



Quarterly report 2/2020

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

Amounts in NOK million	Second quarter		6 months		12 months	
	2020	2019	2020	2019	2019	2018
Operating revenues	3 235,1	2 844,0	5 970,6	5 539,8	10 297,5	11 020,8
EBITDA	282,2	244,5	431,6	462,2	629,8	932,7
Gross operating margin/EBITDA in per cent	8,7 %	8,6 %	7,2 %	8,3 %	6,1 %	8,5 %
Depreciation and impairment	83,2	76,3	163,0	153,1	294,4	346,5
Operating profit	199,0	168,2	268,6	309,1	335,4	586,2
Net operating margin/EBIT in per cent	6,2 %	5,9 %	4,5 %	5,6 %	3,3 %	5,3 %
Value change of financial instruments to fair value	66,2	-4,6	-25,0	-10,0	-23,7	51,5
Profit before tax	230,5	147,1	200,1	247,2	239,7	578,2
Profit per share in NOK	1,39	0,90	1,21	1,50	1,46	3,47
Cash flow from operational activities, in NOK per share	3,03	1,38	1,38	0,16	4,03	5,04
Total equity*	86,3	-112,3	2 548,1	2 341,1	2 368,2	2 435,3
Equity ratio*	1,1 %	-2,9 %	40,9 %	38,8 %	42,9 %	45,9 %
Total assets*	43,6	144,6	6 223,8	6 035,1	5 518,0	5 302,3
Investments*	68,0	171,5	135,6	228,4	478,7	497,4
Return on capital employed in per cent, 12 month rolling*	0,7 %	-2,3 %	8,1 %	17,6 %	9,4 %	19,0 %
Capital employed*	-89,3	2,3	3 800,1	3 689,3	3 524,0	3 163,0
Net interest-bearing liabilities*	-225,6	218,3	1 187,2	1 335,9	1 136,4	721,4
Net working capital*	-65,7	88,2	2 680,3	2 778,1	2 293,2	2 373,3
Number of employees*	-1	-59	3 373	3 468	3 399	3 524
Sick leave percentage*	-0,1 %	-0,3 %	6,4 %	5,6 %	5,4 %	5,5 %
Lost Time Injury Frequency rate, rolling LTI-rate*	1,1	-1,4	10,7	9,8	11,3	10,9
Number of shareholders	862	883	862	883	869	883
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 3,235.1 million (NOK 2,844.0 million) and NOK 5,970.6 million (NOK 5,539.8 million) for the first six months.
- Operating profit in the second quarter was NOK 199.0 million (NOK 168.2 million) and NOK 269.6 million (NOK 309.1 million) for the first six months.
- Return on employed capital (12-month rolling basis) was 8.1 per cent (17.6).
- Improved market balance and satisfactory demand in the international market for sawn timber.
- Delivery volumes to the builder's merchants were higher than in the second quarter 2019.
- Improved level of activity in Building Systems.
- The negative development in value of unrealised financial hedging instruments during the first quarter were largely reversed in the second quarter.
- The Covid-19 pandemic and infection control measures have increased sickness absence, but not impacted operations and results significantly.

On 13 August a tragic accident occurred. We lost one of our employees after a fall at Moelven Edanesågen AB. The individual was taken to hospital in Örebro by ambulance helicopter, but unfortunately the injuries were too severe.

This is one of the darkest days in the history of Moelven, and in connection with the tragic accident we have made it our priority to do whatever we can to look after the family and colleagues of our employee. Everyone at Moelven Edanesågen AB gathered in the morning of 14 August and received the tragic news of their colleague's death.

The police arrived after the accident to investigate what had taken place, but the investigations have not yet concluded. In accordance with Moelven's guidelines, an internal investigation of the tragic incident has also been conducted.

In brief

On the international sawn timber market, which comprises the majority of the Group's exports, demand was satisfactory in the first quarter. The market balance has improved after overall production was reduced in the fourth quarter of 2019 and the first quarter of this year. Market prices were lower than in the same quarter last year. For the export-oriented units, which mainly are a part of the Timber division, weak currencies in both Sweden and Norway have contributed to maintain international competitiveness. Overall, delivery volumes from the Timber division were higher than in the corresponding period of 2019.

Access to forest raw materials was good in the second quarter. At the end of the quarter the saw log inventories were, as according to plan, somewhat lower than at the same time the previous year. The prices for saw logs were lower than in the same period last year, both in Norway and Sweden. A good supply of chip and fibre products has led to a slight decline in prices to levels somewhat lower than in the same period last year in both Norway and Sweden.

Activity in the building materials trade in Scandinavia was somewhat higher than in the second quarter last year. Start-ups of new homes has dropped in both Norway and Sweden. The renovation, conversion and extension market – in particular the consumer segment – has however had a very high activity level and contributed to deliveries from the Wood division increasing compared to the corresponding period of 2019.

For The Building Systems division, lower demand for module-based apartment buildings made it necessary to reduce production capacity as early as 2019. The order situation has improved in 2020, but as of now there is no basis for increasing production capacity. In building and construction, infrastructure and smaller projects, activity has been good.

Operating revenues and results

Operating revenues and profit increased compared to the same period last year as a result of increased activity, primarily for the Wood division, but also the Timber and Building Systems divisions have seen higher deliveries than for the corresponding period last year. The second quarter was an operationally good period, but postponement of planned investment projects has resulted in somewhat higher costs for maintenance. The general cost level remains too high at certain units, and this imposes requirements towards further efficiency improvement measures.

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 improved the operating profit with a total of NOK 37.7 million (-10.3 million) in the quarter, and NOK 8.3 million (0.1 million) for the first six months. The items do not have any impact on cash flow.

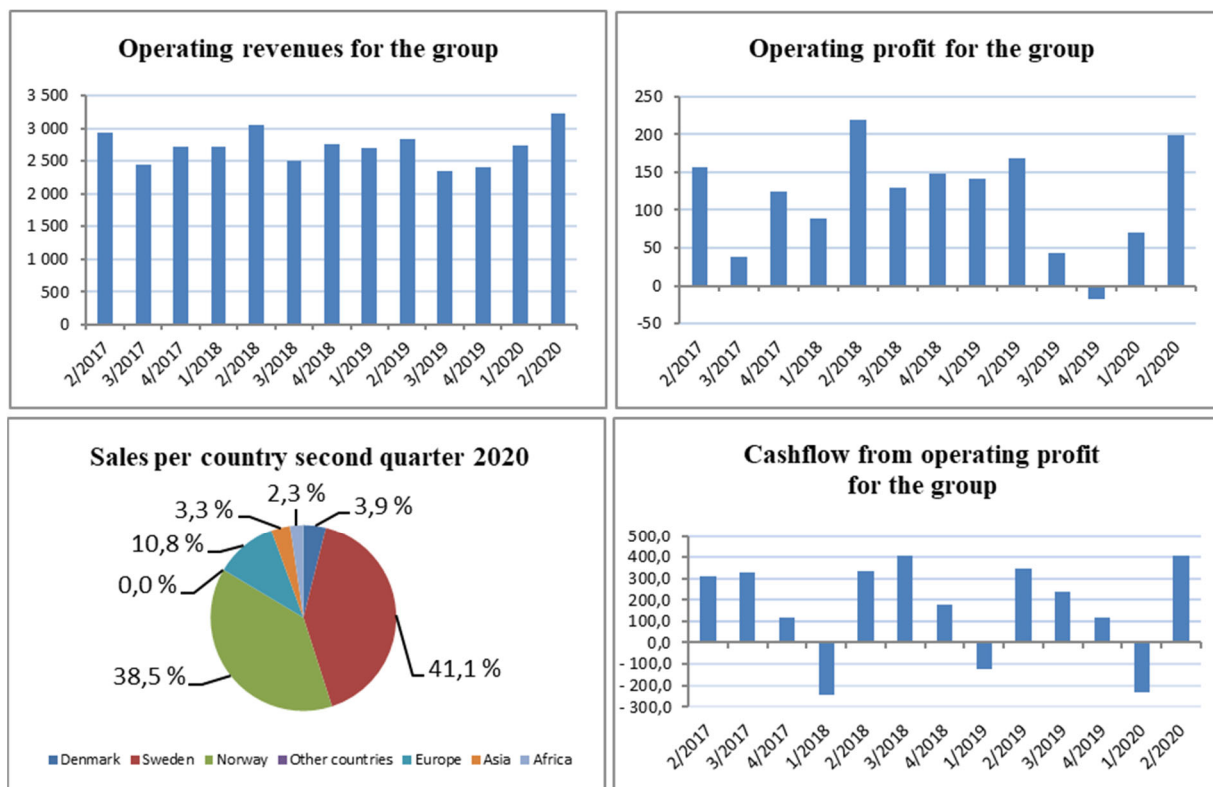
The Group employs financial instruments as a hedge against short-term fluctuations in foreign exchange rates, interest rates and power prices. Non-cash items related to fair value assessments on unrealized financial instruments totalled NOK 66.2 million (NOK -4.6 million) for the quarter and NOK -25.0 million (NOK -10.0 million) for the first six months.

Profits before tax were NOK 230.5 million compared to NOK 147.1 million in the second quarter of 2019. The main reasons for the improvement are improved results in Wood, in addition to a positive development in market values of unrealised financial hedging instruments. For the first six months profits before tax were NOK 200.1 million compared to NOK 247.2 million in the same period of 2019.

Amounts in NOK million	Second quarter		6 months		12 months	
	2020	2019	2020	2019	2019	2018
Operating revenues						
Timber	892,2	840,0	1 747,5	1 735,8	3 118,9	3 263,3
Wood	1 391,9	1 191,9	2 451,0	2 147,0	4 018,1	3 977,3
Building Systems	912,9	788,8	1 707,6	1 611,1	3 002,7	3 743,0
Other businesses	967,7	1 025,3	1 953,4	2 057,9	3 728,0	3 547,6
<i>Internal</i>	-929,6	-1 002,0	-1 888,9	-2 011,9	-3 570,2	-3 510,5
The Group	3 235,1	2 844,0	5 970,6	5 539,8	10 297,5	11 020,8

EBITDA						
Timber	83,5	79,6	160,8	196,8	243,1	449,4
Wood	159,9	134,2	219,6	194,3	265,4	318,5
Building Systems	43,0	37,9	60,8	84,0	135,0	189,0
Other businesses	-4,2	-7,1	-9,6	-12,9	-13,7	-24,1
The Group	282,2	244,5	431,6	462,2	629,8	932,7

Operating profit						
Timber	58,3	54,8	111,0	146,9	145,8	343,3
Wood	133,2	107,2	167,2	139,8	165,1	151,9
Building Systems	21,2	17,6	18,1	44,0	56,8	128,3
Other businesses	-13,7	-11,4	-27,6	-21,5	-32,3	-37,2
The Group	199,0	168,2	268,6	309,1	335,4	586,2



Investments, balance sheet and funding

Investments totalling NOK 68.0 million (NOK 171.5 million) were made during the second quarter, and NOK 135.6 million (NOK 228.4 million) during the first half of the year. The investment program in the group's current strategy plan entails a reduction in investment levels compared to 2019. In addition, as a result of the uncertainty caused by the Covid-19 pandemic, it has also been decided that contracting of major investment projects will be postponed until the situation becomes clearer.

The depreciations were NOK 83.2 million (NOK 76.3 million) in the quarter and NOK 163.0 million (NOK 154.3 million) for the first six months. At mid-year, the Group's total assets were reported as NOK 6,223.8 million (NOK 6,035.1 million). In addition to high investments in 2018/2019 and the accounting effects of the implementation of IFRS 16 – Leasing, increased receivables as a result of a high level of activity are the main reason of the increase in total assets. Because around half of the balance is recorded in foreign currency, primarily SEK, a weak Norwegian krone also contributes to the increase in total capital.

Cash flow from operating activities in the second quarter was NOK 392.4 million (NOK 179.3 million), corresponding to NOK 3.03 per share (NOK 1.38). Corresponding figures for the first six months were NOK 178.6 million (NOK 20.9 million), which is equivalent to NOK 1.38 (NOK 0.16) per share. The change compared to last year is due to natural fluctuations in working capital items, where the realisation of inventories in particular has been higher than normal. Cash flow from working capital items was NOK 172.8 million in the second quarter (NOK -12.3 million) and NOK -151,4 million year to date (NOK -313.9 million).

Net interest-bearing liabilities were NOK 1,187.2 million (NOK 1,335.9 million) at the end of the second quarter. Financial leases are included in net interest-bearing liabilities in the amount of NOK 184.5 million (NOK 214.8 million). The liquidity reserve was NOK 1,162.3 million (NOK 747.6 million).

At the end of May the Group's long-term loan facility was refinanced. The new loan agreements have an overall scope of NOK 700 million plus SEK 900 million, and a term of three years with an option for a two-year extension. In addition to a margin matrix based on the Group's gearing ratio, the pricing of the financing is linked to key sustainability targets in the group's strategy plan. This concerns reductions in energy consumption, increased sorting rates for waste and reduction in the number of personal injuries. The sustainability element in the pricing has only a minor financial consequence compared to the margin matrix, but it is nevertheless an important step towards integrating sustainability efforts even closer with the operative business. As previously, the available loan facility varies over time with the natural fluctuations in the Group's working capital through the year.

At the end of June the Group also signed a seven-year loan agreement for NOK 200 million with the Nordic Investment Bank. The condition for the loan was the implementation of a number of investment projects where sustainability was a key objective. The investment in a new energy centre and pellets factory at Sokna comprised the main part of the basis for the loan.

Equity at the end of the second quarter amounted to NOK 2,548.1 million (NOK 2,341.1 million), which is equivalent to NOK 19.67 (NOK 18.07) per share. The equity ratio was 40.9 per cent (38.8 per cent). The dividend for the previous year of NOK 0.72 (1.74) per share, totalling NOK 93.3 million (225.4), 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 0.4 million (NOK -6.0 million). Year to date the change was NOK 132.2 million (NOK -63.9 million). Approximately half of the Group's assets are recognised 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	
	2020	2019	2020	2019	2019	2018
Sales to external customers	698,4	665,0	1 398,3	1 384,6	2 512,3	2 628,4
Sales to internal customers	193,8	175,0	349,2	351,2	606,6	634,9
Operating revenues	892,2	840,0	1 747,5	1 735,8	3 118,9	3 263,3
Depreciation and impairment	25,3	24,8	49,8	49,9	97,4	106,2
Operating profit	58,3	54,8	111,0	146,9	145,8	343,3
Operating margin in per cent*	0,2 %	-1,8 %	6,3 %	8,5 %	4,7 %	10,5 %
Net operating capital (% of operating revenues)*	-0,6 %	0,9 %	15,4 %	17,4 %	15,8 %	18,3 %
Total assets*	-51,6	-198,1	1 664,8	1 596,7	1 513,1	1 663,4
Equity*	85,9	36,4	963,1	912,0	799,8	809,0
Capital employed*	81,2	86,8	1 179,4	1 136,2	1 031,6	985,7
Return on capital employed in per cent, 12 month rolling*	0,2 %	-4,8 %	9,9 %	29,8 %	13,4 %	32,4 %
Investments*	18,4	21,3	32,7	39,7	115,8	136,7
Total number of employees*	-8	1	617	643	629	620

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

Activity in the international sawn timber markets was good in the second quarter, despite the Covid-19 pandemic. Varying measures across the world to limit the spread of infection and consequences has posed challenges in terms of supply, market access and logistics. As in the first quarter however, deliveries for the division overall were nevertheless higher than in the corresponding period of 2019.

Through the second half of 2019, high supply of sawn timber led to a drop in market prices. The high supply concerned mainly lower qualities of spruce, which increased as a result of storm fellings and bark beetle attacks, but it had a significant impact on the overall price levels. Through the fourth quarter of 2019 several players reduced their production volumes, and the market balance has gradually improved as a result of this. In 2020 there has been a certain positive development in market prices, but the level remains significantly below the first half of the previous year.

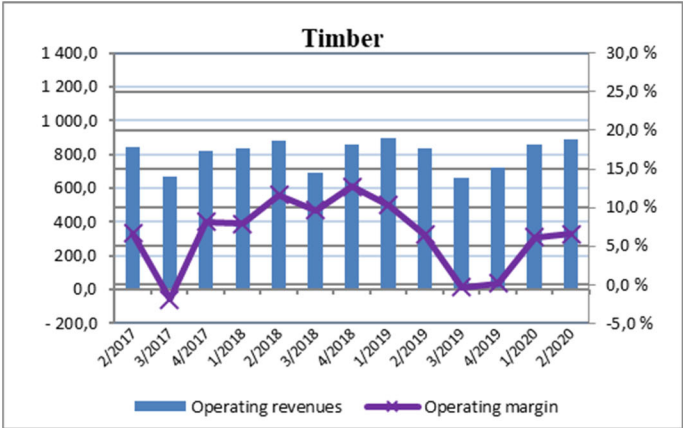
The Timber division sells a significant proportion of its production on the international sawn timber market. For the export-oriented units, continued weak currencies in both Sweden and Norway have contributed to maintaining competitiveness.

Priority is high to adjust production such that the products on offer match those that are in demand in the markets that at any time are accessible. The division has a diversified customer structure in terms of both geography and market segments. This has been an important reason for delivery volumes being maintained throughout the second quarter. Efforts are continuing to maintain deliveries and thus also production. At one of the division's units in Sweden with partly highly specialised production, short-term work was introduced at the beginning of the quarter. The reason for this was a temporary sharp drop in production. Production fully resumed in the course of the second quarter.

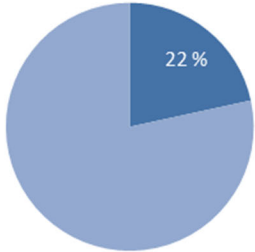
Overall production in the second quarter for the division was somewhat higher than for the same period the previous year. Completed rationalisation measures and cost-reductions have resulted in a reduction in production costs for the division as a whole.

The result has been negatively impacted by value adjustments on inventories due to price developments. In the quarter this comprised a total of NOK -6.6 million. The corresponding adjustment in the second quarter of 2019 was NOK -4.0 million. Year to date after the first half-year the value adjustments comprised NOK -8.6 million (5.2 million). Access to raw materials was good in the second quarter. At the end of the quarter the saw log inventories were, in accordance with plan, somewhat lower than at the same time the previous year. The prices for saw logs were lower than in the same period last year, both in Norway and Sweden. A

good supply of chip and fibre products has led to a slight decline in prices to levels somewhat lower than in the same period last year in both Norway and Sweden.



Timber’s share of the Groups sale to external customers



Wood

Amounts in NOK million	Second quarter		6 months		12 months	
	2020	2019	2020	2019	2019	2018
Sales to external customers	1 367,1	1 141,8	2 342,9	2 045,7	3 827,9	3 787,0
Sales to internal customers	24,8	50,1	108,2	101,3	190,2	190,3
Operating revenues	1 391,9	1 191,9	2 451,0	2 147,0	4 018,1	3 977,3
Depreciation and impairment	26,7	26,9	52,4	54,5	100,3	166,6
Operating profit	133,2	107,2	167,2	139,8	165,1	151,9
Operating margin in per cent*	3,6 %	3,1 %	6,8 %	6,5 %	4,1 %	3,8 %
Net operating capital (% of operating revenues)*	-4,2 %	-1,1 %	31,8 %	36,4 %	32,3 %	30,1 %
Total assets*	-60,1	79,3	2 880,8	2 771,8	2 514,4	2 466,9
Equity*	123,2	93,7	1 281,9	1 139,2	1 064,2	1 048,3
Capital employed*	-15,7	116,1	1 972,0	1 915,0	1 711,6	1 648,0
Return on capital employed in per cent, 12 month rolling*	1,2 %	0,7 %	10,4 %	11,3 %	9,3 %	8,9 %
Investments*	30,1	40,5	68,8	52,7	117,2	198,1
Total number of employees*	9	-6	1 096	1 100	1 114	1 108

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

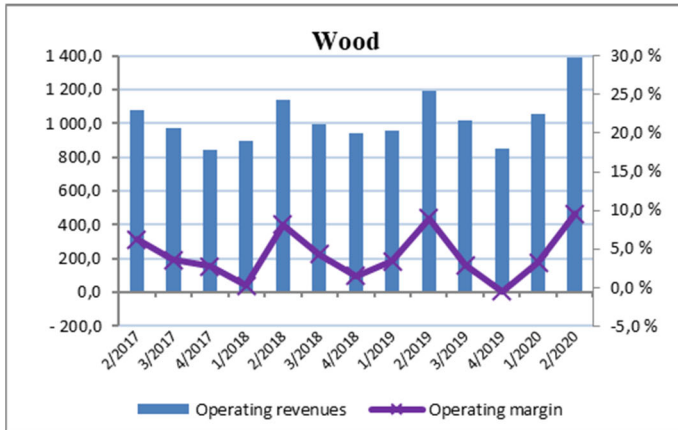
Activity in the building products trade in Scandinavia was higher in the second quarter of 2020 than in the corresponding period of 2019, and delivery volumes from the Wood division increased overall. The overall price level was lower than for the same period in 2019, although certain product categories saw a slight increase in prices. This mainly concerns customised products with a high level of processing, where demand has seen a steadily increasing trend in recent years. In order to ensure adequate raw materials for the production of processed goods, the division's units with both sawmill and planing production reduced the sales of sawn timber to the external market compared to the second quarter of 2019.

Operating conditions in the quarter were good, and production proceeded according to plan despite the challenges the Covid-19 pandemic have posed. Production costs developed as planned and ended on a par with the same period the previous year.

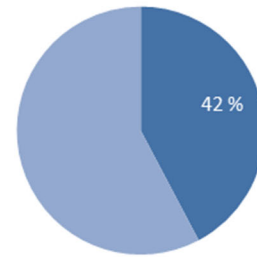
The result in the quarter has been impacted by a value adjustment on inventories totalling NOK 44.3 million. The corresponding adjustment in the second quarter of 2019 was NOK -6.3 million. Year to date after the first six months the value adjustments constituted NOK 16.9 million (-5.1 mill)

Access to raw materials for the timber consuming units in the division was good in the second quarter. At the end of the quarter the saw log inventories were, in accordance with plan, somewhat lower than at the same time the previous year. The prices for saw logs were lower than in the same period last year, both in Norway and Sweden. A good supply of chip and fibre products has led to a slight decline in prices to levels somewhat lower than in the same period last year in both Norway and Sweden.

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



Wood's share of the Groups sale to external customers



Building Systems

Amounts in NOK million	Second quarter		6 months		12 months	
	2020	2019	2020	2019	2019	2018
Sales to external customers	912,0	787,9	1 706,0	1 609,3	2 998,8	3 738,9
Sales to internal customers	0,9	0,9	1,6	1,8	3,9	4,2
Operating revenues	912,9	788,8	1 707,6	1 611,1	3 002,7	3 743,0
Depreciation and impairment	21,8	20,3	42,7	40,0	78,1	60,6
Operating profit	21,2	17,6	18,1	44,0	56,8	128,3
Operating margin in per cent*	1,5 %	-0,5 %	1,1 %	2,7 %	1,9 %	3,4 %
Net operating capital (% of operating revenues)*	-0,4 %	2,0 %	12,8 %	15,8 %	13,4 %	13,5 %
Total assets*	17,2	-231,4	1 883,5	1 770,7	1 751,0	1 751,4
Equity*	21,3	11,4	871,7	800,0	808,8	780,9
Capital employed*	24,0	-16,3	1 104,2	1 066,1	1 066,3	846,4
Return on capital employed in per cent, 12 month rolling*	0,3 %	-2,5 %	3,2 %	11,0 %	5,6 %	14,7 %
Investments*	4,4	10,9	14,7	26,3	55,9	93,5
Total number of employees*	-3	-56	1 504	1 567	1 494	1 647

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

Following a minor and seasonally normal decline towards the summer, the order backlog at the end of the quarter was NOK 449 million higher than at the same time in 2019 for the division as a whole. It is primarily the building module operations that are responsible for the increase. Production capacity is not fully utilised.

For the glulam operations in both Norway and Sweden market activity has been satisfactory and somewhat better than normal for the season both in the standard segment and projects. Initiated rationalisation measures and concept adjustments for glulam operations are going according to plan.

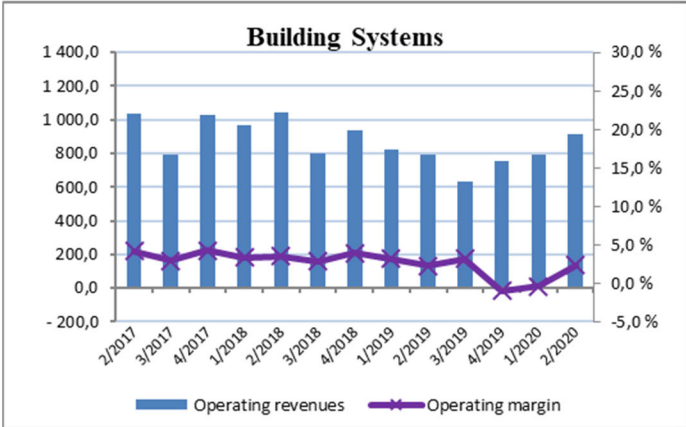
In June Finansparken, where Moelven Limtre AS supplied the glulam load-bearing structures and Moelven Modus AS supplied interior design solutions, was named Wood Building of the Year 2019 and Building of the Year 2019! The jury described Finansparken as something very special, with innovative use of wood and excellent craftsmanship and finish, in addition to lofty environmental ambitions. The building is based on an industrialised building system with glulam and massive wood and customised glulam beechwood beams, and is the largest wood-based commercial building that has been built in Norway.

For the building module operations in Norway, activities in the building and construction segment have been satisfactory with good production. Activity has been slow in the housing segment, albeit with sufficient volume to maintain operations in the factories. In 2019 operations were stopped in some factories with layoffs in the first half of the year due to a lack of orders. At the start of the third quarter 2020 the order situation has improved sufficiently to maintain activity at the factory with a justifiable profitability level through the second half of the year. It will nevertheless still take some time before the pace of production and results reach the target level.

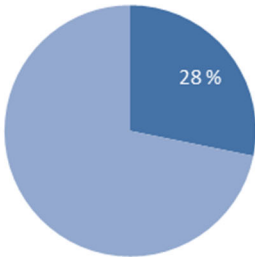
For the Swedish building module operations, demand for standard modules for building and construction and leasing has been weaker than normal. The order intake has nevertheless been sufficient to secure the factory production. The housing segment remains somewhat hesitant, but with signs of improvement and an increase in orders. An increase in production is still somewhat ahead in time. The capacity adjustments that were implemented in 2019 have not been fully reversed.

For system interiors market activity is hesitant in both Norway and Sweden. In Norway activity in some regions has dropped to levels that may lead to a need to adjust capacity if the low

activity levels persist. In Sweden the situation is somewhat better in the capital region, but price levels remain too low to create satisfactory profitability. The Covid-19 pandemic led to a drop in demand that required the introduction of short-term work/layoffs. A total of 32 employees in Sweden and 13 employees in Norway were affected by this. Independently of the Covid-19 pandemic, profitability in both countries has been unsatisfactory for some time. Further measures are now being implemented to improve competitiveness and profitability. As a part of this work, in June it was decided to discontinue production at the factory in Kumla, which has operated at a loss in recent years and where it would require major investments to operate profitably. Production will be transferred to the facilities in Hulån and at Jessheim. 14 jobs will be lost as a result of the closure.



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



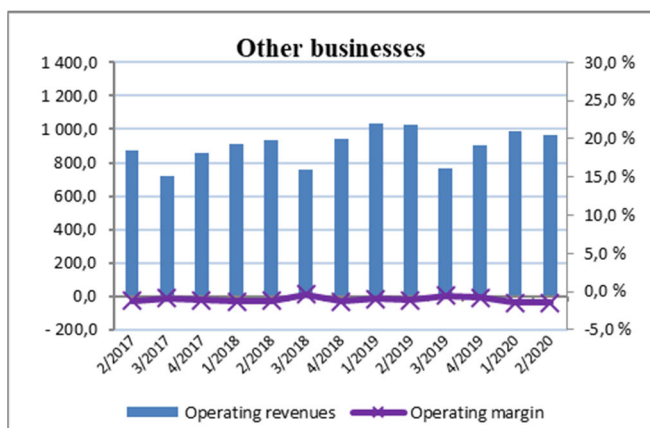
Other Businesses

Amounts in NOK million	Second quarter		6 months		12 months	
	2020	2019	2020	2019	2019	2018
Sales to external customers	281,1	274,6	569,7	551,7	1 059,9	969,0
Sales to internal customers	686,6	750,6	1 383,6	1 506,2	2 668,1	2 578,6
Operating revenues	967,7	1 025,3	1 953,4	2 057,9	3 728,0	3 547,6
Depreciation and impairment	9,5	4,3	18,0	8,6	18,6	13,1
Operating profit	-13,7	-11,4	-27,6	-21,5	-32,3	-37,2
Operating margin in per cent*	0,0 %	-0,1 %	-1,4 %	-1,0 %	-0,9 %	-1,0 %
Net operating capital (% of operating revenues)*	-2,6 %	-2,6 %	3,7 %	2,4 %	2,6 %	2,0 %
Total assets*	-299,0	-171,1	2 558,3	2 685,5	2 633,9	2 662,0
Equity*	-144,6	-263,6	1 041,7	1 105,9	1 283,8	1 459,0
Capital employed*	-251,4	-134,0	1 895,3	1 984,9	2 092,7	2 012,2
Return on capital employed in per cent, 12 month rolling*	-0,1 %	0,0 %	-0,7 %	-0,7 %	-0,4 %	-0,7 %
Investments*	15,1	98,7	19,4	109,6	189,8	69,2
Total number of employees*	1	1	156	158	162	149

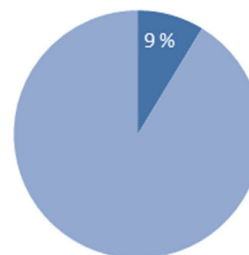
*The columns regarding the quarterly numbers show the change in the quarter

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, Moelven Bioenergi AS and Moelven Pellets AS. The first deliveries from Moelven Pellets AS's new factory at Sokna outside Hønefoss took place in October 2019. Startup of the factory has gone according to plan, and the pellets produced now have premium quality and are certified as Enplus A1. A partnership agreement has been concluded with SCA for the delivery of pellets. The agreement entails that the Swedish SCA group acquires the entire production volume from the Moelven Pellets AS factory at Sokna. The result from the business has nevertheless seen a negative impact due to a supply surplus in the pellets market following the mild winter of 2019/20 with low demand for pellets. In addition to this, fluctuations in operating revenues in the area of Other Businesses are largely due to the level of activity within timber supply and sales of wood chips and energy products. These are mainly internal sales, which do not materially affect the results within the business area. In order to safeguard the supply of timber and market opportunities for wood chip and energy products in regions without local demand for pulp wood and wood chips, Moelven is to a certain extent involved in the purchase and resale of this, based on established train solutions for transport, among other things. The business is based on fixed agreements on both the customer and supplier sides.

In the beginning of August there was agreement between the owners of Weda Skog AB, Bergkvist-Insjön AB (70%) and Moelven Industrier ASA (30%) to divide the company among them. Since 2000 Weda has been responsible for timber supply to Bergkvist-Insjön AB in Insjön and Moelven Dalaträ AB in Mockfjärd. All of the 22 employees of Weda Skog will be offered new employment with either Moelven Skog or Bergkvist-Siljan. The new structure will take effect from 1 September, but all existing timber contracts will be finalised under the auspices of Weda Skog until the end of the year. The change entails that Moelven Skog takes on supply responsibilities for Moelven Dalaträ from the turn of the year. Responsibilities for sales of Dalaträ's other by-products will be assigned to Vänerbränsle AB.



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



Employees

Employees	Per second quarter 2020				Per second quarter 2019			
	Male	Female	%Female	Total	Male	Female	%Female	Total
Timber	554	63	10,2 %	617	574	69	10,7 %	643
Wood	918	178	16,2 %	1 096	926	174	15,8 %	1 100
Building Systems	1 398	106	7,0 %	1 504	1 458	109	7,0 %	1 567
Other businesses	117	39	25,0 %	156	120	38	24,1 %	158
The Group	2 987	386	11,4 %	3 373	3 078	390	11,2 %	3 468

Sickness absence rate	Per second quarter	
	2020	2019
Timber	5,6 %	4,7 %
Wood	6,1 %	5,6 %
Building Systems	7,4 %	6,2 %
Other businesses	1,8 %	1,9 %
The Group	6,4 %	5,6 %

LTI Value	Per second quarter	
	2020	2019
Timber	11,0	11,4
Wood	10,1	8,8
Building Systems	12,2	10,4
Other businesses	0,0	4,0
The Group	10,7	9,8

Moelven's overall goal in safety work is that no one should be harmed at work. The LTI rate on a 12 month rotating basis, which is an expression for the number of injuries with subsequent sick leave per million worked hours, was 10.7 (9.8) at the end of the second quarter 2020. The actual number of injuries with absence increased from 11 in the second quarter of 2019 to 17 in the same period of 2020. All injuries of a certain severity are investigated by the HSE manager from the group's central HR Department. The methodology applied ensures a systematic and impartial investigation of the incident focusing on considering whether adequate and relevant safety procedures and measures were implemented and worked as intended. The results of investigations are shared with all companies in the Group to provide greater insight into the incident and thus be able to implement preventive measures to avoid similar incidents elsewhere. Work on investigating incidents started in March 2019.

Moelven greatly emphasises prevention of all injuries, regardless of whether they result in absence or not (LTI2 rate). Target figures have therefore been set for the LTI2 rate, which is an expression of the number of injuries per million worked hours, on a 12 month rotating basis. In 2020 the goal is that the LTI2 rate

shall be less than 24. After the second quarter the rotating LTI2 rate was 31.4 (35.1). The reduction in the number of injuries shows that the efforts have been effective, and work continues with high intensity and increased pressure on risk-reducing measures, an improved culture of safety and health-promoting work. In comparison to 2019, there has been a great increase in the number of reported hazardous conditions. At the same time there is a reduction in the number of near-misses and injuries. This is a positive trend, and work is ongoing to maintain focus on the reporting of hazardous conditions and preventive safety work. From 1 January 2020 the Group brought into use the first modules in a new management system for HSE, quality and the external environment. This is the result of an extensive project that started in 2019. The management system shall simplify and reduce the complexity of Moelven's improvement work. It will be a living system that to a greater extent exploits the synergies in the Group, ensures compliance and provides better opportunities for certifications. Initially it is the management of irregularities and annual cycles that have been brought into use, but throughout 2020 and into 2021 further modules within checklists, risk assessment, document management, compliance and emergency preparedness will be implemented. Implementation of the modules will be followed by adapted training to provide the employees with a greater understanding of risk and better knowledge of HSE.

The Group is continuing work on common requirements to both own employees and external parties, and will in the course of 2020 focus on the follow-up of contractors/visitors and clarification of own safety rules. In the second quarter, absence due to illness was 6.4 per cent (5.3), where 3.3 per cent (2.8) represents long-term absence. The long-term trend for developments in sickness absence is declining, and the increase in the second quarter is largely absence related to the Covid-19 pandemic. Regardless of developments in the quarter, many of Moelven's businesses have sickness absence levels lower than the maximum target for 2020 of 4.2 per cent. There is nevertheless much to be gained, and work is ongoing to reduce sickness absence for both individual companies and the group as a whole to below the target level. Efforts, which include employee surveys, close follow-up of sickness absence and cooperation with the occupational health services, are particularly directed at those businesses with the highest sickness absence levels. Since the spring of 2019 a project has been ongoing to establish and implement a Moelven programme for the development of Active employee participation and Active leadership. The practical implementation started as planned in the first quarter, but had to be postponed as Covid-19 infection control measures precluded physical gatherings. This will start again in the autumn of 2020 using digital tools in the event infection control measures make physical gatherings impossible.

For Moelven the second quarter has also been greatly affected by Covid-19. The key focus has been preventing infection and dispersion, following up advice from authorities and employee organisations, internal and external communication and the mobilisation of contingency plans both centrally and locally. In addition to the national measures in Sweden and Norway, the Group has focused on measures directed at travel, internal and external meetings and gatherings, logistics procedures and closure/restrictions in canteens, dining rooms and gyms. At the end of the second quarter a total of 5 employees were quarantined, while one was in isolation with confirmed infection.

A total of 45 employees are affected by a form of layoff (Norway) or short-term work (Sweden).

Outlook

The Covid-19 pandemic has changed the outlook and led to significantly greater uncertainty than was the case at the beginning of the year. In the June edition of “World Economic Outlook” the IMF estimated that the world economy will shrink by 4,9 per cent in 2020, while the April edition of the same report estimated a reduction of 3.0 per cent. The pandemic’s negative impact on the world economy in the first half of the year became greater than one envisioned at an early stage, and expectations toward the recovery have also been subdued. IMF now estimates growth in the world economy of 5.4 per cent in 2021, which is 0.4 percentage points lower than the estimate in April 2020.

Both uncertainty and differences in possible outcomes are however great, and make it necessary to plan for several different scenarios. So far, Moelven has not been greatly affected with regard to delivery volumes and earnings, but it must be expected and plans should be in place in the event that the impact will increase over time. The Group has as far as possible introduced measures to both limit infection in society in general and to protect own employees and the business against operational disruptions as a result of the pandemic. Regulations have been introduced with regard to travel activity, large gatherings, hygiene, etc. Production procedures have as far as possible been adjusted such that operation of the business is affected to the least possible extent without compromising the employees’ safety.

For Moelven’s wood processing operations it is expected that demand for sawn timber products from the export markets will continue to vary geographically and may drop somewhat in the second half of the year. The scope depends both on the rate of infection, market access, logistics and developments in demand further down the value chain. The NOK and SEK weakened significantly against the key export currencies in the first quarter, and rates remain at levels that ensure good competitiveness in the export markets. A good level of activity is expected in the building products trade in Scandinavia in the third quarter. The start up of new building projects is expected to remain low, but the need for wood products for the completion of ongoing projects will contribute to continued satisfactory demand. In the private market, high activity in rehabilitation, remodelling and extensions is expected to maintain good demand. Towards the end of the second half of the year the decline in new builds will have a negative impact on demand, although this may be partly compensated by increased activity in public construction projects.

Unrelated to the Covid-19 pandemic, the Building Systems division has had a lower level of activity than desirable in certain business areas, and has therefore already reduced production capacity somewhat. In the first half of the year there have been several examples that new building projects, particularly for housing purposes, are being postponed. This is expected to continue, and will have a greater impact as ongoing projects are completed.

Saw log inventories and the supply situation in Moelven’s geographies at the start of the third quarter of 2020 are good in both Norway and Sweden. Continued good access to raw materials is expected.

The Group's composition, with divisions that experience different impacts from economic fluctuations and units that operate in different markets, provides a good starting point to implement measures and improvements that counter the negative consequences of the Covid-19 pandemic.

The Group has a long-term goal of a return on capital employed of 13 per cent over an economic cycle, but the Board does not expect to achieve this target for 2020.

The process on refinancing the Group’s long-term debt was concluded in the second quarter. The Board is of the opinion that the Group has adequate solvency and access to liquidity over the long term to face the

negative impacts of the Covid-19 pandemic. For 2020 overall the board expects an increased activity level and results better than for 2019.

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

Earnings and comprehensive income

Amounts in NOK million	Second quarter		6 months		12 months	
	2020	2019	2020	2019	2019	2018
Operating revenues	3 235,1	2 844,0	5 970,6	5 539,8	10 297,5	11 020,8
Cost of goods sold	2 067,9	1 749,4	3 778,7	3 354,5	6 307,5	6 746,3
Payroll expenses	591,1	568,4	1 171,2	1 147,4	2 185,8	2 200,1
Depreciation and impairment	83,2	76,3	163,0	153,1	294,4	346,5
Other operating expenses	293,9	281,8	589,2	575,7	1 174,4	1 141,6
Operating Profit	199,0	168,2	268,6	309,1	335,4	586,2
Income from associates	0,0	0,0	0,0	0,0	0,0	0,0
Value change of financial instruments to fair value	66,2	-4,6	-25,0	-10,0	-23,7	51,5
Other financial income	-6,2	2,0	3,6	3,3	6,5	7,9
Other financial expenses	28,4	18,5	47,1	55,2	78,6	67,4
Profit before tax	230,5	147,1	200,1	247,2	239,7	578,2
Estimate income tax	50,3	30,8	43,4	52,5	51,0	127,0
Net profit	180,2	116,3	156,6	194,7	188,6	451,2
Non-controlling interest share	0,1	0,2	-0,5	0,9	-0,2	1,8
Owner of parent company share	180,1	116,2	157,1	193,9	188,9	449,4
Earnings per share (in NOK)	1,4	0,9	1,2	1,5	1,5	3,5
Statement of comprehensive income						
Net profit	180,2	116,3	156,6	194,7	188,6	451,2
Other comprehensive income						
<i>Items that are not reclassified subsequently to profit or loss</i>						
Actuarial gains (losses) on defined-benefit pension schemes	0,0	0,0	0,0	0,0	0,2	-1,2
Income tax on items that are not reclassified to profit or loss	0,0	0,0	0,0	0,0	0,0	0,3
	0,0	0,0	0,0	0,0	0,1	-0,9
<i>Items that may be reclassified subsequently to profit or loss</i>						
Translation differences	0,4	-6,2	132,3	-64,0	-28,1	-17,3
Proportion of other income and costs in associated companies	0,0	0,0	0,0	0,0	0,3	0,5
Other changes	-0,8	2,3	-15,8	2,6	0,1	7,1
Income tax on items that may be reclassified to profit or loss	0,0	0,0	0,0	0,0	0,0	0,0
	-0,3	-3,9	116,6	-61,4	-27,8	-9,7
<i>Items that may be reclassified subsequently to profit or loss</i>						
Other comprehensive income, net of tax	-0,3	-3,9	116,6	-61,4	-27,7	-10,6
Total comprehensive income for the period	179,9	112,4	273,2	133,3	160,8	440,5
Comprehensive income assigned to:						
Owners of parent company	179,8	112,3	273,7	132,5	161,0	438,7
Non-controlling interests	0,1	0,2	-0,5	0,9	-0,2	1,8

Consolidated balance sheet

Amounts in NOK million	Per 30.06		Per 31.12	
	2020	2019	2019	2018
Intangible assets	80,3	81,2	81,2	84,9
Tangible fixed assets	2 322,1	2 084,3	2 226,4	1 873,5
Financial fixed assets	6,0	6,9	5,9	7,0
Total fixed assets	2 408,4	2 172,4	2 313,6	1 965,4
Inventory	1 634,8	1 796,1	1 742,9	1 673,9
Contract assets	91,3	112,4	71,5	126,0
Receivables	2 000,4	1 929,7	1 365,8	1 483,1
Liquid assets	88,9	24,6	24,3	53,9
Total current assets	3 815,4	3 862,8	3 204,4	3 336,9
Total assets	6 223,8	6 035,1	5 518,0	5 302,3
Share capital*	647,7	647,7	647,7	647,7
Other equity	1 900,4	1 693,4	1 720,5	1 787,6
Total equity	2 548,1	2 341,1	2 368,2	2 435,3
Provisions	295,7	303,0	242,1	261,1
Long term interest-bearing liabilities	1 059,4	1 031,5	952,5	668,7
Lease liabilities	184,5	214,2	198,8	43,4
Long term interest-free liabilities	0,0	0,8	0,0	0,9
Total long term liabilities	1 539,6	1 549,5	1 393,5	974,1
Short term interest-bearing liabilities	0,0	91,3	0,0	9,4
Contract liabilities	99,1	106,4	137,7	78,8
Short term liabilities	2 037,0	1 946,9	1 618,7	1 804,7
Total short term liabilities	2 136,1	2 144,6	1 756,4	1 892,9
Total liabilities	3 675,7	3 694,1	3 149,8	2 867,0
Total liabilities and equity	6 223,8	6 035,1	5 518,0	5 302,3

*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 1.1.2019	647,7	130,9	0,0	1 640,5	2 419,1	13,5	2 432,6
Comprehensive income for the period							
Net profit	0,0	0,0	0,0	193,9	193,9	0,9	194,7
Other comprehensive income							
Translation differences	0,0	0,0	0,0	-63,9	-63,9	0,0	-63,9
Other changes	0,0	0,0	0,0	2,6	2,6	0,0	2,6
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	-61,4	-61,4	0,0	-61,4
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	0,6	0,6	0,0	0,6
Dividend to owners	0,0	0,0	0,0	-225,4	-225,4	0,0	-225,4
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	-224,8	-224,8	0,0	-224,8
Total as at 30.06.2019	647,7	130,9	0,0	1 548,1	2 326,7	14,4	2 341,1
Total pr 1.1.2020	647,7	130,9	0,0	1 576,3	2 354,9	13,2	2 368,2
Comprehensive income for the period							
Net profit	0,0	0,0	0,0	157,1	157,1	-0,5	156,6
Other comprehensive income							
Translation differences	0,0	0,0	0,0	132,2	132,2	0,2	132,4
Other changes	0,0	0,0	0,0	-15,8	-15,8	0,0	-15,8
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	116,4	116,4	0,2	116,6
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	-93,3	-93,3	0,0	-93,3
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	-93,3	-93,3	0,0	-93,3
Total as at 30.06.2020	647,7	130,9	0,0	1 756,5	2 535,1	12,9	2 548,1

Consolidated statement of cash flow

Amounts in NOK million	Per 30.06.	
	2020	2019
CASH FLOW FROM OPERATIONAL ACTIVITIES:		
Net profit	156,6	194,7
<i>Adjustments to reconcile net profit with net cash flow from operations:</i>		
Depreciation	163,0	154,3
Impairment	0,0	-1,3
Income from associated companies	0,0	0,0
Tax paid	-57,2	-75,7
Unpaid pension costs entered as costs and unreceived pension funds entered as income	-0,4	0,3
Loss (profit) on sale of fixed assets	-0,5	-0,1
Net value change of financial instruments to fair value	25,0	10,0
Income tax	43,4	52,5
<i>Changes in operating assets and liabilities:</i>		
Changes in inventory	108,1	-122,2
Changes in accounts receivable and other receivables	-655,2	-432,6
Changes in trade accounts payable	165,7	56,5
Changes in provisions and benefits to employees	53,5	41,9
Changes in short-term liabilities excluding borrowing	176,4	142,5
Cash flow from operational activities	178,6	20,9
CASH FLOW FROM INVESTMENT ACTIVITIES:		
Investment in plant and equipment exc. acquisition	-135,6	-228,4
Net cash outlay on acquisition	0,0	0,0
Receipts from sale of fixed assets	2,0	0,3
Sale of other long-term investments	0,0	0,0
Acquisition of subsidiary, net of cash	0,0	0,0
Cash flow from investment activities	-133,6	-228,0
CASH FLOW FROM FINANCING ACTIVITIES:		
Proceeds from short term debt	0,0	0,0
Repayment of short term debt	0,0	0,0
Change in bank overdrafts	0,0	81,9
Purchase of non-controlling interests	0,0	0,0
Proceeds from borrowings (borrowing facility)	859,4	351,5
Repayments of borrowings (borrowing facility)	-952,4	0,0
Changes in other long-term debt	200,0	11,3
Payment of leases	-13,2	-13,2
Payment of dividend	-93,3	-225,4
Cash flow from financial activities	0,5	206,0
Net increase (reduction) in liquid assets during year	45,5	-1,2
Liquid assets start of period	19,4	6,3
Effect of exchange rate changes on liquid assets	0,0	0,0
Liquid assets end of period	64,9	5,1
Cash and cash equivalents		
Liquid assets	64,9	5,1
Unused drawing rights	1 097,5	742,5
Restricted bank deposits	0,0	0,0
Cash and cash equivalents	1 162,3	747,6

Notes to the consolidated financial statements

Note 1 – General information

Moelven Industrier ASA is a public limited liability company, registered in Norway. The company's headquarters are located at Industriveien 2, 2390 Moelv, Norway. The consolidated financial statements for the second quarter of 2020, ending on 30 June 2020, includes Moelven Industrier ASA and its subsidiaries (collectively referred to as the “Group”) and the Group's interests in associated companies. The accounts are unaudited. The annual accounts for 2019 are available at www.moelven.no.

Note 2 – Statement of conformity

The consolidated financial statements for the second quarter of 2020 have been prepared in accordance with the requirements of IAS 34 “Interim Financial Reporting” which have been approved by the EU. The interim financial statements do not include all the information required in a complete annual report and ought to be read in conjunction with the consolidated financial statements for 2019. The consolidated quarterly financial statements were approved by the Board on 27 August 2020.

Note 3 – Accounting policies

The accounting policies adopted in the quarterly financial statements for 2020 are the same as those in the consolidated financial statements for 2019. Currency exchange rates in the consolidation are retrieved from Norges Bank.

Note 4 – Critical judgements and estimates

The preparation of quarterly financial statements requires management to make judgements, estimates and assumptions that affect both which accounting policies are applied and the reported amounts of assets, liabilities, revenues and expenses. Actual amounts may differ from the estimated amounts. In preparing these quarterly financial statements management has applied the same critical judgements in applying the accounting policies as it made when preparing the consolidated financial statements for 2019 and the principal sources of estimate uncertainty are the same when preparing these quarterly accounts as for the consolidated accounts for 2019.

Note 5 – Pensions and taxes

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

Note 6 – Seasonal fluctuations

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

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

Note 7 – Sales revenues

Geographical area Amounts in NOK million	Timber		Wood		Building systems		Other		Group	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
Second quarter										
Norway	99,8	108,9	751,5	627,0	376,7	359,5	64,2	264,5	1 294,0	1 359,2
Sweden	176,2	149,9	461,3	379,6	502,9	403,9	185,3	-19,9	1 321,4	916,1
Rest of Europe	252,8	289,8	128,0	112,6	27,5	22,0	0,0	0,0	410,1	423,2
Rest of the world	167,8	97,5	23,8	11,7	0,0	0,0	0,0	0,0	192,4	108,5
Total Sales revenues	696,6	646,1	1 364,6	1 130,9	907,2	785,4	249,5	244,6	3 217,8	2 807,0
Other operating revenues	0,8	18,1	1,7	9,4	4,9	2,5	10,0	7,0	17,3	37,1
Total operating revenues	697,4	664,2	1 366,2	1 140,3	912,0	787,9	259,4	251,6	3 235,1	2 844,0

Amounts in NOK million	Timber		Wood		Building systems		Other		Group	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
6 months										
Norway	201,9	225,0	1 226,6	1 094,5	724,2	728,3	126,9	98,9	2 289,4	2 155,2
Sweden	323,2	309,5	815,5	684,5	920,3	843,1	386,8	397,9	2 441,7	2 232,1
Rest of Europe	581,2	608,8	245,6	217,8	53,7	33,6	0,0	0,0	877,3	856,3
Rest of the world	288,5	206,8	51,1	33,7	0,0	0,0	0,0	0,0	337,1	238,7
Total Sales revenues	1 394,8	1 350,1	2 338,8	2 030,4	1 698,1	1 605,0	513,8	496,8	5 945,5	5 482,3
Other operating revenues	1,9	32,7	2,4	12,5	7,9	4,3	13,0	8,1	25,2	57,6
Total operating revenues	1 396,7	1 382,8	2 341,2	2 042,9	1 706,0	1 609,3	526,8	504,8	5 970,6	5 539,8

Note 8 – Fixed assets, intangible assets and goodwill

Fixed assets, intangible assets and goodwill

Amounts in NOK million	Per 30.06.	
	2020	2019
Book value per 1.1	2 258,6	1 910,7
Acquisitions	135,6	228,4
Lease acquisitions	21,5	5,1
Business combinations	0,0	0,0
Disposals	-1,5	-0,2
Depreciations	-163,0	-154,3
Impairment losses	0,0	1,3
Transfers	3,3	179,3
Translation differences	98,6	-52,3
Book value per 30.06.	2 353,3	2 117,7

Note 9 - Financial instruments

Amounts in NOK million	Per 6 months 2020			31.12.2019			Per 6 months 2020		
	Positive fair value	Negative fair value	Net fair value	Positive fair value	Negative fair value	Net fair value	Level 1*	Level 2*	Level 3*
Currency derivatives	24,0	-31,8	-7,7	4,9	-9,7	-4,8		-7,7	
Interest rate derivatives		-59,8	-59,8		-44,9	-44,9		-59,8	
Embedded derivative - currency		-7,2	-7,2		-1,9	-1,9		-7,2	
Total	24,0	-98,7	-74,7	4,9	-56,5	-51,6			

Amounts in NOK million	Per 6 months 2019			31.12.2018			Per 6 months 2019		
	Positive fair value	Negative fair value	Net fair value	Positive fair value	Negative fair value	Net fair value	Level 1*	Level 2*	Level 3*
Currency derivatives	6,7	-2,6	4,1	16,9	-4,4	12,5		4,1	
Interest rate derivatives		-55,0	-55,0	0,0	-69,8	-69,8		-55,0	
Embedded derivative - currency		-0,2	-0,2		-1,3	-1,3		-0,2	
Power derivatives	12,7		12,7	30,8		30,8	12,7		
Total	19,4	-57,8	-38,4	47,7	-75,5	-27,8			

*Level 1: Listed price in an active market for an identical asset or liability.

Level 2: Valuation based on observable factors other than listed price (used in level 1) either directly or indirectly derived from prices for the asset or liability. Assets and liabilities valued according to this method are mainly financial instruments for hedging future cash flows in foreign currency, interest and electricity. Market value is the difference between the financial instrument's value according to the signed contract and how a similar financial instrument is priced at the balance sheet date. The balance sheet market prices are based on market data from Norges Bank, the ECB, Nasdaq OMX and the financial contract counterparty.

Level 3: Valuation based on factors not obtained from observable markets (non-observable assumptions). The valuation method is used to a very small extent and only for unlisted shares. Since market value is not available, the expected future cash flow from the shares is used as an estimate.

Note 10 – Operating segments

The divisions are divided in accordance with Moelven's three core activities: Timber (industrial goods), Wood (building products) and Building Systems (projects). There is also a division named "Other" in which the remaining units are placed. The divisions are built up around independent subsidiaries with activities clearly defined within the divisions. All transactions between the divisions are conducted on normal commercial terms. The split into divisions differs from the formal legal ownership structure. See the consolidated financial statements for 2019 for further information about segments. Below is a reconciliation of the profit before taxes in the reporting segments with the company's profit before taxes.

Amounts in NOK million	Second quarter		6 months		12 months	
	2020	2019	2020	2019	2019	2018
Timber	86,7	56,6	108,1	145,1	140,6	339,2
Wood	124,5	99,7	160,5	119,4	135,9	136,2
Building Systems	20,0	16,5	15,7	42,5	52,9	127,4
Other	-0,7	-25,8	-84,3	-59,8	-89,8	-24,5
Profit before tax	230,5	147,1	200,1	247,2	239,7	578,2

Note 11 – Related parties

Transactions with the owners are performed in some areas of the ordinary activities. Among other things, this relates to purchase of timber, where the Norwegian forest owner cooperatives are suppliers. Here the arm's length principle is applied. Where other suppliers can offer better prices or terms, these will be used. About 42 per cent of Moelven's total purchasing requirement for timber of 4,4 million cubic metres comes via the Norwegian forest owner cooperatives.

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

Note 12 - 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 Timber supply sawn timber 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 3,373 employees. Moelven also has its own sales offices in Denmark, England and Germany. The Moelven group is owned by Glommen Mjøsen Skog SA (78.8 per cent) and Viken Skog SA (20.8 per cent). Most of the remaining 0.4 per cent is owned by private individuals.

Moelven gir folk gode rom

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