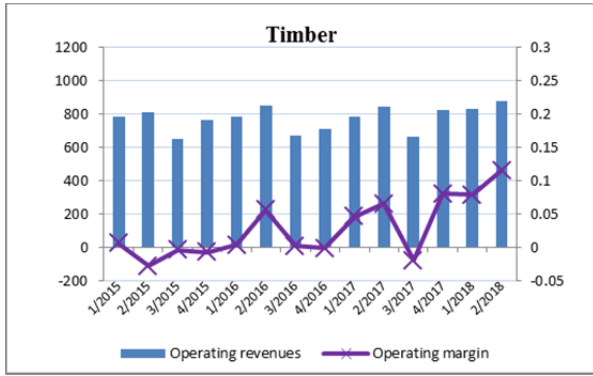
The currency situation continues to make a positive contribution to competitive ability in export markets.

Operating conditions were good in the quarter, and in combination with internal improvement measures they contributed to an improvement in processing costs. After the fire at the bioenergy plant at Moelven Valåsen AB at the end of the first quarter, a fallback solution was established with oil heating in order for production to continue as normal. The fallback solution was used in April and May until the bioenergy plant was repaired and brought into use again in the beginning of June.

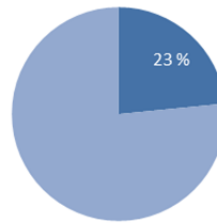
For the division as a whole, market developments, currency conditions and the implementation of internal improvement measures are the main explanations for significant improvements in profit and cash flow.

Access to sawlogs was good in the second quarter. The generally dry weather and the associated risk of forest fires has not affected the supply situation significantly in the period. Sawlog inventories at the end of the quarter were generally somewhat higher than at the same time last year, and were satisfactory with regard to the existing production plans. The prices for sawlogs were higher than for the corresponding period in 2017. In both Sweden and Norway prices of chip and fibre products have increased compared to the second quarter last year.

Due to price developments the profits for the quarter have seen a positive effect of a price adjustment to inventories totalling NOK 5.4 million. The corresponding adjustment in the second quarter of 2017 was NOK 2.4 million. Year to date the price adjustments comprised NOK 7.2 million (NOK 3.6 million).



Timber's share of the Groups sale to external customers



Wood

Amounts in NOK million	Second quarter		6 months		12 months	
	2018	2017	2018	2017	2017	2016
Sales to external customers	1,093.6	1,025.8	1,943.0	1,893.3	3,623.9	3,359.7
Sales to internal customers	49.5	50.2	93.6	99.0	181.7	170.2
Operating revenues	1,143.1	1,076.0	2,036.6	1,992.3	3,805.6	3,529.9
Depreciation and impairment	26.5	27.2	53.9	54.5	110.9	113.8
Operating profit	92.9	67.4	95.0	97.1	154.8	160.6
Operating margin in per cent *	1.4 %	4.3 %	4.7 %	4.9 %	4.1 %	4.5 %
Net operating capital (% of operating revenues) *	0.4 %	0.2 %	33.2 %	33.1 %	27.4 %	27.6 %
Total assets *	83.8	285.4	2,563.8	2,561.7	2,413.9	2,151.6
Equity *	69.1	165.1	1,064.9	1,071.0	1,033.4	932.0
Capital employed *	71.2	158.5	1,763.8	1,770.7	1,627.4	1,493.8
Return on capital employed in per cent, 12 month rolling*	-2.6 %	2.4 %	9.1 %	10.2 %	9.3 %	10.3 %
Investments *	43.8	24.7	94.0	44.3	119.9	114.7
Total number of employees *	25	15	1,114	1,069	1,079	1,039

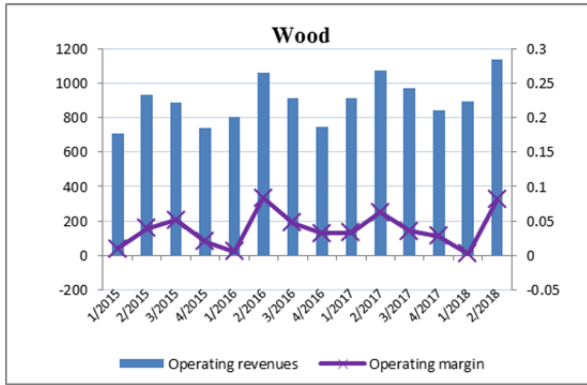
* The columns regarding the quarterly numbers show the change in the quarter

After a somewhat poor start, market activity and demand picked up and the delivery volumes in the quarter came in slightly higher than for the corresponding period in 2017. Year to date the delivery volumes at the end of the quarter were on a par with the same time last year. Finished goods prices also increased compared to the second quarter last year.

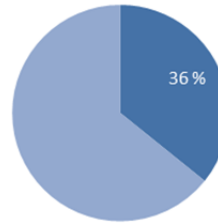
Operating conditions were good in the quarter, and in combination with internal improvement measures they contributed to an improvement in processing costs. The new flood embankment at Moelven Trysil AS prevented a stop in production when the spring flood in the Trysil River reached a level that previously would have led to flooding and up to a two week halt in production. The planing mills in the division use mainly sawn timber as raw material. As a result of price trends for sawn timber internationally, the raw material costs for these units have increased, and this has led to a pressure on margins for processed goods.

Access to sawlogs was good in the second quarter. The generally dry weather and the associated risk of forest fires has not affected the supply situation significantly in the period. Sawlog inventories at the end of the quarter were generally somewhat higher than at the same time last year, and were satisfactory with regard to the existing production plans. The prices for sawlogs were higher than for the corresponding period in 2017. In both Sweden and Norway prices of chip and fibre products have increased compared to the second quarter last year.

Due to price developments the profits for the quarter have seen a positive effect of a price adjustment to inventories totalling NOK 24.9 million. The corresponding adjustment in the third quarter of 2017 was NOK 8.3 million. Year to date the price adjustments comprised NOK 34.6 million (NOK 14.1 million).



Wood's share of the Groups sale to external customers



Building Systems

Amounts in NOK million	Second quarter		6 months		12 months	
	2018	2017	2018	2017	2017	2016
Sales to external customers	1,040.8	1,037.2	2,009.2	2,029.3	3,854.7	3,611.1
Sales to internal customers	0.5	0.2	0.7	0.6	1.7	5.7
Operating revenues	1,041.3	1,037.4	2,009.9	2,029.9	3,856.4	3,616.8
Depreciation and impairment	15.9	13.1	31.9	25.1	52.8	51.2
Operating profit	36.3	43.5	68.9	86.4	153.9	115.1
Operating margin in per cent *	-0.9 %	1.2 %	3.4 %	4.3 %	4.0 %	3.2 %
Net operating capital (% of operating revenues) *	0.8 %	-1.6 %	13.0 %	12.8 %	11.3 %	12.5 %
Total assets *	-81.0	-48.8	1,683.7	1,723.7	1,808.9	1,653.2
Equity *	82.0	110.0	821.2	795.7	798.0	692.2
Capital employed *	31.5	95.1	854.2	890.3	884.1	775.6
Return on capital employed in per cent, 12 month rolling*	-0.5 %	-7.7 %	15.3 %	14.6 %	17.8 %	21.8 %
Investments *	12.8	40.7	47.1	53.5	118.9	84.5
Total number of employees *	-23	32	1,678	1,702	1,687	1,647

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

Adjusted for Easter falling in the second quarter in 2017 and the first quarter in 2018, the division's overall activity level in the quarter was unchanged. At the end of the quarter the order backlog was NOK 479 million lower than at the same time last year, but still broadly based and at a satisfactory level. The main cause of the decline is a somewhat hesitant market situation in Sweden.

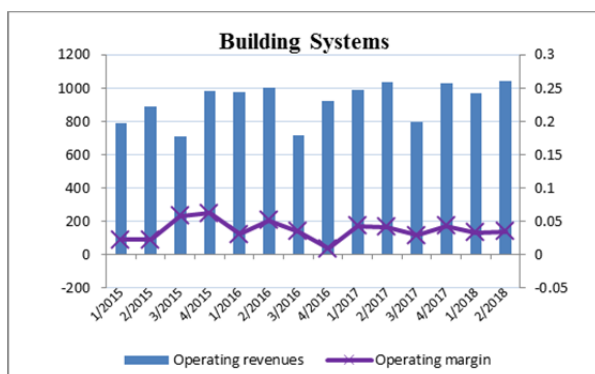
For Glulam operations demand remains good, largely driven by increasing focus on climate-smart solutions. In Norway there is also significant activity in infrastructure, which in turn results in good demand for glulam bridges. In the second quarter operations were characterized by pressure on prices on the Swedish side, increased raw material prices and cost overruns on certain projects. For operations in Sweden, challenges related to raw material supplies have additionally led to unsatisfactory utilization of production capacity.

In the Modular Building business, activity levels remain good. A somewhat weaker cyclical situation in Sweden is partly compensated by increased interest in building with wood and modules. In May, 24 of a total of 96 employees at Moelven Byggmodul AB's facility in Sandsjöfors were given notice of layoffs. The reason is a need to adjust capacity during a period of somewhat reduced demand in the market in general, combined with delays in several projects on the way to market.

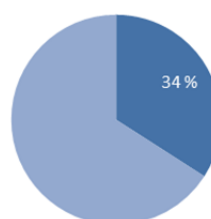
In the quarter business activities have seen unsatisfactory results from ground works at building sites. This is work that is mainly carried out by subcontractors. An important focus area in the time ahead is therefore to improve expertise in this area, and also improve quality assurance of the entire process from planning to final inspection.

For the Interior Systems business – Moelven Modus – demand remains good in the major cities in Norway and Sweden, as well as in southern Norway. Prices are however under pressure, and particularly in Sweden the market is characterized by a somewhat hesitant attitude. After several years of profitable growth, the business is focusing on developing expertise and consolidation of the organization that has been built.

The division's results in HSE, and in particular the injury rate, has not been satisfactory. Efforts in HSE work will therefore intensify further, which is also expected to have a positive impact on profitability in general.



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

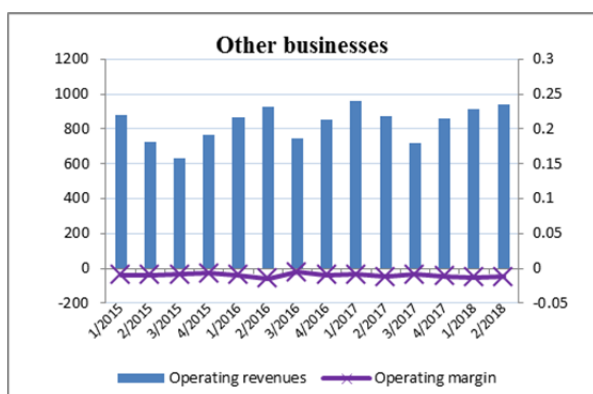


Other Businesses

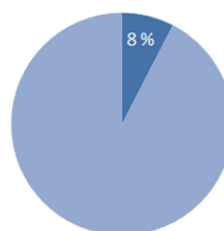
Amounts in NOK million	Second quarter		6 months		12 months	
	2018	2017	2018	2017	2017	2016
Sales to external customers	231.7	224.6	463.9	449.6	875.7	1,006.9
Sales to internal customers	705.3	648.6	1,386.0	1,384.7	2,538.9	2,382.0
Operating revenues	937.0	873.2	1,849.9	1,834.3	3,414.6	3,388.9
Depreciation and impairment	3.1	2.5	6.3	5.1	11.7	13.9
Operating profit	-11.5	-10.6	-22.9	-18.6	-34.9	-34.2
Operating margin in per cent *	-0.4 %	-0.1 %	-1.2 %	-1.0 %	-1.0 %	-1.0 %
Net operating capital (% of operating revenues) *	-2.1 %	-3.6 %	2.8 %	3.5 %	1.4 %	4.9 %
Total assets *	-268.7	-138.2	2,378.3	2,458.2	2,398.0	2,453.6
Equity *	-33.2	-36.8	1,003.5	936.7	1,198.0	1,044.8
Capital employed *	-256.0	-144.8	1,716.4	1,860.2	1,834.9	1,890.5
Return on capital employed in per cent, 12 month rolling*	-0.3 %	-0.6 %	-0.6 %	-0.2 %	-0.4 %	-0.2 %
Investments *	4.0	3.3	8.3	8.7	19.1	11.8
Total number of employees *	3	2	134	136	130	132

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

Other businesses include Moelven Industrier ASA, with shared services for finance, accounting, insurance, communications, HR and ICT. Timber supply and sales of wood chips and energy products are organised as a common function for the Group's timber processing industry and are included with the companies Moelven Skog AB, Moelven Virke AS, Vänerbränsle AB and Moelven Bioenergi AS. Fluctuations in operating revenues in the area of Other Businesses are largely due to the level of activity within timber supply and sales of wood chips and energy products. These are mainly internal sales, which do not materially affect the profit 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 transport. The business is based on fixed agreements on both the customer and supplier sides.



Other businesses' share of the Groups sale to external customers



Employees

Employees	Per second quarter 2018				Per second quarter 2017			
	Male	Female	%Female	Total	Male	Female	%Female	Total
Timber	554	68	10.9 %	622	580	71	10.9 %	651
Wood	939	175	15.7 %	1,114	902	167	15.6 %	1,069
Building Systems	1,563	115	6.9 %	1,678	1,581	121	7.1 %	1,702
Other businesses	102	32	23.9 %	134	104	32	23.5 %	136
Total number of employees	3,158	390	11.0 %	3,548	3,167	391	11.0 %	3,558

Sickness absence rate in %	Per second quarter	
	2018	2017
Timber	4.3 %	4.41 %
Wood	5.4 %	5.04 %
Building Systems	6.4 %	6.64 %
Other businesses	3.6 %	2.97 %
The Group	5.7 %	5.62 %

LTI Value	Per second quarter	
	2018	2017
Timber	10.2	13.5
Wood	11.6	6.7
Building Systems	15.9	14.6
Other businesses	0.0	3.2
The Group	13.0	11.4

In the second quarter, absence due to illness was 5.2 per cent (5.4), where 2.6 per cent (3.1) represents long-term absence. Many of Moelven's businesses have sickness absence levels lower than the maximum target for 2018 of 4.5 per cent. Work is still being done to reduce sick leave for the Group as a whole to below the target level. Efforts, which include employee surveys, close follow-up of sickness absence and cooperation with the occupational health services, are particularly directed at those businesses with the highest sickness absence levels.

There were 20 (17) personal injuries with subsequent sick leave during the quarter. So far this year there have been 42 lost time injuries (40). The LTI rate (number of personal injuries per million worked hours) calculated on a 12 month rolling basis, increased to 13.0 at the end of the second quarter in 2018, compared to 11.4 at the same time in 2017. Moelven's overall goal in safety work is that no one should be harmed at work. Although developments in injury rates still show a long-term falling trend, the result in the second quarter and so far in 2018 is unacceptably high. HSE work has a high priority in the work of the board, the corporate management and the safety committee. Work on training and awareness-raising is constantly ongoing in order to establish a culture for safety at all levels. In employee surveys conducted in 2017 it emerged that there is a need for even more explicit leadership in safety work. For this reason extra resources

will be deployed in 2018 for measures in HSE management, and a new HSE manager at the corporate level will come on board at the end of August.

Outlook

Growth in the global economy continues, but at a slower pace and with increasing uncertainty linked to some regions. In Norway the mainland economy is approaching normal levels after a period of poor developments. In Sweden activity has declined somewhat, but remains at a satisfactory level. The rest of Europe continues with a marginal positive growth rate. The Brexit negotiations cause uncertainty about developments in the UK, but market activity is good. In the USA the economy is still improving, although the growth rate is somewhat lower than previously. Moelven has only occasional deliveries to the United States, but the Group nevertheless sees a positive effect from an improved global market balance. 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 that complicates international trade. However, the underlying demand is good in the latter markets.

Positive and stable developments in the international market for industrial wood 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.

In Norway demand for processed products is expected to remain on a par with 2017, albeit with regional differences. Construction activity in and surrounding the major cities is expected to remain high. In Sweden the need for new homes remains high, but activity in the new building market remains hesitant. Activity in the renovation, conversion and extension market remains good. Increased interest for wood as a building material contributes to maintain activity levels. No major changes are expected in the markets, and the Swedish market is also expected to be at the same level as 2017 overall.

Sawlog inventories and access to sawlogs at the start of the third quarter 2018 are acceptable with regard to planned production.

For glulam 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 good in the areas around Stockholm, Gothenburg and Malmö. On the Norwegian side, the market in southern Norway is still good. In the rest of the country the market for new commercial buildings is now showing signs of improvement following a slow period. Good activity is expected to continue in Norway and Sweden in renovation, conversion and extension.

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. For 2018 the board expects an activity level on a par with 2017 and an improved profit from underlying operations. Return on employed capital, calculated on a 12 month rolling basis, was 15.7 per cent at the end of the second quarter. The Group has a long-term goal of a return on capital employed of 13 per cent over an economic cycle. Although the result for 2017 was 14.2 per cent and thus above the target for the year in isolation, there is still room for improvement. The programme for operational improvement and structuring of the Group in line with the long-term strategy plan therefore continues unabated and will contribute to continued improved profitability for the underlying operations. The Board is of the opinion that the Group has adequate solvency and access to liquidity over the long term to introduce the necessary measures to develop the Group in line with the strategy plan.

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 2018 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 27th August 2018

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
CEO

Summary quarterly accounts for the Moelven Group for the second quarter 2018

Earnings and comprehensive income

Amounts in NOK million	Second quarter		6 months		12 months	
	2018	2017	2018	2017	2017	2016
Operating revenues	3 055,7	2 941,5	5 773,4	5 618,9	10 768,4	10 309,7
Cost of goods sold	1 874,6	1 883,2	3 587,2	3 559,8	6 799,2	6 552,5
Payroll expenses	580,2	562,5	1 147,8	1 114,0	2 153,3	2 113,2
Depreciation and impairment	69,8	68,3	140,8	135,1	295,7	306,6
Other operating expenses	311,3	271,4	588,7	552,5	1 099,8	1 042,5
Operating Profit	219,8	156,1	308,9	257,5	420,4	295,0
Income from associates	0,0	0,0	0,0	0,0	0,0	0,0
Value change of financial instruments to fair value	16,0	3,3	50,0	-0,9	-4,7	14,6
Other financial income	5,4	3,5	12,4	6,2	16,2	32,4
Other financial expenses	18,2	21,0	64,7	39,9	58,3	89,4
Profit before tax	223,1	141,9	306,7	222,9	373,6	252,5
Estimate income tax	50,2	31,9	68,8	50,4	80,7	73,4
Net profit	172,9	110,0	237,9	172,5	293,0	179,1
Non-controlling interest share	1,2	-0,2	1,3	0,0	-0,1	-4,1
Owner of parent company share	171,6	110,2	236,6	172,4	293,0	183,1
Earnings per share (in NOK)	1,3	0,9	1,8	1,3	2,3	1,4
Statement of comprehensive income						
Net profit	172,9	110,0	237,9	172,5	293,0	179,1
Other comprehensive income						
<i>Items that are not reclassified subsequently to profit or loss</i>						
Actuarial gains (losses) on defined-benefit pension schemes	-2,6	0,0	0,0	0,0	-0,9	-1,8
Income tax on items that are not reclassified to profit or loss	-0,6	0,0	0,0	1,0	-0,2	-0,5
	-1,9	0,0	0,0	0,0	-0,7	-1,4
<i>Items that may be reclassified subsequently to profit or loss</i>						
Translation differences	-32,0	31,3	-98,0	41,1	41,2	-67,3
Proportion of other income and costs in associated companies	0,0	0,0	0,0	0,0	0,2	0,1
Other changes	-2,4	-2,9	-1,3	0,0	7,1	4,4
Income tax on items that may be reclassified to profit or loss	0,0	0,0	0,0	0,0	0,0	0,0
	-34,4	28,3	-99,3	41,1	48,5	-62,8
<i>Items that may be reclassified subsequently to profit or loss</i>						
Other comprehensive income, net of tax	-36,4	28,3	-99,4	41,1	47,8	-64,2
Total comprehensive income for the period	136,5	138,3	138,5	213,6	340,8	114,9
Comprehensive income assigned to:						
Owners of parent company	135,3	138,5	137,3	213,6	340,8	119,0
Non-controlling interests	1,2	-0,2	1,3	0,0	-0,1	-4,1

Consolidated balance sheet

Amounts in NOK million	Per 30.06		Per 31.12	
	2018	2017	2017	2016
Intangible assets	75,5	75,9	76,6	72,8
Tangible fixed assets	1 687,2	1 686,8	1 762,5	1 637,2
Financial fixed assets	7,4	8,2	7,9	8,7
Total fixed assets	1 770,2	1 771,0	1 847,1	1 718,7
Inventory	1 549,7	1 576,5	1 524,1	1 464,1
Contract assets	101,2	88,2	139,4	121,8
Receivables	1 935,3	1 865,9	1 493,6	1 446,7
Liquid assets	76,7	126,7	40,4	15,6
Total current assets	3 662,8	3 657,3	3 197,6	3 048,1
Total assets	5 433,0	5 428,3	5 044,6	4 766,8
Share capital*	647,7	647,7	647,7	647,7
Other equity	1 495,2	1 317,1	1 444,8	1 165,7
Total equity	2 143,0	1 964,8	2 092,5	1 813,4
Provisions	282,0	234,7	242,9	180,6
Long term interest-bearing liabilities	948,0	1 141,9	782,8	910,2
Long term interest-free liabilities	6,1	6,4	6,3	6,5
Total long term liabilities	1 236,1	1 383,0	1 031,9	1 097,4
Short term interest-bearing liabilities	0,0	0,0	0,0	112,4
Contract liabilities	136,4	198,6	167,7	165,8
Short term liabilities	1 917,5	1 881,9	1 752,5	1 577,9
Total short term liabilities	2 053,9	2 080,5	1 920,2	1 856,1
Total liabilities	3 290,1	3 463,5	2 952,1	2 953,4
Total liabilities and equity	5 433,0	5 428,3	5 044,6	4 766,8

*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 1.1.2017	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	41,1	41,1	0,0	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	38,2	38,2	3,0	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	1 126,6	1 955,0	9,8	1 964,8
Total pr 1.1.2018	647,7	130,9	0,0	1 304,1	2 082,7	9,8	2 092,5
Comprehensive income for the period							
Net profit	0,0	0,0	0,0	236,6	236,6	1,3	237,9
Other comprehensive income							
Translation differences	0,0	0,0	0,0	-98,0	-98,0	0,0	-98,0
Other changes	0,0	0,0	0,0	-1,3	-1,3	0,0	-1,3
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	-99,4	-99,4	0,0	-99,4
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	-88,1	-88,1	0,0	-88,1
Share based payment transactions	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Total transactions with owners	0,0	0,0	0,0	-88,1	-88,1	0,0	-88,1
Total as at 30.06.2018	647,7	130,9	0,0	1 353,3	2 131,9	11,0	2 143,0

Consolidated statement of cash flow

Amounts in NOK million	Per 30.06.	
	2018	2017
CASH FLOW FROM OPERATIONAL ACTIVITIES:		
Net profit	237,9	172,5
<i>Adjustments to reconcile net profit with net cash flow from operations:</i>		
Depreciation	140,8	135,1
Impairment	0,0	0,0
Income from associated companies	0,0	0,0
Tax paid	-29,8	-17,9
Unpaid pension costs entered as costs and unreceived pension funds entered as income	0,2	2,2
Loss (profit) on sale of fixed assets	0,0	-13,8
Net value change of financial instruments to fair value	-50,0	0,9
Income tax	68,8	50,4
<i>Changes in operating assets and liabilities:</i>		
Changes in inventory	-25,5	-112,4
Changes in accounts receivable and other receivables	-404,1	-386,2
Changes in trade accounts payable	5,6	131,0
Changes in provisions and benefits to employees	39,1	54,1
Changes in short-term liabilities excluding borrowing	134,7	158,8
Cash flow from operational activities	117,6	174,5
CASH FLOW FROM INVESTMENT ACTIVITIES:		
Investment in plant and equipment exc. acquisition	-191,4	-149,4
Net cash outlay on acquisition	0,0	0,0
Receipts from sale of fixed assets	0,0	16,3
Sale of other long-term investments	0,0	0,0
Acquisition of subsidiary, net of cash	0,0	5,0
Cash flow from investment activities	-191,4	-128,1
CASH FLOW FROM FINANCING ACTIVITIES:		
Raising short term debt	0,0	0,0
Repayment of short term debt	0,0	0,0
Change in bank overdrafts	0,0	-112,4
Purchase of non-controlling interests	0,0	0,0
Change in long term debt (borrowing facility)	171,1	233,7
Changes in other long-term liabilities	-0,3	1,8
Payment of leases	-4,9	0,0
Payment of dividend	-88,1	-62,2
Cash flow from financial activities	77,8	60,9
Net increase (reduction) in liquid assets during year	4,0	107,3
Liquid assets start of period	30,2	6,6
Effect of exchange rate changes on liquid assets	0,0	0,0
Liquid assets end of period	34,2	114,0
Cash and cash equivalents		
Liquid assets	34,2	114,0
Unused drawing rights	902,7	774,6
Restricted bank deposits	0,0	0,0
Cash and cash equivalents	936,9	888,6

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 2018 ended 30 June 2018 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 2017 are available at www.moelven.com.

Note 2 – Statement of conformity

The consolidated financial statements for the second quarter of 2018 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 2017. The summary consolidated quarterly financial statements were approved by the Board on 27 August 2018.

Note 3 – Accounting policies

The accounting policies adopted in the quarterly financial statements 2018 are the same as those in the consolidated financial statements for 2017, with the exception of principles relating to IFRS 9 and IFRS 15 implemented 1 January 2018. Changes in accounting policies resulting from IFRS 9 and IFRS 15 are presented in note 3 of the consolidated accounts. 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 2017 and the principal sources of estimate uncertainty are the same when preparing these summary quarterly accounts as for the consolidated accounts for 2017.

Note 5 – Pensions and taxes

The income tax expense is determined in each quarter on the basis of the expected annual income tax expense. Defined-benefit pension schemes are valued at present value of the future pension benefits that have been earned on the date of balance. Pension funds are valued at fair value.

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

Fixed assets, intangible assets and goodwill

Amounts in NOK million

	Per 30.06.	
	2018	2017
Book value per 1.1	1796.8	1669.7
Acquisitions	194.4	149.4
Business combinations	0.0	0.0
Disposals	0.0	0.0
Depreciations	-140.8	-135.1
Impairment losses	0.0	0.0
Transfers	-44.4	0.8
Translation differences	-85.6	38.1
Book value per 31.03.	1,720.4	1,722.9

Note 8 - Financial instruments

Amounts in NOK million	Per 6 months 2018			31.12.2017		
	Positive fair value	Negative fair value	Net fair value	Positive fair value	Negative fair value	Net fair value
Currency derivatives	2.9	-16.0	-13.1	3.5	-7.0	-3.6
Interest rate derivatives	9.0	-55.8	-46.7	0.0	-81.5	-81.5
Power derivatives	31	0.0	30.5	6.7	-1.0	5.8
Total	42.5	-71.8	-29.3	10.2	-89.5	-79.4

Amounts in NOK million	Per 6 months 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	4.5
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	-86.4	-75.5	9.0	-83.7	-74.8

Note 9 – Operating segments

The divisions are divided in accordance with Moelven's three core activities: Timber (industrial goods), Wood (building products) and Building Systems (projects). There is also a division named "Other" in which the remaining units are placed. The divisions are built up around independent subsidiaries with activities clearly defined within the divisions. All transactions between the divisions are conducted on normal commercial terms. The split into divisions differs from the formal legal ownership structure. See the consolidated financial statements for 2017 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	
	2018	2017
Timber	160.4	86.5
Wood	75.9	88.8
Building Systems	67.6	85.9
Other	2.8	-38.3
Profit before tax in segments	306.7	222.9
<i>Eliminations</i>	<i>0.0</i>	<i>0.0</i>
Profit before tax in Group Accounts	306.7	222.9

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 43 per cent of Moelven's total purchasing requirement for timber of 4.3 million cubic meters comes via the Norwegian forest owner cooperatives.

Moelven's supply of energy raw materials to Eidsiva's bioenergy plant represents between 40 and 50 GWh on an annual basis, while buying back energy represents between 20 and 30 GWh. Net delivery of energy raw materials is 20 GWh. The extent of the sale of electrical power corresponds to about 40 per cent of Moelven's total consumption of about 230 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 organized 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 37 production companies in Norway and Sweden and has 3,548 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 (15.9 per cent), Viken Skog SA (11.9 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.

For further information:
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