



Quarterly report 4/2019

Finansparken Bjergsted in Stavanger.

Load bearing constructions from Moelven Limtre AS, Eco panel and Multi Room-solutions from Moelven Modus.

Photo: Sindre Ellingsen

MOELVEN®

Amounts in NOK million	Fourth quarter		12 months	
	2019	2018	2019	2018
Operating revenues	2 410,3	2 753,5	10 297,5	11 020,8
EBITDA	48,4	279,0	629,8	932,7
Gross operating margin/EBITDA in per cent	2,0 %	10,1 %	6,1 %	8,5 %
Depreciation and impairment	65,7	131,2	294,4	346,5
Operating profit	-17,3	147,8	335,4	586,2
Net operating margin/EBIT in per cent	-0,7 %	5,4 %	3,3 %	5,3 %
Value change of financial instruments to fair value	3,9	-13,6	-23,7	51,5
Profit before tax	-26,3	136,9	239,7	578,2
Profit per share in NOK	-0,13	0,87	1,45	3,47
Cash flow from operational activities, in NOK per share	1,17	1,33	3,60	5,04
Total equity*	0,1	181,9	2 368,2	2 435,3
Eqity ratio*	1,1 %	3,5 %	42,9 %	45,9 %
Total assets*	-147,7	-12,0	5 518,0	5 302,3
Investments*	129,5	206,2	478,7	497,4
Return on capital employed in per cent, 12 month rolling*	-5,1 %	0,4 %	9,4 %	19,0 %
Capital employed*	-14,4	139,8	3 524,0	3 163,0
Net interest-bearing liabilities*	-27,4	76,6	1 136,4	721,4
Net working capital*	-265,3	9,5	2 293,2	2 373,3
Number of employees*	-19	8	3 399	3 524
Sick leave percentage*	0,0 %	0,0 %	5,4 %	5,5 %
Lost Time Injury Frequency rate, rolling LTI-rate*	0,7	-1,7	11,3	10,9
Number of shareholders	869	882	869	882
Average number of shares (mill)	129,5	129,5	129,5	129,5

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

- Revenues in the fourth quarter were NOK 2,410.3 million (NOK 2,753.5 million).
- The operating result was NOK -17.4 million, NOK 165.2 million lower than for the fourth quarter of 2018.
- Return on employed capital (12-month rolling basis) was 9.4 per cent (19.0).
- Improved market balance in the international market for sawn timber.
- Delivery volumes to the building products trade were lower than in the fourth quarter 2018.
- Improved order situation in Building Systems, but remaining low activity level.
- Operations at Moelven Eidsvold Værk AS will be completely discontinued in 2020.
- Startup of the new pellet plant at Sokna went as planned.

In brief

On the international sawn timber market, which comprises the majority of the group's exports, overall demand remained satisfactory in the fourth quarter. The prices continued the falling trend in the first part of the quarter, but levelled out towards year-end. Throughout the second half of the year uncertainty in the world economy and reduced activity as a result of the trade war between China and the US has reduced demand somewhat, while a large supply of cheap raw material as a consequence of widespread storm fellings in Europe and powder-post beetle attacks has led to pressure on prices for lower qualities. In the course of the fourth quarter, however, large sections of the industry have scaled back production volumes, and this has helped improve the market balance. For the export-oriented units, which mainly are a part of the Timber division, weak currencies in both Sweden and Norway have contributed maintaining competitiveness. Activity in the building products trade in Scandinavia was lower than in the fourth quarter of 2018. The renovation conversion and extension market still has a good level of activity, although new housing starts have declined in both Norway and Sweden.

For The Building Systems division, lower demand for module-based apartment buildings has made it necessary to reduce production, but the activity level and order backlog has increased in the fourth quarter. In building and construction, infrastructure and smaller projects activity has been good, with the exception of more basic modules that are used in building and construction in Sweden manufactured at our plant in Kil.

Access to forest raw materials was good in the fourth quarter. At the end of the quarter the sawlog inventories were higher than at the same time the previous year, and up towards the maximum level at several units. The prices for sawlogs 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.

On 29 November 2019 Finansparken Bjergsted in Stavanger was officially opened. Finansparken Bjergsted is the new headquarters of Sparebank 1 SR Bank, and is northern Europe's largest wooden commercial building at 22,800 m². Both Moelven Limtre AS and Moelven Modus AS have had significant deliveries to the building with glulam load-bearing structures and interiors of Eco Panel and Multi Room solutions.

In October, Moelven hosted parts of the program for SIKT 2019. SIKT is an annual conference where H.R.H. Crown Prince Haakon invites young leaders and talents between the ages of 20 and 40 to participate. The SIKT conference brings together around 200 participants from all over the country, representing business, entrepreneurs, the public sector, organizational life, culture, sports, media and academia. The aim of the conference is to enable participants to learn from each other and discuss common challenges and opportunities in the future of Norway. Four of the Group's employees were participants in the conference.

In October 2019 the residential project "Cederhusen," designed by BAU arkitekter and supplied by Moelven Byggmodul AB, was announced as winner of the 2019 Haninge Architectural Award. As justification for the nomination, which in itself is recognition of the architectural quality of module-based buildings, the jury stated that "*Cederhusen' is a wooden building that merges with its surroundings. The buildings tie the city and nature together in a pleasing way and create great variation in expression with a small selection of materials. With its long balconies and common roof terrace, all residents experience proximity to nature and views of the emerging district Vega in Stockholm.*"

Moelven Multi3 AS will merge with Moelven Wood Prosjekt AS as of 1 January 2020.

The specialist expertise from Moelven Multi3 AS in the areas of fire-safe wood, finger joints and pre-cut, as well as production of the ISO3 stanchion, will be continued in Moelven Wood Prosjekt AS, but the merger will rationalise both production and sales.

On 5 December 2019 it was announced that Eidsiva Vekst AS and Felleskjøpet Agri SA had entered into an agreement to sell their shareholdings of 23.8 per cent and 15.9 per cent respectively to the company Skog Holdco AS. Skog Holdco AS is owned by Viken Skog SA, AT Skog SA and Felleskjøpet Agri SA. Viken Skog SA and AT Skog SA also have direct holdings in Moelven Industrier ASA of 11.9 per cent and 7.3 per cent respectively. Pursuant to the shareholding agreements that exist between the largest shareholders, there is a right of pre-emption between these if any of them want to sell their shares. Viken Skog SA with its 11.9 per cent of the shares and Glommen Mjøsen Skog SA, which after the merger between Glommen Skog SA and Mjøsen Skog SA own 40.8 per cent of the shares, both announced in the beginning of January 2020 that they wanted to exercise their right of pre-emption. Assuming the transaction is approved by the competition authorities, the new ownership constellation will thus be Glommen Mjøsen Skog SA 71.5 per cent, Viken Skog SA 20.8 per cent, AT Skog SA 7.3 per cent and other shareholders 0.4 per cent.

Operating revenues and results

The operating revenues fell compared to the same period last year. The markets have been somewhat more hesitant and delivery volumes dropped for all three divisions. The main cause of the decrease in operating revenues is reduced activity in Building Systems. In terms of results the Timber division has seen a significantly weaker quarter than at the same time last year due to the drop in prices in the international sawn timber market. For Wood, market prices remained somewhat higher than at the same time last year, but the overall activity level was lower. Production volumes in the mechanised wood part of the group are also reduced compared to last year, both in the quarter and year to date. Especially in the fourth quarter, production plans were downgraded to better align with market activity and to balance inventory volumes. Measures have been initiated to adapt activity and cost levels to the current market conditions, but profit developments pose requirements to further efficiency-improving measures at several units.

As a result of the decision in the third quarter to discontinue operations at Moelven Eidsvold Værk AS, the year-to-date operating result has been charged with cost provisions totalling NOK 17.0 million. In 2018 the result for the fourth quarter was charged with impairments of NOK 52.5 million following impairment assessments in accordance with IAS 36. Including the impairment that was carried out in the third quarter of 2018 as a result of the decision to discontinue Moelven Are AS, the year-to-date operating income for 2018 was thus charged with NOK 66.1 million in impairments.

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 impacted the operating result with a total of NOK -19.6 million in the quarter (19.6 million). Year to date downward adjustment is NOK -32,8 million, while year to date as at 31 December 2018 it was NOK 88.6 million. The items have no impact on cash flow.

The Group employs financial instruments as a hedge against short-term fluctuations in foreign exchange rates, interest rates and power prices. Non-cash items related to fair value assessments on unrealized financial instruments totalled NOK 3.9 million (NOK -13.6 million) for the quarter and NOK -23.7 million (NOK 51.5 million) for the year.

In the fourth quarter a change was made in the Group's procedures for hedging power prices. The change entailed that the market value of the hedging contracts is now covered by the exception rule in IFRS on

procurement for own use, and is therefore no longer capitalised. As a result of this the positive market value that was capitalised as of 30/09/2019 was expensed in the financial results for the fourth quarter by NOK 10.4 million. The overall positive market value for non-capitalised hedging contracts for electrical power was NOK 13.2 million as at 31/12/2019.

The market value change also includes basis swap effects. For the fourth quarter this comprised NOK 0.0 million (-23.5 million) and year to date NOK 17.6 million (-0.2 million). Basis swaps are hedging instruments that when viewed for the entire term have a market value change equalling zero, and where the accounting effect therefore is reversed over time.

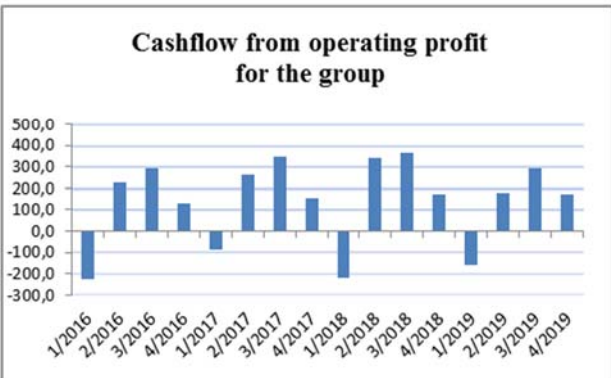
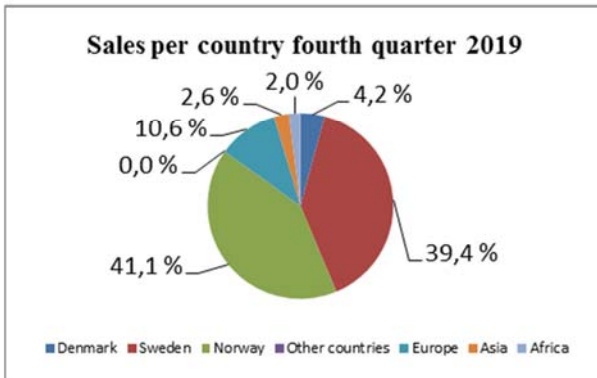
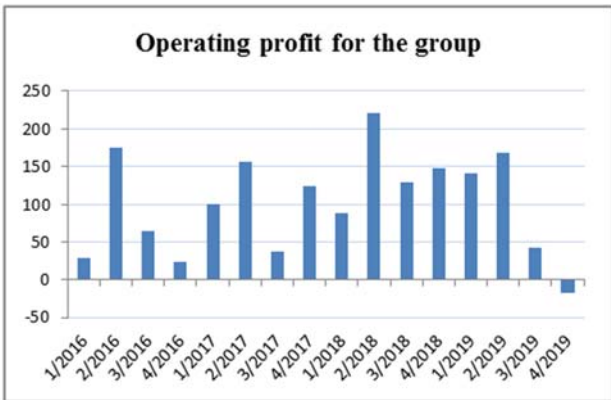
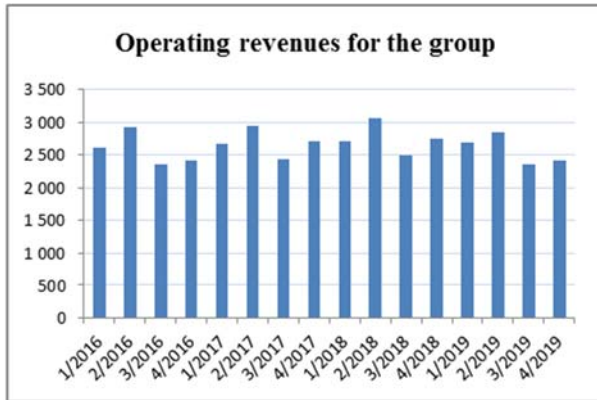
Amounts in NOK million	Fourth quarter		12 months	
	2019	2018	2019	2018
Operating revenues				
Timber	723,3	858,2	3 118,9	3 263,3
Wood	854,8	941,7	4 018,1	3 977,3
Building Systems	757,5	935,9	3 002,7	3 743,0
Other businesses	904,8	941,9	3 728,0	3 547,6
<i>Internal</i>	-830,1	-924,2	-3 570,2	-3 510,5
The Group	2 410,3	2 753,5	10 297,5	11 020,8

EBITDA

Timber	23,8	142,3	243,1	449,4
Wood	14,4	93,4	265,4	318,5
Building Systems	11,4	51,4	135,0	189,0
Other businesses	-1,1	-8,1	-13,7	-24,1
The Group	48,4	279,0	629,8	932,7

Operating profit

Timber	1,0	108,8	145,8	343,3
Wood	-4,2	14,0	165,1	151,9
Building Systems	-7,5	36,8	56,8	128,3
Other businesses	-6,6	-12,0	-32,3	-37,2
The Group	-17,3	147,8	335,4	586,2



Investments, balance sheet and funding

Investments totalling NOK 129.5 million (NOK 206.2 million) were made during the fourth quarter, and NOK 478.7 million (NOK 497.4 million) year to date. The high investment rate is in accordance with the investment programme in the group's strategy plan. Depreciations and write-downs were NOK 65.7 million (NOK 131.2 million) in the quarter and NOK 294.4 million (NOK 346.5 million) year-to-date. Year to date depreciations and impairments in 2019 include NOK 17.0 million related to the discontinuation of operations at Moelven Eidsvold Værk AS, and overall for 2018 NOK 66.1 million related to the discontinuation of Moelven Are AS and valuation pursuant to IAS 36. At the end of the fourth quarter, the book value of the Group's total assets was NOK 5,518.0 million (NOK 5,302.3 million). In addition to high investments in 2018/2019 and the accounting effects of the implementation of IFRS 16 – Leasing, increased inventories are the main reason of the increase in total assets.

Cash flow from operating activities in the fourth quarter was NOK 178.0 million (NOK 172.7 million), corresponding to

NOK 1.17 per share (1.33). Corresponding figures for the year as a whole were NOK 466.3 million (NOK 653.1 million), which is equivalent to NOK 3.60 (NOK 5.04) per share. The change compared to last year is due to weaker earnings and natural fluctuations in working capital items. Cash flow from working capital items was NOK 148.9 million in the fourth quarter (minus NOK -97.3 million) and NOK 33.4 million year to date (minus NOK 167.5 million).

Net interest-bearing liabilities were NOK 1,136.4 million (NOK 721.4 million) at the turn of the year. Leases are included in net interest-bearing liabilities in the amount of NOK 198.8 million (NOK 43.4 million). The increase is due to the balancing of all leases in accordance with IFRS 16 – Leasing, which was implemented from 1 January 2019.

The liquidity reserve was NOK 951.0 million (NOK 1,239.4 million). In the Group's main financing the available loan facility varies in time with the natural fluctuations in the Group's tied-up capital through the year.

Equity at the end of the year amounted to NOK 2,368.2 million (NOK 2,435.3 million), equivalent to NOK 18.3 (NOK 18.7) per share. The equity ratio was 42.9 per cent (45.9 per cent). The dividend for 2018 of NOK 1.74 per share, totalling NOK 225.4 million (88.1), was paid and charged to equity in the second quarter 2019 (2018). 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 fourth quarter, exchange rate fluctuations resulted in an unrealised change in equity of NOK 11.1 million (NOK 10.2 million). Year to date the change was minus NOK 52.9 million (minus NOK 90.2 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	Fourth quarter		12 months	
	2019	2018	2019	2018
Sales to external customers	590,5	673,5	2 512,3	2 628,4
Sales to internal customers	132,8	184,8	606,6	634,9
Operating revenues	723,3	858,2	3 118,9	3 263,3
Depreciation and impairment	22,8	33,5	97,4	106,2
Operating profit	1,0	108,8	145,8	343,3
Operating margin in per cent*	-1,4 %	0,8 %	4,7 %	10,5 %
Net operating capital (% of operating revenues)*	-1,6 %	1,5 %	15,8 %	18,3 %
Total assets*	-52,5	64,0	1 513,1	1 663,4
Equity*	-108,4	-138,6	796,1	809,0
Capital employed*	-114,2	-138,7	1 027,9	985,7
Return on capital employed in per cent, 12 month rolling*	-9,9 %	3,4 %	13,4 %	32,4 %
Investments*	43,5	50,9	115,8	136,7
Total number of employees*	-6	-3	629	620

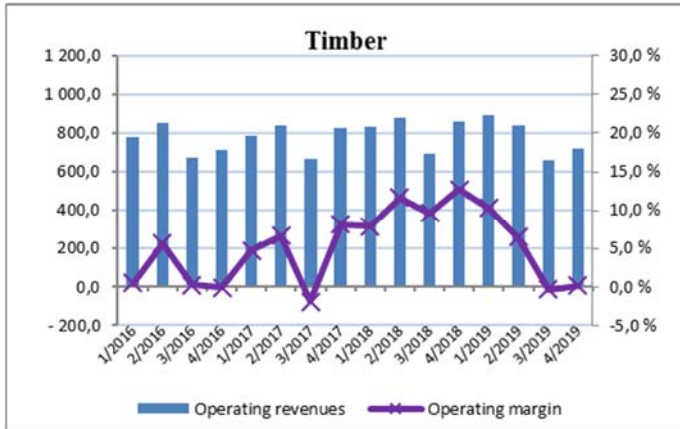
*The columns regarding the quarterly numbers show the change in the quarter

Activity in the international sawn timber markets was somewhat lower than in the same period last year. At the same time the supply of lower qualities, particularly of spruce, has increased as a result of storm fellings and powder-post beetle attacks. The high supply of goods has resulted in a fall in market prices, and this is main reason for the drop in operating revenues. Overall delivery volumes were lower than in the same period in 2018. In the course of the fourth quarter, however, large sections of the industry have scaled back production volumes, and this has helped improve the market balance. For the export-oriented units, which mainly are a part of the Timber division, continued weak currencies in both Sweden and Norway have contributed maintaining competitiveness. At the end of the quarter the division overall had a relatively good order backlog, with price levels that indicate a levelling off of the falling trend that characterised all of 2019.

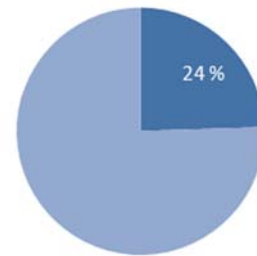
The UK is an important export market, particularly for the Swedish units in Timber. Even though there no longer is any doubt that the UK will leave the EU, great uncertainty still remains related to how this will impact economic developments in the longer term. Moelven has, to the extent this is possible before the trade agreements with the EU are in place, implemented measures to maintain deliveries.

Production was also lower than in the fourth quarter last year, mainly due to planned lower production time and production constraints to balance inventories. This has resulted in higher unit costs than planned, despite the fact that the implementation of rationalisation and cost-reductions has followed scheduled plans. In addition to lost processing value as a result of reduced production, the result has been affected by value adjustments to inventories because of price developments. In the quarter this totalled NOK -13.2 million. The corresponding adjustment in the fourth quarter of 2018 was NOK 0.2 million. Year to date the value adjustments comprised NOK -21,2 million (12.3 million).

Access to all assortments of forest raw materials was good in the fourth quarter. At the end of the quarter the sawlog inventories were higher than at the same time the previous year, and up towards the maximum level at certain units. The prices for sawlogs were lower than in the same period last year, both in Norway and Sweden. The situation for chip and fibre products was similar, with somewhat reduced price levels in both Norway and Sweden.



Timber's share of the Groups sale to external customers



Wood

Amounts in NOK million	Fourth quarter		12 months	
	2019	2018	2019	2018
Sales to external customers	805,9	888,5	3 827,9	3 787,0
Sales to internal customers	48,9	53,2	190,2	190,3
Operating revenues	854,8	941,7	4 018,1	3 977,3
Depreciation and impairment	18,6	79,3	100,3	166,6
Operating profit	-4,2	14,0	165,1	151,9
Operating margin in per cent*	-1,2 %	-0,7 %	4,1 %	3,8 %
Net operating capital (% of operating revenues)*	2,0 %	2,0 %	32,3 %	30,1 %
Total assets*	-129,9	-47,7	2 514,4	2 466,9
Equity*	-104,3	-63,6	1 064,2	1 048,3
Capital employed*	-89,6	-58,0	1 711,6	1 648,0
Return on capital employed in per cent, 12 month rolling*	-1,1 %	-0,6 %	9,3 %	8,9 %
Investments*	39,6	71,4	117,2	198,1
Total number of employees*	1	7	1 114	1 108

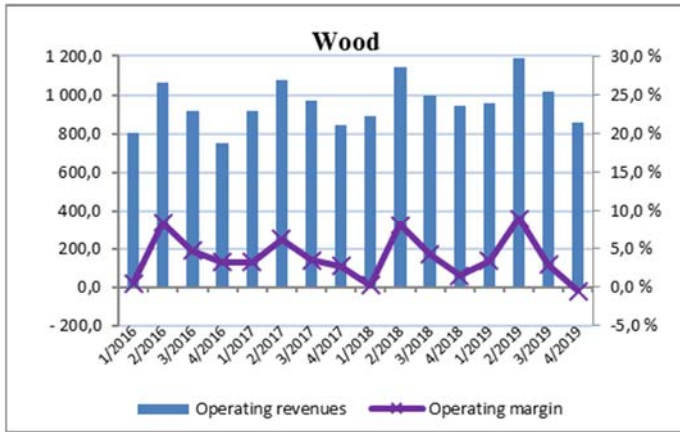
*The columns regarding the quarterly numbers show the change in the quarter

Activity in the building products trade in Scandinavia was somewhat lower in the fourth quarter of 2019 than in the corresponding period in 2018. Demand for construction wood fell somewhat, while interior products saw good demand. Overall the delivery volumes from the Wood division thus declined somewhat compared to the previous year. Price levels were overall higher, but not sufficiently so to compensate for the drop in volume, and operating revenue in the quarter fell compared to the previous year. Production was also lower than in the corresponding period of 2018. This is mainly due to the ongoing process of closing down operations at Moelven Eidsvold Værk AS, reduced drying capacity at Moelven Trysil AS after the fire in February and adjustment of the production plans at certain other units to balance inventories. At Moelven Trysil AS construction of new dryers has been according to schedule, and all were started up in the course of December.

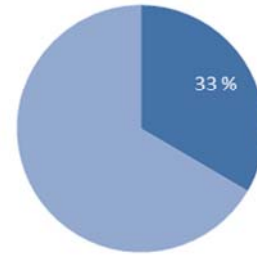
Reduced production and operational disruptions entailed that unit costs in the quarter were higher than in the corresponding period in 2018. In addition, the result in the period has been negatively impacted by a price adjustment to inventories totalling NOK -6.4 million. The corresponding adjustment in the fourth quarter of 2018 was NOK 19.4 million. Year to date the price adjustments comprised NOK -11.6 million (NOK 76.3 million).

For the sawlog-consuming units in the division, access to all assortments of forest raw materials has been good in the fourth quarter. At the end of the quarter the sawlog inventories were higher than at the same time the previous year, and up towards the maximum level at certain units. The prices for sawlogs were lower than in the same period last year, both in Norway and Sweden. The situation for chip and fibre products was similar, with somewhat reduced price levels in both Norway and Sweden.

As a result of the decision made in the third quarter to discontinue operations at Moelven Eidsvold Værk AS, the year to date operating result has been charged with cost provisions totalling NOK 17.0 million. The overall operating result 2018 has been charged with NOK 66.1 million related to the decision in the third quarter 2018 to discontinue Moelven Are AS.



Wood's share of the Groups sale to external customers



Building Systems

Amounts in NOK million	Fourth quarter		12 months	
	2019	2018	2019	2018
Sales to external customers	757,1	932,6	2 998,8	3 738,9
Sales to internal customers	0,5	3,3	3,9	4,2
Operating revenues	757,5	935,9	3 002,7	3 743,0
Depreciation and impairment	18,9	14,6	78,1	60,6
Operating profit	-7,5	36,8	56,8	128,3
Operating margin in per cent*	-1,0 %	0,2 %	1,9 %	3,4 %
Net operating capital (% of operating revenues)*	-1,9 %	1,3 %	13,4 %	13,5 %
Total assets*	46,1	92,4	1 751,0	1 751,4
Equity*	-36,4	-67,6	786,6	780,9
Capital employed*	-37,0	-55,3	1 044,0	846,4
Return on capital employed in per cent, 12 month rolling*	-4,7 %	-0,6 %	5,6 %	14,7 %
Investments*	9,9	24,4	55,9	93,5
Total number of employees*	-11	-2	1 494	1 647

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

The order backlog for the division as a whole increased in the fourth quarter 2019, as opposed to the fourth quarter of 2018. At the turn of the year, the order backlog was NOK 131 million higher than at the same time in 2018. It is primarily the building module operations that is responsible for the improvement. However, slow market activity and a weak order situation at certain units still make it necessary to maintain the reduced capacity.

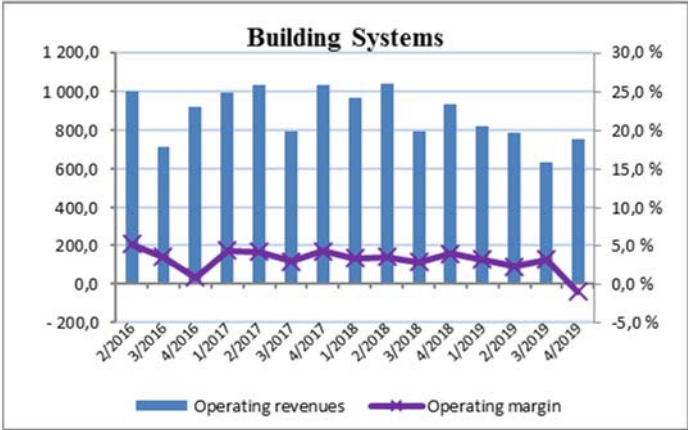
For the glulam operations in both Norway and Sweden activity levels dropped somewhat compared to the fourth quarter of 2018. In both countries production costs are too high to achieve good results with the current activity and price levels. This means that there are high requirements to the implementation of rationalisation measures and concept adjustments going forward, and improvement projects have been implemented.

For the building module operations in Norway, activities in building and construction have been good, and production for this market segment has been satisfactory. In the housing segment activity has been poor, and lay-offs were implemented throughout the first six months and up to August. The production was restarted, albeit with somewhat reduced capacity in August. In the course of the fourth quarter the order situation has improved further, but it will still take some time before the production rate and results reach the targeted level.

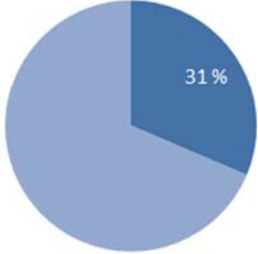
For the Swedish operations, demand for more basic modules used in building and construction and leasing has been somewhat weaker than normal. The housing segment remains somewhat hesitant, but there are signs of improvement. The order backlog has also improved for the Swedish operations in the fourth quarter, but an increase in production is still some way off. Overall for the operations in Sweden there has not been a basis to reverse the capacity adjustments that have been implemented in the course of 2019. The overall capacity has been reduced by slightly more than 30 per cent in the course of the year.

For system interiors market activity is good in both Norway and Sweden in and around the major cities. In Norway activity in certain other areas in northern and western Norway have dropped to levels that may lead to a need to adjust capacity if they persist. In Sweden the situation is better, but price levels remain too low to create satisfactory profitability. The market's focus on the environment has strengthened significantly, as well as requirements to flexibility and good design in activity-based working environments. Material choices and product documentation are becoming more and more important in connection with the environmental certification of buildings. All of this, in addition to the authorities' focus on proper working

conditions in the construction industry, is good for the business.



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



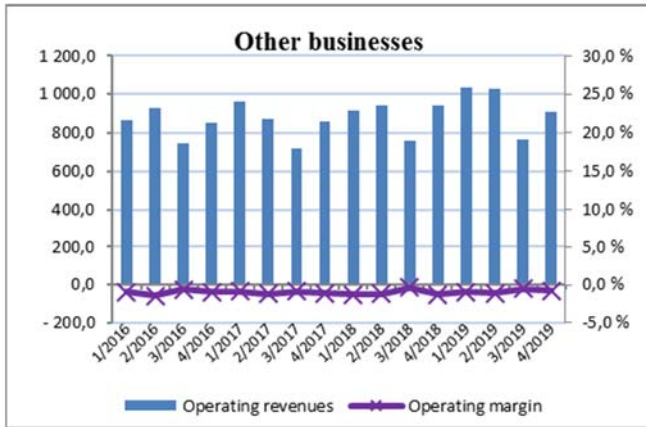
Other Businesses

Amounts in NOK million	Fourth quarter		12 months	
	2019	2018	2019	2018
Sales to external customers	282,2	286,3	1 059,9	969,0
Sales to internal customers	622,6	655,6	2 668,1	2 578,6
Operating revenues	904,8	941,9	3 728,0	3 547,6
Depreciation and impairment	5,5	3,8	18,6	13,1
Operating profit	-6,6	-12,0	-32,3	-37,2
Operating margin in per cent*	0,0 %	-0,1 %	-0,9 %	-1,0 %
Net operating capital (% of operating revenues)*	-4,4 %	-4,7 %	2,6 %	2,0 %
Total assets*	74,0	359,4	2 666,9	2 662,0
Equity*	254,6	490,2	1 309,8	1 459,0
Capital employed*	223,0	433,5	2 118,7	2 012,2
Return on capital employed in per cent, 12 month rolling*	0,4 %	-0,3 %	-0,4 %	-0,7 %
Investments*	36,5	59,6	189,8	69,2
Total number of employees*	-3	6	162	149

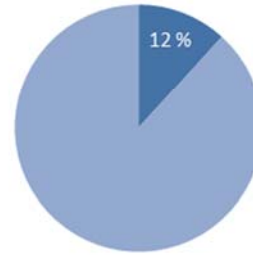
*The columns regarding the quarterly numbers show the change in the quarter

Other businesses include Moelven Industrier ASA, with shared services for finance, accounting, insurance, communications, HR and IT. Timber supply and sales of wood chips and energy products are organised as a common function for the Group's timber processing industry and are included with the companies Moelven Skog AB, Moelven Virke AS, Vänerbränsle AB and Moelven Bioenergi AS. Moelven Pellets AS, which was established in June 2018 to manage construction and operation of the new pellet factory and energy centre in connection with Moelven Soknabruket AS, is also included in the area, but as of yet with no result items of significance. The energy centre started up in September, and the pellets factory started trial production in September/October. The first pellet deliveries took place in October. Starting up of the factory has gone according to plan throughout the fourth quarter. 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.

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 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.



Other businesses' share of the groups sale to external customers



Employees

Employees	Per fourth quarter 2019				Per fourth quarter 2018			
	Male	Female	%Female	Total	Male	Female	%Female	Total
Timber	561	68	10,8 %	629	551	69	11,1 %	620
Wood	941	173	15,5 %	1 114	932	176	15,9 %	1 108
Building Systems	1 393	101	6,8 %	1 494	1 532	115	7,0 %	1 647
Other businesses	121	41	25,3 %	162	112	37	24,9 %	149
The Group	3 016	383	11,3 %	3 399	3 127	397	11,3 %	3 524

Sickness absence rate	Per fourth quarter	
	2019	2018
Timber	4,5 %	4,3 %
Wood	5,5 %	5,1 %
Building Systems	6,1 %	6,5 %
Other businesses	1,6 %	3,1 %
The Group	5,4 %	5,5 %

LTI Value	Per fourth quarter	
	2019	2018
Timber	12,7	9,3
Wood	12,3	9,3
Building Systems	10,8	13,6
Other businesses	3,8	0,0
The Group	11,3	10,9

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 11.3 (10.9) at the end of the fourth quarter 2019. The reduction in the number of injuries with subsequent sick leave has stagnated, and the target for 2019 at 7.0 was not reached. HSE work has a high priority in the work of the board, the corporate management and the safety committee. Work on training and awareness-raising is constantly ongoing in order to establish a good culture for safety at all levels. The group has also strengthened requirements toward the use of safety goggles and helmets. As a part of the systematic work to reach the targets in safety work, investigations have been introduced as a method in incidents of a certain severity. The purpose of the investigations is to ensure a thorough and unbiased examination or investigation of the incident, and to ensure follow up of HSE incidents to prevent recurrences. The investigations shall ensure learning and the transfer of experience in all companies in Moelven. 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 a comprehensive project that was started in 2019 and which purpose is to improve Moelven's position for the future. 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.

There were 15 (12) personal injuries with subsequent sick leave during the quarter, and 63 (64) year-to-date. As a part of work to increase focus on injuries in general, target figures have also been established for the number of personal injuries with and without absence per million worked hours. For 2019 the goal is set at 33. At the end of the third quarter the LTI2 rate was 34.8 (41.2). To succeed with the 2019 target for LTI of < 7.0 and injuries with and without absence of < 33, it is essential that preventive work is carried out based on good causal analyses of adverse events.

In the third quarter, absence due to illness was 5.6 per cent (5.0), where 1.9 per cent (2.4) represents long-term absence. The long-term trend for sickness absence developments is falling, and many of Moelven's businesses have sickness absence levels lower than the maximum target for 2019 of 4.4 per cent. There is

nevertheless much to be gained, and work is ongoing to reduce sickness absence for the group as a whole to below the target level. Efforts, which include employee surveys, close follow-up of sickness absence and cooperation with the occupational health services, are particularly directed at those businesses with the highest sickness absence levels.

Outlook

Although activity in the world economy has declined somewhat, it is still growing. Growth is expected to continue, but at a slightly slower rate in the next years. The trade conflict between the USA and China appears to be moving towards a solution. In the USA the economy is still improving, although the growth rate is lower and uncertainty greater than previously. However, building activity and demand for sawn timber remains high. Moelven has only occasional deliveries to the United States, but the group sees a positive effect from an improved global market balance. The growth rate in China and Japan is decreasing, partly due to the trade war that has been ongoing between China and the US. A solution to the trade situation will give positive impetus to the economy, while the Wuhan coronavirus epidemic pulls in the opposite direction until it comes under control. In other parts of Asia there are signs of increasing activity. For the British there is no longer any doubt that Brexit will be carried out, although it is still unclear how this will happen. Moelven has as far as possible implemented measures to ensure that deliveries to the UK can be maintained in the event of Brexit. Uncertainty relating to the consequences of Brexit are thus primarily related to economic developments in the UK after implementation.

The Middle East and North Africa are important export markets for Moelven, but remain characterised by conditions that complicate international trade. In general, positive and stable developments in international demand for industrial wood are expected.

In Norway the mainland economy is at a normal level, while activity in Sweden has declined. The rest of Europe still has a marginal positive growth rate.

NOK and SEK remain at a level that contributes to improve competitiveness on the export markets.

In Norway demand for processed products in 2020 is expected to remain on a par with 2019, albeit with regional differences. Construction activity in and surrounding the major cities is expected to remain high. In Sweden the need for new homes remains high, but activity in the new building market remains hesitant as in Norway. The order situation for building module operations remains weak, and it is taking time to finally clarify the projects that are on the market. Activity in the renovation, conversion and extension market remains good. Increased interest for wood as a building material contributes to maintain activity levels. Timber inventories and the supply situation in Moelven's geographies at the start of the first quarter of 2020 are good in both Norway and Sweden. Continued good access to raw material in the winter season is expected.

The Group's composition, with divisions that experience different impacts from economic fluctuations and units that operate in different markets, provides the Group with a good starting point for further improvements. The group has a long-term goal of a return on capital employed of 13 per cent over an economic cycle. Parts of the strategic programme for operations improvements and structuring of the group is being pushed ahead to counter weaker economic developments than assumed by the strategy plan. This will contribute to continued strengthened profitability in the underlying operations. The Board is of the opinion that the Group has adequate solvency and access to liquidity over the long term to introduce the necessary measures to develop the Group in line with the strategy plan. For 2020 overall the board expects activity levels and results comparable to 2019.

Quarterly accounts for the Moelven Group for the fourth quarter of 2019

Earnings and comprehensive income

Amounts in NOK million	Fourth quarter		12 months	
	2019	2018	2019	2018
Operating revenues	2 410,3	2 753,5	10 297,5	11 020,8
Cost of goods sold	1 464,1	1 580,9	6 307,5	6 746,3
Payroll expenses	585,7	598,9	2 185,8	2 200,1
Depreciation and impairment	65,7	131,2	294,4	346,5
Other operating expenses	312,0	294,7	1 174,4	1 141,6
Operating Profit	-17,3	147,8	335,4	586,2
Income from associates	0,0	0,0	0,0	0,0
Value change of financial instruments to fair value	3,9	-13,6	-23,7	51,5
Other financial income	1,5	-13,8	6,5	7,9
Other financial expenses	14,5	-16,6	78,6	67,4
Profit before tax	-26,3	136,9	239,7	578,2
Estimate income tax	-9,3	24,2	52,5	127,0
Net profit	-17,1	112,6	187,1	451,2
Non-controlling interest share	-0,6	0,3	-0,2	1,8
Owner of parent company share	-16,5	112,3	187,4	449,4
Earnings per share (in NOK)	-0,1	0,9	1,4	3,5
Statement of comprehensive income				
Net profit	-17,1	112,6	187,1	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	-0,2	-1,2	0,2	-1,2
Income tax on items that are not reclassified to profit or loss	0,0	0,3	0,0	0,3
	-0,1	-0,9	0,1	-0,9
<i>Items that may be reclassified subsequently to profit or loss</i>				
Translation differences	22,7	72,9	-30,2	-17,4
Proportion of other income and costs in associated companies	0,0	0,0	0,0	0,0
Other changes	1,6	-4,9	0,7	-4,3
Income tax on items that may be reclassified to profit or loss	0,0	0,0	0,0	0,0
	24,3	68,0	-29,6	-21,6
<i>Items that may be reclassified subsequently to profit or loss</i>				
Other comprehensive income, net of tax	24,1	67,1	-29,4	-22,6
Total comprehensive income for the period	7,1	179,7	157,7	428,7
Comprehensive income assigned to:				
Owners of parent company	7,7	179,4	157,9	426,8
Non-controlling interests	-0,6	0,3	-0,2	1,8

Consolidated balance sheet

Amounts in NOK million	Per 31.12	
	2019	2018
Intangible assets	81,2	84,9
Tangible fixed assets	2 226,4	1 873,5
Financial fixed assets	5,9	7,0
Total fixed assets	2 313,6	1 965,4
Inventory	1 742,9	1 673,9
Contract assets	71,5	126,0
Receivables	1 365,8	1 483,1
Liquid assets	24,3	53,9
Total current assets	3 204,4	3 336,9
Total assets	5 518,0	5 302,3
Share capital*	647,7	647,7
Other equity	1 720,5	1 787,6
Total equity	2 368,2	2 435,3
Provisions	242,1	261,1
Long term interest-bearing liabilities	952,5	668,7
Lease liabilities	198,8	43,4
Long term interest-free liabilities	0,0	0,9
Total long term liabilities	1 393,5	974,1
Short term interest-bearing liabilities	0,0	9,4
Contract liabilities	137,7	78,8
Short term liabilities	1 618,7	1 804,7
Total short term liabilities	1 756,4	1 892,9
Total liabilities	3 149,8	2 867,0
Total liabilities and equity	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 1.1.2018	647,7	130,9	0,0	1 304,1	2 082,7	9,8	2 092,5
Comprehensive income for the period							
Net profit	0,0	0,0	0,0	449,4	449,4	1,8	451,2
Other comprehensive income							
Translation differences	0,0	0,0	0,0	-17,4	-17,4	0,0	-17,4
Other changes	0,0	0,0	0,0	-4,3	-4,3	0,0	-4,3
Actuarial gains (losses) on defined-benefit pension schemes	0,0	0,0	0,0	-0,9	-0,9	0,0	-0,9
Income tax on other comprehensive income	0,0	0,0	0,0	0,2	0,2	0,0	0,2
Other comprehensive income (net of tax)	0,0	0,0	0,0	-22,3	-22,3	0,0	-22,3
Transactions with owners, entered directly against equity							
Purchase of non-controlling interests	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Effect of acquisition	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Dividend to owners	0,0	0,0	0,0	-88,1	-88,1	0,0	-88,1
Share based payment transactions	0,0	0,0	0,0	0,0	0,0	1,9	1,9
Total transactions with owners	0,0	0,0	0,0	-88,1	-88,1	1,9	-86,2
Total as at 31.12.2018	647,7	130,9	0,0	1 643,2	2 421,8	13,5	2 435,3
Total pr 1.1.2019	647,7	130,9	0,0	1 643,2	2 421,8	13,5	2 435,3
Comprehensive income for the period							
Net profit	0,0	0,0	0,0	187,4	187,4	-0,2	187,1
Other comprehensive income							
Translation differences	0,0	0,0	0,0	-30,1	-30,1	-0,1	-30,2
Other changes	0,0	0,0	0,0	0,7	0,7	0,0	0,7
Actuarial gains (losses) on defined-benefit pension schemes	0,0	0,0	0,0	0,2	0,2	0,0	0,2
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	-29,3	-29,3	-0,1	-29,4
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 31.12.2019	647,7	130,9	0,0	1 576,4	2 355,0	13,2	2 368,2

Consolidated statement of cashflow

Amounts in NOK million	Per 31.12.	
	2019	2018
CASH FLOW FROM OPERATIONAL ACTIVITIES:		
Net profit	187,1	451,2
<i>Adjustments to reconcile net profit with net cash flow from operations:</i>		
Depreciation	304,3	280,4
Impairment	-9,9	66,1
Income from associated companies	0,0	0,0
Tax paid	-109,4	-50,6
Unpaid pension costs entered as costs and unreceived pension funds entered as income	0,2	1,4
Loss (profit) on sale of fixed assets	4,9	-3,5
Net value change of financial instruments to fair value	23,7	-51,5
Income tax	52,5	127,0
<i>Changes in operating assets and liabilities:</i>		
Changes in inventory	-69,0	-149,8
Changes in accounts receivable and other receivables	172,5	23,3
Changes in trade accounts payable	-101,7	-58,1
Changes in provisions and benefits to employees	-19,0	18,2
Changes in short-term liabilities excluding borrowing	30,1	-1,1
Cash flow from operational activities	466,3	653,1
CASH FLOW FROM INVESTMENT ACTIVITIES:		
Investment in plant and equipment exc. acquisition	-478,7	-497,4
Net cash outlay on acquisition	0,0	0,0
Receipts from sale of fixed assets	3,9	5,3
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	-474,9	-492,1
CASH FLOW FROM FINANCING ACTIVITIES:		
Raising short term debt	0,0	0,0
Repayment of short term debt	0,0	0,0
Change in bank overdrafts	-9,4	9,4
Purchase of non-controlling interests	0,0	0,0
Change in long term debt (borrowing facility)	283,9	-86,0
Changes in other long-term liabilities	-0,9	-7,4
Payment of leases	-26,5	-9,2
Payment of dividend	-225,4	-88,1
Cash flow from financial activities	21,7	-181,4
Net increase (reduction) in liquid assets during year	13,1	-20,4
Liquid assets start of period	6,3	30,2
Effect of exchange rate changes on liquid assets	0,0	0,0
Liquid assets end of period	19,4	9,8
Cash and cash equivalents		
Liquid assets	19,4	9,8
Unused drawing rights	931,6	1 229,6
Restricted bank deposits	0,0	0,0
Cash and cash equivalents	951,0	1 239,4

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 statement for the fourth quarter of 2019, ending on 31 December 2019, includes Moelven Industrier ASA and its subsidiaries (collectively referred to as “the group”) and the group's interests in associated companies. The annual accounts for 2018 are available at www.moelven.no.

Note 2 – Statement of conformity

The consolidated financial statements for the third quarter of 2019 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 2018. The consolidated quarterly financial statements were approved by the Board on 30 January 2020.

Note 3 – Accounting policies

The accounting policies adopted in the quarterly financial statements for 2019 are the same as those in the consolidated financial statements for 2018, with the exception of principles related to IFRS 16, which were implemented on 1 January 2019. Changes to accounting principles as a result of IFRS 16 are described in the consolidated accounts note 3. 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 2018 and the principal sources of estimate uncertainty are the same when preparing these quarterly accounts as for the consolidated accounts for 2018.

Note 5 – Pensions and taxes

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

Note 6 – Seasonal fluctuations

Demand for the group's products and services are normally subject to variability throughout the year. This 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 – Fixed assets, intangible assets and goodwill

Fixed assets, intangible assets and goodwill

Amounts in NOK million

	Per 31.12.	
	2019	2018
Book value per 1.1	1908,9	1796,8
Acquisitions	478,7	497,4
Lease acquisitions	19,5	0,0
Business combinations	0,0	0,0
Disposals	-1,3	-1,8
Depreciations	-304,3	-280,4
Impairment losses	9,9	-66,1
Transfers	172,1	-8,2
Translation differences	-25,0	-27,0
Book value per 31.12.	2 258,6	1 910,7

Note 8 - Financial instruments

Amounts in NOK million	Per 12 months 2019			31.12.2018		
	Positive fair value	Negative fair value	Net fair value	Positive fair value	Negative fair value	Net fair value
Currency derivatives	4,9	-9,7	-4,8	16,9	-4,4	12,4
Interest rate derivatives	0,0	-44,9	-44,9	0,0	-69,8	-69,8
Power derivatives	0,0	-1,9	-1,9	30,8	-1,3	29,5
Total	4,9	-56,5	-51,6	47,6	-75,5	-27,9

Amounts in NOK million	Per 12 months 2018			31.12.2017		
	Positive fair value	Negative fair value	Net fair value	Positive fair value	Negative fair value	Net fair value
Currency derivatives	16,9	-4,4	12,4	3,5	-7,0	-3,6
Interest rate derivatives	0,0	-69,8	-69,8	0,0	-81,5	-81,5
Power derivatives	30,8	-1,3	29,5	6,7	-1,0	5,8
Total	47,6	-75,5	-27,9	10,2	-89,5	-79,4

Note 9 – Operating segments

The divisions are divided in accordance with Moelven's three core activities: Timber (industrial goods),

Wood (building products) and Building Systems (projects). There is also a division named "Other" in which the remaining units are placed. The divisions are built up around independent subsidiaries with activities clearly defined within the divisions. All transactions between the divisions are conducted on normal commercial terms. The split into divisions differs from the formal legal ownership structure. See the consolidated financial statements for 2018 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	Fourth quarter		12 months	
	2019	2018	2019	2018
Timber	3,7	105,9	140,6	339,2
Wood	-8,0	17,1	135,9	136,2
Building Systems	-8,9	36,7	52,9	127,4
Other	-13,2	-22,9	-89,8	-24,5
Profit before tax in segments	-26,3	136,9	239,7	578,2
<i>Eliminations</i>	<i>0,0</i>	<i>0,0</i>	<i>0,0</i>	<i>0,0</i>
Profit before tax in Group Accounts	-26,3	136,9	239,7	578,2

Note 10 – Related parties

Transactions with the owners are performed in some areas of the ordinary activities. Among other things, this relates to purchase of timber, where the Norwegian forest owner cooperatives are suppliers. There will also be deliveries of biofuel from the Moelven Group to a bioenergy plant owned by Eidsiva Energi AS, with possible buy-back of bioenergy for Moelven's industries in connection with the energy plant. Eidsiva Marked AS also trades electric power to Moelven's Norwegian industrial operations. All these transactions have in common that the arm's length principle shall be applied. Where other suppliers can offer better prices or terms, these will be used. About 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's supply of energy raw materials to Eidsiva's bioenergy plant represents between 40 and 50 GWh on an annual basis, while buying back energy represents between 20 and 30 GWh. Net deliveries of energy raw materials is 20 GWh. The extent of the sale of electrical power corresponds to about 40 per cent of Moelven's total consumption of 210 GWh.

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

Note 11 - Events after the balance sheet date

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

Moelven is organised into three divisions: Timber, Wood and Building Systems. There is also an Other Businesses reporting area, which consists of the holding companies, supply businesses and bioenergy companies. The sawmills in Timber supply sawn wood products and components to industrial customers in Scandinavia and the rest of Europe, the Middle East and North Africa. The industrial customers use the products as intermediate goods in their own production. Shavings, chip and bark products are also supplied and are used in the pulp, chipboard and biofuel industry. The companies in Wood supply the building products trade in Scandinavia with a broad range of building and interior products. A critical competitive advantage is the division's efficient distribution system, which offers customers rapid and precise deliveries of a broad range of products. The companies within Building Systems deliver flexible system solutions for interior walls, modular buildings and load-bearing structures in glulam to projects and contractor clients, principally in Norway and Sweden. The division focuses on developing concepts and systems in collaboration with the customers and experts within architecture, design and construction. In total, the group is composed of 36 production companies in Norway and Sweden and has 3 399 employees. Moelven also has its own sales offices in Denmark, England and Germany. The Moelven Group is owned by Glommen Mjøsen Skog SA (40.8 per cent), Eidsiva Vekst AS (23.8 per cent), Felleskjøpet Agri SA (15.9 per cent), Viken Skog SA (11.9 per cent) and AT Skog SA (7.3 per cent). Most of the remaining 0.4 per cent is owned by private individuals.

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