

Quarterly report 3/2023



Cover photo

Værbitt is Moelven's solution for customers who want durable and coloured pine cladding with a long lifespan. The cladding, which is supplied in fixed lengths and with different dimensions and profiles, doesn't require treatment when fitted. The photo is from the Gåsakilen residential project on the outskirts of Bergen.

Photo: Pål Hoff

The quarter in brief

- The third quarter of 2023 was characterised by low levels of activity on the domestic markets in Scandinavia, satisfactory, albeit declining demand from the export markets, and an overall higher cost level as a result of inflation.
- Revenues in the first quarter were NOK 2,774 million (3,116 in 2022).
- The operating result was NOK 14 million. This is significantly lower than the third quarter of 2022 (229), which was Moelven's second best third quarter ever.
- Return on employed capital (12-month rolling basis) is now at 5.7 per cent (52.9).
- Reduced demand in the international market for sawn timber through the quarter.
- Poor demand from the building products trade in Scandinavia.
- Low order backlog at some factories within the Building Systems division.

Amounts in NOK million	Third quarter		9 months		12 months
	2023	2022	2023	2022	2022
Operating revenues	2,774	3,116	9,814	11,328	14,439
EBITDA	92	309	595	2,105	2,106
Gross operating margin/EBITDA in per cent	3.3 %	9.9 %	6.1 %	18.6 %	14.6 %
Depreciation and impairment	77	80	238	247	350
Operating profit	14	229	357	1,858	1,756
Net operating margin/EBIT in per cent	0.5 %	7.3 %	3.6 %	16.4 %	12.2 %
Profit before tax	41	238	319	1,854	1,754
Profit per share in NOK	0.26	1.45	1.97	11.28	10.7
Cash flow from operational activities, in NOK per share	0.79	5.77	4.05	11.24	11.1
Total equity*	-5	212	4,400	4,888	4,737
Equity ratio*	2.3 %	3.1 %	58.4 %	56.6 %	59.9 %
Total assets*	-312	-98	7,536	8,636	7,904
Investments*	236	101	742	300	501
Return on capital employed in per cent, 12 month rolling*	-4.2 %	-21.6 %	5.7 %	52.9 %	35.6 %
Capital employed*	-13	200	4,624	5,155	4,998
Net interest-bearing liabilities*	163	-637	-225	-1,331	-1,079
Net working capital*	-135	-708	2,647	3,127	2,808
Number of employees*	-39	-23	3,275	3,318	3,332
Sick leave percentage*	0.0 %	-0.4 %	6.4 %	6.7 %	6.7 %
Lost Time Injury Frequency rate, rolling LTI-rate*	-1.7	2.0	6.0	6.8	8.0
Average number of shares (mill)	129.5	129.5	129.5	129.5	129.5

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

In brief

Activity in the international sawn timber market throughout 2023 has been much as was expected at the beginning of the year. The exception is the domestic market in Scandinavia. Sawn timber prices have fallen in the quarter. Historically the prices are at a good level, but a generally higher cost level puts considerable pressure on margins. Private consumption is being curbed by inflation, rising interest rates and continued uncertainty related to the wars in Ukraine and Israel/Middle East, as well as economic developments. Demand for timber is impacted due to fewer new builds and reduced maintenance and renovation activities. This impact is being partially offset by the fact that timber is regarded as being an attractive, sustainable material and is thus taking market shares from other types of materials.

For the third quarter of 2023, activity in the building products trade in Scandinavia was somewhat lower than in the corresponding period in 2022. In the third quarter, it is the professional market that has seen the greatest decline, but other market segments have also seen a decline in activity levels as projects are being completed and the market is adjusting to fewer new projects being initiated. Despite reduced activity, the renovation, conversion and extension market has been satisfactory through the third quarter. Overall, the price levels for processed timber have decreased since the third quarter of 2022.

Overall, prices for sawn timber of spruce and pine have increased compared to the third quarter of 2022. Realised prices for cellulose chips and other by-products increased in Norway when compared to the third quarter of 2022.

Activities relating to building and construction, infrastructure and minor projects in our Building Systems division have been good overall during the quarter, although certain segments have seen a somewhat lower level of activity.

Operating revenues and profits/losses

Operating revenues for the third quarter of 2023 were lower than for the corresponding period the previous year. The reason for this is lower prices for sawn and processed timber, in addition to lower delivery volumes for the Wood Division. For the Building Systems division, operating revenues ended somewhat lower than in the corresponding period in 2022 due to a general decline in construction activity.

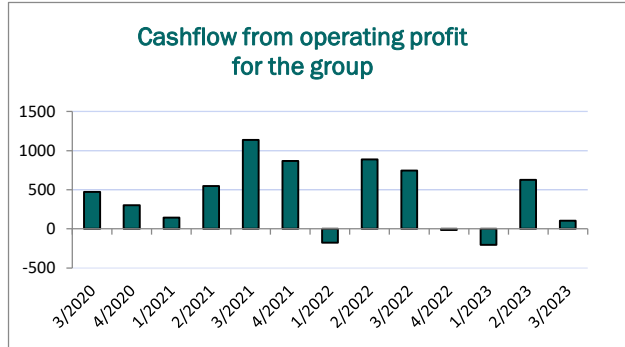
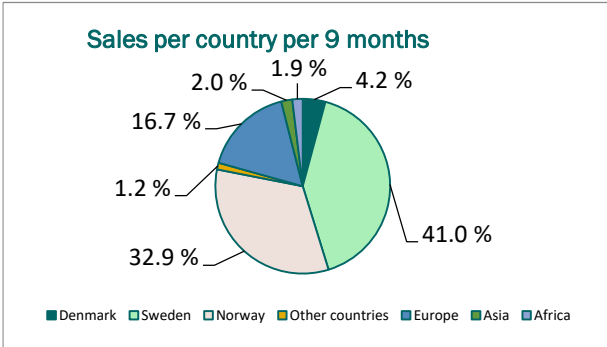
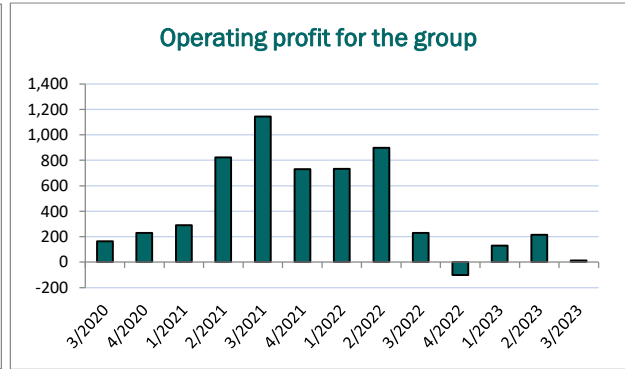
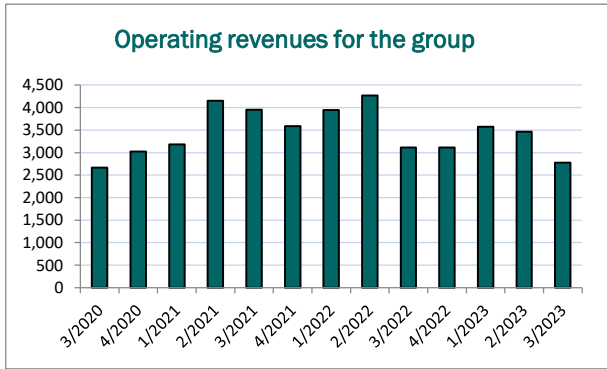
In terms of profit, our timber processing business suffered a significant decrease in profits compared to the third quarter in 2022. Overall, prices have been significantly lower than during the same period in 2022. At the same time, the cost side is impacted by a generally higher cost level. For processed goods, reduced demand has resulted in a drop in delivery volumes in addition to price levels. In the third quarter it is the professional market that has seen the greatest decline. This is due to fewer projects starting up as a consequence of poor sales. Chip and fibre product prices were higher overall than during the third quarter of 2022, but these are only compensating slightly for the sawn timber prices.

The operating profit in the Building Systems division is significantly better than for the corresponding period in 2022, primarily as a result of good productivity and profitable projects in the building module and glulam companies.

The Group utilises financial instruments in order to reduce the impact of short-term fluctuations in foreign exchange rates, interest rates and energy prices. The result from market value developments of hedging instruments amounted to NOK 23 million in the quarter (5).

Pre-tax profit for the quarter was NOK 41 million (238).

Amounts in NOK million	Third quarter		9 months		12 months
	2023	2022	2023	2022	2022
Operating revenues					
Timber	791	996	3,026	3,957	4,944
Wood	1,112	1,220	3,713	4,477	5,528
Building Systems	749	820	2,703	2,870	3,833
Other businesses	1,175	1,039	3,973	3,620	4,741
Internal	-1,053	-960	-3,600	-3,597	-4,608
The Group	2,774	3,116	9,814	11,328	14,439
EBITDA					
Timber	-4	190	239	1,199	1,239
Wood	22	94	148	792	757
Building Systems	55	11	197	109	84
Other businesses	8	-4	7	-23	-31
Internal	4	18	3	28	57
The Group	92	309	595	2,105	2,106
Operating profit					
Timber	-21	163	164	1,118	1,132
Wood	-7	66	62	708	645
Building Systems	40	-2	150	60	15
Other businesses	-2	-15	-23	-56	-93
Internal	4	18	3	28	57
The Group	14	229	357	1,858	1,756
Operating profit, net percentage					
Timber	-2.6%	16.4%	5.4%	28.3%	22.9%
Wood	-0.6%	5.4%	1.7%	15.8%	11.7%
Byggsystemer	5.4%	-0.3%	5.5%	2.1%	0.4%
Øvrige	-0.2%	-1.5%	-0.6%	-1.5%	-2.0%
The Group	0.5%	7.3%	3.6%	16.4%	12.2%



Investments, balance sheet and financing

During the course of the third quarter, investments totalling NOK 236 million (101) were activated. This increase in investment activities is based on the Group's long-term strategy plan and mainly comprises three individual projects that are current throughout 2023. At the end of the third quarter, investments of NOK 742 million were activated, compared with NOK 300 million in 2022.

Depreciation and write-downs for the quarter amounted to NOK 77 million (80). At the end of the third quarter 2023, the book value of the Group's total assets was NOK 7,536 million (NOK 8,636 million). The reduction in total assets is mainly due to reduced inventories, accounts receivable and bank deposits after the payment of dividends in May 2023, among other things.

Cash flow from operating activities during the third quarter of 2023 was NOK 103 million (748), corresponding to NOK 0.80 per share (5.77). The decline compared to the third quarter of 2022 is mainly due to weaker earnings. Cash flow from working capital items was NOK 33 million in the third quarter (676).

At the end of the third quarter 2023, the Group had a net interest-bearing investment of NOK 225 mill (1,331). The strong liquidity situation is mainly due to good cash flow from operations in the previous two years. Liquidity reserves including unused credit facilities were NOK 2,316 million (2,792).

Equity at the end of the third quarter 2023 amounted to NOK 4,400 million (NOK 4,888), equivalent to NOK 33.97 (NOK 37.73) per share. The equity ratio was 58.4 per cent (56.6). The proposed dividend for 2022 of NOK 5.36 per share (9.06), totalling NOK 694 million (1,174) was approved at the Annual General Meeting on 4 May 2023 with payment the same month.

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 probable exchange rate fluctuations are within acceptable risk limits. In the third quarter, exchange rate fluctuations resulted in an unrealised change in equity of NOK 38 million (24). Approximately half of the Group's assets are recognised in SEK. The total assets thus also change based on the exchange rate. The equity ratio in percent is therefore less impacted by exchange rate fluctuations than nominal equity.

Employees

Employees	Per 9 months 2023				Per 9 months 2022			
	Male	Female	% Female	Total	Male	Female	% Female	Total
Timber	590	77	11.5 %	667	571	71	11.1 %	642
Wood	887	186	17.3 %	1,073	915	180	16.4 %	1,095
Building Systems	1,203	132	9.9 %	1,335	1,274	126	9.0 %	1,400
Other businesses	139	61	30.5 %	200	127	54	29.8 %	181
The Group	2,819	456	13.9 %	3,275	2,887	431	13.0 %	3,318

Sickness absence rate	Per 9 months	
	2023	2022
Timber	5.8 %	6.3 %
Wood	5.7 %	6.7 %
Building Systems	7.9 %	7.3 %
Other businesses	2.4 %	2.8 %
The Group	6.4 %	6.7 %

	LTI per 9 months		TRI per 9 months	
	2023	2022	2023	2022
Timber	3.8	11.6	11.5	22.2
Wood	6.5	1.7	26.0	11.6
Building Systems	7.0	9.3	18.2	21.3
Other businesses	3.3	0.0	6.5	3.3
The Group	6.0	6.8	18.7	17.3

The injury rate fell in the third quarter of 2023 compared to the end of the second quarter. The LTI rate is the injury rate expressed as the number of injuries with subsequent absence from work due to sickness absence per million hours worked. For 2023, the intermediary target is for the LTI rate measured on a 12-month rolling basis to be less than 5. At the end of the quarter, the Group as a whole had an LTI rate of 6.0. This is 1.6 lower than at the end of the second quarter, and 0.8 lower than at the end of the third quarter of 2022. The long-term trend is declining. The actual number of injuries resulting in absence in the third quarter of 2023 was 7, compared to 16 during the corresponding period in 2022.

The LTI2 rate is the total number of injuries per million hours worked. In 2023, the interim goal is to maintain a 12-month rolling average LTI2 rate below 20. At the end of the third quarter 2023 the LTI2 rate was 18.7. This is 2.1 lower than at the end of the second quarter, and 1.4 higher than at the end of the third quarter of 2022. As for the LTI rate, the long-term trend for the LTI2 rate is also falling. The total number of injuries with and without absence in the third quarter of 2023 was 22, compared to 34 in the same period in 2022.

Internal investigations are routinely conducted of all injuries with a certain degree of seriousness. The investigation is being carried out in cooperation with the Group's central HR department. One of the main goals of the investigations is to find the root cause of the injury. In addition, the methodology used ensures a systematic and impartial investigation of the incident focusing on considering whether adequate and relevant safety procedures and measures were implemented and worked as intended. Summaries of individual investigations are shared with all employees in the group to provide greater insight into the incidents and thus be able to implement preventive measures to avoid similar incidents elsewhere.

In the second quarter of 2023 the internal "Fire prevention programme" was initiated. The measures are extended efforts to do what needs to be done to reduce fire risk. The Group standard related to order, cleaning and tidiness have been implemented. Furthermore, external assistance has been engaged to highlight fire risks and compliance with internal procedures. The work methodology follows the experiences from "HSE towards 2023."

In order to build on the solid foundations developed in the HSE area through the action plan "HSE towards 2023," a new prioritised action plan was adopted in the first quarter: "HSE towards 2025."

In HSE towards 2025, the focus on the working environment and sense of belonging will be strengthened, to ensure good care of our employees. No one should be injured at work at Moelven, and no one should fall ill from working at Moelven. Everyone should feel cared for and seen. A trust-based working environment where all employees feel a sense of belonging is important for sickness absence, commitment and safety at work.

The key points of HSE towards 2025 are:

1. Completed safety inspections by HSE towards 2023 are closed.
2. Contribute to the improvement of safety culture and fire prevention measures.
3. Promote health and the working environment, including focus on presence work.
4. Ensure good skills development within HSE in all parts of the organisation.
5. Proactive work on risk and undesirable incidents.
6. Ensure compliance with and support of HSE work throughout the organisation.

The long-term trend for developments in absence from work due to sickness has been falling for some time, but the COVID-19 pandemic resulted in greater variations than normal. Sick leave in the third quarter was at 6.5 per cent (5.9). Long-term sick leave was 3.3 per cent, compared to 2.8 per cent at the same time in 2022. Many of Moelven's businesses already have absence levels that are lower than our maximum target for 2023 of 4.0 per cent. However, there is still much to be gained, and section three in the action plan "HSE towards 2025" addresses precisely this. Among other things, emphasis will be placed on using insight into "best practice" to establish procedures for follow-up of sick leave. In addition, culture building and further development of active employees based on the value platform, as well as the development of leadership modules related to health-promoting workplaces and the working environment are important areas.

Outlook

In the October edition of the "World Economic Outlook", the IMF estimates growth in the world economy will drop from 3.5 per cent in 2022 to 3.0 per cent in 2023 and 2.9 per cent in 2024. The estimate for 2023 is thus unchanged since the report from July 2023, but remains low compared to historical figures.

In 2023, increased uncertainty in the banking sector has come in addition to high inflation, rising interest rates, the energy situation in Europe and the wars in Ukraine and Israel/the Middle East as the main reasons for their expectations about current economic growth declining to one of its lowest levels in nearly 30 years, with the exception of the financial crisis of 2009 and the pandemic year of 2020. Inflation is expected to peak in 2023, but is unlikely to reach the desired levels for a few years to come. The greatest uncertainties are related to the consequences of the wars in Ukraine and Israel/the Middle East. Against this background, it is more difficult than ever to predict further macroeconomic developments.

Demand for sawn timber has been better than expected in Europe in 2023, but there is considerable uncertainty about further developments ahead. In Scandinavia, demand has been weaker than what was assumed. There is a hesitant market worldwide and the order backlog is lower than normal at this time. In other parts of the world, activity levels overall are expected to slow down in the years to come.

For both NOK and SEK the exchange rates compared to the Group's key export currencies are at levels that ensure good competitiveness in our export markets. A significantly increased general cost level means that margins have nevertheless been significantly reduced.

As regards the market for processed timber in Scandinavia, activities relating to new builds are expected to fall when compared to the two previous years. Developments in consumer demand will depend to a greater extent on changes in disposable income. Sales of new

homes and holiday homes have been falling for some time and the commencement of new building projects is at a very low level. Activities for this segment in the fourth quarter of 2023 are expected to remain low. Some compensation may occur through increased activity in public construction projects.

The Group has a long-term goal of achieving a return on average capital employed of 13 per cent over the course of an economic cycle. At the end of the third quarter, the rate of return amounted to 5.7 per cent. The Board considers the Group's solvency and long-term access to liquidity to be good, and sufficient to implement planned improvement measures in accordance with the Group's strategy. A number of projects and development plans are underway to equip the Group for the future, not only in terms of international economic competitiveness, but also in terms of security, information technology, climate and the environment.

Into the fourth quarter of 2023, generally weaker demand has been registered for several

of the Group's product categories, which, combined with increased cost levels in general, will result in poorer profit developments than in previous years. However, uncertainty is very high due to matters and framework conditions that Moelven does not control itself, and the result for 2023 as a whole is expected to be significantly weaker than for 2022.

Timber inventories are low at the start of the fourth quarter of 2023, but at satisfactory levels in both Norway and Sweden. Satisfactory access to raw materials is expected to continue and be in line with our current production plans.

The Building Systems division has implemented measures to align production capacity with prevailing market conditions to a level that looks set to continue through the fourth quarter of 2023. For the division as a whole, higher interest rates and high construction costs are expected to lead to lower start-ups, but greater activity in the renovation, conversion and extension market.

Quarterly accounts for the Moelven Group for the third quarter of 2023

Summary result and overall result

Amounts in NOK million	Third quarter		9 months		12 months
	2023	2022	2023	2022	2022
Operating revenues	2,774	3,116	9,814	11,328	14,439
Cost of goods sold	1,802	1,912	6,312	6,300	8,296
Payroll expenses	521	501	1,767	1,754	2,395
Depreciation and impairment	77	80	238	247	350
Other operating expenses	359	394	1,140	1,169	1,642
Operating Profit	14	229	357	1,858	1,756
Financial income	31	14	32	61	74
Financial expenses	5	4	70	65	77
Profit before tax	41	238	319	1,854	1,754
Estimate income tax	7	50	64	393	365
Net profit	34	188	255	1,461	1,389
Non-controlling interest share	0.0	0.0	0.1	0.2	0.2
Owner of parent company share	34	188	255	1,461	1,389
Earnings per share (in NOK)	0.26	1.45	1.97	11.28	10.72
Statement of comprehensive income					
Net profit	34	188	255	1,461	1,389
Other comprehensive income					
<i>Items that are not reclassified subsequently to profit or loss</i>					
Reclassification of realised translation differences to profit and loss	0	0	0	0	-3
Actuarial gains (losses) on defined-benefit pension schemes	0	0	0	0	-0.4
Income tax on items that are not reclassified to profit or loss	0	0	0	0	0.1
<i>Items that may be reclassified subsequently to profit or loss</i>					
Translation differences	-82	106	103	13	-62
	-82	104	103	12	-65
Total comprehensive income for the period	-48	293	357	1,474	1,324
Comprehensive income assigned to:					
Owners of parent company	-48	293	357	1,473	1,323
Non-controlling interests	0	0.1	0.2	0.1	0.2

Summary balance sheet for the Group

Amounts in NOK million	Per 30.09		Per 31.12	
	2023	2022	2022	2021
Intangible assets	62	86	62	86
Tangible fixed assets	2,896	2,279	2,343	2,200
Financial fixed assets	3	3	3	3
Total fixed assets	2,961	2,367	2,408	2,289
Inventory	1,757	2,268	2,111	2,174
Contract assets	197	201	186	149
Receivables	2,138	2,169	1,828	2,023
Liquid assets and current financial investments	483	1,631	1,370	1,634
Total current assets	4,575	6,269	5,495	5,980
Total assets	7,536	8,636	7,904	8,269
Share capital*	648	648	648	648
Other equity	3,753	4,240	4,090	3,940
Total equity	4,400	4,888	4,737	4,588
Provisions	419	697	350	312
Long term interest-bearing liabilities	142	178	169	195
Lease liabilities	81	87	89	102
Total long term liabilities	641	961	608	610
Contract liabilities	164	247	168	244
Short term liabilities	2,330	2,541	2,391	2,828
Total short term liabilities	2,494	2,787	2,559	3,072
Total liabilities	3,136	3,748	3,166	3,682
Total liabilities and equity	7,536	8,636	7,904	8,269

*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			Total	Non-controlling interests	Total equity
	Share capital	Share premium funds	Other equity			
Total pr 01.01.2022	648	131	3,806	4,585	2	4,588
Comprehensive income for the period						
Net profit	0	0	1,461	1,461	0.2	1,461
Other comprehensive income						
Translation differences	0	0	13	13	0	13
Other comprehensive income (net of tax)	0	0	13	13	0	13
Transactions with owners, recognized directly against equity						
Dividend to owners	0	0	-1,174	-1,174	0	-1,174
Total transactions with owners	0	0	-1,174	-1,174	0	-1,174
Total as at 30.09.2022	648	131	4,106	4,885	3	4,888
Total pr 01.01.2023	648	131	3,956	4,735	3	4,737
Comprehensive income for the period						
Net profit	0	0	255	255	0.1	255
Other comprehensive income						
Translation differences	0	0	103	103	0.1	103
Other comprehensive income (net of tax)	0	0	103	103	0.1	103
Transactions with owners, entered directly against equity						
Dividend to owners	0	0	-694	-694	0	-694
Total transactions with owners	0	0	-694	-694	0	-694
Total as at 30.09.2023	648	131	3,619	4,398	3	4,400

Consolidated statement of cash flow

Amounts in NOK million	Per 30.09	
	2023	2022
CASH FLOW FROM OPERATIONAL ACTIVITIES:		
Net profit	255	1,461
<i>Adjustments to reconcile net profit with net cash flow from operations:</i>		
Depreciation	237	247
Impairment	1	0.1
Income from associated companies	-3	0
Tax paid	-155	-576
Unpaid pension costs entered as costs and unreceived pension funds entered as income	0	0.4
Loss (profit) on sale of fixed assets	-9	-2
Net value change of financial instruments to fair value	4	-39
Income tax	64	393
Other	10	0
<i>Changes in operating assets and liabilities:</i>		
Changes in inventory and contract assets	344	-135
Changes in accounts receivable and other receivables	-311	-249
Changes in trade accounts payable	4	252
Changes in provisions and benefits to employees	0	-6
Changes in short-term liabilities excluding borrowing	84	111
Cash flow from operational activities	525	1,456
CASH FLOW FROM INVESTMENT ACTIVITIES:		
Investment in plant and equipment exc. acquisition	-742	-316
Investment in current financial assets	0	400
Receipts from sale of fixed assets	15	3
Sale of subsidiaries excl cash in business sold	0	66
Cash flow from investment activities	-727	153
CASH FLOW FROM FINANCING ACTIVITIES:		
Net borrowing (+) / repayment (-) of long term debt	-29	-18
Payment of leases	-29	-28
Net paid interests	13	0
Payment of dividend	-694	-1,174
Cash flow from financial activities	-739	-1,219
Net increase (reduction) in liquid assets during year	-941	390
Liquid assets start of period	1,340	1,214
Effect of exchange rate changes on liquid assets	50	-5
Liquid assets end of period	448	1,599

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 third quarter of 2023, ended 30 September 2023, include Moelven Industrier ASA and its subsidiaries (collectively referred to as the "Group") and the Group's interests in associated companies. The accounting figures have not been audited. The annual accounts for 2022 are available at www.moelven.com.

Note 2 – Statement of conformity

The consolidated financial statements for the third quarter of 2023 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 2022. The consolidated quarterly financial statements were approved by the Board on 31 October 2023.

Note 3 – Accounting policies

The accounting policies adopted in the quarterly financial statements for 2023 are the same as those in the consolidated financial statements for 2022. 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 2022 and the principal sources of estimate uncertainty are the same when preparing these quarterly accounts as for the consolidated accounts for 2022.

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 income

Group sales revenues by geographic market:

Third quarter Amounts in NOK million	Timber		Wood		Building systems		Other		Group	
	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
Norway	82	118	519	569	328	363	69	134	997	1,183
Sweden	77	131	362	456	380	398	296	143	1,114	1,128
Rest of Europe	356	418	119	105	39	56	0	0	514	579
Rest of the world	88	175	39	32	0	0	0	0	127	207
Total Sales revenues	602	841	1,039	1,162	747	817	364	277	2,751	3,097
Other operating revenues	0	1	7	4	0	2	15	11	23	19
Total operating revenues	602	843	1,046	1,166	747	819	379	288	2,774	3,116

Note 8 – Fixed assets, beneficial use leasing, intangible assets and goodwill

Amounts in NOK million	Per 30.09	
	2023	2022
Book value per 1.1	2,357	2,217
Acquisitions	742	300
Lease acquisitions	21	13
Disposals	-6	0
Depreciations	-237	-247
Impairment losses	-1	0
Transfers	4	16
Translation differences	32	-3
Book value per 30.09.	2,913	2,296

Note 9 - Financial instruments

Amounts in NOK million	30.09.2023			31.12.2022			30.09.2023		
	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	15	-10	5	16	-8	8		5
Interest rate derivatives	19		19	14		14		19	
Embedded derivative - currency		-14	-14		-9	-9		-14	
Money market fund									
Total	34	-24	10	30	-17	13			

Amounts in NOK million	30.09.2022			31.12.2021			30.09.2022		
	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	17	-17	0	18	-24	-6		0
Interest rate derivatives	15		15	1	-26	-25		15	
Embedded derivative - currency		-7	-7	1		1		-7	
Money market fund				400		400			
Total	33	-23	9	420	-50	370			

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

Level 2: Valuation based on observable factors other than listed price (used in level 1) either direct or indirect derived from prices for the asset or obligation. Assets and liabilities valued by this method are

mainly financial instruments for hedging future cash flows in foreign currencies, interest and electric power. The market value is the difference between the financial instrument's value in accordance with a concluded contract and how a corresponding financial instrument is priced on the balance sheet date. The balance sheet date's market prices are based on market data from Norges Bank, ECB, Nasdaq OMX and the financial contract counterpart.

Level 3: Valuation based on factors that are not obtained from observable markets (non-observable assumptions). The valuation method is used to a very minor extent and only for non-listed shares. Because the 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 Businesses" 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 2022 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	Third quarter		9 months		12 months
	2023	2022	2023	2022	2022
Timber	-6	165	-6	1,107	1,133
Wood	-17	66	-17	716	658
Building Systems	43	-3	153	58	13
Other	17	-8	-60	-55	-107
Internal	4	18	3	28	57
Profit before tax	41	238	319	1,854	1,754

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 43 per cent of Moelven's total purchasing requirement for timber of 4.5 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.

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, bioenergy and fibre products. The sawmills in Timber supply sawn wood products and components to industrial customers in Scandinavia and the rest of Europe, the Middle East, North Africa and China. 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 34 production companies in Norway and Sweden and has 3,275 employees. Moelven also has its own sales offices in Denmark, England and Germany. The Moelven group is owned by Glommen Mjøsen Skog SA (66.8 per cent) and Viken Skog SA (32.8 per cent). Most of the remaining 0.4 per cent is owned by private individuals.



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