# ANNUAL REPORT 2016

This document contains the formal requirements for annual reporting. The annual report for Moelven 2016 with complementary information about the year, is available at 2016.moelven.com

## Content


# Moelven's best year since 2007

## Moelven posted an operating profit of NOK 295 million in 2016, up NOK 80 million on 2015. Operating revenue increased by 6.4% to NOK 10,310 million. That's a brief summary of the results for 2016

We passed the NOK 10 billion milestone for revenue, with a year-on-year increase in operating profit of 37.3%. This was mainly due to a continued high level of demand for products from the Group's timber operations and a good, healthy level of activity in the project division - Building Systems.

Another important factor that has played a key role in improving results is restructuring and efficiency programmes in several Group companies. The improvement and efficiency work is ongoing, with exciting projects under way throughout the Group.

Our two biggest sawmills in Sweden – Moelven Valåsen AB and Moelven Notnäs AB – are undergoing major organisational changes. At the same time, investments of around SEK 160 million in plant and machinery are planned.

These measures will be fully implemented by the summer of 2019. The aim is for these entities to be among our most efficient and profitable.

Another important development project worth mentioning is the investment programme at Moelven Byggmodul AB, our building module producer in Säffle. The business is experiencing increased demand and is investing more than SEK

80 million, among other things in robotised module production.

The robotised line builds elements almost wholly without human intervention and has been designed by Moelven's own experts, who took inspiration from the car industry.

The production line increases production capacity by 80%. Robotisation in combination with the installation of other production equipment, workstations and various systems has contributed to almost 50 new jobs in Säffle. The plant will be ready in April 2017.

The Group has worked intensively to reduce the number of occupational accidents at Moelven, and it is pleasing to be able to report that these efforts are paying off. The number of occupational accidents fell in 2016, at the same time as awareness and targeted safety work increased and reporting of near-misses and dangerous situations almost doubled.

However, we have to acknowledge that there is still much to be done to achieve the Group's targets for health, safety and the environment. Work on this is a priority and ongoing, in order to achieve the targets set for 2017 and beyond.

Norway's mainland economy is experiencing growth, while the decline in the oil sector has slowed. Economic activity forecasts for Sweden are being downgraded slightly after a period of very high activity, while Europe as a whole continues to have a marginal positive growth rate.

For the Group as a whole, operating revenues are expected to increase slightly. The operational improvement programme and restructuring of the Group pursuant to the strategic plan are continuing apace, and will contribute to increased profitability in the underlying operations.

Early in 2017, key players in Norway's inland area – including Moelven – signed an agreement with the aim of developing the region as an international power centre of industrial wood construction.

The newly established "Norwegian Wood Cluster" comprises market participants within the forestry, industry and construction value chain as well as the Norwegian University of Science and Technology (NTNU). The aim is to be the best in the world in industrial wood construction.

Today, one in ten multi-occupancy dwellings is built in wood. Peter Eriksson, the Swedish Minister for Housing and Digital Development, has told Swedish paper Dagens Nyheter that he wants to see even more wooden houses, arguing that wood is the most climate-friendly building material. And we're hearing the same messages from leading politicians and experts in Norway and other countries.

If they are right, it may mean bright times ahead for those of us supplying wooden building materials to the construction industry in Scandinavia, Europe and elsewhere. Opportunities such as these will make Moelven an exciting place to work and an exciting partner.

Morten Kristiansen
President & CEO

## Main figures

| Amounts in NOK million | 2016 | 2015 | 2014 | 2013 | 2012 |
|---|---|---|---|---|---|
| **THE GROUP** | | | | | |
| Operating revenues | 10,309.7 | 9,690.4 | 8,828.2 | 8,009.4 | 8,121.5 |
| Gross operating profit (EBITDA) | 601.6 | 553.9 | 490.0 | 226.9 | 267.8 |
| Depreciation | 290.1 | 291.2 | 286.5 | 271.6 | 250.9 |
| Impairment | 16.5 | 47.9 | 0.0 | 0.0 | 0.0 |
| Operating profit | 295.0 | 214.8 | 203.6 | -44.7 | 16.9 |
| Financial items | -42.5 | -56.3 | -88.2 | -72.4 | -81.2 |
| Profit before tax | 252.5 | 158.5 | 115.3 | -117.1 | -64.3 |
| Total assets | 4,766.8 | 4,778.1 | 4,653.2 | 4,539.8 | 4,342.1 |
| Equity in per cent | 38.0 | 36.8 | 34.2 | 33.4 | 35.5 |
| Operating margin in per cent | 2.9 | 2.2 | 2.3 | -0.6 | 0.2 |
| Investments | 275.2 | 215.8 | 195.1 | 351.2 | 339.4 |
| Number of employees | 3,492 | 3,426 | 3,326 | 3,276 | 3,375 |
| **TIMBER** | | | | | |
| Operating revenues | 3,020.6 | 3,010.1 | 2,872.3 | 2,543.9 | 2,428.2 |
| Gross operating profit (EBITDA) | 181.1 | 145.1 | 199.5 | 104.4 | 25.3 |
| Depreciation | 111.1 | 121.1 | 116.5 | 116.0 | 99.9 |
| Impairment | 16.5 | 47.9 | 0.0 | 0.0 | 0.0 |
| Operating profit | 53.5 | -23.9 | 83.0 | -11.6 | -74.6 |
| Financial items | -13.1 | -9.0 | -25.8 | -29.3 | -23.4 |
| Profit before tax | 40.4 | -32.9 | 56.7 | -40.9 | -98.0 |
| Total assets | 1,567.1 | 1,664.5 | 1,754.5 | 1,684.3 | 1,580.6 |
| Operating margin in per cent | 1.8 | -0.8 | 2.9 | -0.5 | -3.1 |
| Investments | 64.2 | 75.9 | 67.6 | 119.5 | 151.6 |
| Number of employees | 674 | 679 | 703 | 677 | 696 |
| **WOOD** | | | | | |
| Operating revenues | 3,529.9 | 3,275.7 | 3,066.2 | 2,820.4 | 2,836.9 |
| Gross operating profit (EBITDA) | 274.5 | 237.4 | 225.3 | 128.4 | 128.7 |
| Depreciation and impairment | 113.8 | 113.7 | 114.4 | 104.9 | 99.1 |
| Operating profit | 160.6 | 123.7 | 110.9 | 23.5 | 29.6 |
| Financial items | -24.4 | -27.1 | -23.6 | -30.8 | -28.9 |
| Profit before tax | 136.3 | 96.6 | 87.3 | -7.4 | 0.8 |
| Total assets | 2,151.6 | 2,134.8 | 2,033.9 | 1,957.7 | 1,905.8 |
| Operating margin in per cent | 4.5 | 3.8 | 3.6 | 0.8 | 1.0 |
| Investments | 114.7 | 96.8 | 82.4 | 174.7 | 132.7 |
| Number of employees | 1,039 | 1,009 | 993 | 1,011 | 1,063 |
| **BUILDING SYSTEMS** | | | | | |
| Operating revenues | 3,616.8 | 3,375.2 | 2,836.7 | 2,514.1 | 2,799.3 |
| Gross operating profit (EBITDA) | 166.3 | 185.2 | 98.8 | 18.9 | 135.1 |
| Depreciation and impairment | 51.3 | 44.4 | 41.6 | 38.0 | 38.1 |
| Operating profit | 115.1 | 140.8 | 57.2 | -19.1 | 97.0 |
| Financial items | -1.7 | -0.1 | 6.4 | 0.1 | 2.0 |
| Profit before taxes | 113.4 | 140.7 | 63.5 | -19.0 | 98.9 |
| Total assets | 1,653.2 | 1,616.8 | 1,256.4 | 1,189.9 | 1,243.3 |
| Operating margin in per cent | 3.2 | 4.2 | 2.0 | -0.8 | 3.5 |
| Investments | 84.5 | 40.2 | 37.9 | 43.4 | 46.3 |
| Number of employees | 1,647 | 1,607 | 1,498 | 1,460 | 1,486 |
| **OTHER OPERATIONS** | | | | | |
| Operating revenues | 3,388.9 | 3,003.8 | 3,204.4 | 2,623.7 | 2,616.7 |
| Gross operating profit (EBITDA) | -20.3 | -13.9 | -33.6 | -24.7 | -21.3 |
| Depreciation and impairment | 13.9 | 12.0 | 13.9 | 12.8 | 13.8 |
| Operating profit | -34.2 | -25.9 | -47.5 | -37.5 | -35.1 |
| Financial items | -3.4 | -20.1 | -44.7 | -12.4 | -30.9 |
| Profit before tax | -37.6 | -45.9 | -92.2 | -49.9 | -66.1 |
| Investments | 11.8 | 3.0 | 7.5 | 13.6 | 8.9 |
| Number of employees | 132 | 131 | 132 | 128 | 130 |

## 2016 in brief

The Group's revenue exceeded NOK 10 billion for the first time, and the operating profit was the best since the record year of 2007. Demand for products from the Group's timber processing operations in the Timber and Wood divisions was satisfactory throughout the year, and the activity level in the Building Systems project division was good and healthy.
Revenues increased by 6.4 per cent to NOK 10,309.7 million, and the operating profit improved from NOK 214.8 million to NOK 295.0 million. The rate of return on employed capital improved from 7.4 per cent to 10.3 per cent.

Efforts on internal improvement work and restructuring in accordance with the action plan that was drawn up in the autumn of 2014 proceeded with full strength in 2016, and is the main cause of the improved results. In the course of the year, part of the electrical installations business has been sold, and complementing business within boards have been acquired in Sweden. In addition, several organizational changes are ongoing, as well as major investment projects that will significantly improve efficiency and profitability. At the Group's two largest sawmills in Sweden, Moelven Valåsen AB and Moelven Notnäs AB, there are plans for investments of around SEK 164 million in machinery and equipment. Besides exploiting the opportunities afforded by new technology, competence development and organizational rationalization have high priority in these projects. The investments will be staggered. The improvement projects are scheduled for completion in the summer of 2019. At Moelven Byggmodul AB's factory in Säffle an investment project with a cost framework of SEK 72 million is ongoing, and is scheduled for completion in the second quarter of 2017. The investment will increase the overall capacity at the factory by 50 per cent and also allow for more rational production solutions, including through a significant degree of robotisation.

With exports to more than 40 countries and on several continents, the Moelven Group is obviously dependent on developments in the global economy. Combined, approx. 15 per cent of the Group's turnover is in markets beyond Scandinavia. The geographical spread is broad enough to have a diversifying effect. Through 2016 overall demand has been satisfactory, both on the home market in Scandinavia and in the export markets. Export is primarily from the units that use sawlogs as a raw material in their production, which is to say the sawmills in Timber and Wood. It is mainly sawn timber that is exported. For Timber the export share outside of Scandinavia is 45 per cent, and for Wood it is 10 per cent. Both price developments on the international market for sawn timber and exchange rate developments therefore have a major impact on the business. International price levels rapidly impact the home market in Scandinavia. In 2016 the prices for sawn timber increased somewhat compared to 2015, and in the export markets currency developments have contributed to maintain competitiveness.

The Wood division mainly sells its processed wood products on the building materials market in Scandinavia.  Demand from this market has been satisfactory, although activity in renovation, modernisation and extension market (RME) in Sweden dropped somewhat after changes to the tax rules related to deductions. Price levels for the division as a whole increased slightly compared to the previous year.

Access to raw material for the sawlog-consuming operations in the Group was good in the first half of 2016, while in the second half of the year access to spruce in Norway varied. The situation improved towards the end of the year. A year end sawlog inventories were at levels that provide a satisfactory basis for the planned production levels for the winter. In 2016 price levels for sawlogs have overall been somewhat higher than in the previous year in Norway, and somewhat lower in Sweden. Sales of chip and fibre products were good throughout the year, at prices on a par with or somewhat over 2015.

The Building Systems division operates exclusively in building and construction in Scandinavia. Deliveries are to professional players in both the new building and renovations, extensions and conversions markets. Demand for the division's products and services have been satisfactory through the year as a whole. The combined order backlog at the end of the year was NOK 68 million lower than the previous year. The order backlog for the part of the electrical installations business that was sold in the fourth quarter 2016 comprised NOK 85 million at the end of 2015. Market conditions saw different developments in Norway and Sweden as the year progressed. While the units with operations in Sweden enjoyed the high levels of activity in the Swedish economy, Norwegian units have had to adjust to reduced activity levels as a result of developments in the oil industry.

### Corporate governance

There have been no changes to the Board of Directors in 2016. Comprehensive information on the Group's governing bodies is available at www.moelven.no and in note 28.

Anders Lindh has been appointed new Division Manager of the Timber Division, succeeding Ole Helge Aalstad who chose to take up another position outside of the Group after 16 years with Moelven. Anders Lindh (45) comes from the position of Director at Moelven Våler AS. He is a graduate engineer and has formerly held several managerial positions in the timber processing industry, including outside of the Moelven Group.

### Corporate structure

On 21 November 2016 Moelven acquired the business and assets of DLH Sverige AB. The acquisition includes inventory, warehouse and offices in Hässleholm. The acquisition provides Moelven with improved access to the market in southern Sweden, while at the same time strengthening logistics and facilitating further expansion through a cost-effective distribution scheme to both the building products trade and industrial customers.

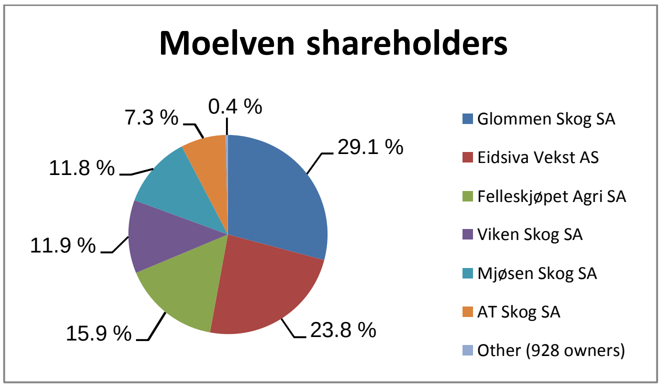
In the second quarter 2016, Moelven Elektro AS acquired assets and project portfolio related to maintenance contracts, and small and medium-sized projects, from the other electrical installations business in the Group. The company, which belonged to the "*Other businesses*" reporting area, was sold to Bravida Norway AS 1 December 2016. At the time of the sale Moelven Elektro AS had a total of 162 employees.

In January 2017 a decision was made to transfer operations at Moelven Tom Heurlin AB from the Timber division to the Wood division as of year end. The company has failed to achieve satisfactory profitability through its strategic focus on exports, and will instead coordinate with the Wood division's focus on the Scandinavian home market. Coordination will entail a need to scale back capacity, and negotiations with trade unions have been initiated.

## This is the Moelven Group

### Ownership structure

The Moelven Group is owned by Glommen Skog SA (29.1 %), Eidsiva Vekst AS (23.8%), Felleskjøpet Agri SA (15.8%), Viken Skog SA (11.9%), Mjøsen Skog SA (11.8 %) and AT Skog SA (7.3%). Most of the remaining 0.4 per cent is owned by private individuals.




### Vision

Moelven is a Scandinavian Group. All production units are located in Scandinavia, which is also the primary market. Moelven's vision is *to be the natural choice for people who wish to build and live Scandinavian*, and the Group shall take the lead in developing buildings that are based on Scandinavian building traditions. Within this framework, activities are based on a desire and an ability to contribute to creating good spaces – good environments to live and work in, and for all social functions. Good Scandinavian environments are often close to nature in their form and content. Wood and other natural materials are essential parts of what Moelven makes and are dominant in the greater part of the product range. Natural materials are environmentally friendly building materials and building solutions when it comes to houses, modules, bridges and interior products.

### Location

The Group has its headquarters in Moelv in Norway and consists of 42 production companies in 48 production locations, and 33 offices for sales, service and fitting. Most of the production units are companies and workplaces with a strong local presence in rural communities in South East Norway and the western part of Central Sweden. The offices for sales, service and fitting are located in larger population centres around Norway, Sweden, Denmark, the United Kingdom, Germany and the Netherlands. Production in Norway and Sweden is of approximately the same volume, but the Swedish units export a greater proportion of their production than the Norwegian. Out of a total of 3,492 (3,326) employees at the end of 2016, 1,625 (1,777) work in Norway, 1,839 (1,621) in Sweden, 19 (20) in Denmark and 9 (8) in other countries. The changes to the number of employees in Norway and Sweden in 2016 are primarily due to the sale of the electrical installations business in Norway, and permanent employment of hired personnel in the building modules business in Sweden.

### Divisions

Moelven offers a wide range of building products and building systems and associated services. The Scandinavian market accounts for 85 per cent of sales revenues, and 85 per cent of the Group's products and services are used for new building or renovation of homes and commercial property. A large part of the remaining operation consists of sales of biomass for biofuel and for pulp, paper and particle board production. The Group also supplies wood products to the furniture, interior and packaging sectors. Customers are divided into three main segments: industry, trade and projects. This is based on the nature of their business. The Group is divided into three divisions: Timber, Wood and Building Systems, each of which focuses on one of the main segments. There is also an Other Businesses reporting area, which consists of the holding companies, supply businesses fibre products and bioenergy companies.

### Timber
The Timber division consists of 14 production companies and 4 sales offices, supplying industrial timber, components and chip products made from local spruce and pine. The customers are mainly industrial companies that buy intermediate products for their own production of construction timber, glulam, panels, flooring, mouldings, windows, packaging, board and paper products, and for bioenergy. About 55 per cent of operating revenues come from Scandinavian customers. At the end of 2016, there were 674 (679) employees, 235 (237) of them in Norway, 430 (434) in Sweden and 9 (8) in other countries.

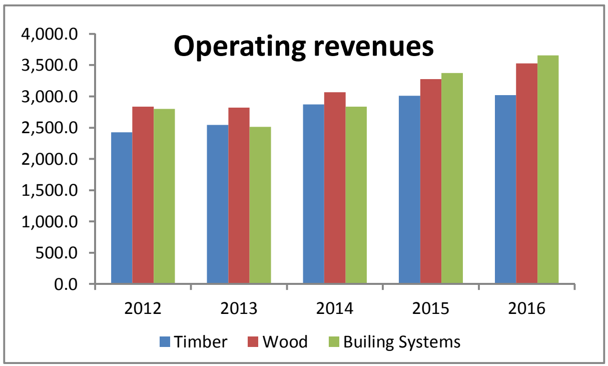
### Wood
The Wood division comprises 18 production companies, 3 customer centres and one project sales company. The main products are white and impregnated building wood, external cladding, boards, length-adapted products and chip products, as well as interior products such as mouldings, flooring and interior panels. Wood also trades in purchased products. Almost 80 per cent of timber and board production is sold through the building products trade and wood processing industry. Wood is one of the leading suppliers to the Scandinavian market and about 90 per cent of its operating revenues come from Scandinavian customers. At the end of 2016, there were 1,039 (1,009) employees, 581 (564) of them in Norway, 439 (425) in Sweden and 19 (20) in Denmark.

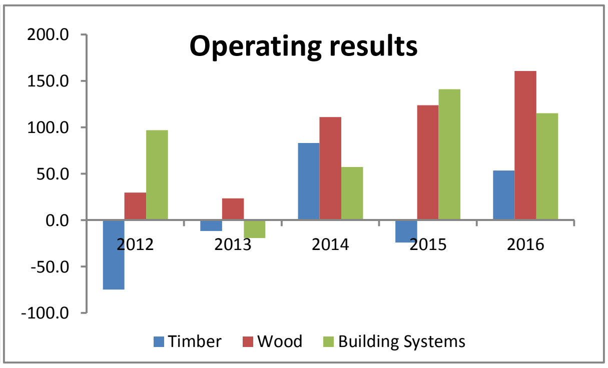
### Building systems
The Building Systems division consists of 8 production companies at 13 production locations and 20 sales, service and fitting offices. Building Systems is divided into the business areas Glulam, Building Modules and System Interiors, all three of which are market leaders in Norway and Sweden. The division's building and contracting customers buy customised building modules, flexible interior solutions systems and associated services and advanced glulam structures. In addition to bridges and load-bearing structures, the glulam unit also has considerable sales of standard laminated timber beams through the building products trade, as well as components for the prefabricated house industry. Operating revenues are primarily from Scandinavian customers. At the end of 2016, there were 1,644 (1,607) employees, 757 (927) of them in Norway and 887 (680) in Sweden. In order to ensure adequate flexibility in production capacity to meet seasonal and economic fluctuations in the market, the divisions use hired workers. Hired workers are not included in the employee figures. Hiring is from staffing companies who comply with the EU temporary agency work directive, and this entails that hired personnel are ensured the same terms as if they were employed by Moelven.

### Other businesses
Other businesses include Moelven Industrier ASA, with sentralised 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 comprise the companies Moelven Skog AB, Moelven Virke AS, Vänerbränsle AB and Moelven Bioenergi AS. In addition there is the affiliate Weda Skog AB. At the end of 2016, there were 142 (131) employees, 62 (49) of them in Norway and 80 (82) in Sweden.

## Social responsibility
The Board has processed and approved the Groups general strategy and guidelines relating to HSE, social responsibility, the environment and competition law. The discussion of these areas are included in the Board's explanation of principles and practice concerning social responsibility pursuant to the Accounting Act Section 3-3c.

## Operating revenues and results



| Amounts in NOK million | 2016 | 2015 |
|---|---:|---:|
| Operating revenue | 10,309.7 | 9,690.4 |
| EBITDA | 601.6 | 553.9 |
| Depreciation and impairment | 306.6 | 339.1 |
| Operating profit | 295.0 | 214.8 |
| Profit before tax | 252.5 | 158.5 |

Operating revenues increased by 6.4 per cent compared to the previous year, including sales of businesses. The operating profit without corrections for restructuring increased by 37.3 per cent. EBITDA, which doesn't include impairment and loss through the sale of fixed assets, increased by 15.9 per cent compared to 2015. Overall, delivery volumes in 2016 have been higher than in the previous year, and at prices on a par with or somewhat higher than in 2015. Overall, raw material prices did not change significantly compared to 2015. The improvement in operating margin is thus mainly due to internal improvements.

The inventory estimates, which are prepared according to the FIFO principle, are reviewed regularly to correct for developments in raw material costs. Along with an update of real value assessments of inventory, this formed the basis for price adjustments totalling NOK 9 million in 2016 and NOK -45.6 million in 2015. The items do not have any impact on cash flow.

Following a review of the overall project portfolio in Building Systems, it has been revealed that the valuation of project revenues in the fourth quarter report was too high. Based on a careful assessment of the portfolio, an impairment totalling NOK 40 million has been implemented in the annual accounts.

The profits for 2015 were charged with write-downs and losses on sales of fixed assets totalling NOK 54.1 million related to the sale and liquidation of operations at Moelven Nössemark Trä AB, in addition to cost adjustments in the project portfolio of the Electrical Installations business of NOK 40.0 million. In the course of the autumn of 2015 the Group's remaining defined-benefit pension schemes in Norway were converted to defined-contribution pension schemes. The change resulted in a positive non-recurring effect on the operating result of NOK 26.5 million. In addition there is a positive effect of NOK 8.0 million from negative goodwill related to acquisitions.

Net financial expenses excluding changes in the value of financial instruments were NOK 57 million in 2016, compared to NOK 61.9 million the previous year. Overall borrowing costs increased slightly through the refinancing that was completed in June 2016, but lower net interest-bearing debt throughout the year meant that net financial costs nevertheless decreased.
The Group employs financial instruments to hedge foreign exchange rates, interest rates and power prices. Net non-cash items associated with this totalled NOK 14.5 million (NOK 5.6 million). The main reason is positive developments in the market value for the power hedges. Falling interest rates increased the already negative market value of the interest rate hedges slightly, while the currency hedges were almost unchanged compared to the previous year.

**Timber**

| Amounts in NOK million | 2016 | 2015 |
|---|---:|---:|
| Operating revenue | 3,020.6 | 3,010.1 |
| EBITDA | 181.1 | 145.1 |
| Depreciation and impairment | 127.6 | 169.0 |
| Operating profit | 53.5 | -23.9 |
| Profit before tax | 40.4 | -32.9 |

The activity levels in the Timber division's main markets were satisfactory in 2016, and followed the normal seasonal variations through the year. Demand for the division's products was good as well. Adjusted for Moelven Nössemark Trä AB as of 31 December 2015 no longer being a part of the Group, delivery volumes in 2016 were somewhat higher than for the previous year. Average prices for finished goods, without corrections for market mix, were slightly higher overall in 2016 than the year before.
Most of the exports take place from the division's Swedish units, and the bulk is settled in EUR. For 2016 as a whole, EUR has been marginally stronger against SEK than in 2015. At the same time the GBP, which is the Group's second largest export currency, weakened significantly following the BREXIT referendum. However, currency hedges and increased prices measured in GBP contributed to limit the negative effect on margins.
Access to raw material was good in the first half of 2016, while in the second half of the year, access to spruce in Norway varied. The situation improved towards the end of the year. At year end sawlog inventories were at levels that provide a satisfactory basis for the planned production levels for the winter. In 2016 price levels for sawlogs have overall been somewhat higher than in the

previous year in Norway, and somewhat lower in Sweden. Sales of chip and fibre products were good throughout the year, at prices on a par with or somewhat over 2015.
Due to price developments, the profits for 2016 have been charged with a price adjustment to inventories totalling NOK 1.6 million The corresponding price adjustment in 2015 comprised NOK -23.0 million.
The profits for 2016 have been charged with an impairment loss of NOK 16.5 million as a consequence of the restructuring and change of concept at Moelven Tom Heurlin AB prior to transfer to the Wood division as of the first quarter of 2017.
The operating profit for 2015 has been charged with write-downs and losses on sales of fixed assets totalling NOK 54.1 million related to the sale of the operations at Moelven Nössemark Trä AB. Further, the conversion of the remaining defined-benefit pension schemes in Norway to defined-contribution pension schemes provided a positive non-recurring effect on the operating result of NOK 2.1 million in 2015.
In 2016 several units have improved efficiency as a result of the ongoing improvement work. There are nevertheless units remaining with unsatisfactory results, and improvement work will continue unabated in order to bring all units up to targeted profitability levels.

**Wood**

| Amounts in NOK million | 2016 | 2015 |
|---|---|---|
| Operating revenue | 3,529.9 | 3,275.7 |
| EBITDA | 274.4 | 237.4 |
| Depreciation and impairment | 113.8 | 113.7 |
| Operating profit | 160.6 | 123.7 |
| Profit before tax | 136.3 | 96.6 |

The Wood division sells most of its products on the building materials market in Scandinavia. Demand in 2016 was, with the exception of south-west Norway, satisfactory. The increase in revenues compared to the previous year was mainly due to increased volumes in Norway and Sweden. Price levels for the division as a whole increased slightly compared to the previous year.
Sales of custom products such as surface-treated or cut-to-length products are on the increase. Commissioning and building of new homes is at a high level in both countries. In Sweden however, activity in the renovation, conversion and extension market has dropped slightly following changes to the tax rules concerning deductions.
The result for 2016 is to a certain extent characterized by lower than optimal production at some units after starting up following new investments. In addition there are still units that are not delivering satisfactory earnings. Improvement efforts to bring these to targeted profitability levels continue with high priority.
On 21 November 2016 Moelven acquired the business and assets of DLH Sverige AB. The takeover went according to plan, and yielded positive results in the board segment before the end of the year.
The planing mills in the Wood division use sawn timber as a raw material, and the raw material costs for these units thus follow the same trends as the finished product prices for the sawmills in the Timber division. Compared to the previous year, raw material costs for these units have increased slightly. Access to saw timber for the division's timber consuming operations was satisfactory in the first half of 2016, while in the second half of the year, access to spruce in Norway varied. The situation improved towards the end of the year. At year end sawlog inventories were at levels that provide a satisfactory basis for the planned production levels for the winter. In 2016 price levels for sawlogs have overall been somewhat higher than in the previous year in Norway, and somewhat lower in Sweden. Sales of chip and fibre products were good throughout the year, at prices on a par with or somewhat over 2015.
Due to price developments, the profits for 2016 have been credited with a price adjustment to inventories totalling NOK 10.6 million The corresponding price adjustment in 2015 comprised NOK -22.6 million.
The conversion of the remaining defined-benefit pension schemes in Norway to defined-contribution pension schemes provided a positive non-recurring effect on the operating result of NOK 4.6 million in 2015.

**Building systems**

| Amounts in NOK million | 2016 | 2015 |
|---|---|---|
| Operating revenue | 3,616.8 | 3,375.2 |
| EBITDA | 166.4 | 185.2 |
| Depreciation and impairment | 51.3 | 44.4 |
| Operating profit | 115.1 | 140.8 |
| Profit before tax | 113.4 | 140.7 |

The increase in revenues compared to 2015 is due to greater activity in Building Modules in Sweden and the acquisition of Moelven Byggmodul Hjellum AS in the fourth quarter of 2015. The order backlog for the division as a whole is still good and diverse. At year

end the combined order backlog was NOK 68 million lower than the previous year. The order backlog for the electrical installations business that was transferred to Other business in the second quarter of 2016 comprised NOK 85 million at the end of 2015. Following a review of the overall project portfolio, it has been revealed that the valuation of project revenues in the fourth quarter report was too high. Based on a careful assessment of the portfolio, an impairment totalling NOK 40 million has been implemented in the annual accounts.
The conversion of the remaining defined-benefit pension schemes in Norway to defined-contribution pension schemes provided a positive non-recurring effect on the operating result of NOK 17.2 million in 2015. In 2015 there was also a disparagement of the project portfolio comprising individual projects with a contract value above NOK 30 million. The disparagement resulted in a charge to the result of NOK 40 million for the year as a whole.

Market activity and demand for glulam in Sweden was good in 2016. Overall, both the production and application of glulam in Sweden reached record levels. Prices were nevertheless under pressure as a result of several players directing their volumes at the home market rather than export markets. For Moelven Töreboda AB internal improvement work and increased volumes resulted in more efficient utilization of the factory, and the result improved significantly compared to 2015. The glulam activities in Norway also saw good demand for their products. However, increased costs for certain inputs led to a decline in earnings. Overall, glulam operations delivered a result in 2016 that was better than the year before.

The Interior System business saw a lower level of activity in Norway compared to the previous year, mainly due to market developments in south and western Norway. Reduced demand has also led to strong pressure on prices. Staffing on the Norwegian side has therefore been reduced and adjusted in accordance with the current market situation. For the Swedish part of the business the market situation was very good throughout 2016, particularly in and around the major cities of Stockholm, Gothenburg and Malmö, both within new building and renovation, conversion and extension. Overall, the Interior System business had a significant drop in earnings compared to the year before, but capacity adjustments contribute to maintain positive results and cash flow.

The Modular Buildings business in Sweden had excellent demand in all market segments throughout the year, and increased its level of activity significantly in 2016. As a result of this, 133 previously hired staff were given permanent positions in the course of the year. Price developments have been positive, but the economic boom has also led to increased costs. Efficiency-enhancing measures are therefore assigned high priority. During 2016 two significant investment projects have been implemented. At the plant in Kil, where building and construction modules are produced, conversion is taking place that will increase capacity by 15 per cent. At the plant in Säffle, where modules for residential and renting purposes are produced, a development project is ongoing with a cost framework of SEK 72 million that is to be completed in the course of the second quarter of 2017. The investment, which involves significant robotisation, will, in addition to increasing the overall capacity at the factory by 50 per cent, also provide more rational production solutions and improved HSE conditions.
In Norway there has also been good demand for modules in the housing segment. Towards the end of the year demand also improved in other market segments, but the situation at year end remains unsatisfactory for accommodation rigs. This market is to a certain extent characterized by a surplus of used rigs in the market. Due to the high demand in Sweden, available capacity at the plants in Norway has been used to produce modules for the Swedish market.

In the second quarter 2016, Moelven Elektro AS acquired assets and project portfolio related to maintenance contracts, and small and medium-sized projects, from the other electrical installations business in the Group. The company, which belonged to the *"Other businesses"* reporting area, was sold to Bravida Norway AS 1 December 2016. At the time of the sale Moelven Elektro AS had a total of 162 employees.

The remaining electrical installations operations in the Building Systems division, Moelven Elprosjekt AS, has focused on completing projects. At year end all projects were completed on site, but clarification on the final settlement for certain projects remains.

**Other businesses**

| Amounts in NOK million | 2016 | 2015 |
|---|---|---|
| Operating revenue | 3,388.9 | 3,003.8 |
| EBITDA | -20.3 | -13.9 |
| Depreciation and impairment | 13.9 | 12.0 |
| Operating profit | -34.2 | -25.9 |
| Profit before tax | -37.6 | -45.9 |

Apart from this reorganization and subsequent sale of operations, fluctuations in operating revenues within the area of Other businesses are largely due to fluctuations in the level of activity within timber supply and sales of chips and energy products. The main activity is internal sales, which do not materially affect the results within the business area. In order to safeguard the supply of timber and market opportunities for wood chip and energy products in regions without local demand for pulp wood and wood chips, train solutions have been established for the transport of these. The business is based on fixed agreements on both the customer and supplier sides.

The result for 2015 includes a positive net result of NOK 8.0 million from negative goodwill related to acquisitions. In addition there is a positive non-recurring effect of NOK 3.5 million from converting the remaining defined-benefit pension schemes in Norway to defined contribution pension schemes.

## Investments, balance sheet and financing

During 2016, total investments were NOK 275.2 million (NOK 215.8 million). Investment projects of a strategic nature have been initiated to a greater degree than previously. In order to realize the improvement of the Group's profitability described in the strategy plan, the share of strategic investments will increase further in 2017. Depreciation in 2016 was NOK 290.1 million (291.2). In addition impairments of fixed assets of NOK 16.5 mill (47.9) were implemented. Impairment in 2016 is related to the restructuring of Moelven Tom Heurlin AB, while in 2015 it concerned Moelven Nössemark Trä AB. At the end of the year, the book value of the Group's total assets was NOK 4,766.8 million (NOK 4,778.1 million).

Cash flow from operating activities was NOK 421.5 million (584.6). Improved underlying profitability has in isolation resulted in improved cash flow, but variations in working capital entailed that total cash flow from operational activities was weakened. Cash flow from working capital items was NOK -179.1 mill (-100.7). The change is due to normal fluctuations in inventory, accounts receivable and other short-term debt. Net interest-bearing liabilities were NOK 1,026.9 million (NOK 1,110.4 million) at the end of the year. Financial leases are included in net interest-bearing liabilities, amounting to NOK 22.3 million (NOK 31.5 million). Cash reserves including short-term credit facilities was NOK 874.7 million (631.0). In mid-June an agreement was signed for a new short-term loan facility to replace the facilities with maturity in September 2016 and June 2017 respectively. The new agreement ensures that the Group has satisfactory financial flexibility up to June 2019. Current requirements to equity ratio were maintained in the new agreement, while the requirement towards maximum gearing has been increased somewhat. The levels for the default clauses are within both historic and targeted levels for the relevant key figures.
In the same manner as for the former financing, the available credit facility in accordance with the new agreement will be regulated in keeping with the natural fluctuations in the Group's tied-up capital through the year.

Equity at the end of the year amounted to NOK 1,813.4 million (NOK 1,756.9 million), equivalent to NOK 13.95 (NOK 13.48) per share.

The decision to disburse a dividend for 2015 totalling NOK 58.3 million was made, and was carried out in the third quarter of 2016. At the end of the year the equity ratio was 38.0 per cent (36.8 per cent). Parts of the Group's equity are linked to ownership interests in foreign subsidiaries, principally in Sweden, and are thereby exposed to exchange rate fluctuations. The extent and consequences of likely variations in exchange rates are within acceptable risk limits. For the full year currency fluctuations have resulted in a change in equity of NOK -67.4 million (61.3 million). Approximately half of the Group's assets are recognized 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 the nominal equity.

## Risk

The Group's profits and balance sheet are affected by several external factors that can be influenced by Moelven to a greater or lesser extent.
For some of the risk areas that affect the Group, there are functioning financial markets where the risk of fluctuations can be reduced. This applies, for example, to interest rates, exchange rates and electricity. The Group's financial policy is that it is the industrial activities rather than financial transactions that shall create the conditions necessary for profitability. The main aim of the guidelines for the use of financial instruments is to reduce fluctuations and create more predictability. In other areas, such as raw materials, finished goods and projects, other methods of hedging risk must be used. As far as possible, fixed price contracts or index linking of contracts is used, for example. The Group's composition of units directed at different primary markets also has the effect of reducing risk. The primary markets are seldom affected by economic fluctuations at the same time, while the cost side can still benefit from economies of scale.

### Prices of finished goods

The units of the Moelven Group operate in markets with free competition and many players. The creation of prices therefore occurs freely in the marketplace, and assuming unchanged volumes a change in process will affect the group as shown on the sensitivity table.

### Sawlog prices

The Moelven Group's units annually use around 4-3 million cubic metres sawn spruce and pine in production. The total value is approximately NOK 2,500 million, including transport costs. Spruce and pine account for approximately equal portions of the round timber. Moelven does not own any forest, but buys all its timber from external suppliers. These suppliers are in turn dependent on functioning markets within an acceptable transport distance, as well as satisfactory price levels for both sawlogs and pulpwood. The cost of sawlogs is by far the biggest single cost for the Group, and changes in timber prices have an immediate and substantial impact on margins. This involves both a price risk and a volume risk. The Group therefore focuses on entering into price agreements that as far as possible correlate timber prices with expected changes in the price of finished goods.

### Prices of chips and biomass

The price of cellulose chips and biomass, which come from saw and planing production in Timber and Wood, is of great significance for the Group's revenues. Even though work is constantly going on to improve the utilisation of raw material, only about half of each log becomes industrial timber after passing through a sawmill. The remaining half is cellulose chipping and sawdust, in addition to various dry fractions. Part of these products are used for our own energy production, while the rest is sold to the particle board, bioenergy and paper industries. Since a change in the profit margin for these products has a direct influence on the Group's results, the distance to the customers and access to efficient logistics solutions for road and rail transport are of great importance.

### Electricity prices

The price of electric power is another important factor that affects the Group's profitability. Through the Group's electricity suppliers an annual 210 GWh of electricity is purchased on Nasdaq OMX Commodities.
According to the Group's finance policy, the need for electric power shall be secured against price fluctuations so as to ensure stability and predictability. The anticipated power requirement is hedged within stated maximum and minimum levels by trading futures on Nasdaq OMX with a 5 year maximum horizon.

### Interest rate risk

The Group's net interest-bearing debt is subject to interest rate risk. The main portion of the debt is in SEK, which is why interest rates in Sweden are most important for the development of the Group's interest expense. The Group companies will be financed with loans from the parent company. All external borrowing is done by the parent company, which also makes hedging in accordance with financial policy. The hedging instruments that can be used are ordinary interest rate swaps, FRAs and composite swaps of types that are normally used for such purposes. The extent of hedging is measured in terms of the combined duration of outstanding debt and hedging arrangements. The combined duration shall be between 12 and 60 months. No interest rate hedging agreements shall be entered into over more than 10 years.

### Exchange rate risk

About 15 per cent of the Group's operating revenues come from markets outside Scandinavia and carry exchange rate risks. Additionally, there is significant internal and external trade within the Group with both raw materials and finished products between Sweden and Norway. The most important currency crosses are EUR/SEK, GBP/SEK, SEK/NOK and EUR/NOK. Moelven uses forward contracts to counteract large cash flow fluctuations as a result of variations in exchange rates. Because of the hedging strategy that has been chosen, changes must be long-term so as to have the full effect on the Group's profitability, and during the hedging period operational adaptations may be made to compensate for the external changes. During the hedging period, operational adaptations may be made to compensate for the external changes. About half of the Group's total balance sheet is connected to activities in Sweden. The balance sheet figures will therefore be affected by the prevailing exchange rate between the Swedish and Norwegian kroner. The equity is partially hedged against this by financing the share investments in most of the Group's Swedish subsidiaries in Swedish krona. At the end of 2016, the total equity that is exposed to exchange rate risk amounted to SEK 804.9 million (SEK 701.0 million).

### Credit risk

It is the Group's policy that credit sales over a certain size shall be secured in the form of either guarantees or credit insurance. In practice, credit insurance is used most. There are internal guidelines and follow-up routines for unsecured sales, which only occur when no other security is possible.

### Liquidity risk

The Group's foreign capital financing consists of the long-term credit facility with a total ceiling of NOK 850 million and SEK 750 million. Maturity is in June 2019, but with an option to extend by a year at a time up to 2021.
The loan agreement includes normal default clauses with regard to dividends, equity, net equity value and debt ratio. As at 31 December 2016, the Group's key figures were better than the levels at which the default clauses are triggered. In addition to the long-term credit facilities, the Group also has available credit in its banking systems, amounting altogether to about NOK 312 million, which is renewed annually.

### Risk of damage and interruption to production

The Group has a policy for industrial insurance that is centrally managed and which is followed by all companies. This policy gives guidelines for insurance cover, preventive measures, risk review and preparation of continuity plans. The continuity plans become key plans if a fire/damage should occur. The plans cover immediate efforts, disaster management and the ability to continue deliveries to customers. Through its industrial insurance, the Group is covered for financial loss exceeding NOK 3 million per individual claim.

**Risk of loss of reputation**

Moelven places great emphasis on maintaining a good reputation. This is measured regularly using a brand survey that is conducted by external partners. There is financial risk linked to any loss of Moelven's reputation. The reputation risk is not quantified. Openness is what characterises the way the Group relates outwardly to society and the media and inwardly to employees of the Group. This applies whether it concerns positive or negative circumstances for Moelven, in line with Moelven's brand platform.

**Risk of loss of environmental costs**

The activities of the Moelven Group follow the prevailing legislation and regulations with regard to emissions and waste management. The Group has made provisions in the accounts for all known obligations in connection with environmental protection. The purpose of the Group's environmental policies is to minimize the risk of negative impact on the natural environment and thus the potential environmental cost as well.

**Sensitivity analysis**

**Estimated change in operating Profit and profit per share for one per cent change in price**

| Factor | Operating profit NOK million 1% change +/- | Division | Nok per share: |
|---|---|---|---|
| Saw log price - spruce and pine | 25 | Timber/Wood (30%) | 0.19 |
| Price of sawn timber, spruce | 11 | Timber/Wood (10%) | 0.08 |
| Price of sawn timber, pine | 10 | Timber/Wood (10%) | 0.08 |
| Price for chips, pulp/paper | 5 | Timber/Wood (25%) | 0.04 |
| Price of planed wood in Scandinavia | 18 | Wood | 0.14 |
| Price of std. Dimensions laminated timber | 2 | Building Systems | 0.02 |
| Currency, interest rate and commodity price risks of electricity are shown in Note 5 to the financial statements | | | |

## Employees, health, safety and the environment

For a detailed description of the HSE area, please refer to the Board's explanation of principles and practice concerning social responsibility pursuant to the Accounting Act Section 3-3c.

## Effect on the external environment

For a detailed description of how the Group's activities impact the external environment, please refer to the Board's explanation of principles and practice concerning social responsibility pursuant to the Accounting Act Section 3-3c.

## Innovation

Moelven's innovation focus is to engage in development and innovation linked to a specific application of a product or in a production process. Responsibility for is with corporate management. The innovation processes take place mainly within each business area, where the greatest competence exists. Where there are larger parts of Moelven that drive and benefit from an area of innovation, this takes place in joint projects. The Group must facilitate innovation and provide resources, support and coordination. Research and development at Moelven takes place primarily at the project level, linked to commercial operations.

On 13 February key players in the forestry-industry-building value chain signed an agreement where the objective is to develop the In-land region into an international powerhouse for industrial construction with wood. The new cluster is called Norwegian Wood Cluster . The cluster comprises Hunton Fiber AS, Forestia AS, Boligpartner AS, Moelven Industrier ASA, Gausdal Bruvoll SA, Mjøsen Skog SA, Glommen Skog SA, Statskog SF and NTNU (Norwegian University of Science and Technology). The players have identified key focus areas for cooperation. The first is to increase the degree of industrialization in the entire value chain, the second is to increase capacity for innovation, and the third is to improve expertise. The cluster will also focus on building the reputation of an industry that is traditional – but which is undergoing rapid developments.

**Product innovation**

For the Modular Buildings companies, the development of cost-effective concepts adapted to the market for modular buildings of several storeys has been a prerequisite for the operations as they are today. The functional and aesthetic aspects change continuously in accordance with the technological developments and market trends. In order to maintain the market position in current markets and develop further in other segments, focus on innovation and developing new solutions in essential. The newly-developed housing concept in Norway with accompanying specialization of the processes is a good example of this.

The Interior System companies are aimed at a market where trends move rapidly. Product development and innovation are therefore a high priority and a continuous process. Glulam operations have for several years been at the forefront in the development of new products and technical solutions, and have completed several major innovation projects in recent years, both alone and in cooperation with customers. The development of the hub technology forms the basis for glulam bridges and halls with large spans, as well as buildings with multiple storeys. Examples of the latter are the 14-storey “Treet” in Bergen and the planned “Mjøstårnet” in Brumunddal which will be 18 storeys.

*«Mjøstårnet» - The world's tallest wood building, scheduled for completion in 2019. Moelven Limtre AS will supply and assemble all wood structures in the period from September 2017 to April 2018.*
*Illustration: Voll Arkitekter*

At Moelven Wood product development is of great importance in order for the choice of products to both follow the shifting market trends and satisfy requirements toward quality and functionality.
The goal is to offer customers the market's best, most diverse and most modern product range in wood. Innovation work is divided into two main directions. One aims to develop modern products that contribute towards inspiration and new trends at the end-user. The other main direction aims to simplify work with the products at the building site. Examples of such solutions are preprocessed internal panels with concealed nails, various floor solutions, sheet products with reduced widths to ease handling, ready cut lengths, etc.

### Process innovation

For the project part of the glulam business, the use of new technology to process individual elements in the load-bearing structures is a precondition to provide complex, high-quality systems. For the part of glulam that is directed at the building products trade and for the processing units at Wood, the logistics systems are of great significance for reducing the cost and environmental effects of transport and for ensuring the customers' access to a wide range of products with short delivery times. Work on optimising the logistics systems is therefore continuous.
For the sawlog-consuming units in Timber and Wood, it is primarily the optimisation of the production processes that is of key importance. The objective is to safeguard the values inherent in the raw material. The use of X-ray photography, camera sorting and mechanical strength sorting are tools that contribute to this. The use of modern information technology also provides new opportunities in the timber processing industry. In 2016 an investment project was started at Moelven Valåsen AB, where digitization is a key area. On the IT side the main goal is to contribute to optimizing value added at the plant by linking information flows and establishing an IT infrastructure that is capable of handling “Big Data”. The project is one of eight innovation projects in Swedish industry that has been granted subsidies from state-owned Vinnova following “The smart digital factory” announcement.

For the Module and Interior operations, the development and refinement of technical solutions for production, connection of technical installations and assembly at the building site have been important to operate profitable industrial production of module-based building solutions, as well as to exploit the competitive advantage inherent in fast completion at the building site.

In connection with the conversion of Moelven Byggmodul AB's production facility in Säffle, new and improved production equipment was developed in cooperation with local suppliers. Besides capacity and efficiency improvements, the utilization of robot technology has enabled major improvements in HSE and logistics. The project will be completed in the second quarter of 2017. After completion, the facility will be used as a template for future similar investment projects at other facilities.

*Automated production line for wall elements at Moelven Byggmodul AB i Säffle. The use of robots also yields safety improvements through a reduced risk of injuries and a better indoor climate through more powerful extraction and humidification.*
*Photo: Lars Hartman*

## Corporate governance

Corporate governance at the Moelven Group is based on the current Norwegian recommendation for corporate governance of October 2014. The Board's report on the Group's policies and practice for corporate governance in accordance with section 3-3b of the Norwegian Accounting Act has been incorporated into the report on corporate governance. For further information about the Board and senior executives, refer to note 28.

## Allocation of the net profit for the year

The Board of Directors' dividend policy is based on Moelven's shareholders receiving a predictable and satisfactory cash return on their share investment. The policy provides guidelines for how much of the profit, or of distributable equity in years with a loss, shall be distributed as a dividend. The Group's net profit for 2016 was NOK 179.1 million (117.0). The equity ratio was 38.0 per cent (36.8 per cent). The Group has adequate equity to disburse a dividend in accordance with the applicable dividend policy. Based on the results for 2016 and taking into account the normal seasonal variations in the Group's employed capital and equity ratio, the Board proposes a dividend of NOK 0.48 per share to the annual general meeting. This totals NOK 62,179,816.
The parent company Moelven Industrier ASA, which distributes a dividend for the Group, had a net profit of NOK 35.5 million for the year in 2016 after the receipt of group contributions and share dividends from subsidiaries. It is proposed that provisions for dividends that are not covered by the annual profit are covered by a transfer from other equity. The company has sufficient distributable equity and liquidity for the distribution of the dividend at the adjusted time for the decision on dividends.

## Events after the balance sheet date

No events have occurred after the balance sheet date that affects the accounts that have been presented.

## Going concern assumption

In accordance with the requirements in the Norwegian accounting legislation, the Board of Directors confirms that the prerequisites have been met for preparation of the accounts under the assumption that the Company will continue as a going concern and that the annual accounts have been prepared under this assumption.

## Outlook

In Norway the mainland economy is showing signs of growth, and the decline in activity in the petroleum sector has slowed. In Sweden expectations toward activity have been turned down a notch following a period with very high activity. The rest of Europe continues with a marginal positive growth rate. In USA the economy is still on the mend. Growth in China continues to slightly drop, while there are indications of higher activity in the rest of Asia. The Middle East and North Africa are still characterized by unrest and regulations from public authorities that complicate international trade. However, the underlying demand is good in the latter markets.

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

The currency situation continues to contribute to maintain competitive ability in export markets, particularly for the Group's Swedish businesses where trading is in EUR or USD. Swedish units have also achieved a significantly stronger competitive position in the Norwegian market. Hedges in GBP that were made at exchange rate levels before the Brexit referendum have now been realized, but price in GBP have increased and thus compensate for parts of the margin shortfall as a result of currency fluctuations.

In Norway demand for processed products is expected to remain on a par with the previous year, albeit with regional differences. Building activity in and around the major cities, with the exception of south-west Norway, is expected to remain high. In Sweden the need for new homes remains high and activity in the new building market is strong. The renovation, conversion and extension market is also experiencing good levels of activity, although the changes in the renovation, conversion and extension deduction have slowed activities somewhat. No major changes are expected in the markets, and the Swedish market is expected to be at the same level as 2016 overall. Sawlog inventories and access to sawlogs at the start 2017 are satisfactory with regard to planned production.

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

In both Norway and Sweden demand is good for module-based buildings for housing purposes. Demands toward short construction times are increasing. This applies equally to homes, schools and care facilities.

The market for Interior Systems is strong in Sweden, primarily in the Stockholm, Gothenburg and Malmø areas. After a period of decline in the Norwegian new build market there are signs of improvement, but pressure on prices remains high. Good activity is expected to continue in Norway and Sweden in renovation, conversion and extension.

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

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

Moelv 09 March 2017
The Board of Directors of Moelven Industrier ASA

| | | |
|---|---|---|
| Olav Fjell<br>Chairman of the Board | Mari Wilhelmsen | Elisabeth Krokeide |
| Trond Stangeby<br>Deputy chair | Asbjørn Bjørnstad | Martin Fauchald |
| Lars Håkan Karlsson | | Morten Kristiansen<br>CEO |

## Corporate governance

Corporate governance at the Moelven Group is based on the current Norwegian recommendation for corporate governance of October 2014. The recommendation is available in its entirety at www.nues.no

The list below gives references to where the points required by section 3-3b of the Norwegian Accounting Act may be found.

| Requirements in accordance with section 3-3b of the Norwegian Accounting Act | Reference to Report on corporate governance at Moelven 1: |
|---|---|
| 1: A statement of the recommendation and regulations on corporate governance that the company is comprised of or otherwise chooses to follow. | Introduction to the report<br>Point 1. Report on corporate governance |
| 2: Information about where the recommendations and regulations mentioned in No. 1 are publicly available. | Point 1 Report on corporate governance: |
| 3: Reasons for any deviations from the recommendations and regulations mentioned in No. 1. | There are two deviations from the recommendations. These are described in Points 7 and 9. |
| 4: A description of the main elements in the company's, and for accountants who prepare consolidated accounts also the group's, systems for internal control and risk management connected to the accounts reporting process. | Point 10 Risk management and internal control |
| 5: Clauses in the articles of association that wholly or partly extend or deviate from the provisions of chapter 5 of the Public Limited Company Act. | No such clauses exist. The articles of association are published on www.moelven.no and are also included in the notice of the annual general meeting as an attachment. |
| 6: Composition of the board, Corporate Assembly, supervisory council and audit committee, any working groups for these bodies, as well as a description of the main elements of prevailing instructions and guidelines for the work of these bodies and any working groups. | Point 8 Corporate Assembly and board, composition and impartiality.<br><br>Point 9 The work of the board |
| 7: Clauses that regulate the appointment and replacement of board members. | Point 8 Corporate Assembly and board, composition and impartiality. |
| 8: Clauses and authorities that enable the board to decide that the company shall buy back or issue own shares or capital certificates. | Point 3 Share capital and dividends |

**1. Report on corporate governance**

In accordance with the Public Limited Company Act it is the board of the company that is responsible for ensuring the proper organisation of the business and administration of the company. Moelven has a number of independent legal entities that are organised as limited companies in several countries. In accordance with company law in the respective companies, the boards of these companies have a corresponding responsibility for the individual entity as the board of directors has for the parent company and the group as a whole. The groups activities are based on Scandinavian values.  The basic values sustainability, reliability and using the opportunities that arise have become over time a natural part of the company culture. They also form the basis for the company's guidelines on social responsibility, ethics, anti-corruption, HSE, employment conditions etc. A complete summary of the guidelines adopted by the board is given in point 10.

**2. Business activities**

In accordance with the company's articles of association, the company's purpose is fabrication and activities that are associated with this, trade and other financial activities, as well as participation in other companies by means of share subscription and other means. The board emphasises long-term, sustainable development and lays down in the group's strategic plan that the main focus in future shall be the improvement and further development of existing activities. The group has passed the critical size that is necessary to assert itself in competition. Quality shall be prioritised ahead of size and is an essential basis for both profitability and further growth. Both solidity and financing are satisfactory and give the necessary room for manoeuvre. The company's activities, objectives and main strategies are described in detail in the board's annual report.

### 3. Share capital and dividends

At the end of 2016, equity in the parent company Moelven Industrier ASA was NOK 778.6 million (NOK 864.5 million). For the group as a whole, equity was NOK 1,813.4 million (NOK 1,756.9 million). The equity ratio was 38.0 per cent (36.8 per cent). The board's objective is a minimum of 40 per cent, a level that in the opinion of the board is appropriate in light of the economic fluctuations that have been seen in recent years. The board has adopted a dividend policy that is in line with the provisions of the shareholders' agreement between the company's six largest owners, who together represent 99.6 per cent of all shares. Given that considerations of the company's financial position and other sources of capital are satisfactorily safeguarded, the main rule of dividend policy is a cash dividend corresponding to 50 per cent of profit after tax, although a minimum of NOK 0.40 per share. The board is not authorised to perform capital increases or buy own shares.

On 26 April 2016 the general meeting decided to delegate authority to disburse dividends to the Board. The Board's competence to disburse dividends was limited to NOK 58,294,072, assuming that the company had sufficient capital and liquidity at the time the dividend was to be approved by the Board. The authorization is valid until the next annual general meeting, but as the Board resolved to pay a dividend equivalent to the upper limit in August 2016, the authorization was used. The Board can therefore not resolve further distribution under this authorization. Based on the annual net profit for 2016 and having considered the normal seasonal variations in the Group's working capital needs and equity ratio, the board proposes to issue a dividend of NOK 0.48 per share, or NOK 62,179,816 in total. The parent company, Moelven Industrier ASA, which will distribute the dividend on behalf of the Group, posted annual net profit of NOK 35.5 million in 2016, including group contributions av dividends from subsidiaries.

### 4. Equal treatment of shareholders and transactions with related parties

The share capital of Moelven Industrier ASA consists of 129,542,384 shares with a face value of NOK 5. The company owns 1,100 of its own shares. The company is not listed on the stock exchange. In total, the shares are distributed among approximately 940 shareholders. The six largest shareholders, Glommen Skog SA (29.1 per cent), Eidsiva Vekst AS (23.8 per cent), Felleskjøpet Agri SA (15.8 per cent), Viken Skog SA (11.9 per cent), Mjøsen Skog SA (11.8 per cent) and AT Skog SA (7.3 per cent) together control 99.6 per cent. Most of the remaining 0.4 per cent is owned by private individuals. A number of shareholders' agreements have been entered into between the six largest shareholders. Among other things, these determine that the company must be run as an independent unit with a long-term perspective and with continued focus on Scandinavia as the main market. The agreements also contain clauses regarding the composition of the board, dividend policy, strategic focus areas and share transfer. 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. Of Moelven's total purchasing requirement of approximately four million $m^3$ measured under bark, approximately 40 per cent comes from the Norwegian forest owner cooperatives that are also shareholders. The Moelven group also supplies biofuel to a bioenergy plant owned by Eidsiva Energi AS. Eidsiva Energi Marked AS trades electric power to Moelven's Norwegian industrial operations. All these transactions are performed in areas where there are observable market prices and the arm's length principle is applied. Where other suppliers can offer better prices or terms, these will be chosen.

Moelven's supply of energy raw materials to Eidsiva's bioenergy plant represents between 60 and 70 GWh on an annual basis, while buying back energy represents between 20 and 30 GWh. Net delivery of energy raw materials is around 40 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 the laws and ethical guidelines of the industry with 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.

### 5. Free marketability

The articles of association do not place any form of limitation on trading in the company's shares. The shares may be freely traded to the extent that individual shareholders have not made undertakings to other shareholders. The shareholder's agreements contain clauses regarding first option and tag-along rights. Since the company is not listed and the six largest shareholders together own 99.6 per cent of the shares, there is little trading in shares.

### 6. Annual General Meeting

The notice of the general meeting, the content of the notification and accessibility of documentation follow the requirements set by the Public Limited Company Act and the regulations on general meetings. Facilitation is made for the general meeting to be able to vote for every single candidate to be elected by the shareholders to the Corporate Assembly. The employees of the group hold their own election of employee representatives on the Corporate Assembly. The chairman of the board, the chairman of the Corporate Assembly and the auditor attend the general meeting. Traditionally, the chairman of the Corporate Assembly has been elected to chair the general meeting. The procedures for attending and voting by proxy are described in the notification. Since 99.6 per cent of the shares are controlled by the six largest shareholders, there has not be a need to prepare guidelines to ensure an independent chair of the annual general meeting or to appoint a person who can vote for the shareholders as a proxy.

**7. Nominating committee and compensation committee**

The annual general meeting annually elects a nominating committee consisting of four representatives of the shareholders and adopts guidelines for the nominating committee's work. The annual general meeting has adopted guidelines for the nomination committee that regulate the committee's composition and period of service. The members of the nominating committee must be independent of the company's board and senior executives. The nominating committee keeps the corporate assembly informed of its work on a regular basis. It is thereby considered that sufficient facilitation is in place to allow shareholders to propose candidates to the nominating committee.

The nominating committee submits the following proposals:

- Proposal to the annual general meeting regarding the election of shareholder-elected members and deputy members to the Corporate Assembly and remuneration to the members and deputy members of the Corporate Assembly.
- Proposal to the Corporate Assembly regarding the election of the chairman and deputy of the Corporate Assembly.
  to the Corporate Assembly regarding the election of the chairman and deputy of the Board of Directors.
- Proposal to shareholder-elected members of the Corporate Assembly regarding election of shareholder-elected members and deputy members to the Board of Directors.

The proposals must include information about the candidates' expertise, capacity and impartiality. The guidelines for the nominating committee specify that the governing bodies must be composed based on an overall assessment of the company's need for expertise, capacity and balanced decisions that safeguard the interests of shareholders.

The remuneration committee consists of the nominating committee, complemented by a representative designated by the employee-elected members of the Corporate Assembly. The remuneration committee submits a proposal to the annual general meeting on determining remuneration for the members of the Corporate Assembly and to the Corporate Assembly on determining remuneration for the Board of Directors. Remuneration to the Board and Corporate Assembly shall not be performance-based.

**8. Corporate Assembly and board, composition and impartiality.**

The Corporate Assembly has 12 members, four of whom are elected among and by the employees. The company's six largest shareholders, who together control 99.6 per cent of the shares, are all represented in the Corporate Assembly. The members of the board of Moelven Industrier ASA are elected by the Corporate Assembly, normally for 1 year at a time. Three Corporate Assembly meetings are held annually. The board has seven members, five of them shareholder-elected and two representatives of the employees. The employees also elect one deputy representative, who attends board meetings. The chair and deputy chair of the board are independent of the company's main shareholders and are appointed by the Corporate Assembly. One of the other three shareholder-elected board members is connected with the company's main shareholders. The shareholder's agreements include provisions relating to the election of the chair and shareholder-elected board members. The representatives of the employees are independent of the company's general management. No senior executives are members of the board. Two of the five shareholder-elected board members are women. The proportion of female employees in the group is 10.8 per cent (11.0). The rules on gender representation do not therefore apply to the employees' representatives. The composition of the board thereby satisfies the requirements regarding gender representation on the board. Apart from the employees' representatives on the board, only one board member receives remuneration other than directors' fees from the company. This amounts to NOK 50,000 and relates to winding up an appointment in France. Contact information for the board members is published on the company's website. Through the guidelines for the work of the nominating committee, which are described under point 7, the main shareholders are assured good knowledge of the board members' background and general competence. With the existing ownership structure, therefore, no further information is given. From experience, non-attendance at board meetings is exceptional.

**9. The work of the board**

The board's administration of the company follows the provisions of the Public Limited Company Act. Instructions have been determined for the board of Moelven Industrier ASA that give guidelines for the board's work. Every meeting reviews the monthly reporting of operational developments, financial data and HSE statistics for the group. There is also the following schedule of work for every calendar year:

- January: Report for fourth quarter of preceding year. Review and evaluation of group guidelines and policies, including risk management and internal control.
- March: Annual accounts with notes and annual report for preceding year.
- April: Report for first quarter and preparation for ordinary general meeting.

- June: Status reporting and strategic discussions.
- August: Report for first six months.
- Recapitulation of strategic discussions with summary of ongoing strategic discussions throughout the year.
- October: Report for third quarter and strategy plan as finished document.
- December: Business plan and budget for the coming year.

The chair of the board is independent of the company's main shareholders. The board has not addressed issues of a material nature in which the chair is or has been a party. According to the rules of procedure, the board members must not participate in the consideration or decision of issues that are of particular importance to themselves or to any related parties that must be considered to have major personal or financial interest in the matter. The same applies to the CEO. By related parties it is also understood companies in which the board member represents ownership interests.
Self-evaluation of the work of the board is normally performed at the beginning of every year. The board uses committees as needed. Based on an assessment of risk conditions and the need for control, as well as ownership structure, it has been decided to deviate from the NUES recommendation and allow the complete board function as an audit committee. The board only determines remuneration for the President and CEO. Remuneration for the remainder of management is determined by the President and CEO in line with guidelines adopted by the board. There are no option programmes or share-based payments for senior executives. The task of the board in respect of compensation is therefore limited and no separate compensation committee has been set up in the board. In addition to board members, the CEO, CFO and board secretary normally also attend normal board meetings. Other representatives of the administration, the divisions or auditor attend as needed.
The board has determined instructions for the work of the CEO. Group management consists of the CEO and the managing director of each division. Group management and the directors of the group's shared services attend group management meetings. For more information about governing bodies and group management, refer to the notes to the annual accounts.

**10. Risk management and internal control**
All units within the group have individual, local profit responsibility and operate as independent parts of a coordinated network that is characterised by openness and cooperation. Risk management and internal control are tailored for the organisational model. The local company management and the boards of the individual companies follow up on risk management and internal control in accordance with prevailing laws and regulations. There are also control functions at divisional and group level, as well as in individual companies where the nature of the business leads to increased risk of faults, non-compliance or irregularities.
Because of the scope of activities, it has been decided to limit reporting to the board to a focus on group, divisions and competitive arenas, as well as selected key figures and non-compliance reporting by unit. In connection with annual strategy and budget activities, the board reviews the group's most important risk areas. If needed, and based on the annual risk assessment, the group's reporting and control routines are adapted so that identified risks can be satisfactorily covered. In addition to established internal rules and routines, the internal control is largely based on the internal control environment. This environment includes people at all levels of the company. It covers integrity, ethical values, competence, management philosophy, form of operation, organisational structure, distribution of responsibility and authority and personnel policy. The board and management place great emphasis on communicating the established basic position to risk management out in the organisation.
All units close their accounts monthly and report to the parent company on the third working day of the following month. Reporting occurs in accordance with standardised systems and common guidelines so as to ensure consistency and the greatest possible comparability right across all units. An important control measure that follows naturally from the management and organisational model is the monthly benchmark and consolidated data report from the group to the reporting units. The same monthly report that is sent to the board is also sent back to company management in each individual company. In this way, many are involved in control and follow-up of management and governing data. The reporting cycle supports the feeling of responsibility, not just for the results of one's own unit, but also for the divisions and group as a whole. The board considers that this reporting and control environment gives satisfactory control of the business.

The board has reviewed and approved the following general guidelines:

- Instructions to the board and general manager of Moelven Industrier ASA
- Moelven's financial policy
- Moelven's dividend policy
- Moelven's guidelines for compliance with competition law
- Moelven's insurance and risk strategy - general insurance
- Moelven's environmental policy
- Moelven's code of conduct

The Board is also informed of the group's other guidelines, which combined with the guidelines adopted by the Board, comprise the basis for the Group's code of conduct:

- Moelven's brand platform
- HSE manual
- Staff regulations
- Policy for an open company culture
- Policy on alcohol and drugs
- Data discipline instructions
- Policy for social media
- Brand and communication strategy
- Guidelines for transfer pricing between companies
- Dealing with internal irregularities

**11. Remuneration to the board**

Remuneration to the board is decided annually by the Corporate Assembly. The remuneration to board members is a fixed amount that is determined in advance and is independent of profits. No option or share based remuneration is used and neither are there any other incentive schemes.
For further information about directors' fees and any remuneration other than fees to board members, refer to the notes to the accounts.

**12. Remuneration to senior executives**

The board determines the CEO's salary. There are no option or share based payments. Principles and ceilings have been determined for profits-related payment within the group. Among other things, it has been determined that agreements of profits-related remuneration shall have a duration of a maximum of one year at a time and that such remuneration shall have an upper ceiling. The board's declaration on management salaries, including guidelines for determining remuneration to senior executives, is presented to the annual general meeting as a separate document. The annual general meeting adopts each of the guidelines separately. For further information about remuneration to group management, refer to the notes to the annual accounts.

**13. Information and communication**

The board determines the group's financial calendar annually; this is published in the annual report and on the company's website. The group's quarterly and annual reports are primarily published on the internet, but are also sent by post on request. The board has established a practice of organising annual owners' meetings so as to create an arena for the exchange of information and discussion between the owners. It has not been found necessary to establish guidelines for these.

**14. Company takeover**

The company is not listed and there is a shareholders' agreement between the six largest shareholders, who together own 99.6 per cent of the shares, that regulates the transfer of shares, among other things. No guidelines have therefore been prepared for the board in connection with any takeover bid.

**15. Auditor**

The auditor has annual meetings with the board without administration being present. The auditor also participates in board meetings when the annual accounts are discussed. The auditor also presents the audit plan, summaries following interim audits of the subsidiaries and central risk areas and the group's handling of these.
Remuneration to the auditor, expressed as statutory audit and other services, appears in a separate note to the annual accounts.

Moelv 09 March 2017
The Board of Directors of Moelven Industrier ASA

| | | |
|---|---|---|
| Olav Fjell<br>Chairman of the Board | Mari Wilhelmsen | Elisabeth Krokeide |
| Trond Stangeby<br>Deputy chair | Asbjørn Bjørnstad | Martin Fauchald |
| Lars Håkan Karlsson | | Morten Kristiansen<br>CEO |

## Social responsibility

Moelven defines social responsibility as the company's integration of social and environmental concerns in its day to day operations. The Moelven Group operates a wide range of undertakings in several countries and in many local communities. The Group companies are often cornerstone companies, which in addition to creating value for our owners, often create significant value for the local community – as employer, taxpayer and buyer of local goods and services. The Group therefore plays a responsible role in helping to create vigorous businesses, rural communities, towns and regions.

## Core values

Moelven's core values, which are the foremost management tool to coordinate activities, also provide guidelines for how the Group shall contribute towards positive social development:

*Sustainability*
Moelven has respect for both people and the environment. We base our activities on renewable resources and have turned sustainability and the long-term view into our competitive advantage. We have a strong desire to take responsibility for our environment.

*Reliable*
Moelven can be trusted. We deliver on time and with the right quality. There is strong focus on openness and honesty. Being able to admit to weaknesses and mistakes is the basis for progress and trust.

*Seeking opportunities*
Moelven seeks solutions. The Group has the ability and resources to be a leader in product development and creativity. We wish to always be a leading company and to make use of the opportunities we are given over time.

## Guidelines for employees of the Moelven Group

Moelven has drawn up several central guidelines that apply to all employees of the Group, to hired workers and to those who act on behalf of the Group, for example board members. All employees must be familiar with Moelven's guidelines and perform their tasks in compliance with these. Managers are responsible for communicating the guidelines and ensuring compliance with them, but individuals are also responsible for seeking out information and familiarizing themselves with the guidelines and statutes that apply to their area of work. As a supplement to Moelven's guidelines, special guidelines may be stipulated or special statutes may apply to certain parts of the operations. In addition there may be rules for professional conduct for some professions that relevant employees may have to abide by.
The Group's most important central guidelines and policy documents related to social responsibility are:

- Moelven's Code of Conduct
- HSE Handbook
- Environmental policy
- Insurance and risk strategy - general insurance
- Work regulations
- Policy for open corporate culture (including procedures for notifying of blameworthy conditions)
- Dealing with internal irregularities
- Policy on alcohol and drugs
- Data discipline instructions
- Policy for social media
- Legislation on competition in a Moelven context
- Guidelines for transfer pricing between companies

The documents are available in their entirety on Moelven's intranet.
Several of the guidelines are aimed at issues that should not occur, for example irregularities or breaches of competition law. In these cases the guidelines are also a description of procedures that must be followed when such incidents nevertheless arise. Senior executives have these guidelines as a part of their employment contract. From 2016 Moelven's Code of Conduct is integrated in the employment contract of all new employees. For existing employees, the Code of Conduct has been communicated in the organization. Apart from this, no specific control procedures have been implemented for such guidelines. For guidelines that are linked to areas where there are statutory requirements and regulations from public authorities, control of compliance is primarily by way of mandatory reporting to the authorities. One examples of such reporting is environmental reporting in connection with impregnation activities, waste handling, emissions, dust and noise. A final main category of guidelines is where the Group has separate targets and where reporting and control procedures have been established to monitor achievement of targets. One example of this is the HSE area.

In the following chapters the main areas concerning social responsibility and the Moelven Group's approach to these are described. Compliance with existing statutes and regulations must be a matter of course for everyone at Moelven, and in the description of measures for implementing social responsibility in day-to-day operations focus is therefore on measures related to social responsibility beyond what is statutory. Where relevant, excerpts from applicable Group policy on the area are included.

## Human resources, employee rights and social conditions

### Openness
Openness characterizes Moelven's corporate culture and is a part of the Group's identity. Openness creates a culture that ensures well though-out choices and good solutions for the business, our employees and the communities in which we operate.

### Human resources ideal
The Group's human resources ideal is to "Provide opportunities for people with the drive to succeed". This ideal establishes guidelines for the Group's objectives in terms of which persons are recruited, what expertise is demanded, what pay and working conditions are offered, how new employees are introduced, what development and career opportunities are offered and how downsizing is handled.

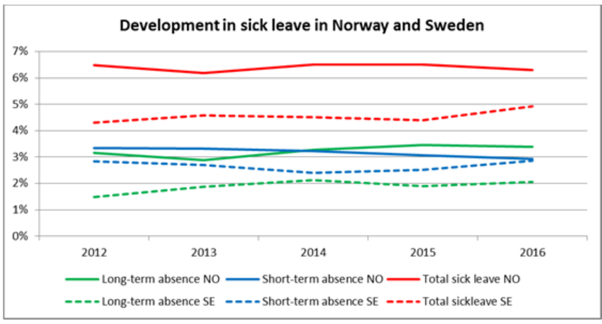
### Recruitment and personal development
Moelven acts strategically in both internal and external recruitment. Competent employees are vital to the Group's competitive ability and it is important for Moelven to emerge as an attractive employer.
Moelven focuses on long-term employment relationships and strives to offer its employees the opportunity to develop in their jobs. Motivated and competent employees are encouraged to take their personal development further, including through internal management programmes.

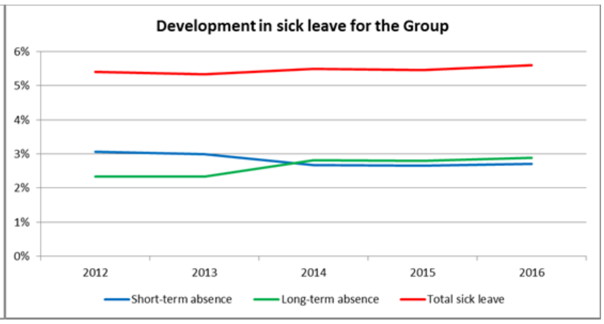
### Employee representation and committees
Moelven views trade unions as important partners, and there is therefore a stable and open dialogue between the company and the employee representatives.
Moelven has employee representatives on both the Group board, the parent company's corporate assembly and subsidiary company boards in compliance with national legislation and regulations related to employee participation and representation in governing bodies. Additionally, the master agreement and collective agreement between the employee and employer organizations in both Norway and Sweden regulate matters concerning information, cooperation and employee participation. The agreements support the parties' desire and requirement that employee participation through cooperation should give employees the opportunity to contribute with their experience and insights to establish financial conditions for the company's continued development, through secure and good employment relationships to the benefit of both the company and the employees. Beyond the master agreements, cooperation is regulated through collective agreements for the individual disciplines within the Group.
In accordance with the master agreement between LO and NHO, Moelven has established a group committee for employee representatives. Together with a corresponding committee for Swedish subsidiaries, “Samarbetskommittén,” this group constitutes a good partner in discussion with group and division management.
Pursuant to the Master Agreement between LO – NHO and the Swedish act relating to European Enterprise Committees, a European Working Committee has been established between the parties in Moelven, which holds scheduled meetings four times annually. The parties have entered into a separate agreement that regulates the framework for dialogue, regular information and consultation at the European level.
At the individual units in Moelven working environment committees and joint consultation committees/works councils have been established with a basis in legislation and agreements.
Cooperation with the employees and employee committees works well, and no special measures have been implemented to strengthen this in 2016.

### Working environment training
Moelven annually organizes its own courses in Better Working Environment (BAM). The courses provide basic training in handling health, safety and environment issues, and cover the requirements toward HSE training for both executives, safety representatives and members of working environment committees. Besides employees with mandatory requirements for such training, the course is open to anyone who works with and/or wants to know more about HSE work.

### Absence due to illness
The Group's long-term goal is absence due to illness of maximum 4 per cent for the entire Group. In 2016, overall absence due to illness remained stable, and was 5.6 per cent for the year as a whole. A high rate of absence due to illness is not compatible with Moelven's values. A reduction in and stabilisation of absence at a low level is thus a priority.

In the past year short-term absence has remained stable at the same level as the two previous years, but with some variations between Norway and Sweden. In Norway short-term absence has dropped, while in Sweden it has increased slightly. Long-term absence has been relatively stable in both countries.




Work to reduce absence due to illness is mainly related to three primary areas: close follow-up of the employee, including focus on and follow up of residual capacity for work, measures to promote well-being and health, as well as emphasis on HSE when investing in new production equipment. Follow-up of employees takes place in accordance with applicable rules in those countries in which the Group operates. There is much emphasis on maintaining dialogue with employees on sick leave with a view to making the absence period as short as possible. In addition, Moelven's health insurance also functions well as an HSE measure to get those employees who need health services and treatment back to work faster. The health insurance scheme has been a successful measure from the start in 2007. The scheme has proven to be particularly favourable for employees with muscular-skeletal disorders.

### Safety for employees

The Group's goal is that no one is injured when at work at Moelven. A safe working environment for employees, hired staff, customers and suppliers is essential for sustainable added value. Operations should therefore be organized such that it may take place without risk to life and health. In the target of 0 injuries there is an idea that all injuries can be prevented. Work to prevent injuries therefore has a high priority in the entire organization. The managers' commitment and involvement is essential to succeed with improvements in the HSE area as well. For this reason, courses in clear HSE management were held in 2016 for all managers with operational or personnel responsibilities. The safety representatives have also taken part in these courses.

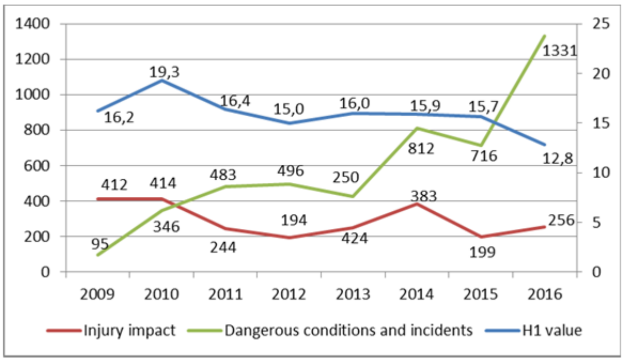
To reduce the number of injuries, it is important to improve the knowledge of both near accidents and hazardous conditions or risks. In 2016 there were 74 injuries with subsequent absence, which is a reduction from 88 in 2015. In 2016 a total of 329 (410) accidents, 499 (270) near accidents and 920 (360) hazardous conditions related to persons were recorded. It is positive that the number of reported near accidents and hazardous conditions has seen a dramatic increase. This gives the group a far better basis for implementing good improvement measures. For 2016 the goal was that a minimum of 1,700 near accidents and hazardous conditions should be reported overall for incidents involving people, the environment or equipment. The reporting culture improved significantly, particularly in the second half of the year. For the year as a whole 1,986 cases were reported, with 745 near accidents and 1,241 hazardous conditions, and the goal was achieved by a good margin.

The injury rate remains unacceptably high, and efforts to achieve the target of 0 injuries were therefore further intensified in 2016, including through close follow-up of safety issues in the group's safety committee. The committee comprises corporate management, the HR manager and two employee representatives. In addition, Fagforum HMS, comprising the divisions' HSE resources and the HR department, has discussed group-wide HSE issues, exchanged experiences and presented proposals for several new procedures and guidelines. In 2016 the following was introduced:

- Minimum requirements to protective and safety equipment for all employees.
- Requirement of consistent safety information for visitors.
- Safety procedures for loading and unloading work.

Moelven's system for recording accidents, near accidents and hazardous conditions, fPortal, has been used by the Group since 2009. In 2016 work has been carried out on introducing an upgraded version of fPortal, with training of case officers and managers in all subsidiaries.

The number of injuries with absence per million worked hours (injury rate LTI) saw a pronounced reduction in 2016, while the number of days of absence due to injury per million worked hours (severity rate - F) increased. Although the injury rate has significantly dropped, the level remains unacceptably high. Further measures will be implemented in 2017 to achieve improvements in both the number of injuries and their severity.




The figure above shows the relation between reported hazards and near accidents, and the level of injury rate and severity.

Regular risk analyses are conducted at all plants. Investments and measures have brought factories up to speed in terms of applicable safety regulations. Safety procedures and equipment are in place, and information and conduct campaigns have been organized. Despite increased focus on safety and not least on attitudes toward safety at the workplace, there are still too many who are injured at work in Moelven. However, developments in reported near accidents and hazards indicate that the ongoing HSE work has succeeded in raising awareness on safety at the workplace and provides a good basis for planning further work.

## Human rights

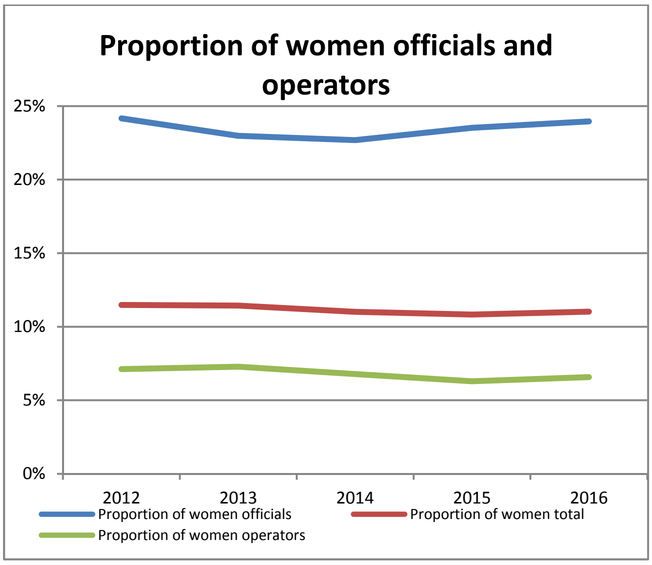
Moelven supports and respects recognized human rights and ensures that we do not contribute to breaches of human rights. Moelven does not accept conditions in suppliers' or customers' operations that constitute breaches of the UN declaration of human rights such as for example child labour or forced labour.

### Discrimination

Moelven wants an inclusive work culture and actively works to ensure a good working environment that is characterized by equality and diversity. Moelven does not accept any form of differential treatment on account of gender, ethnic origin, national origin, descent, skin colour, language, religion, philosophy or sexual orientation.
A need to implement measures to eliminate discrimination has not been registered in 2016.

### Equality of opportunity

The combined share of women in the Moelven Group has been stable in recent years at approx. 11 per cent. It is a goal for the Group to further increase the share of women. However, most of those who complete education in the trades and professions the Group needs in its industrial activities are men. Often, when jobs are advertised, no women apply. For officers and managers the situation is different, and the share of women in areas such as economy, administration and management is significantly higher than for operators in the industrial activities.




### Child labour

The Moelven Group's units operate their activities in geographical areas where child labour very rarely occurs. In relation to our own production activities no control procedures have therefore been established on the area.

Certain units purchase raw materials for their production from continents where child labour may be a relevant issue. In such cases factory visits where the surveying of possible child labour is included as one of the control items.
A need to implement further measures has not been registered in 2016.

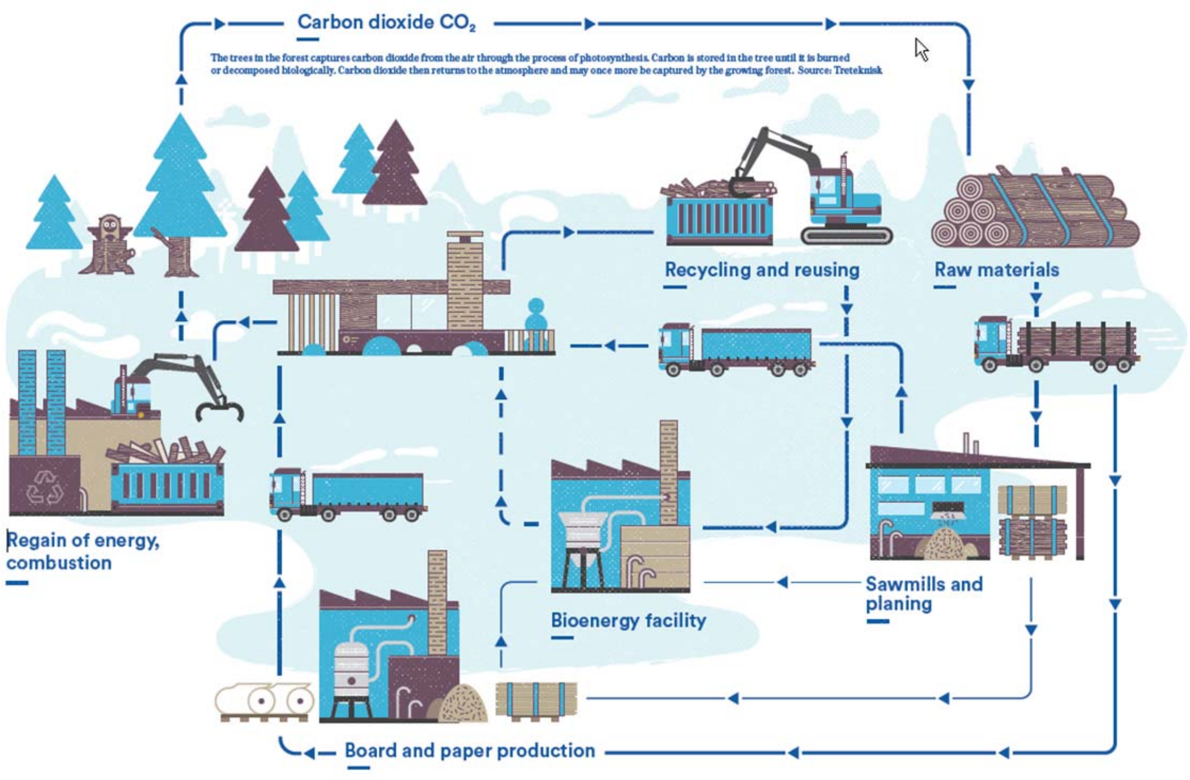
### Working conditions

All hired workers regardless of nationality, are salaried in accordance with a central collective agreement. The Group also follows the provisions of the EU's staffing directive. The level of minimum wages in the agreements that are used are such that they in themselves are a guarantee against social dumping. In those cases where Moelven has subcontractors/contractors in deliveries, it is contractually stipulated that these are obliged to pay salaries at least equivalent to the applicable tariff agreement for the relevant industry.
A need to implement special measures has not been registered in 2016.

## External environment

Sustainability is one of Moelven's basic values. Environmental considerations are a natural part of day-to-day work and work is constantly going on to reduce effects on the environment. Moelven takes responsibility for the environment through sustainable and long-term exploitation of renewable resources. Responsibility for the environment also includes past influence from activities on the ground, water, air and/or surroundings from watering, heating, transport, the depositing of bark, handling of oils, adhesives and chemicals, as well as activities producing noise and dust. Industrial production is largely based on the use of wood and the wood content of the finished products is very high in most operations. Wood as a material has many positive environmental aspects, including that it binds carbon dioxide. The vast majority of the forest raw materials that are used in Moelven's production end up as products or biofuel. The Group therefore produces little waste. The aim is that all fractions of wood shall be treated as potential input factors and contribute to overall value creation.
Cellulose chips, dry chips, shavings and bark from the sawmills have ever increasing financial and environmental significance. District heating systems use dry chips, shavings and bark as fuel and the Group's own heating systems use chips and bark.
For those companies in the Group that make less use of forest raw materials in their production, the industrialised building process helps to limit the environmental impact in comparison with traditional building methods.

### The carbon cycle




### Raw materials from responsible forestry

All of the companies in the Group's timber processing operations are organized for and work to meet applicable requirements for PEFC (Programme for the Endorsement of Forest Certification) and FSC (Forest Stewardship Council) traceability and Controlled Wood standard. This means that Moelven buys round timber from suppliers who engage in responsible forestry. Through this certification, Moelven has established control routines and a tracing system that can trace the raw materials up the supply chain.

The exploitation of raw materials must be maximized through optimizing production and utilizing the residual products
Raw material purchases must not occur from:

- Illegal harvests.
- Forests with a high preservation value.
- Forests where time-honoured or social rights are violated.
- Forests with genetically manipulated trees.
- Natural forests that have been harvested with the intention of using the area for plantations or non-forestry applications.
- Suppliers who fail to comply with the International Labour Organization's core conventions.

### Environmental standards and certifications related to operations

The Moelven Group operates within sectors and product areas where a number of different environmental standards exist, and where new ones are constantly introduced. It is both Moelven's desire based on its own values and an increasing demand from the market that these standards are followed. Examples of relevant standards and certifications are:

- PEFC CoC and FSC CoC
- Several of Moelven's businesses are certified in accordance with the ISO 14001 environmental standard
- BREEAM (environmental classification for buildings) consists partly of the following:
  - PEFC and FSC
  - Life Cycle Assessment (LCA) with focus on low greenhouse gas emissions over time.
  - Environmental declarations (EDP)
  - Choice of surface treatment products the have low emissions for the indoor environment.
  - Emission tests for indoor products (Hea 02 Indoor air quality)

Moelven continually works at all times to provide the correct and relevant documentation for all products and in being at the forefront of developments in terms of environmental requirements toward the products.
Moelven is voluntarily affiliated with various control schemes for production and products:

- Norwegian Strength Grading Inspection Scheme
- Norwegian Control Scheme for Preservative Treated Wood
- Nordisk Trebeskyttelsesråd (Nordic wood protection council)
- Kledningskontrollen (Cladding control scheme)
- Norwegian Glulam Control: Glued, end-jointed materials for load bearing constructions

### Transport

Moelven strives to ensure that the negative impact on the environment from heavy transport to and from our plants is minimized by using environmentally classified trucks. Minimum EURO-5 og EURO-6 will now be the standard for all new vehicles. In the course of the past year the group has initiated several transport optimization projects to better exploit the vehicle fleet. Through a combination solution for the transport finished goods and by-products, driving without cargo has been significantly reduced. The group has also taken ownership of a transport company to ensure that this process gains full effect.

Obtaining raw materials, intermediate transport and delivery of finished products all generate a considerable need for transport. In 2016, Timber and Wood transported more than nine million cubic metres of timber, biomass and finished products by truck. In addition to this, there is transport for the laminated timber, building module and interiors companies, as well as rail and sea transport. Transport is therefore a considerable challenge for the Group, in terms of both the environment and finance. Moelven is continuously working to reduce transport needs and optimise the utilisation of means of transport. The geographical location, with the production units near the raw material areas, helps to reduce transport needs in that the volume of finished goods transported out is considerably less than that of the raw materials transported in. Influencing transporters to use eco-friendly means of transport is another important way of reducing the effects of transport on the environment. In the collaboration agreements with providers of transport services in both Norway and Sweden, requirements that the vehicles are at least classified in accordance with the EURO-5 standard have been included. Improved road standards, and thus increased axle load limits, are measures on the part of the authorities that will help to reduce the environmental effects of road transport. Work is also being done to open a greater road network in Norway for the use of 25.25 metre heavy goods vehicles with a total weight of 60 tons for finished products and by-products. In Sweden the permitted total weight for heavy goods vehicles has been increased from 60 to 64 tons, and a further increase to 74 tons in combination with longer vehicles is under consideration. In 2016 Moelven Skog AB was given dispensation for one 74-ton vehicle that has been involved in ordinary timber transport. These changes in framework conditions contributes to reduce the number of loads driven and thus has a positive environmental effect. In 2016 the group has also increased the use of railway to transport chips and energy products in both Norway and Sweden.

The group's work on optimising its transport will continue in 2017, and the goal is fewer kilometres driven without cargo. Additionally, work is being done to develop railway solutions where this is financially and practically viable.

### Energy

At least 95 per cent of the energy requirements for heating premises and drying, must be retrieved from self-produced bioenergy. Moelven must actively participate in the technological and market-related development of the bioenergy sector.
Moelven's energy and heating consumption in 2016 was approx. 1 102 GWh (1 060), across approx. 210 GWh electric power, approx. 892 GWh thermal energy and 0.4 million litres of diesel for rolling stock. About 90 per cent of the thermal energy was produced in the Group's own plants. The energy potential of the Group's chip and bark products, including cellulose chips, is a little under 5 TWh, which means that it has a considerable potential, both for increasing our own energy production and also for increasing the market for bioenergy in general. It is Moelven's aim to be able to use our own bioenergy to cover at least 95 per cent of the need for heating our own premises and drying timber products. Moelven takes an active part in the technological and market-related development of the bioenergy sector. In parallel with this, we are developing a growing external market for biofuels. Moelven's own energy efficiency activities mean that we increasingly have eco-friendly energy surpluses that can be sold to others and help strengthen our competitive position.

### Emissions to air

Moelven has prepared $CO_2$ accounts since 2010. This is based on the ISO 14064 standard for calculating emissions from Moelven's units. In 2016 Moelven's production and service units generated about 456 tons of $CO_2$. About 87.8 (86.9) per cent of this represents $CO_2$ in the natural circulation of carbon. The combined emissions have increased by 5.5 per cent compared to 2015, which is related to increased activity.

| **Emission type** | **Fossil/bio** | **2016** | | **2015** | |
|---|---|---|---|---|---|
| | | ***CO2 emission (tonn)*** | ***Percentage*** | ***CO2 emission (tonn)*** | ***Percentage*** |
| *Direct* | *Fossil* | *11,822* | 2.59 % | 11,818 | 2.73 % |
| | *Bio* | *388,016* | 85.07 % | 361,305 | 83.57 % |
| *Indirect* | *Fossil* | *43,722* | 9.59 % | 44,670 | 10.33 % |
| | *Bio* | *12,546* | 2.75 % | 14,560 | 3.37 % |
| ***Total*** | | ***456,106*** | **100.00 %** | **432,352** | **100.0 %** |

### Chemicals, oils, adhesives

Moelven aims to minimize the effect on ground and water by using environmentally friendly products to the greatest possible extent. The handling of chemicals, oils and adhesives must only take place at designated places with approved enclosure or similar installations to reduce the impact of eventual spills.
For waste oil and chemicals there are recycling systems with approved recycling centres or reception facilities. All units that use chemicals in their operations must have an summary of these. The summary must include an accurate description of the chemicals in question, which amounts that are used, which persons that are exposed, etc.
On 2 February 2016 a leak occurred in a diesel tank on Moelven Eidsvold Værk AS's industrial site, which led to a limited discharge to the Andelva river. The relevant authorities were notified, and the fire brigade inspected the site. Immediate action was taken by the maintenance department in cooperation with the industrial protection team to further limit the spill, which was successful using absorbent booms that prevented downstream leaks. A tank facility that satisfies new requirements was established, and procedures have been reviewed to prevent similar incidents. In January 2016 a small discharge of impregnating agent occurred at Moelven Østerdalsbruket AS at Koppang. A connecting stream was affected by the discharge. The incident was reported to public authorities, and measures were implemented to prevent recurrences. Water samples have been taken from the stream without permanent harm being discovered.
Beyond this, no conditions have been revealed in 2016 that require remedial measures in the area.

### Watering and runoff

Moelven aims to recycle wastewater from timber storage as far as this is technically and practically possible. Watering systems at the timber warehouses must be climate-controlled. There must only be withdrawals of water from lakes and river, as well as runoff to surface following permission from the authorities.
No conditions have been revealed in 2016 that require remedial measures in the area.

### Pollution to ground

In connection with restructuring, modification or liquidation, potentially polluted areas at the plants must be identified, investigated and remedied as required. All objects classified by the authorities as potentially polluted must be identified. Based on risk classification and existing information, an action plan must be drawn up for any investigation and remedial measures.
No conditions have been revealed in 2016 that require remedial measures in the area.

### Landfills
It must be ensured that any depositing of bark and other waste takes place at only approved landfills.
It must be possible to document that any landfills comply with applicable statutes and regulations concerning covering, control programmes, handling of runoff, plans for termination and modification.
No conditions have been revealed in 2016 that require remedial measures in the area.

### Waste handling
Moelven sorts and recycles waste as far as technically possible and annually follows up waste volumes per ton of final product. The share of waste in approved landfills must be minimized in accordance with results from registration and the action plan for the waste system. Sorting at the source is practised at all units, and contracts on required return schemes have been drawn up with suppliers.
No conditions have been revealed in 2016 that require remedial measures in the area.

### Dust and noise
Moelven must implement measures to adapt noise levels and dust formation at plants in accordance with the targets at the respective plants.
The main noise sources related to Moelven's activities are the handling of timber, the operation of fan systems and transport. When needs are identified, measures are implemented to reduce noise to stipulated threshold values.
No conditions have been revealed in 2016 that require remedial measures in the area.

## Anti-corruption
Employees of Moelven must neither accept nor provide gifts or bribes that tarnish integrity. The Group dissociates itself from all forms of corruption and improper actions that impede free competition and market balance.
In the Group's business activities we must always maintain a healthy ethical and moral profile towards associates, customers, suppliers and other business associates.
Moelven's code of conduct and Moelven's relation to competition law has been presented and discussed at meetings for both general managers in the Group and for finance managers. Moelven's compilation of ethical guidelines has been made available to employees.
No separate control procedures have been established beyond this.

Moelv 09 March 2017
The Board of Directors of Moelven Industrier ASA

Olav Fjell
Chairman of the Board

Mari Wilhelmsen

Elisabeth Krokeide

Trond Stangeby
Deputy chair

Asbjørn Bjørnstad

Martin Fauchald

Lars Håkan Karlsson

Morten Kristiansen
CEO

## FINANCIAL KEY FIGURES

| Amounts in NOK million | Explanations* | 2016 | 2015 | 2014 | 2013 | 2012 |
|---|---|---|---|---|---|---|
| **RESULTS** | | | | | | |
| Operating revenues | | 10,309.7 | 9,690.4 | 8,828.2 | 8,009.4 | 8,121.5 |
| Gross operating profit (EBITDA) | | 601.6 | 553.9 | 490.0 | 226.9 | 267.8 |
| Depreciation and impairment | | 306.6 | 339.1 | 286.5 | 271.6 | 250.9 |
| Operating profit | | 295.0 | 214.8 | 203.6 | -44.7 | 16.9 |
| Net interest and financial items | | -42.5 | -56.3 | -88.2 | -72.4 | -81.2 |
| Profit before tax | | 252.5 | 158.5 | 115.3 | -117.1 | -64.3 |
| Net profit | | 179.1 | 117.0 | 88.4 | -92.6 | -36.2 |
| **BALANCE SHEET** | | | | | | |
| Investments in production equipment | A | 275.2 | 215.8 | 195.1 | 351.2 | 339.4 |
| Total assets | | 4,766.8 | 4,778.1 | 4,653.2 | 4,539.8 | 4,342.1 |
| Equity | | 1,813.4 | 1,756.9 | 1,592.3 | 1,518.2 | 1,543.6 |
| Net interest-bearing liabilities | | 1,026.9 | 1,110.4 | 1,353.1 | 1,476.1 | 1,211.3 |
| Capital employed | B | 2,846.9 | 2,870.8 | 2,959.9 | 3,020.1 | 2,780.7 |
| **EARNINGS/RETURN** | | | | | | |
| Net operating margin | C | 2.9 % | 2.2 % | 2.3 % | -0.6 % | 0.2 % |
| Gross operating margin | D | 5.8 % | 5.7 % | 5.6 % | 2.8 % | 3.3 % |
| Return on equity | E | 10.0 % | 4.6 % | 3.8 % | -6.1 % | -2.3 % |
| Return on capital employed | F | 10.3 % | 7.4 % | 6.8 % | -1.5 % | 0.5 % |
| Return on total assets | G | 6.2 % | 4.6 % | 4.4 % | -0.6 % | 0.2 % |
| Interest cover | H | 3.6 | 2.3 | 1.9 | -0.1 | 0.2 |
| **CAPITAL STRUCTURE** | | | | | | |
| Equity ratio | I | 38.0 % | 36.8 % | 34.2 % | 33.4 % | 35.5 % |
| Asset turnover | J | 2.2 | 2.1 | 1.9 | 1.8 | 1.9 |
| Debt-equity ratio | K | 0.57 | 0.63 | 0.85 | 0.97 | 0.78 |
| Net interest bearing debt / EBITDA | | 1.71 | 2.00 | 2.76 | 6.50 | 4.52 |
| **LIQUIDITY** | | | | | | |
| Liquid ratio I | L | 1.64 | 1.59 | 1.56 | 1.68 | 1.74 |
| Liquid ratio II | M | 0.74 | 0.68 | 0.60 | 0.70 | 0.70 |
| Cash flow from operational activities | N | 421.5 | 584.6 | 351.5 | 86.2 | 183.5 |
| **SHARES** | | | | | | |
| Profit per share in NOK | O | 1.41 | 0.91 | 0.68 | -0.70 | -0.28 |
| Average number of shares (mill) | | 129.5 | 129.5 | 129.5 | 129.5 | 129.5 |
| Cash flow from operational activities, in NOK per share | P | 3.25 | 4.51 | 2.71 | 0.67 | 1.49 |
| Equity per share | Q | 13.95 | 13.48 | 12.29 | 11.72 | 11.92 |
| Assessment value in NOK as at 01.01 | | 13.68 | 13.06 | 12.28 | 13.22 | 12.72 |
| Dividend per share in NOK | R | 0.48 | 0.45 | 0.40 | 0.00 | 0.00 |
| **PERSONNEL** | | | | | | |
| Number of employees as at 31.12 | | 3,492 | 3,426 | 3,326 | 3,276 | 3,375 |
| Sick leave percentage | S | 5.6 % | 5.5 % | 5.5 % | 5.3 % | 5.4 % |
| Frequency of accidents with absence, H1 value | T | 12.8 | 15.7 | 15.9 | 16.0 | 15.0 |

* Explanations of key figures are presented on the following page

## Formulas for the key figures

A: Capitalised investments - goodwill

B: Equity + interest bearing debt

C: $$\frac{\text{Operating profit}}{\text{Operating revenues}}$$

D: $$\frac{\text{Operating profit + depreciation and impairments}}{\text{Operating revenues}}$$

$$\frac{\text{Net profit}}{\text{Average equity}}$$

F: $$\frac{\text{Operating profit + interest income}}{\text{Average capital employed}}$$

G: $$\frac{\text{Operating profit + interest income}}{\text{Average total capital}}$$

H: $$\frac{\text{Profit before tax + finance cost}}{\text{Finance cost}}$$

I: $$\frac{\text{Equity}}{\text{Total capital}}$$

J: $$\frac{\text{Operating revenues}}{\text{Average total capital}}$$

K: $$\frac{\text{Net interest bearing debt}}{\text{Equity}}$$

L: $$\frac{\text{Current assets}}{\text{Short term debt}}$$

M: $$\frac{\text{Liquid funds + financial assets + receivables}}{\text{Short term debt}}$$

N: Result after tax payable + depreciation - non controlling interest and correction regarding non liquid items from result and working capital

O: $$\frac{\text{Earnings assigned to Moelven's shareholders}}{\text{Average number of shares}}$$

P: $$\frac{\text{Cash flow from operations}}{\text{Average number of shares}}$$

Q: $$\frac{\text{Total equity assigned to Moelven's shareholders}}{\text{Average number of shares}}$$

R: Dividend proposal

S: $$\frac{\text{Sickness absence}}{\text{Available hours - overtime}}$$

T: Number of injuries absence per million working hours

## Consolidated accounts

### Income statement for the group

| Amounts in NOK million | Note | 2016 | 2015 |
|---|---|---|---|
| Sales revenue | 7 | 10,273.8 | 9,643.0 |
| Other operating revenues | | 35.9 | 47.5 |
| **Operating revenues** | **6** | **10,309.7** | **9,690.4** |
| Product expenses | | 6,539.5 | 6,163.6 |
| Changes in inventory raw materials, goods under manufacture and finished goods | | 13.0 | 43.7 |
| Payroll expenses | 11, 23 | 2,113.2 | 1,943.3 |
| Depreciation of tangible and intangible assets | 8, 10 | 290.1 | 291.2 |
| Impairment of tangible assets | 8, 10 | 16.5 | 47.9 |
| Other operating expenses | 11 | 1,042.5 | 985.9 |
| **Operating expenses** | | **10,014.8** | **9,475.7** |
| **Operating profit** | | **295.0** | **214.8** |
| Income from associates | 16 | 0.1 | 0.0 |
| Value increase of financial instruments to fair value | | 20.9 | 11.1 |
| Other financial income | | 32.2 | 51.2 |
| Value reduction of financial instruments to fair value | | -6.4 | -5.5 |
| Other financial costs | | -89.4 | -113.0 |
| **Net financial items** | 12 | **-42.5** | **-56.3** |
| **Profit before tax** | | **252.5** | **158.5** |
| Income tax | 13 | 73.4 | 41.5 |
| **Net profit** | | **179.1** | **117.0** |
| | | | |
| **Profit assigned to:** | | | |
| Non-controlling interests | | -4.1 | -0.5 |
| Owners of parent company | | 183.1 | 117.6 |
| | | | |
| Annual profit transferred to/from other equity | | 179.1 | 117.0 |
| **Total allocation** | | 179.1 | 117.0 |
| | | | |
| **Earnings per share (in NOK)** | | | |
| Earnings per share assigned to Moelven's shareholders | 21 | 1.41 | 0.91 |

### Statement of comprehensive income

| Amounts in NOK million | Note | 2016 | 2015 |
|---|---|---|---|
| **Net profit** | | 179.1 | 117.0 |
| | | | |
| **Other comprehensive income** | | | |
| *Items that are not reclassified subsequently to profit or loss* | | | |
| Actuarial gains (losses) on defined-benefit pension schemes | | -1.9 | 50.0 |
| Income tax on items that are not reclassified to profit or loss | 13 | 0.5 | -12.5 |
| | | -1.4 | 37.5 |
| *Items that may be reclassified subsequently to profit or loss* | | | |
| Translation differences | | -67.3 | 61.7 |
| Proportion of other income and costs in associated companies | 16 | 0.1 | 0.0 |
| Other changes | | 4.4 | 0.1 |
| Income tax on items that may be reclassified to profit or loss | 13 | 0.0 | 0.0 |
| | | -62.9 | 61.8 |
| **Other comprehensive income, net of tax** | | -64.2 | 99.3 |
| | | | |
| **Total comprehensive income for the period** | | 114.9 | 216.4 |
| | | | |
| **Comprehensive income assigned to:** | | | |
| Owners of parent company | | 119.0 | 216.9 |
| Non-controlling interests | | -4.1 | -0.5 |

## Consolidated statement of financial position 31.12

| Amounts in NOK million | Note | 2016 | 2015 |
|---|---|---|---|
| **ASSETS** | | | |
| Deferred tax assets | 14 | 40.3 | 10.6 |
| Goodwill | 10 | 13.3 | 16.9 |
| Other intangible assets | 10 | 19.3 | 8.0 |
| **Total intangible assets** | | **72.8** | **35.5** |
| Land | | 104.9 | 100.4 |
| Buildings and other property | | 441.7 | 426.6 |
| Machinery and plant | | 1,063.4 | 1,199.0 |
| Fixtures and fittings, tools, office machines etc. | | 27.1 | 39.2 |
| **Total fixed assets** | 8 | **1,637.2** | **1,765.2** |
| Investments in associated companies | 16 | 3.8 | 3.3 |
| Investments in other shares | 15 | 1.2 | 1.4 |
| Bonds and other receivables | | 1.5 | 1.7 |
| Net pension funds | 23 | 2.2 | 2.5 |
| **Total financial fixed assets** | | **8.7** | **8.9** |
| **Total assets** | | **1,718.7** | **1,809.6** |
| Inventory | 17 | **1,464.1** | **1,526.7** |
| Accounts receivable | 18, 19 | 1,358.5 | 1,259.0 |
| Other receivables | 18 | 210.0 | 174.7 |
| **Total receivables** | | **1,568.5** | **1,433.7** |
| Financial derivatives | 26 | 9.0 | 4.5 |
| Bank deposits, cash etc. | 20 | 6.6 | 3.6 |
| **Total current assets** | | **3,048.1** | **2,968.5** |
| **Total assets** | | **4,766.8** | **4,778.1** |

| Amounts in NOK million | Note | 2016 | 2015 |
|---|---|---|---|
| **LIABILITIES AND EQUITY** | | | |
| Share capital | 27 | 647.7 | 647.7 |
| Own shares | | 0.0 | 0.0 |
| Share premium reserve | | 180.7 | 180.7 |
| Retained earnings | | 978.2 | 917.4 |
| **Total equity assigned to owners of parent company** | | **1,806.6** | **1,745.8** |
| Non-controlling interests | | 6.8 | 11.1 |
| **Total equity** | | **1,813.4** | **1,756.9** |
| Pension liabilities | 23 | 22.7 | 24.8 |
| Deferred tax | 14 | 133.0 | 69.5 |
| Other provisions | | 25.0 | 17.6 |
| **Total provisions** | | **180.6** | **111.9** |
| Liabilities to credit institutions | 5 | 887.6 | 1,002.4 |
| Other long term liabilities | 5 | 22.6 | 31.8 |
| Other long term liabilities - non interest-bearing | | 6.5 | 12.1 |
| **Total long term liabilities** | | **916.7** | **1,046.4** |
| Liabilities to credit institutions | 5 | 112.4 | 79.7 |
| Financial derivatives | 26 | 83.7 | 93.7 |
| Accounts payable | | 574.7 | 555.2 |
| Public duties payable | | 188.1 | 173.5 |
| Tax payable | | 31.4 | 22.6 |
| Other short term liabilities | 19, 25 | 865.9 | 938.1 |
| **Total short term liabilities** | | **1,856.1** | **1,863.0** |
| **Total liabilities** | | **2,953.4** | **3,021.2** |
| **Total equity and liabilities** | | **4,766.8** | **4,778.1** |
| | | | |
| Guarantees | 24 | 18.7 | 23.9 |
| Mortgages | 5 | 1.1 | 5.5 |
| Number of shares (Face value per share NOK 5.-) | 27 | 129,541,284 | 129,541,284 |

Moelv, 9. March 2017
Moelven Industrier ASA

Olav Fjell
Chairman of the Board

Trond Stangeby
Deputy chair

Elisabeth Krokeide

Mari Wilhelmsen

Asbjørn Bjørnstad

Martin Fauchald

Lars Håkan Karlsson

Morten Kristiansen
CEO

## Consolidated statement of changes in equity

| Amounts in NOK million | Share capital | Share premium | Own shares | Other equity | Total | Non-controlling interests | Total equity |
|---|---|---|---|---|---|---|---|
| | Equity assigned to owners of parent company | | | | | | |
| Total as at 1.1.2015 | **647.7** | **180.7** | **0.0** | **752.6** | **1,581.0** | **11.4** | **1,592.3** |
| **Comprehensive income for the period** | | | | | | | |
| **Net profit** | **0.0** | **0.0** | **0.0** | **117.6** | **117.6** | **-0.5** | **117.1** |
| **Other comprehensive income** | | | | | | | |
| Translation differences | **0.0** | **0.0** | **0.0** | **61.5** | **61.5** | **0.2** | **61.7** |
| Other changes | 0.0 | 0.0 | 0.0 | 0.1 | 0.1 | 0.0 | 0.1 |
| Actuarial gains (losses) on defined-benefit pension schemes | 0.0 | 0.0 | 0.0 | 50.0 | 50.0 | 0.0 | 50.0 |
| Income tax on other comprehensive income | 0.0 | 0.0 | 0.0 | -12.5 | -12.5 | 0.0 | -12.5 |
| **Other comprehensive income (net of tax)** | 0.0 | 0.0 | 0.0 | 99.1 | 99.1 | 0.2 | 99.3 |
| **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 | -51.8 | -51.8 | 0.0 | -51.8 |
| 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 | -51.8 | -51.8 | 0.0 | -51.8 |
| **Total as at 31.12.2015** | **647.7** | **180.7** | **0.0** | **917.5** | **1,745.9** | **11.1** | **1,756.9** |
| Total as at 1.1.2016 | **647.7** | **180.7** | **0.0** | **917.5** | **1,745.9** | **11.1** | **1,756.9** |
| **Comprehensive income for the period** | | | | | | | |
| **Net profit** | **0.0** | **0.0** | **0.0** | **183.1** | **183.1** | **-4.1** | **179.1** |
| **Other comprehensive income** | | | | | | | |
| Translation differences | 0.0 | 0.0 | 0.0 | -67.2 | -67.2 | -0.1 | -67.3 |
| Other changes | 0.0 | 0.0 | 0.0 | 4.5 | 4.5 | 0.0 | 4.5 |
| Actuarial gains (losses) on defined-benefit pension schemes | 0.0 | 0.0 | 0.0 | -1.9 | -1.9 | 0.0 | -1.9 |
| Income tax on other comprehensive income | 0.0 | 0.0 | 0.0 | 0.5 | 0.5 | 0.0 | 0.5 |
| **Other comprehensive income (net of tax)** | 0.0 | 0.0 | 0.0 | -64.1 | -64.1 | -0.1 | -64.2 |
| **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 | -58.3 | -58.3 | 0.0 | -58.3 |
| 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 | -58.3 | -58.3 | 0.0 | -58.3 |
| **Total as at 31.12.2016** | **647.7** | **180.7** | **0.0** | **978.2** | **1,806.6** | **6.8** | **1,813.4** |

## Consolidated cash flow statement

| Amounts in NOK million | Note | 2016 | 2015 |
|---|---|---|---|
| **CASH FLOW FROM OPERATIONAL ACTIVITIES:** | | | |
| Net profit | | 179.1 | 117.0 |
| *Adjustments to reconcile net profit with net cash flow from operations:* | | | |
| Depreciation | 8, 10 | 290.1 | 291.2 |
| Impairment | 8, 10 | 16.5 | 47.9 |
| Income from associated companies | 16 | -0.1 | 0.0 |
| Tax paid | | 0.0 | 0.0 |
| Unpaid pension costs entered as costs and unreceived pension funds entered as income | | -1.0 | -10.3 |
| Profit / loss on sale of fixed assets | | 0.8 | 2.1 |
| Net value change of financial instruments to fair value | | -14.6 | -5.6 |
| Non cash financial items | | 47.4 | 56.8 |
| Interest payments received | | 0.2 | 0.2 |
| Interest paid | | -47.6 | -57.0 |
| Income tax | | 73.4 | 41.5 |
| *Changes in operating assets and liabilities:* | 13 | | |
| Changes in inventory | | 63.7 | -2.8 |
| Changes in accounts receivable and other receivables | | -134.8 | -180.6 |
| Changes in trade accounts payable | | 19.4 | 38.4 |
| Changes in provisions and benefits to employees | | 0.0 | -9.6 |
| Changes in short-term liabilities excluding borrowing | | -71.1 | 255.2 |
| **Cash flow from operational activities** | | **421.5** | **584.6** |
| **CASH FLOW FROM INVESTMENT ACTIVITIES:** | | | |
| Investment in plant and equipment exc. acquisition | 8, 10 | -275.2 | -215.8 |
| Net cash outlay on acquisition | | 0.0 | 0.0 |
| Receipts from sale of fixed assets | | 4.1 | 45.1 |
| Sale of other long-term investments | | 23.6 | 0.0 |
| Purchase of subsidiaries, reduced by cash in company | | 0.0 | -11.8 |
| **Cash flow from investment activities** | 8 | **-247.6** | **-182.5** |
| **CASH FLOW FROM FINANCING ACTIVITIES:** | | | |
| Short term borrowing | | 0.0 | 0.0 |
| Payment of short term debt | | 0.0 | 0.0 |
| Changes in short-term loans and overdraft | | 32.7 | -63.7 |
| Purchase of non-controlling interests | | 0.0 | 0.0 |
| Change in long term debt facility - loan payments | | -1428.5 | -297.3 |
| Change in long term debt facility - new loans | | 1288.5 | 0.0 |
| Payment of other long term debt | | -5.5 | 0.0 |
| Payment of dividend | | -58.3 | -51.8 |
| **Cash flow from financial activities** | | **-171.1** | **-412.8** |
| **Net increase (reduction) in liquid assets during year** | | 3.0 | -10.8 |
| Liquid assets 01.01 | | 3.6 | 14.4 |
| Effect of exchange rate changes on liquid assets | | 0.0 | 0.0 |
| **Liquid assets 31.12** | | **6.6** | **3.6** |
| **Cash and cash equivalents 31.12** | | | |
| Liquid assets 31.12 | | 6.6 | 3.6 |
| Unused drawing rights 31.12 | | 868.1 | 627.4 |
| Restricted bank deposits | | 0.0 | 0.0 |
| **Cash and cash equivalents 31.12** | **20** | **874.7** | **631.0** |

## Note 1 – General information

Moelven Industrier ASA is a public limited liability company, registered in Norway. The company's head office is at Industriveien 2, 2390 Moelv, Norway.

The Group's activities are described in the board's annual report.

## Note 2 - Basis for preparing the annual accounts

The consolidated accounts of the Moelven have been prepared in accordance with the International Financial Reporting Standards (IFRS) and the interpretations of the IFRS interpretations committee (IFRIC), as determined by the EU.

The consolidated accounts were presented by the board on 09/03/2017 and the ordinary general meeting to discuss the annual accounts has been fixed for 26 April 2017.

The consolidated accounts are based on the principles of historic cost accounting with the exception of the following items:

- Defined-benefit pension schemes are valued at present value of the future pension benefits that have been earned on the date of balance. Pension funds are valued at fair value.
- Financial instruments at fair value through profit or loss. These include derivatives for hedging interest rates, foreign exchange and electric power.

The consolidated accounts have been prepared with uniform accounting principles for similar transactions and events under otherwise similar conditions.

## Note 3 - Significant accounting principles

Presented below are the most important accounting principles that have been used in preparing the consolidated accounts. These principles have been used in the same way for the comparison figures in the consolidated accounts.

### 3.1 Consolidation principles

The consolidated accounts include Moelven Industrier ASA and companies over which Moelven Industrier ASA has control of. Control is ordinarily achieved when the Group owns more than 50% of the shares in the company, but annual assessments are carried out of whether the Group also has control of companies where the stake is less than 50%. An investor controls an undertaking in which an investment is made when the investor is exposed to or has rights to variable returns from its involvement in that undertaking, and has the opportunity to influence these returns through its power over the undertaking. Non-controlling interest are included in group equity.

The acquisition method is used for recognising company mergers on the income statement. Companies which are bought or sold during the course of the year are included in the Group accounts from the date on which control is achieved until the date on which it ceases.

Changes in holdings in the subsidiaries that do not lead to loss of control are entered as an equity transaction. The remuneration is entered at fair value and the difference between remuneration and the value of the holding entered on the balance sheet is entered against the majority owner's equity.

With changes in holdings that lead to loss of control, remuneration is measured at fair value. The balance sheet value of holdings and obligations in the subsidiary and the non-controlling interest are deducted on the date of loss of control. The difference between the remuneration and the balance sheet value of the holding is included on the income statement as a gain or loss. Any remaining holding is measured at fair value and any gain or loss included on the income statement as part of the gain/loss on the sale of the subsidiary. Amounts included in other income and costs are entered on the income statement.

Associates are enterprises in which the Group has significant influence, but not control, over the financial and operational management. We have holdings between 20 per cent and 50 per cent in our associates. The Group accounts include the Group's share of profits from associates entered by equity method from the time significant control was achieved and until such control ceases.

When the Group's losses exceed the investment in an associated company, the Group's balance sheet value is reduced to zero and further loss is not entered unless the Group has an obligation to cover this loss.

All other investments are entered in accordance with IAS 39, *Financial instruments: Recognition and measurement* more detailed information on which is given in note 26.

Intercompany transactions and intercompany balances, including internal earnings and unrealised gains and losses are eliminated. Unrealised earnings in respect of transactions with associates and joint ventures are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way, but only to the extent that there are indications of depreciation of value of assets that are sold internally.

### 3.2 New standards and interpretations

Below is a summary of new and revised standards that have been decided, but which have not come into force as at 09/03/2017.

Based on a preliminary analysis, the effect of the changes otherwise is not believed to have great significance for the annual accounts.

| | ***Date of entry into force*** | ***Implementation date*** |
|---|---|---|
| ***New standards and interpretations*** | | |
| IFRS 9 Financial Instruments | 31/12/2018 | Fiscal year 2018 |
| IFRS 15 Revenue from contracts with customers | 31/12/2018 | Fiscal year 2018 |
| IFRS 16 Leasing | 31/12/2019 | Fiscal year 2019 |

### 3.3 Functional currency and presentation currency

The Group's presentation currency is NOK. This is also the functional currency of the parent company. Subsidiaries with other functional currencies are converted to the day rate for balance items and to the transaction rate for income statement items. Average monthly exchange rate is used as an approximation of transaction rate. Translation differences are entered against other income and costs ("OCI"). In any future sale of investments in foreign subsidiaries, accumulated translation differences that are referred to the majority owners will be entered on the income statement.

### 3.4 Use of estimates in preparing the annual accounts

Management has used estimates and assumptions which have affected assets, liabilities, income, costs and information regarding potential obligations. This applies in particular to depreciation of fixed assets, assessment of added value and goodwill in connection with acquisitions, inventory, project assessments and pension commitments. Future events may cause the estimates to change. Estimates and the underlying assumptions are continually assessed. Changes in accounting estimates are entered into the accounts during the period in which the changes occur. Where changes also affect future periods, the effect is distributed across the current and future periods. Also see note 4.

### 3.5 Foreign currency

*Foreign exchange transactions*

Foreign exchange transactions are calculated at the exchange rate prevailing at the time of the transaction. Monetary items in foreign currency are converted to Norwegian kroner by using the rate of exchange on the balance date. Non-monetary items which are measured at historical exchange rates expressed in foreign currency are converted to Norwegian kroner by using the exchange rate at the time of transaction. Non-monetary items which are measured at fair value expressed in foreign currency are converted to the exchange rate determined at the time of the balance. Foreign currency fluctuations are recognised on the income statement continuously over the accounting period.

*Activities abroad*

Assets and liabilities in foreign companies including goodwill and fair value adjustments which arise on consolidation are converted to Norwegian kroner by using the exchange rate on the balance date. Income and expenses in foreign enterprises are converted to Norwegian kroner by using the average exchange rate.

Exchange rate differences are entered in other income and costs ("OCI").

### 3.6 Income

Income is recognised on the income statement when it is probable that transactions will generate future financial benefit which will accrue to the company and the size of the amount can be reliably estimated. Sales income is presented after deduction of value added tax and discounts. Internal sales within the Group are eliminated.

Income from sale of goods is entered on the income statement once delivery has taken place and most of the risk and profit have been transferred.

Income from sale of services and long-term manufacturing projects is entered on the income statement as the project progresses, when the outcome of the transaction can be reliably estimated. Whether a project is classified as a manufacturing project is determined by whether the project to a significant degree is tailored to the customer's needs and that it is difficult to sell to others without major adjustments. In some of the companies, progress is measured as accrued costs in relation to total estimated costs, while in other companies; progress is measured on invoicing in relation to the contract total. When the result of the transaction cannot be reliably estimated, only income corresponding to accrued project costs will be recognised as income. In the period in which a project is identified as giving a negative result, the estimated loss on the contract will be recognised on the income statement in its entirety.

The Group produces and sells energy to end customers. The sale is entered as income when the energy has been delivered and is read off at the customer's premises. Sales are entered based on the prices achieved, which are contract prices, but which can also be subject to price guarantee for the delivery period. Not including the financing element in sales is being considered. Otherwise, payment terms correspond to those that are normal in the market.

Interest earnings are recognised as they are earned.

Dividends are entered when the shareholders' rights to receive dividends have been adopted by the general meeting.

### 3.7 Segments

For management purposes the Group is organised into four different divisions according to products and range of services. The divisions represent the basis for the primary report segments. In segment reporting, internal earnings on sales between the segments are eliminated. Financial information regarding segments and geographical distribution is presented in Note 6.

In segment reporting, internal earnings on sales between the segments are eliminated.

### 3.8 Loan costs

Loan costs are entered on the income statement when the cost arises. Loan costs are entered on the balance sheet to the extent that they are directly related to the purchase and manufacture of an asset and where the manufacturing period is long. A long manufacturing period means close to 12 months. Interest rate costs accrue during the build period until the asset is entered on the balance sheet. Balance entry of the loan costs is done until the point when the asset is ready for use. If the cost price exceeds the asset's fair value, it is written down.

### 3.9 Income tax

Tax costs consist of payable tax and changes in deferred tax. Deferred tax/tax benefits are calculated on all differences between book and taxable values of assets and liabilities, with the exception of:

- group goodwill
- temporary differences related to affiliated companies the Group controls when the temporary differences will be reversed and it is not assumed to occur in the foreseeable future.

Deferred tax advantage is recognised on the income statement when it is probable that the company will have sufficient tax surplus in later periods to utilise the tax advantage. The companies enter deferred tax benefits that have not been previously entered to the extent that it has become probable that the company may make use of the deferred tax benefit. Likewise the company will reduce deferred tax advantages to the extent that the company no longer regards it as probable that it can utilise the deferred tax advantage.

Deferred tax and deferred tax advantages are measured based on anticipated future tax rates for the companies in the Group where temporary differences have previously arisen. Deferred tax and deferred tax advantages are recognised at nominal value and are classified as financial capital expenditure (long-term liability) on the balance sheet. Payable tax and deferred tax are entered directly against equity to the extent that the tax entries relate to equity transactions.

### 3.10 Research & Development

Expenses associated with research activities are recognised on the income statement when they arise. Costs relating to development activities are entered on the balance sheet to the extent to which the product or process is technically and commercially realisable and the Group has sufficient resources to complete the development. The costs that are entered include material costs, direct payroll costs and a proportion of directly attributable joint expenses. Development costs entered on the balance sheet are entered as acquisition costs minus accumulated depreciation and write-down.

Development costs entered on the balance sheet are depreciated on a straight line basis over the estimated lifetime of the asset.

### 3.11 Tangible fixed assets

Tangible fixed assets are measured at acquisition cost, less accumulated depreciations and write downs. When assets are sold or disposed of, the value on the balance sheet is deducted and any profit or loss is entered on the income statement.

Acquisition price for fixed assets is the purchase price including duties/taxes and costs directly associated with preparing the fixed assets for use. Costs after the fixed asset has been taken into use, such as continuous maintenance, are entered on the income statement, while other costs that are expected to provide future financial benefit are entered on the balance sheet.

Depreciation is calculated on a straight-line basis with the following decomposition and depreciation period:

| Type of asset | Significant components | Depreciation period |
|---|---|---|
| Office buildings | Building<br>Sprinkling<br>Fire alarm<br>Technical installations | 15 - 20 years<br>10 year<br>10 year<br>7 - 10 years |
| Warehouse | Building only | 15 - 20 years |
| Dryer | Dryers are structured that should be viewed as a whole. Depreciation should be the same for all dryer elements:<br>Building<br>Machine<br>Control<br>Culvert | <br><br><br>10 - 15 years<br>10 - 15 years<br>10 - 15 years<br>10 - 15 years |
| Machines | Machine<br>Control systems<br>Foundation | 10 - 12 years<br>10 - 12 years<br>10 - 12 years |
| Production premises | Building<br>Technical installation<br>Water and drainage<br>Sprinkler system | 10 - 15 years<br>Approx. 10 years<br>Approx. 10 years<br>Approx. 10 years |
| Boiler house | Building<br>Culvert<br>Boiler unit | 15 - 20 years<br>10 - 15 years<br>10 - 15 years |
| Fixtures and fittings, tools, office machinery, etc. | No decomposition | 4 - 7 years |
| Vehicles | No decomposition | 4 - 7 years |
| Plots | | No depreciation |

Depreciation period and method are reviewed annually. Scrap value is estimated at each year end and changes to estimates of scrap value are recognized as a change in estimate.

Plants under construction are classified as fixed assets and are recorded at cost until manufacture or development is completed. Plant under manufacture is not depreciated until the asset is taken into use.

### 3.12 Leasing

*Financial lease agreements*

Lease agreements for which the Group assumes the main risk and profit involved in ownership of the asset are financial lease agreements. At the beginning of the lease period, financial lease agreements are recognised at an amount corresponding to the lower of either fair value or the present value of the minimum lease. For calculation of the lease agreement's present value the implicit interest cost in the lease agreement is used if it is possible to calculate this. If not, the company's marginal borrowing interest is used. Direct expenses relating to establishing the lease contract are included in the asset's cost price.

The same depreciation time is used as for the company's other depreciable assets. Where reasonable certainty that the company will assume ownership at the end of the lease period does not exist, the asset is depreciated over the shorter of the duration of the lease agreement and the asset's economic life cycle.

*Operational lease agreements*

Lease agreements where the main risk and profit associated with ownership of the asset are not transferred are classified as operational lease agreements. Lease payments are classified as operating expenses and are recognised on a straight-line basis over the contract period.

### 3.13 Intangible assets

Intangible assets acquired separately are entered on the balance sheet at cost. The costs of intangible assets acquired through acquisitions are recognized in the consolidated financial statements at fair value at the acquisition date. Intangible assets entered on the balance sheet are entered in the accounts at cost less any depreciation or write down.

Internally generated intangible assets, with the exception of recognised development costs, are not entered on the balance sheet but are entered as costs on an ongoing basis.

Useful lifetime is either predetermined or non-predetermined. Intangible assets with a predetermined limited economic useful life are depreciated over this period and tested for write down if there are indications of impairment. Depreciation method and period are assessed at least annually. Changes in depreciation method and/or period are treated as estimate changes.

Intangible assets with indefinite useful lives are tested for impairment at least yearly.

Intangible assets with indefinite useful life are not depreciated. The useful life is assessed annually to determine whether the assumption of indefinite useful life is reasonable. If not, a change is made to predetermine useful life prospectively.

*Software*

Costs relating to the purchase of new software are entered on the balance sheet as an intangible asset as long as these costs are not part of the acquisition cost of hardware. Software is normally depreciated on a straight line basis over 3 years. Costs arising as a result of maintaining the future usefulness of software are entered as costs if the changes to the software do not increase the future financial benefit of the software.

### 3.14 Business combinations and goodwill

Business combinations are entered in accordance with the acquisition method. Refer to note 3.24 with regard to the measurement of non-controlling interest. Transaction costs are entered on the income statement as they occur.

Remuneration for the purchase of a company is measured at fair value on the date of acquisition.

When a company is purchased, all assets and obligations taken over are assessed for classification and assignment in accordance with contract conditions, economic circumstances and relevant conditions on the date of acquisition. Assets and debts taken over are recogniced on the balance sheet at fair value on the consolidated opening balance unless IFRS 3 indicates that other measurement rules shall be used.

Allocation of added value in business combinations is amended if new information arises regarding fair value on the date of taking control. Allocation can be changed up to 12 months after the date of acquisition if this is specified at the time of acquisition. The non-controlling interests are calculated as the minorities' percentage of identifiable assets and debts.

In the case of step by step acquisition, earlier assets are measured at fair value on the date of acquisition. Changes in the value of earlier assets are entered on the income statement.

Goodwill is calculated as the sum of the remuneration and book value of the non-controlling interest and fair value of previously owned assets, less the net value of identifiable assets and obligations calculated on the date of acquisition. Goodwill is not depreciated but tested at least annually for loss in value.

If the net value of identifiable assets and obligations calculated on the date of acquisition exceeds the remuneration (negative goodwill), the difference will be recognized at the acquisition date.

### 3.15 Public grants

Public grants are entered in the accounts when there is reasonable certainty that the company will fulfil the conditions associated with the grants. Recognition of operational grants is calculated systematically over the grant period. Grants are recognised as deductions from the cost that the grant is intended to cover. Investment subsidy is entered on the balance sheet in a systematic way over the life cycle of the asset. Investment subsidy is entered either as deferred income or as a deduction when determining the value of the asset on the balance sheet.

### 3.16 Financial instruments

According to IAS 39 Financial Instruments - recognition and measurement, financial instruments within the scope of IAS 39 are classified in the following categories: financial assets at fair value through profit or loss, held to maturity, loans and receivables, available for sale and other obligations.

Financial instruments that are primarily held for the purpose of selling or buying back in the short term, financial instruments in a portfolio of identified instruments that are controlled together and where there are clear signs of short term realisation of gains and derivatives that have not been designated as hedging instruments are classified as held for trading purposes. These instruments are included in the category financial assets at fair value through profit or loss, together with financial instruments that qualify as, and have been designated as, instruments at fair value through profit or loss. Financial guarantee contracts are measured at the higher of what follows from IAS 37 Provisions, Contingent Liabilities and Contingent Assets and IAS 18 Revenue, unless the contracts qualify as, and have been designated as, instruments at fair value through profit or loss.

Financial assets with fixed or determinable cash flows and fixed redemption dates, where the Group has the intention of and the ability to hold the investment to maturity, are classified as investments held to maturity, with the exception of those instruments that the company designates as instruments at fair value through profit or loss or available for sale, or which meet the criteria for inclusion in the category loans and receivables.

Financial assets with fixed or determinable cash flows that are not listed in an active market are classified as loans and receivables, with the exception of instruments that the Group has designated as instruments at fair value through profit or loss or available for sale.

All other financial assets are classified as available for sale.

Financial obligations that due not fall into the category held for trading purposes and that have not been designated as instruments at fair value through profit or loss are classified as other obligations.

Financial instruments held to maturity are included in financial fixed assets, unless the redemption date is within 12 months of the balance date. Financial instruments in the Group that are held for trading purposes are classified as current assets. Financial instruments available for sale are presented as current assets if management has decided to dispose of the instrument within 12 months of the balance date.

Investments held to maturity, loans and receivables and other obligations are recognised at amortised cost. Financial instruments classed as available for sale and held for trading purposes are recognised at fair value, as observed in the market on the balance date, without deduction for costs connected with sale.

Gains or losses resulting from changes in the fair value of financial investments classified as available for sale are recognised as other income and costs until the investment is realised. On realisation, accumulated gains or losses on the financial instrument that have previously been recognised against equity are reversed and the gain or loss is entered on the income statement.

Gains or losses resulting from changes in the fair value of financial investments classified as held for trading purposes or that have been designated as instruments at fair value through profit or loss are entered on the income statement and presented as financial income or cost.

The fair value of financial instruments that are traded in active markets is determined at the end of the reporting period by referring to the listed market price from traders of financial instruments (buying rate for long positions and selling rate for short positions), without deduction for transaction costs.

For financial instruments that are not traded in an active market, the fair value is determined with the aid of a suitable valuation method. Such valuation methods involve the use of recent market transactions at arm's length between well-informed and voluntary parties, if such are available, referral to the current fair value of another instrument that is practically the same, discounted cash flow calculation or other valuation model.

An analysis of fair value of financial instruments and other details regarding the measurement of these is given in the note 26.

### 3.17 Hedging
The Group performs financial hedging transactions. However on the basis of an assessment of cost and benefit of hedge accounting in accordance with IAS 39, it has been decided that the Group does not perform hedge accounting.

### 3.18 Derivatives that are not hedging instruments
Financial derivatives that are not recognised as hedging instruments are assessed at fair value. Changes in fair value are entered on the income statement on an ongoing basis.

An inbuilt derivative is separated from the host contract and recognised as a derivative if and only if all the following conditions are fulfilled:

- The financial characteristics and the financial risk of an inbuilt derivative are not closely related to the financial characteristics and the financial risk of the host contract.
- A separate instrument with the same conditions as the inbuilt derivative would have satisfied the definition of a derivative.
- The combined instrument (main contract and inbuilt derivative) is not measured at fair value through profit or loss.

### 3.19 Impairment of financial assets
Financial assets valued at amortised cost are written down when it is probable based on objective evidence that the instrument's cash flow has been affected negatively by one or more events occurring after the initial recognition of the instrument.

The write-down amount is entered on the income statement. If the cause of the write down later ceases and the cessation can be objectively associated with an event taking place after the inclusion of the write-down, the previous write-down is reversed. This reversal must not result in the balance value of the financial asset exceeding the amount of what the amortised cost would have been, if the loss in value had not been included at the time when the write-down was reversed. Reversal of earlier write down is presented as income.

Financial assets classified as available for sale are written down when there are objective indications that the value of the asset has fallen. The accumulated loss that has been entered directly to equity (the difference between acquisition cost and current fair value less write-down that has previously been included on the income statement and any amortisation amount) is removed from equity and entered on the income statement. If the fair value of a debt instrument classified as available for sale increases at a later date, and the increase can be objectively linked to an event that occurred after the write-down was entered on the income statement, the write-down shall be reversed on the income statement. Write down of an investment in an equity instrument is not reversed on the income statement.

### 3.20 Inventory
Inventory is recognised on the income statement at the lower of acquisition cost or net sales price. Net sales price is an estimated sales price for ordinary operations minus estimated costs for completion, marketing and distribution. Acquisition cost is allocated by use of the FIFO method and includes expenses accrued when acquiring the goods and the costs of bringing the goods to their current condition and location. Proprietary goods include variable and fixed costs that can be allocated based on normal capacity utilisation.

### 3.21 Projects
The Building Systems division primarily performs contract assignments (projects). For projects, Moelven mainly uses current income entry based on the anticipated end result. This means that income is entered in line with the execution of the work, based on the degree of completion.

Additional claims and disputed amounts are not normally entered until agreement has been reached or there is a court judgement. However part of the claim is entered if there is an overwhelming probability of the anticipated outcome. Provision is made for claims activities based on historical experience and identified risks. Guarantee periods are normally from three to five years.

For projects that are expected to result in a loss, the entire loss is entered on the income statement as soon as it is identified. Costs of tendering and other preparatory work are entered as they arise.

For projects that are directed by outside companies, invoicing is performed monthly with 30 day payment terms. Invoicing is normally done in line with the completion of the work, but there are also payment schedules that do not correspond to progress.

For projects, both income and costs are scheduled. Income that has been earned but not yet invoiced is entered under the item "Completed, not invoiced". Invoiced income that has not yet been earned (forward payment plans) is entered under the item "Prepayments from customers" under other short term liabilities; see note 19. Only one of these items is used per project.

Scheduling of costs (accrued, not entered) is recognised as trade accounts payable, while provisions for claims activities on concluded projects are entered as claims provisions etc.

Part of the outstanding receivables is secured in the form of bank guarantees or other forms of security. There is not considered to be any credit risk associated with public sector customers. Refer to note 5 on financial risk.

Refer to note 19 Projects in progress, note 18 Accounts receivable, note 25 A Other short term liabilities and note 24 Claims provisions etc.

When the result of the transaction cannot be reliably estimated, only income corresponding to accrued project costs will be recognised as income.

### 3.22 Cash and cash equivalents

Cash includes cash holdings and bank deposits. Cash equivalents are short term liquid investments that can be immediately converted into a known amount of cash and that have a maximum of 3 months to maturity.

In the cash flow statement, the bank overdraft has been subtracted from the balance of cash and cash equivalents.

### 3.23 Equity

*Own shares*

On repurchase of own shares, the purchase price including immediate costs is entered as a change in equity. The nominal value of treasury shares is presented on a separate line below share capital, while payment in excess of nominal value reduces other equity. Losses or gains on own share transactions are not entered on the income statement, but are offset against equity.

*Costs of equity transactions*

Transaction costs directly associated with equity transactions are entered directly to equity after deduction for tax.

*Other equity*

Translation differences Translation differences arise in conjunction with currency differences on consolidation of foreign units.

Currency differences on monetary items (liability or receivable) that are in reality part of a company's net investment in a foreign unit are also entered as translation differences.

For disposal of foreign units the accumulated translation difference associated with the unit is reversed and entered on the income statement for the same period as the profit or loss on the disposal is entered on the income statement.

### 3.24 Non-controlling interests (minority interests)

Minority interests in the consolidated financial statements represent the minority's share of the carrying value of equity. In a business combination, non-controlling interest are measured according to their proportionate share of identified assets and debt.

The subsidiary company's results, as well as the individual components of other income and costs, are attributable to owners of the parent company and the non-controlling interest. The total result is attributed to the parent company's owners and to the non-controlling interest, even if this leads to a negative minority interest.

### 3.25 Employee benefits

The Group's Norwegian companies:

All Norwegian companies have collective, contribution-based pension schemes. The contribution-based scheme provides coverage for disability. Pension premiums are entered as costs as they occur. The company's collective defined benefit scheme was terminated in 2015 by issuing paid-up policies. All new employees are included in the defined contribution scheme. A few defined benefit schemes remain for a limited number of individuals. The closed schemes are defined benefit plans that give the employees entitlement to agreed future pension benefits. The benefits are based on the number of years of earning and pay level on retirement.

The Group's foreign companies:

Many of the Group's foreign companies offer their employees pensions based on agreed individual contribution-based pension schemes. In Sweden, most employees are covered by a collective occupational pension agreement. The scheme is defined as a multi-employer plan. Salaried staffs born before 1979 are included in an individual occupational pension scheme that is also defined as a defined benefit plan. Because of the difficulty of reliably measuring the benefit level of these plans, there is insufficient information on an individual basis to enter the plans in the accounts as defined benefit schemes. The plans are entered as if they were contribution-based schemes. The salaried staff, born after 1979, are included in an occupational pension scheme that is premium based and is therefore treated in the accounts as contribution-based.

*Defined-benefit pension schemes*

Defined-benefit pension schemes are valued at present value of the future pension benefits that have been earned on the date of balance. Pension funds are valued at fair value.

Changes in defined-benefit pension commitments that are due to changes in pension plans are distributed over the estimated average remaining earnings period. Pension funds are valued at fair value. Changes in defined-benefit pension commitments that are due to changes in pension plans are distributed over the estimated average remaining earnings period. The period's net pension costs are classified as payroll and personnel costs.

Gains and losses on the curtailment or settlement of a defined-benefit pension scheme are recognised on the income statement on the date the curtailment or settlement occurs.

Curtailment occurs when the Group decides on a significant reduction in the number of employees covered by a scheme or changes the conditions for a defined-benefit pension scheme so that a considerable part of the present employees' future earning no longer qualifies for benefits or only qualifies for reduced benefits.

*Defined contribution pension scheme*

In 2015 defined contribution schemes were converted to defined benefit schemes for all Norwegian employees of Moelven. The contribution to the pension scheme comprises from 3.6% to 21.7% of salary. Pension premiums are entered as costs as they occur.

### 3.26 Provisions

A provision is recognised when the Group has an obligation (legal or self-imposed) as a result of an earlier event, it is probable (more probable than not) that a financial settlement will take place as a result of this obligation and the amount can be reliably measured. If the effect is considerable, the provision is limited by discounting anticipated future cash flow by using a discount rate before tax that reflects the market price of the monetary value and, if relevant, the risk associated with the specific provision.

A provision for guarantees is included when the underlying products or services are sold. Calculation of the provision is based on historical information on guarantees and a probability weighting of possible outcomes.

Provisions for restructuring costs are included when the Group has approved a detailed and formal restructuring plan and the restructuring has already started or has been made public.

### 3.27 Conditional liabilities and assets

Conditional liabilities are not recognised in the annual accounts. Significant conditional liabilities are noted, with the exception of conditional liabilities where the probability of the liability is low.

A conditional asset is not recognised in the annual accounts, but is reported where it is probable that a benefit will accrue to the Group.

### 3.28 Events after the balance sheet date

New information about the company's financial position on the balance date that arises after the balance date is taken in to consideration in the annual accounts. Events after the balance date that do not affect the company's financial position on the balance date, but which will influence the company's financial position in the future, are reported if they are significant.

### Currency exchange rates

The following exchange rates against the Norwegian kroner (NOK) have been used in consolidating the accounts.

| | 2016 | 2015 |
|---|---|---|
| **Swedish krone (SEK)** | | |
| Income statement rate | 0.9823 | 0.9559 |
| Balance sheet rate | 0.9512 | 1.0475 |
| **Danish krone (DKK)** | | |
| Income statement rate | 1.2481 | 1.1988 |
| Balance sheet rate | 1.2222 | 1.2891 |
| **Euro (EUR)** | | |
| Income statement rate | 9.2928 | 8.9410 |
| Balance sheet rate | 9.0863 | 9.6190 |
| **British pound (GBP)** | | |
| Income statement rate | 11.3937 | 12.3233 |
| Balance sheet rate | 10.6130 | 13.0720 |

The income statement rate is an average rate for the year.
Balance sheet rate is the closing rates 31.12

## Note 4 – Critical accounting estimates and judgements

In preparing the annual accounts in accordance with IFRS, the company's management have used estimates based on good faith and assumptions which are believed to be realistic. Situations or changes may arise which may mean that such estimates require adjustment and thereby affect the company's assets, debt, equity or profit and loss.

The company's most important accounting estimates relate to the following:
• Valuation and depreciation on tangible fixed assets.
• Valuation of inventory
• Fair value of assets and obligations in acquisitions.
• Project valuations

Anticipated useful life of the company's production equipment is affected by the technological development and profitability of the plant. Choice of depreciation period is an estimate.

If there are indications of a fall in value, the inventory in the subsidiaries must be tested for value loss. Book value is then compared with estimated net sales value. Management must take many things into account when making this estimate.

The company's recognised goodwill and intangible assets are assessed for write down annually. Impairment testing of intangible assets are presented in Note 10b. The company is greatly affected by economic cycles that lead to considerable fluctuations in fair value in the company. The group is particularly affected by developments in the export markets in Europe and Africa, as well as fluctuations in the building industry in Scandinavia. Exchange rates and market interest rates also affect valuation. Valuations of the various established segments will naturally vary within a range of +/- 20%. For businesses in less mature markets, the range may be even greater. Moelven must distribute the cost price of acquired companies over acquired assets and acquired debt based on estimated fair value. The valuation estimates require management to make considerable assessments in the choice of method, estimates and assumptions. Significant acquired intangible assets that Moelven has included, comprise customer base and goodwill. The assumptions made for the assessment of intangible assets include, but are not limited to, estimated average lifetime of customer relationships based on natural loss of customers. The assumptions made for the assessment of assets include, but are not limited to, the reacquisition costs of fixed assets. Management's assessments of fair value are based on assumptions that are deemed to be reasonable, but that have a built in uncertainty, and as a result of this the actual results may differ from the calculations.

Project assessment is dependent on estimates of degree of completion, anticipated final status, any loss projects, guarantee obligations and claims. The managements of the subsidiaries within Building Systems use figures based on experience, among others, in preparing the estimates.

Following a review of the overall project portfolio in Building Systems, it has been revealed that the valuation in the fourth quarter report was too high. Based on a careful assessment of the portfolio, an impairment totalling NOK 40 million has been implemented in the annual accounts. The decrease is related to an unresolved final settlement on a major single project. The dispute is related to disagreement about both economic and legal conditions in which the customer declares to have claims against Moelven. There is not made any provision in the financial statements for the demands of the client. Out of consideration for the final process, there is given no information on the matter beyond this, based on the rules of "contingent assets and liabilities" IAS 37 section. 92.

Projects under construction is presented in note 19.

## Note 5 - Financial Risk Assessment

**Risk management principles and processes**

The Moelven group is exposed to several types of financial risk in its activities. The main objective of the group's financial policy is to reduce risks and ensure a predictable financial framework for the industrial operations. The adopted policy should minimize the potential negative effects that financial markets may have on the Group's cash flow. The Group's position on financial risk is that it is the industrial activities rather than financial transactions that shall create the conditions necessary for profitability.
Financial risk management is handled by the Group's central finance department in collaboration with the various operational units. The main financial risks are mainly of systematic character and principles of management are described below:

### 5.1 Market risk

Market risk is the risk that a financial instruments fair value or future cash flow will fluctuate as a result of changes in market prices. Market risk includes three types of risk: currency exchange rate risk, interest rate risk and other price risk.

### 5.1.1 Foreign currency - transaction risk

In this context, transaction risk means the exchange rate risk that is caused by the possibility of exchange rate changes in the period between the time a transaction in foreign currency is agreed and the time of settlement. About 15 per cent of the group's operating revenues occur from markets outside Scandinavia and carry exchange rate risks. Both raw materials and finished goods are imported into Norway from Sweden. The most important foreign currencies are EUR, SEK and GBP, but Moelven Group is also exposed to USD, CAD, CHF and AUD.
Moelven uses currency forwards to counteract large profit fluctuations as a result of variations in exchange rates. The group companies shall perform all currency hedging with the group's central finance department, which hedges the group's total net exposure externally. Norwegian subsidiaries hedge against NOK, Swedish ones against SEK. Results from Swedish subsidiaries are included as part of net investment in foreign subsidiaries and are, in accordance with current financial policy, not hedged for exchange rate fluctuations

In accordance with the financial policy, net exposure in foreign currency shall be hedged against rate fluctuations according to the following main principles:
- At least 80 per cent of obligations in foreign currency shall be hedged when entering into the contract. This relates mainly to investment projects where machinery and equipment is bought from abroad.
- Anticipated net exposure for the next 3 months shall be hedged.
- Anticipated net exposure from 4 to 18 months ahead can be hedged within defined limits.

Because of the hedging strategy that has been chosen, changes must be long-term so as to have the full effect on the group's profitability. During the hedging period, operational adaptations may be made to compensate for the external changes.

**Sensitivities - foreign currency**

The table below shows the transaction volume for the major currencies in 2016 and 2015. The Group does not use hedge accounting, and the effect on equity of changes in market values of currency hedges therefore corresponds with the effect on net profit.

**Transactions and hedging in the main currency 2016**

| NOK million | EUR | GBP | DKK | USD | Andre |
|---|---|---|---|---|---|
| Operating revenues | 873 | 353 | 167 | 112 | 32 |
| Operating expenses | 511 | 16 | 147 | 26 | 27 |
| **Net exposure** | **362** | **337** | **20** | **86** | **5** |
| | | | | | |
| Estimated annual net exposure | 362 | 337 | 20 | 86 | 5 |
| Hedging volume as at 31.12.2016 maturing <12 | 77 | 56 | - | 17 | - |
| **Hedging ratio as at 31.12.2016 for the next 12 Months** | **21.3 %** | **16.6 %** | **0.0 %** | **19.3 %** | **0.0 %** |

**Transactions and hedging in the main currency 2015.**

| NOK million | EUR | GBP | DKK | USD | Andre |
|---|---|---|---|---|---|
| Operating revenues | 838 | 359 | 149 | 146 | 15 |
| Operating expenses | 482 | 10 | 115 | 40 | 13 |
| **Net exposure** | **356** | **350** | **34** | **106** | **2** |
| | | | | | |
| Estimated annual net exposure | 356 | 350 | 34 | 106 | 2 |
| Hedging volume as at 31.12.2016 maturing <12 | 97 | 60 | - | 12 | - |
| **Hedging ratio as at 31.12.2015 for the next 12 Months** | **27.2 %** | **17.1 %** | **0.0 %** | **11.3 %** | **0.0 %** |

### 5.1.1. Foreign currency - transaction risk (cont.)

Added to the exposure in the table above, the Group has ha net exposure in SEKNOK of approx. NOK 140 million. The exposure is due to net exports from the Swedish group companies to Norway. Since a large proportion of the Group's total production takes place in Sweden, the Group has significant operational costs in Sweden. However, only Norwegian entities' operating costs in SEK are currency hedged. Net income from the Swedish subsidiaries are included in retained earnings, and the currency risk arising in connection with these units' operating income and expenses are taken into account the risk related with the risk of conversion to equity.

The table below shows sensitivity in the results before tax to exchange rate changes when all other conditions remain unchanged. The calculations are on the basis of rate changes being constant for the whole year. The effects of currency hedging, changes in the market value of financial hedging instruments and revaluing of balance sheet items have not been taken into account.

| | | | NOK depreciation by 1 % | | NOK depreciation by 10 % | | NOK appreciation by 1 % | | NOK appreciation by 10 % | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Average rate 2016 | Annual net exposure in NOK | Rate after change | Income effect +/- | Rate after change | Income effect +/- | Rate after change | Income effect +/- | Rate after change | Income effect +/- |
| Change in EURNOK | 9.29 | 362.30 | 9.39 | 3.62 | 10.22 | 36.23 | 9.20 | -3.62 | 8.36 | -36.23 |
| Change in GBPNOK | 11.39 | 337.08 | 11.51 | 3.37 | 12.53 | 33.71 | 11.28 | -3.37 | 10.25 | -33.71 |
| Change in DKKNOK | 1.25 | 20.10 | 1.26 | 0.20 | 1.37 | 2.01 | 1.24 | -0.20 | 1.12 | -2.01 |
| Change in SEKNOK | 0.98 | 142.00 | 0.99 | 1.42 | 1.08 | 14.20 | 0.97 | -1.42 | 0.88 | -14.20 |

The market value of financial instruments depends on the balance sheet exchange rate in relation to hedging rates that have been achieved. Changes in market value will result in an unrealized gain or loss is recognized as financial items. The table below shows how the profit before tax would have been affected by a change in the balance sheet date.
The calculation is made on the basis of actual hedging volumes in the specified currencies per 31.12.2016.

| | | | NOK depreciation by 1 % | | NOK depreciation by 10 % | | NOK appreciation by 1 % | | NOK appreciation by 10 % | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Rate per 31.12 | Hedging volume 31.12 | Rate after change | Income effect +/- | Rate after change | Income effect +/- | Rate after change | Income effect +/- | Rate after change | Income effect +/- |
| Change in EURNOK | 9.09 | 97.06 | 9.18 | -0.09 | 9.99 | -0.91 | 9.00 | 0.09 | 8.18 | 0.91 |
| Change in GBPNOK | 10.61 | 59.96 | 10.72 | -0.11 | 11.67 | -1.06 | 10.51 | 0.11 | 9.55 | 1.06 |
| Change in DKKNOK | 1.22 | 0.00 | 1.23 | 0.00 | 0.00 | 0.00 | 1.21 | 0.00 | 1.10 | 0.00 |
| Change in SEKNOK | 0.95 | 4.00 | 0.96 | 0.01 | 1.05 | 0.10 | 0.94 | -0.01 | 0.86 | -0.10 |

### 5.1.2 Foreign currency - translation risk

In this context, translation risk means exchange rate risk due to the balance sheet including items that are denominated in a foreign currency. For the Group companies, this translation risk is eliminated in that financing shall occur in the same currency as the asset is entered in the accounts.
About half of the Group's total balance sheet is connected to activities in Sweden. The balance sheet figures will therefore be affected by the prevailing exchange rate between the Swedish and Norwegian kroner. A large part of equity is secured against this in that share investment in most of the group's Swedish subsidiaries is financed in Swedish kroner.

The table below shows the effect on consolidated equity by a change in the exchange rate of +/- 10 per cent:

| **Amount in NOK million** | **2016** | **2015** |
|---|---|---|
| 10 % change in SEK/NOK | 76.6 | 70.1 |
| 10 % change in EUR/NOK | 0.4 | 0.1 |
| 10 % change in DKK/NOK | 2.0 | 1.5 |
| 10 % change in GBP/NOK | 0.3 | 0.1 |
| **Total effect** | **79.3** | **71.7** |

### 5.1.3 Interest rate risk

Interest rate risk is the risk that a financial instrument's fair value or future cash flows will fluctuate because of changes in market interest rates. Net interest bearing debt provide the basis for interest rate risk.
The Group companies will be financed with loans from the parent company in the currency of the subsidiary's local currency. Mainly, this means either in NOK or SEK. All external borrowing is done by the parent company, which also makes hedging in accordance with financial policy. Hedging instruments that can be used are the ordinary interest rate swaps, FRAs and composite swaps, of a kind normally used for such purposes. The total duration of outstanding debt and hedging transactions is used as target setting for the interest hedging activities. The total duration should be minimum of 12 md and maximum 60 months No interest rate hedging agreements shall be entered into more than 10 years.

### 5.1.3 Interest rate risk (cont.)

The Group's average net debt in 2016 was NOK 1,143.0 million (1,271.1). If the interest rate risk had been unhedged, a one percentage point change in interest rates would have led to a change in the Group's financing costs of NOK 11.6 million. According to the financial policy, however, parts of Group net debt is secured by the use of financial hedging instruments, primarily interest rate swaps, where floating rate swapped to fixed rate. At the end of 2016, the hedged portion was 48.7 per cent. Market value changes of interest rate instruments are recognized in the profit and loss account, but do not affect the cash flow. The unrealized item from interest rate instruments will normally be greater than those realized records, because market value is related to the remaining time to maturity of the instrument.

Estimated effect on profit before tax by a change in interest rates and yield curves in the future are shown in the table below.

The Group does not use hedge accounting, and the effect on equity is therefore equal to the effect on net profit.

| Amount in NOK million | Average NIBD 2016 | Average secured part | Interest rate change - 100 bp | Interest rate change + 100 bp |
|---|---|---|---|---|
| The estimated interest cost, 100% floating rate | 1,143.0 | | 11.6 | -11.6 |
| Secured portion not affected by market fluctuations | | 48.7 % | -5.6 | 5.6 |
| **Net effect on annual interest expenses before unrealized items** | | | **6.0** | **-6.0** |
| | | | | |
| Unrealized gains / losses on hedging instruments that are recognized | | | -38.3 | 35.7 |
| **The total effect including unrealized value change** | | | **-32.3** | **29.7** |

(Negative P&L effects are shown with negative sign.)

### 5.1.4. Other price risk

Other price risk is the risk that a financial instrument's fair value or future cash flow will fluctuate because of changes in market prices (apart from changes that are due to interest rate risk or exchange rate risk), regardless of whether these changes are caused by factors that are specific for the individual financial instrument or the instrument's issuer, or by factors that affect all corresponding financial instruments that are traded in the market.

The price of electric power is another important factor that affects the group's profitability. About 210 GWh of electric power a year is bought from the group's electricity suppliers on the Nasdaq OMX exchange.

According to the group's financial policy, the need for electric power shall be secured against price fluctuations so as to ensure stability and predictability. The anticipated power requirement is hedged within stated maximum and minimum levels by forward buying on Nasdaq OMX with a 5 year maximum horizon.

The price of electric power is denominated in EUR. The Group's power costs are therefore affected by both price changes and exchange rate changes. Based on the Financial Supervisory Authority statements in 2016, concerning the long-term supply agreements of power, the embedded currency derivative used in the hedging of electric power has been calculated and separated for 2016. In accordance with IAS 39, the value is included in the Group's financial statement, while the actual supply contracts are excluded. The value per 31.12.2016 amounted to NOK 0.6 million. The group's annual electricity consumption has been relatively stable, apart from increases caused by business combinations. The table below illustrates the effects on results before tax of a change in the electricity price of +/- 1 EUR per MWh at different exchange rate levels for EURNOK.

| | Consump. in GWh | P/L effect in EUR 1.000 | | **EURNOK** | |
|---|---|---|---|---|---|
| Amount in NOK million | | | **8.75** | **9.00** | **9.25** |
| Increase in the price of 1 EUR/MWh | 210 | -210.00 | -1.84 | -1.89 | -1.94 |
| Hedged portion | 65 % | 135.45 | 1.19 | 1.22 | 1.25 |
| **Sensitivity including hedging** | | **-74.55** | **-0.65** | **-0.67** | **-0.69** |

The effect on profit before tax of exchange rate changes on the total consumption per year is shown in the table below:

| | Consump. in GWh | Price EUR/MWh | | **EURNOK** | |
|---|---|---|---|---|---|
| **Amount in NOK million** | | | **8.75** | **9.00** | **9.25** |
| Yearly consumption | 210 | 30 | 55.13 | 56.70 | 58.28 |
| **Changes in the cost of currency change EURNOK from 8.75** | | | | **1.58** | **3.15** |

The table below shows the sensitivity to changes in the price level for electricity forward contracts at Nasdaq OMX. The starting point in secured volume per 31.12.2016 and provided that the price curve for futures contracts changed with 1 EUR / MWh.

| | Secured vol. in MWh | Sensitivity in EUR 1.000* | | **EURNOK** | |
|---|---|---|---|---|---|
| **Amount in NOK million** | | | **8.75** | **9.00** | **9.25** |
| Hedging according to IAS 39 relating to own use (consumption in Norway) | 135,671 | 4,070.13 | 35.61 | 36.63 | 37.65 |
| Hedging where market value are recognized according to IAS 39 | 153,139 | 4,594.17 | 40.20 | 41.35 | 42.50 |
| **Total** | **288,810** | **8,664.30** | **75.81** | **77.98** | **80.14** |

*) Given EUR 25/MWh

### 5.1.5 Liquidity risk

Liquidity risk is risk that the company will run into difficulties in fulfilling obligations connected with financial commitments that are settled with cash or another financial asset.

In mid-June an agreement was signed for a new long-term credit facility to replace the facilities with maturity in September 2016 and June 2017 respectively. The new loan agreement include normal default clauses with regard to equity ratio of 33 per cent, net equity value of NOK 1.1 billion and debt ratio of maximum 1.0. As of 31 December 2016, the group's key figures were better than the agreed levels. In addition to the long-term credit facilities, the Group has unutilised credit limits in its bank systems, amounting altogether to about NOK 312 million. Short term credit facilities are renewed annually. As of 31 December 2016 NOK 105.8 million of the short term credit facilities was drawn. Long-term cash flow forecasts are prepared in connection with the strategy and budget process. The finance department monitors the utilisation of the credit facilities against the long-term liquidity needs so as to ensure that the group has sufficient long-term financing.

Short-term cash flow forecasts are prepared in the different group companies and reported weekly to the group's finance department, which aggregates the forecasts and monitors the group's total forecasted liquidity needs. Based on these forecast, the finance department ensures that the group has sufficient liquidity to meet operational obligations. Surplus liquidity is used to pay off long-term liabilities. Short-term investments are only made exceptionally.

As a result of seasonal variations in raw materials supplies and market activity, the group's working capital varies by NOK 300-400 million between the highest point in May/June and the lowest in November/December.

**Instalment plan**

| | **Book value** | **Cash flow per year** | | | | | |
|---|---|---|---|---|---|---|---|
| **Amounts in NOK million** | **31.12.2016** | **2017** | **2018** | **2019** | **2020** | **2021** | **2022 +** |
| Syndicated loan utilisation | 886.5 | 28.2 | 26.7 | 911.5 | | | |
| Bilateral loans | 1.1 | 1.1 | | | | | |
| Financial leases | 22.3 | 10.0 | 6.7 | 3.8 | 0.7 | 0.7 | 0.4 |
| Other long term loans | 0.3 | | | | | | |
| Other long term interest-free loans | 6.5 | | 6,5 | | | | |
| **Long term interest bearing debt** | **916.7** | **39.3** | **33.4** | **915.3** | **0.7** | **0.7** | **0.4** |
| Short term interest bearing debt | - | | | | | | |
| Bank overdraft | 105.8 | 105.8 | | | | | |
| **Sum agreements with yearly renewal** | **105.8** | **105.8** | | | | | |

The above table does not show cash flows from accounts payable, other interest-bearing liabilities and cash flows from derivatives. An overview of the nominal value of financial derivatives is presented in Note 26.3

| | |
|---|---|
| Short term interest bearing debt (to be paid in next 12 months) | 117.2 |
| Long term interest bearing debt (to be paid in 12 months time or later) | 909.7 |

**Long term liabilities by currency**

| **Amounts in NOK million** | **2016** | **2015** |
|---|---|---|
| NOK | 560.6 | 217.6 |
| SEK | 349.6 | 816.6 |
| **Total** | **910.2** | **1,034.2** |

**Mortgages - Secured loans:**

| **Amounts in NOK million** | **2016** | **2015** |
|---|---|---|
| Bank overdraft | 0.0 | 0.0 |
| Long-term loans | 1.1 | 5.5 |
| **Total** | **1.1** | **5.5** |

**Book value of mortgaged assets**

| **Amounts in NOK million** | **2016** | **2015** |
|---|---|---|
| Machinery and plants | 17.6 | 14.3 |
| Buildings | 10.0 | 5.9 |
| Land | 2.3 | 2.3 |
| Inventory | 18.7 | 23.7 |
| Accounts receivable | 2.5 | 3.1 |
| **Total** | **51.1** | **49.3** |

### 5.1.5 Refinancing risk

Refinancing risk is the risk of difficulties arising in refinancing the group's long-term liabilities.
In accordance with the group's financial policy, the remaining time to maturity of financing shall be a minimum of 1 year.
The Group's long-term financing is based on syndicated loans from a few selected financial institutions with which the group has cooperated closely for an extended period. The background to this is the significance of these financial institutions' focus on the mechanised wood industry, combined with industry competence and knowledge of risk profiles and seasonal/cyclical fluctuations.
The present financing has been taken up with negative pledge declaration and default clauses, linked with key figures on the balance sheet. The loan agreements do not contain any profit-related default clauses.

### 5.1.6 Credit risk

Credit risk arises in transactions with derivatives, bank deposits and financial institutions, as well as transactions with customers and suppliers.

As a general rule, the Group only enters into financial transactions with financial institutions that participate in the long-term financing of the group. None of these has a credit rating poorer than A with the major credit rating agencies. The Group has corresponding principles in relation to bank deposits and investments.

In accordance with the group's financial policy, credit sales should only be granted at satisfactory security in the form of credit insurance or guarantees. The Group's framework agreement for credit insurance has been drawn up with a third party that is acknowledged in the market and has a credit rating of A.
In some cases it is not possible to obtain satisfactory security for credit sales. A function has therefore been established for determining internal credit limits and follow-ups of credit sales.

### 5.2 Risk in connection with asset management

The group's objectives for asset management are:
- Ensuring continued good operations for the group so as to give a satisfactory and predictable return for the owners
- Ensuring sufficient financial room for manoeuvre to achieve the established targets for growth
- Keeping capital costs as low as possible

The board's dividend policy is based on facilitating a predictable and satisfactory cash yield on investments made by Moelven's shareholders. The main rule of the group's dividend policy indicates a cash dividend corresponding to 50 per cent of profit after tax, with a minimum of NOK 0,40 per share. The considerations of the company's financial position and other capital sources have to be satisfactorily safeguarded.

The Board's objective for equity ratio is a minimum of 40 per cent, a level that is appropriate in light of the economic fluctuations that have been seen in recent years.  In addition, Moelven's operations have a seasonal requirement for working capital that cause great variations in the equity ratio.

The Board has an objective of a debt ratio of 0.50 for a normal seasonal balance. The debt ratio is arrived at by dividing net interest-bearing debt by equity.

| **Amounts in NOK million** | **2016** | **2015** |
|---|---|---|
| Interest-bearing debt | 1,033.5 | 1,113.9 |
| Interest-bearing assets | 6.6 | 3.6 |
| Net interest-bearing debt | 1,026.9 | 1,110.4 |
| Total equity | 1,813.4 | 1,756.9 |
| Liabilities / equity | 0.57 | 0.63 |

## Note 6 - Operating segments

### 6.1 – Main figures for the group and operating segments

**Criteria for division**
The divisions are divided in accordance with Moelven's three core activities: Timber (industrial goods), Wood (construction materials) 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.

Group management represents the group's decision maker. The operating segments are managed by their peculiarity.

The segments are divided in accordance with who the customers are. Timber has mainly industrial customers, Wood has mainly end users and building product chains as customers and Building Systems has customers in the contracting sector. The others are the remaining companies, mainly the parent company, timber supply and bioenergy.

In Timber and Wood especially, there is a great deal of collaboration between segments, but there are internal transactions between all four segments. Transactions between the segments are agreed on the arm's length principle. Income from customers outside the segment is reported to group management according to the same principles as the consolidated income statement.

Group management is mostly focused on the following key figures: Sales income, profit margins, net operating capital, employed capital and returns on employed capital, interest-bearing debt and investments.

The accounting principles that form the basis for segment reporting are the same as those used for consolidated accounting and are described in note 3.

| **Principal figures** | **Group** | | **Timber** | | **Wood** | | **Building Systems** | | **Other** | |
|---|---|---|---|---|---|---|---|---|---|---|
| **Amounts in NOK million** | **2016** | **2015** | **2016** | **2015** | **2016** | **2015** | **2016** | **2015** | **2016** | **2015** |
| Sales to external customers | 10,309.7 | 9,690.4 | 2,410.6 | 2,487.4 | 3,359.7 | 3,153.8 | 3,611.1 | 3,371.2 | 1,006.9 | 763.4 |
| Sales to internal customers | 0.0 | 0.0 | 610.0 | 522.7 | 170.2 | 121.9 | 5.7 | 4.1 | 2,382.0 | 2,240.4 |
| Operating revenues | 10,309.7 | 9,690.4 | 3,020.6 | 3,010.1 | 3,529.9 | 3,275.7 | 3,616.8 | 3,375.2 | 3,388.9 | 3,003.8 |
| Gross operating profit (EBITDA) | 601.6 | 553.9 | 181.1 | 145.1 | 274.5 | | 166.3 | 185.2 | -20.3 | -13.9 |
| Depreciation and impairment | 306.6 | 339.1 | 127.6 | 169.0 | 113.8 | 113.7 | 51.3 | 44.4 | 13.9 | 12.0 |
| Operating profit | 295.0 | 214.8 | 53.5 | -23.9 | 160.6 | 123.7 | 115.1 | 140.8 | -34.2 | -25.9 |
| Income from associates | 0.1 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Financial income | 32.2 | 51.2 | 3.0 | 10.1 | 8.0 | 16.3 | 3.2 | 4.3 | 71.9 | 70.5 |
| Value change financial instr. | 14.6 | 5.6 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Financial costs | -89.4 | -113.0 | -16.0 | -19.2 | -32.3 | -43.4 | -4.8 | -4.3 | -75.3 | -90.5 |
| Profit before tax | 252.5 | 158.5 | 40.4 | -32.9 | 136.3 | 96.6 | 113.4 | 140.7 | -37.6 | -45.9 |
| Operating margin in per cent | 2.9 % | 2.2 % | 1.8 % | -0.8 % | 4.5 % | 3.8 % | 3.2 % | 4.2 % | -1.0 % | -0.9 % |
| Cash flow from operating profit | 601.6 | 553.9 | 181.1 | 145.1 | 274.5 | 237.4 | 166.3 | 185.2 | -20.3 | -13.9 |
| Fixed assets | 1,637.2 | 1,765.2 | 576.5 | 681.7 | 695.4 | 719.5 | 289.3 | 290.1 | 75.9 | 73.9 |
| Inventory | 1,464.1 | 1,526.7 | 426.2 | 471.5 | 794.1 | 784.1 | 166.4 | 170.6 | 77.4 | 100.5 |
| Accounts receivable | 1,236.7 | 1,070.7 | 279.1 | 291.0 | 382.5 | 335.6 | 536.7 | 443.1 | 335.6 | 292.2 |
| Accounts payable | 574.7 | 555.2 | 214.2 | 199.8 | 202.1 | 211.4 | 208.6 | 218.9 | 247.0 | 216.7 |
| Projects net | -44.0 | 39.0 | 0.0 | 0.0 | 0.0 | 0.0 | -44.0 | 39.0 | 0.0 | 0.0 |
| Net operating capital (% of operating revenues) | 20.2 % | 21.5 % | 16.3 % | 18.7 % | 27.6 % | 27.7 % | 12.5 % | 12.9 % | 4.9 % | 5.9 % |
| Total assets | 4,766.8 | 4,778.1 | 1,567.1 | 1,664.5 | 2,151.6 | 2,134.8 | 1,653.2 | 1,616.8 | 2,453.6 | 2,468.5 |
| Interest bearing liabilities | 1,033.5 | 1,113.9 | 305.8 | 381.2 | 561.8 | 606.0 | 83.4 | 77.7 | 845.7 | 969.2 |
| Interest free liabilities | 1,919.9 | 1,907.2 | 473.5 | 442.3 | 657.9 | 621.1 | 877.5 | 873.5 | 574.0 | 491.4 |
| Capital employed | 2,846.9 | 2,870.8 | 1,093.7 | 1,222.2 | 1,493.8 | 1,513.7 | 775.6 | 743.2 | 1,890.5 | 1,977.1 |
| Return on capital employed | 10.3 % | 7.4 % | 4.7 % | -1.9 % | 10.7 % | 8.4 % | 15.4 % | 21.4 % | -0.2 % | 0.4 % |
| Equity | 1,813.4 | 1,756.9 | 787.8 | 841.0 | 932.0 | 907.7 | 692.2 | 665.5 | 1,044.8 | 1,007.9 |
| Equity ratio | 38.0 % | 36.8 % | 50.3 % | 50.5 % | 43.3 % | 42.5 % | 41.9 % | 41.2 % | 42.6 % | 40.8 % |
| Investments | 275.2 | 215.8 | 64.2 | 75.9 | 114.7 | 96.6 | 84.5 | 40.2 | 11.8 | 3.0 |
| Number of full-time equivalents | 3,492 | 3,426 | 674 | 679 | 1,039 | 1,009 | 1,647 | 1,607 | 132 | 131 |
| Sick leave in % | 5.6 % | 5.5 % | 5.0 % | 4.2 % | 5.0 % | 5.3 % | 6.5 % | 6.3 % | 3.3 % | 3.0 % |
| H1 value | 12.8 | 15.7 | 15.7 | 23.8 | 7.5 | 8.9 | 16.5 | 17.8 | 0.0 | 0.0 |

**Reconciliation between reported segments operating revenues, profit before tax, assets and liabilities and other significant conditions**

| **Operating revenues** | **2016** | **2015** |
|---|---|---|
| Operating revenues for reported segments | 13,556.2 | 12,664.8 |
| Elimination of internal transactions | -3,246.5 | -2,974.4 |
| Consolidated operating revenues | 10,309.7 | 9,690.4 |

| **Profit before tax** | **2016** | **2015** |
|---|---|---|
| Annual profit from reported segments | 252.5 | 158.5 |
| Elimination of internal transactions | 0.0 | 0.0 |
| Consolidated profit before tax | 252.5 | 158.5 |

| **Assets** | **2016** | **2015** |
|---|---|---|
| Total assets from reported segments | 7,825.5 | 7,884.6 |
| Elimination of internal transactions | -3,058.7 | -3,106.5 |
| Consolidated total assets | 4,766.8 | 4,778.1 |

| **Liabilities** | **2016** | **2015** |
|---|---|---|
| Total liabilities from reported segments | 4,379.6 | 4,462.4 |
| Elimination of internal transactions | -1,426.2 | -1,441.3 |
| Consolidated total liabilities | 2,953.4 | 3,021.1 |

## 6.2 – Geographical segments

**The presentation of geographical segments shows operating revenues based on the geographical location of the customers.**

| **Amounts in NOK million** | **2016** | **2015** |
|---|---|---|
| Norway | 4,016.5 | 4,010.3 |
| Sweden | 4,406.4 | 3,974.0 |
| Denmark | 341.6 | 294.7 |
| United Kingdom | 345.0 | 333.1 |
| Germany | 200.6 | 177.7 |
| Other Europe | 504.1 | 456.8 |
| Asia | 185.2 | 165.4 |
| Africa | 263.3 | 250.6 |
| Other countries | 47.1 | 27.9 |
| **Total** | **10,309.7** | **9,690.4** |

No customers represents more than 10 % of income.

**Presentation of number of employees, fixed assets, employed capital and investments is shown based on geographical location of the assets.**

| | **Number of employees** | | **Fixed assets** | | **Capital employed** | | **Investments** | |
|---|---|---|---|---|---|---|---|---|
| **Amounts in NOK million** | **2016** | **2015** | **2016** | **2015** | **2016** | **2015** | **2016** | **2015** |
| Norway | 1,625 | 1,777 | 806.1 | 818.0 | 1,022.4 | 919.9 | 130.9 | 123.0 |
| Sweden | 1,839 | 1,621 | 830.9 | 947.0 | 1,790.3 | 1,927.0 | 144.2 | 92.8 |
| Denmark | 19 | 20 | 0.1 | 0.1 | 25.5 | 23.8 | 0.0 | 0.0 |
| England | 5 | 4 | 0.0 | 0.0 | 3.3 | -4.8 | 0.0 | 0.0 |
| Germany | 3 | 3 | 0.1 | 0.1 | 4.2 | 3.7 | 0.0 | 0.0 |
| Netherlands | 1 | 1 | 0.0 | 0.0 | 1.2 | 1.2 | 0.0 | 0.0 |
| **Total** | **3,492** | **3,426** | **1,637.2** | **1,765.2** | **2,846.9** | **2,870.8** | **275.2** | **215.8** |

## Note 7 - Sales income

| Amounts in NOK million | Note | 2016 | 2015 |
|---|---|---|---|
| Sale of goods | | 6,955.5 | 6,673.4 |
| Sale of services - service contracts | 19 | 89.3 | 118.5 |
| Income from construction contracts | | 3,229.1 | 2,851.0 |
| Sales income | | 10,273.8 | 9,643.0 |

In sales income for the group, internal deliveries and services between the group companies amounting to NOK 6.228 million have been eliminated (NOK 5.839 million).

## Note 8 - Fixed assets

| Amounts in NOK million | Plots | Buildings and other property | Machinery and plant | Fixtures and fittings, tools etc. | Total |
|---|---|---|---|---|---|
| **Acquisition value as at 31.12.2014** | **96.0** | **1,052.9** | **3,549.0** | **239.2** | **4,937.0** |
| Acquisitions | 2.8 | 21.5 | 221.4 | 12.9 | 258.6 |
| Disposals | -1.6 | -3.3 | -76.3 | -2.7 | -83.9 |
| Transfers | 0.0 | 0.0 | -6.1 | 1.4 | -4.7 |
| Translation differences | 3.2 | 21.9 | 42.4 | 1.9 | 69.3 |
| **Acquisition value as at 31.12.2015** | **100.4** | **1,093.0** | **3,730.4** | **252.7** | **5,176.5** |
| Accumulated ordinary depreciations 31.12.2014 | 0.0 | 609.1 | 2,317.6 | 201.9 | 3,128.6 |
| Disposals accumulated depreciations | 0.0 | 9.5 | 39.2 | 0.8 | 49.4 |
| Depreciation and write downs for the year | 0.0 | 66.9 | 252.9 | 12.4 | 332.2 |
| **Accumulated ordinary depreciations 31.12.2015** | **0.0** | **666.5** | **2,531.4** | **213.5** | **3,411.4** |
| | | | | | |
| Book value 31.12.2014 | 96.0 | 443.8 | 1,231.4 | 37.2 | 1,808.5 |
| **Book value 31.12.2015** | **100.4** | **426.6** | **1,199.0** | **39.2** | **1,765.2** |
| | | | | | |
| **Acquisition value as at 31.12.2015** | **100.4** | **1,093.0** | **3,730.4** | **252.7** | **5,176.4** |
| Acquisitions | 3.9 | 78.2 | 179.2 | 7.2 | 268.5 |
| Disposals | 0.0 | 0.0 | -1.0 | -3.1 | -4.2 |
| Transfers | 4.2 | 0.5 | -6.0 | -3.5 | -4.8 |
| Translation differences | -3.6 | -20.8 | -59.7 | -2.1 | -86.1 |
| **Acquisition value as at 31.12.2016** | **104.9** | **1,150.9** | **3,842.9** | **251.2** | **5,349.8** |
| Accumulated ordinary depreciations 31.12.2015 | 0.0 | 666.5 | 2,531.4 | 213.5 | 3,411.4 |
| Disposals accumulated depreciations | 0.0 | 0.0 | 0.1 | 0.4 | 0.5 |
| Depreciation and write downs for the year | 0.0 | 42.8 | 248.3 | 11.1 | 302.1 |
| **Accumulated ordinary depreciations 31.12.2016** | **0.0** | **709.3** | **2,779.5** | **224.2** | **3,713.0** |
| | | | | | |
| Book value 31.12.2015 | 100.4 | 426.5 | 1,199.0 | 39.2 | 1,765.2 |
| **Book value 31.12.2016** | **104.9** | **441.7** | **1,063.4** | **27.1** | **1,637.1** |

Ordinary depreciation rates are given in note 3.11

### 8.2. Impairment

Earnings were impacted by an impairment loss of NOK 16.5 million as a result of the restructuring of Moelven Tom Heurlin AB. The impairment of the cash-generating entity's value is entirely recognized in profit and the recoverable amount is estimated to be the value in use.

**Temporarily out of order**

For 2016 there is a facility to book value of NOK 4.8 million who are temporarily out of service. The plant is not impaired as the entry into service is assessed on an on-going basis.

## Note 9 - Leasing

**Operating lease**

The group recognised expenses of NOK 18,4 million in relation to operating leases in 2016. The equivalent expense in 2015 was NOK 23,3 million.

Minimum lease payments relating to operating leases

| | 2016 | 2015 |
|---|---|---|
| 0-1 year | 21.0 | 25.1 |
| 1-2 years | 19.9 | 19.4 |
| 2-4 years | 23.7 | 20.4 |
| > 4 years | 20.7 | 12.0 |
| **Sum** | **85.3** | **76.9** |

Leases where control and substantially all the risks have been transferred to the group are classified as finance leases. Further information are given in note 3.

Minimum lease payments relating to finance leases

| | 2016 | 2015 |
|---|---|---|
| 0-1 year | 15.1 | 14.1 |
| 1-2 years | 7.8 | 10.4 |
| 2-4 years | 2.6 | 5.9 |
| > 4 years | 2.0 | 1.4 |
| Sum | **27.5** | **31.8** |
| | | |
| Capitalised value of leased assets | **19.3** | 29.2 |

## Note 10 a - Intangible assets

| Amounts in NOK million | Goodwill | Other intangible assets | Total |
|---|---|---|---|
| **Acquisition value as at 31.12.2014** | **16.9** | **57.4** | **74.3** |
| Acquisitions through purchase | 0.0 | 1.9 | 1.9 |
| Disposals | 0.0 | 0.0 | 0.0 |
| Transfers | 0.0 | 0.0 | 0.0 |
| Translation differences | 0.0 | 0.1 | 0.1 |
| **Acquisition value as at 31.12.2015** | **16.9** | **59.4** | **76.3** |
| Accumulated ordinary depreciations 31.12.2014 | 0.0 | 44.6 | 44.6 |
| Disposals accumulated depreciations | 0.0 | 0.0 | 0.0 |
| Depreciation for the year | 0.0 | 6.9 | 6.9 |
| **Accumulated ordinary depreciations 31.12.2015** | **0.0** | **51.5** | **51.5** |
| | | | |
| Book value 31.12.2014 | 16.9 | 12.9 | 29.8 |
| **Book value 31.12.2015** | **16.9** | **8.0** | **24.9** |
| Ordinary depreciation rates in per cent | 0 % | 20 % | |
| | | | |
| **Acquisition value as at 31.12.2015** | **16.9** | **59.4** | **76.3** |
| Acquisitions through purchase | 0.0 | 6.6 | 6.6 |
| Disposals | -3.6 | 0.0 | -3.6 |
| Transfers | 0.0 | 9.7 | 9.7 |
| Translation differences | 0.0 | -0.5 | -0.5 |
| **Acquisition value as at 31.12.2016** | **13.3** | **75.3** | **88.5** |
| Accumulated ordinary depreciations 31.12.2015 | 0.0 | 51.5 | 51.5 |
| Disposals accumulated depreciations | 0.0 | 0.0 | 0.0 |
| Depreciation for the year | 0.0 | 4.5 | 4.5 |
| **Accumulated ordinary depreciations 31.12.2016** | **0.0** | **56.0** | **56.0** |
| | | | |
| Book value 31.12.2015 | 16.9 | 8.0 | 24.8 |
| **Book value 31.12.2016** | **13.3** | **19.3** | **32.6** |
| Ordinary depreciation rates in per cent | 0 % | 20 % | |

## Note 10 b - Impairment test of goodwill

As of 31. December 2016 goodwill in the group entered on the balance sheet amounted to NOK 13.3 million. This is linked to the acquisitions of Sør-Tre Bruk AS, Granvin Bruk AS and Eco Timber AS that were completed in 2010. These three acquired companies are all in the Wood division and it is the division's operation that is deemed to be the cash flow generating group that goodwill shall be tested against.

**Amounts in NOK million**

| Book value of goodwill: | **2016** | **2015** |
|---|---|---|
| Sør-Tre/Granvin/Eco Timber | 13.3 | 13.3 |
| Other units | 0.0 | 3.6 |
| Total | 13.3 | 16.9 |

Goodwill is tested at the level monitored by group management, which means that there are groups of cash flow generating units (CGUs).

The recoverable amount of CGU is determined based on an assessment of the division's value in use. Value in use is estimated by discounting expected future cash flows after tax, discounted at an appropriate discount rate after tax that takes into account maturity and risk.

The projections of cash flows based on budgets approved by management for the first four years. The cash flows are arrived at by taking the historical figures for the CGUs as a basis, but with an allowance for an expected moderate growth in the total market, Moelven's market share and the prices of the products. In management's opinion it is reasonable to assume that considerable development of new products and technologies will occur in these areas. Net expectations for operating margins are improvements. When it comes to fixed assets and production capacity, the management believes that these have the capacity needed to handle future growth. After four years, it is placed a conservative estimate of 2.5 per cent nominal growth in net cash flows. In the terminal period, investments and depreciation equal.

The rate used for discounting cash flows is 8,0 per cent. This is based on a risk-free rate of 1,6 per cent, an added risk premium of 5.9 per cent, an equity beta of 1.2 and a liquidity premium of 3.0 per cent. In addition this is weighted up against the long-term borrowing rate of 3.0 per cent. The risk premium is based on observations of comparable companies.

There was no write down of goodwill in either 2016 or 2015. In 2016, a company with a recorded goodwill of NOK 3.6 million was sold from Buildings Systems.

Maximum exposure to possible write down of goodwill is NOK 13.3 million. We have calculated sensitivity for the write down assessments, and a 5.5 per cent change in discount rate would lead to write down of the goodwill in the Wood division in the consolidated accounts.

| **Amounts in NOK million** | **2016** | | **2015** | |
|---|---|---|---|---|
| | Goodwill at year end | Sales/ impairment | Goodwill at year end | Impairment |
| **Timber** | 0.0 | 0.0 | 0.0 | 0.0 |
| **Wood** | 13.3 | 0.0 | 13.3 | 0.0 |
| **Building Systems** | 0.0 | 3.6 | 3.6 | 0.0 |
| **Total goodwill** | 13.3 | 3.6 | 16.9 | 0.0 |

## Note 11 Payroll expenses, employees and remuneration to auditor

### 11 a Payroll expenses

| Amounts in NOK million | 2016 | 2015 |
|---|---|---|
| Payroll cost | 1,674.0 | 1,564.4 |
| Social security cost | 341.5 | 329.3 |
| Pension costs - contribution-based pension schemes | 80.9 | 54.6 |
| Pension costs - defined-benefit pension schemes | 16.8 | -5.0 |
| **Total** | **2,113.2** | **1,943.3** |

### 11 b Average number of employees

Average number of employees in 2016 was 3 521 and in 2015 it was 3 405. Moelven had 3 492 employees at the end of 2016 compared to 3 426 employees at the end of 2015.

### 11 c Remuneration to auditor

| Amounts in NOK million, paid during the financial year | 2016 | 2015 |
|---|---|---|
| Legally required audit | 4.2 | 4.2 |
| Other attestation services | 0.0 | 0.1 |
| Tax consultancy | 0.1 | 0.1 |
| Other, non auditing services | 1.4 | 0.1 |
| **Total** | **5.7** | **4.5** |

## Note 12 - Financial income and costs

**Amounts in NOK million**

| | 2016 | 2015 |
|---|---|---|
| **Financial income** | 53.3 | 62.3 |
| **Financial costs** | -95.8 | -118.5 |
| | | |
| Financial income | | |
| Interest income from financial assets* | 0.2 | 0.2 |
| Foreign currency gains | 27.7 | 47.6 |
| Other financial income | 4.5 | 3.4 |
| Value increase of financial instruments to fair value | 20.9 | 11.1 |
| **Total financial income** | **53.3** | **62.3** |
| | | |
| Financial costs | | |
| Interest costs of financial liabilities* | -2.0 | -5.0 |
| Interest costs on long term financial liabilities* | -45.6 | -51.9 |
| Foreign currency losses | -21.0 | -46.5 |
| Other financial costs | -20.8 | -9.6 |
| Value reduction of financial instruments to fair value | -6.4 | -5.5 |
| **Total financial costs** | **-95.8** | **-118.5** |
| | | |
| **Net financial items** | **-42.5** | **-56.2** |

* measured at amortized cost

## Note 13 - Tax costs

**Amounts in NOK million**

| | **2016** | **2015** |
|---|---|---|
| Tax payable | 33.0 | 22.6 |
| Deferred tax changes | 40.4 | 18.9 |
| Tax costs | 73.4 | 41.5 |

| | **2016** | **2015** |
|---|---|---|
| Tax payable for the year | 31.4 | 22.6 |
| Total tax payable | 31.4 | 22.6 |

| **Amounts in NOK million** | **2016** | **2015** |
|---|---|---|
| Profit before tax | 252.5 | 158.5 |
| | | |
| Tax calculated with the group's tax rate 29.0 per cent (27.0 per cent) | 73.2 | 42.8 |
| Tax effects of: | | |
| Difference due to different tax rates | -4.1 | -3.1 |
| Change of tax rate in Norway | -0.5 | -3.4 |
| Contribution from associated companies | 0.0 | 0.0 |
| Permanent differences | 4.6 | 2.1 |
| Other | 0.2 | 3.1 |
| Tax cost on the income statement | 73.4 | 41.5 |

| | **2016** | **2015** |
|---|---|---|
| Weighted average tax rate | 29.1 % | 26.2 % |

| **Amounts in NOK million** | | **2016** | | | **2015** | |
|---|---|---|---|---|---|---|
| **Tax on items entered against other income and expenses** | Before tax | Tax costs | After tax | Before tax | Tax costs | After tax |
| *Elements not later reclassified to earnings* | | | | | | |
| Actuarial gains (losses) on defined-benefit pension schemes | -1.9 | 0.5 | -1.4 | 50.0 | -12.5 | 37.5 |
| | | | | | | |
| *Elements that can be later reclassified to earnings* | | | | | | |
| Translation differences | -67.3 | 0.0 | -67.3 | 61.5 | 0.0 | 61.5 |
| Other changes | 4.5 | 0.0 | 4.5 | 0.1 | 0.0 | 0.1 |
| **Other income and expenses during the period (after tax)** | -64.7 | 0.5 | -64.2 | 111.6 | -12.5 | 99.1 |

## Note 14 - Deferred tax

Deferred tax benefits and deferred tax are netted when there is a legal right to give and receive group contribution between the entities.

The table below shows the basis that has resulted in recognised deferred tax benefits and deferred tax.

### 14.1 Assets and obligations with deferred tax consist of:

| **Amounts in NOK million** | **2016** | **2015** |
|---|---|---|
| **Temporary differences** | | |
| Asset reserves | -3.9 | -5.2 |
| Inventory | 44.5 | 66.9 |
| Cost provisions | 54.4 | 23.1 |
| Other short-term temporary differences | -116.2 | -89.2 |
| **Sub-total short-term differences** | **-21.2** | **-4.4** |
| Fixed assets | 90.6 | 85.8 |
| Profit and loss account | 10.5 | 0.9 |
| Pension funds | 0.0 | 0.0 |
| Pension commitments | -22.5 | 6.3 |
| Other long-term items | 382.1 | 417.7 |
| **Sub-total long-term items** | **460.7** | **510.7** |
| Tax-assessed loss carry-forward. | -9.0 | -219.1 |
| **Net temporary differences** | **430.5** | **287.2** |
| Deferred tax asset | 40.3 | 10.6 |
| Deferred tax | 133.0 | 69.5 |
| **Net deferred tax** | **92.7** | **58.9** |

### 14.2 Assets with deferred tax from loss carry-forward

| **Amounts in NOK million** | **2016** | **2015** |
|---|---|---|
| Norway | 2.2 | 56.1 |
| Sweden | 0.0 | 0.0 |
| Denmark | 0.0 | 0.0 |
| **Total deferred tax benefit from loss carry-forward** | **2.2** | **2.2** |

NOK 34.4 million of the total loss carry-forward refers to a Norwegian company where the ownership holding is below the limit for group contributions. The management of this company is in the process of reviewing possible production measures to improve profitability. Part of the loss carry-forward is recorded at deferred tax assets. The group has no recorded deferred tax regarding carry-forward losses in other countries than Norway.

### 14.3 Analysis of deferred tax through the year

| | **2016** | **2015** |
|---|---|---|
| Net deferred tax obligation 1 January | 58.8 | 38.4 |
| Included on income statement | 40.4 | 11.8 |
| Other income and costs pensions | 0.3 | -12.5 |
| Included in equity | 0.0 | 20.9 |
| Translation differences and other | -6.8 | 0.2 |
| **Net deferred tax obligation 31 December** | **92.7** | 58.8 |

## Note 15 - Other shares

| Amounts in NOK 1,000 | Holding % | | The company's share capital | Number of shares owned by Moelven | | Total face value | Book value 31.12 |
|---|---|---|---|---|---|---|---|
| **Owned by Moelven Industrier ASA:** | | | | | | | |
| Tretorget AS | 24.9 % | | 312 | 777 | | 78 | 749 |
| Others | | | | | | | 31 |
| **Total Moelven Industrier ASA** | | | | | | | **780** |
| | | | | | | | |
| **Owned by other group companies** | | | | | | | |
| Transportfellesskapet Østlandet AS | 25.0 % | | 500 | 250 | | 100 | 126 |
| Transportselskapet Nord AS | 12.5 % | | 500 | 125 | | 63 | 64 |
| Svenskt Limträ AB | 33.0 % | SEK | 100 | 333 | SEK | 33 | 50 |
| Others | | | | | | | 218 |
| **Total others** | | | | | | | **458** |
| **Total group** | | | | | | | **1,238** |

## Note 16 - Investments in associated companies

| **Amounts in NOK million** | **2016** | **2015** |
|---|---|---|
| Book value as ate 01.01 | 3.3 | 2.6 |
| Proportion of annual profit | 0.1 | 0.0 |
| Additions | 0.4 | 0.7 |
| Disposals | 0.0 | 0.0 |
| Translation differences | 0.0 | 0.0 |
| Proportion of other income and expenses | 0.0 | 0.0 |
| **Book value as at 31.12** | **3.8** | **3.3** |

**Amounts in NOK million**

**2015**

| Name | Home country | Assets | Liabilities | Income | Profit | Book value | Share-holding |
|---|---|---|---|---|---|---|---|
| Weda Skog AB 1) | Sweden | 37.2 | 34.5 | 298.9 | 0.0 | 2.6 | 30.0 % |
| Woodtrans AS 2) | Norway | | | | | 0.7 | 34.0 % |
| | | **37.2** | **34.5** | **298.9** | **0.0** | **3.2** | |

**2016**

| Name | Home country | Assets | Liabilities | Income | Profit | Book value | Share-holding |
|---|---|---|---|---|---|---|---|
| Weda Skog AB 1) | Sweden | 37.6 | 34.6 | 278.6 | 0.7 | 2.6 | 30.0 % |
| Woodtrans AS | Norway | 4.7 | 4.4 | 17.4 | -0.6 | 1.2 | 34.0 % |
| | | **42.3** | **38.9** | **296.0** | **0.1** | **3.8** | |

1) The company has deviating accounting with balance sheet date 31.08. The result of four months will be insignificant for Moelven Group. It is therefore not prepared any interim balance.
2) The company was established in autumn 2015 and effects associated with the company is not taken into account in preparing the consolidated financial statements for 2015. Based on an assessment 31.12 the effects of the company is not significant to the consolidated financial statements.

## Note 17 - Inventory

| Amounts in NOK million | 2016 | 2015 |
|---|---|---|
| Raw materials and purchased semi finished goods | 494.1 | 557.1 |
| Goods in processing | 223.4 | 186.5 |
| Finished own products | 743.8 | 782.1 |
| Prepayments to supplier | 2.7 | 1.1 |
| **Total inventory** | **1,464.1** | **1,526.7** |

| Amounts in NOK million | | |
|---|---|---|
| Inventory valued at acquisition cost | 1,058.9 | 1,007.6 |
| Inventory valued at fair value | 405.2 | 519.1 |
| **Total inventory** | **1,464.1** | **1,526.7** |

Write down of inventory to fair value in 2016 is included in profit and loss with NOK 18.0 million. The equivalent value in 2015 was NOK 22.6 million. The book value of inventories pledged as security in 2016 was NOK 1.1 million and NOK 5.5 million in 2015.

## Note 18 - Accounts receivable and other receivables

| Amounts in NOK million | Note | 2016 | 2015 |
|---|---|---|---|
| **Accounts receivable** | | | |
| Accounts receivable gross | | 1,241.6 | 1,077.5 |
| Provision for loss on accounts receivable | | -4.9 | -6.8 |
| Earned not invoiced | 19 | 121.8 | 188.2 |
| **Accounts receivable entered on the balance sheet** | | **1,358.5** | **1,259.0** |
| The year's confirmed losses on receivables | | 1.1 | 0.5 |
| Changes in provision for loss | | -2.0 | 1.9 |
| **Losses on receivables on income statement** | | **-0.9** | **2.4** |
| **Other receivables** | | | |
| VAT in credit | | 71.0 | 80.2 |
| Other receivables | | 138.9 | 94.5 |
| **Total other receivables** | | **210.0** | **174.7** |

Part of the outstanding receivables is secured in the form of bank guarantees or other forms of security. There is not considered to be any credit risk associated with public sector customers. Refer to note 5 on financial risk.
Other receivables consist of other deferred income, prepayments and operations-related items. The groups accounts receivable are mainly secured through credit insurance.

*Currency breakdown of accounts receivable before provision for loss*

| Amounts in NOK million | 2016 | 2015 |
|---|---|---|
| NOK | 506.6 | 491.6 |
| SEK | 620.8 | 468.8 |
| EUR | 52.9 | 58.1 |
| DKK | 14.5 | 11.4 |
| GBP | 38.9 | 31.5 |
| Other currencies | 7.9 | 16.1 |
| Total | **1,241.6** | **1,077.5** |

*Age distribution of outstanding accounts receivable*

| *Amounts in NOK million* | 2016 | 2015 |
|---|---|---|
| Accounts receivable within credit terms | 961.4 | 813.0 |
| Under 30 days beyond due date | 219.3 | 189.9 |
| 31 to 60 days beyond due date | 22.8 | 23.7 |
| 61 to 90 days beyond due date | 3.4 | 8.2 |
| *91 to 180 days beyond due date* | 6.1 | 9.4 |
| *Over 180 days beyond due date* | 28.5 | 33.2 |
| **Total** | **1,241.6** | **1,077.5** |

## Note 19 - Projects in progress

| **Amounts in NOK million** | Note | **2016** | **2015** |
|---|---|---|---|
| **Distribution of sales** | | | |
| Project sales | | 3,229.1 | 2,893.9 |
| Service contracts | 7 | 89.3 | 118.5 |
| Sale of goods | | 313.7 | 284.6 |
| **Total** | | **3,632.0** | **3,297.1** |
| | | | |
| **Projects in progress entered on the income statement *)** | | | |
| Accumulated income | | 1,462.8 | 1,562.8 |
| Accumulated accrued expenses | | 1,256.5 | 1,312.1 |
| Accumulated contributions | | 206.3 | 250.8 |
| | | | |
| **Loss projects in progress **)** | | 0.0 | 4.0 |
| | | | |
| Earned not invoiced income | 18 | 121.8 | 188.2 |
| Prepayments from customers | 25 | 109.1 | 110.8 |
| Deferment of costs (+ liability/ - receivable) | | 37.6 | -20.1 |

*) Projects in production, not handed over to customer
**) Anticipated losses on these projects have been entered on the income statement

For projects that are directed by outside companies, invoicing is performed monthly with 30 day payment terms. Invoicing is normally done in line with the completion of the work, but there are also payment schedules that do not correspond to progress.
For projects, both income and costs are scheduled. Income that has been earned but not yet invoiced is entered under the item "Completed, not invoiced". Invoiced income that has not yet been earned (forward payment plans) is entered under the item "Prepayments from customers" under other short term liabilities, see note 25. Only one of these items is used per project. Thus each project shows either a net receivable for the customer or a net liability to the customer.

Scheduling of costs (accrued, not entered) is recognised as trade accounts payable, while provisions for claims activities on concluded projects are entered as claims provisions etc.

## Note 20 - Cash and cash equivalents

| **Amounts in NOK million** | **2016** | **2015** |
|---|---|---|
| Bank deposits 31.12. | 6.6 | 3.6 |
| Unused drawing rights 31.12 | 868.1 | 627.4 |
| Restricted bank deposits | 0.0 | 0.0 |
| **Cash and cash equivalents 31.12** | **874.7** | **631.0** |

## Note 21 - Earnings per share and equity per share

**Earnings per share**
Earnings per share is calculated by dividing the share of the annual profits allocated to the company's shareholders by a weighted average of the number of ordinary shares issued over the year, less own shares.

| | **2016** | **2015** |
|---|---|---|
| Annual profit assigned to Moelven's shareholders | 183.1 | 117.6 |
| Average number of shares | 129.5 | 129.5 |
| Earnings per share | **1.41** | **0.91** |

**Equity per share**
Equity per share is calculated by dividing the share of equity assigned to the company's shareholders by a weighted average of the number of ordinary shares issued over the year, less own shares.

| | **2016** | **2015** |
|---|---|---|
| Total equity assigned to owners of parent company | 1,806.6 | 1,745.8 |
| Average number of shares | 129.5 | 129.5 |
| Equity per share | **13.95** | **13.48** |

## Note 22 - Group companies

The following companies are included in the Group. The list is group according to division structure. Book value shows the book value in the separate financial statement of the owner of the company.

| Amounts in NOK 1,000 | Holding % | The company's share capital | | Number of shares in Moelven's ownership | Book value 31.12. | | Organization number |
|---|---|---|---|---|---|---|---|
| **Timber** | | | | | | | |
| Moelven Våler AS | 100.0 % | 48,000 | | 4,800 | 48,005 | * | 982,793,076 |
| Moelven Numedal AS | 100.0 % | 10,000 | | 1,000 | 10,005 | * | 982,792,991 |
| Moelven Løten AS | 100.0 % | 12,000 | | 1,200 | 12,005 | * | 982,792,932 |
| Moelven Mjøsbruket AS | 100.0 % | 12,000 | | 12,000 | 15,990 | * | 935,944,562 |
| Moelven Telemarksbruket AS | 51.0 % | 13,920 | | 710 | 9,490 | * | 983,188,397 |
| Moelven Valåsen AB | 100.0 % | 50,000 | SEK | 500,000 | 142,680 | ** | 556310-4206 |
| Moelven Dalaträ AB | 100.0 % | 20,000 | SEK | 200,000 | 52,316 | ** | 556118-4614 |
| Moelven Nössemark Trä AB | 100.0 % | 300 | SEK | 3,000 | 24,942 | ** | 556199-3782 |
| Moelven Årjäng Såg AB | 100.0 % | 300 | SEK | 3,000 | 47,560 | ** | 556215-9177 |
| Moelven Notnäs AB | 100.0 % | 3,250 | SEK | 650,000 | 47,560 | ** | 556217-1636 |
| Moelven Norsälven AB | 100.0 % | 3,500 | SEK | 35,000 | 33,292 | ** | 556040-2181 |
| Moelven Ransbysågen AB | 100.0 % | 1,000 | SEK | 10,000 | 16,170 | ** | 556192-8143 |
| Moelven Component AB | 100.0 % | 2,580 | SEK | 25,800 | 7,416 | ** | 556217-2543 |
| Moelven Profil AS | 100.0 % | 15,000 | | 15,000 | 15,030 | * | 997,404,165 |
| Moelven Tom Heurlin AB | 100.0 % | 1,500 | SEK | 15,000 | 19,024 | ** | 556013-7399 |
| UJ-Trading AB | 100.0 % | 1,500 | SEK | 15,000 | 8,561 | ** | 556227-4547 |
| Moelven U.K. Ltd | 100.0 % | 950 | GBP | 950,000 | 10,426 | * | 1775490 |
| Moelven Deutschland GmbH | 100.0 % | 110 | EUR | 11 | 217 | * | 2920400496 |
| Moelven Nederland B.V. | 100.0 % | 36 | EUR | 360 | 317 | * | 32,123,165 |
| | | | | | | | |
| **Wood** | | | | | | | |
| Moelven Wood AS | 100.0 % | 5,500 | | 5,500 | 10,000 | * | 941,809,030 |
| Moelven Wood AB | 100.0 % | 9,000 | SEK | 90,000 | 14,303 | ** | 556201-9785 |
| Moelven Van Severen AS | 100.0 % | 35,000 | | 3,500 | 35,005 | * | 982,793,068 |
| Moelven Østerdalsbruket AS | 100.0 % | 20,000 | | 2,000 | 20,005 | * | 982,793,041 |
| Moelven Soknabruket AS | 100.0 % | 30,000 | | 3,000 | 32,511 | * | 982,793,017 |
| Moelven Langmoen AS | 100.0 % | 18,000 | | 1,800 | 37,156 | * | 882,792,862 |
| Moelven Eidsvoll AS | 100.0 % | 8,500 | | 850 | 18,500 | * | 951,278,017 |
| Moelven Treinteriør AS | 100.0 % | 3,500 | | 3,500 | 8,482 | * | 910,888,471 |
| Moelven Danmark A/S | 100.0 % | 5,000 | DKK | 50,000 | 12,417 | * | 11,932,371 |
| Moelven Are AS | 100.0 % | 300 | | 100 | 50,116 | * | 839,265,832 |
| Moelven Eidsvold Værk AS | 100.0 % | 32,500 | | 32,500 | 35,578 | * | 937,577,087 |
| Moelven Trysil AS | 100.0 % | 15,600 | | 15,600 | 35,634 | * | 984,029,497 |
| Moelven Sør Tre AS | 100.0 % | 8,487 | | 8,487 | 50,000 | * | 835,259,072 |
| Moelven Granvin Bruk AS | 99.3 % | 1,490 | | 2,959 | 16,672 | * | 881,146,312 |
| Moelven List AB | 100.0 % | 5,500 | SEK | 55,000 | 20,958 | ** | 556297-9129 |
| Moelven Värmlands Trä AB | 100.0 % | 3,000 | SEK | 3,000 | 31,294 | ** | 556061-2110 |
| Moelven Notnäs Wood AB | 100.0 % | 3,800 | SEK | 38,000 | 14,648 | ** | 556148-6803 |
| Moelven Valåsen Wood AB | 100.0 % | 20,100 | SEK | 201,000 | 27,002 | ** | 556343-2839 |
| Moelven Edanesågen AB | 100.0 % | 4,000 | SEK | 4,000 | 74,123 | ** | 556061-4462 |
| Moelven Lovene AB | 100.0 % | 5,000 | SEK | 50,000 | 6,658 | ** | 556851-8517 |
| Moelven Vänerply AB | 100.0 % | 20,000 | SEK | 5,000 | 19,024 | ** | 556851-5026 |
| Moelven Wood Prosjekt AS | 100.0 % | 300 | | 3,000 | 11,000 | * | 982,680,913 |
| Moelven Malmö Holding AB | 100.0 % | 2,580 | SEK | 2,580 | 14,746 | ** | 556451-0278 |
| Moelven Malmö AB | 100.0 % | 1,200 | SEK | 1,200 | 4,280 | *** | 556451-0302 |
| Moelven Multi3 AS | 100.0 % | 3,425 | NOK | 6,850 | 9,192 | * | 993,797,758 |

## Note 22 - Group companies (cont.)

| Amounts in NOK 1,000 | Holding % | The company's share capital | | Number of shares in Moelven's ownership | Book value 31.12. | | Organization number |
|---|---|---|---|---|---|---|---|
| **Building Systems** | | | | | | | |
| Moelven Limtre AS | 100.0 % | 11,000 | | 11,000 | 43,028 | * | 913,711,300 |
| Moelven Töreboda AB | 100.0 % | 12,000 | SEK | 120,000 | 45,658 | ** | 556023-8023 |
| Moelven ByggModul AS | 100.0 % | 31,688 | | 158,440 | 89,299 | * | 941,809,219 |
| Moelven Byggmodul Hjellum AS | 100.0 % | 4,206 | | 50,001 | 65,584 | * | 927,486,210 |
| Moelven Byggmodul AB | 100.0 % | 5,000 | SEK | 50,000 | 85,608 | ** | 556310-7134 |
| Moelven Modus AS | 100.0 % | 22,000 | | 2,200 | 95,000 | * | 951,269,778 |
| Moelven Modus AB | 100.0 % | 4,000 | SEK | 40,000 | 43,375 | ** | 556175-3178 |
| Moelven Elprosjekt AS | 100.0 % | 10,000 | | 50,000 | 0 | * | 980,342,182 |
| Moelven Elektro AB | 100.0 % | 100 | SEK | 1,000 | 1,998 | ** | 556783-8239 |
| **Others** | | | | | | | |
| Moelven Industrier AB | 100.0 % | 197,046 | SEK | 19,704,581 | 241,406 | * | 556064-4170 |
| Moelven Skog AB | 100.0 % | 5,000 | SEK | 400 | 23,780 | ** | 556624-0957 |
| Moelven Virke AS | 100.0 % | 5,000 | | 50,000 | 4,546 | * | 975,924,955 |
| Moelven Bioenergi AS | 100.0 % | 6,000 | | 6,000,000 | 6,800 | * | 990,041,881 |
| Vänerbränsle AB | 82.3 % | 336 | SEK | 2,613 | 2,670 | ** | 556432-9851 |
| Skåre Kontorshotell AB | 100.0 % | 100 | SEK | 1,000 | 690 | ** | 556550-1664 |
| Moelven Portefølje AS | 100.0 % | 1,000 | | 1,000 | 1,155 | * | 982,792,835 |

*) Company owned by Moelven Industrier ASA
**) Company owned by Moelven Industrier AB
***) Company owned by Moelven Malmö Holding AB

## Note 23 - Pension costs and pension commitments

**Pension schemes**

The pension funds and commitments on the balance sheet mainly relate to the group's Norwegian companies.

**Secured schemes**

The group's defined benefit scheme regarding the Norwegian companies was ended in 2015. New employees will be affiliated a contributions based pension scheme. The contribution scheme include a risk coverage in case of disability.

The Group is required to have an occupational scheme by legislation on compulsory occupational pensions. The pension schemes fulfil the requirements of this legislation.

**Unsecured schemes**

Unsecured schemes relate to guaranteed pension liabilities. These are calculated in accordance to IFRS pension costs. There are no unsecured pension commitments that have not been included in the calculation mentioned above. The remaining pension commitments in balance sheet, are related to agreed arrangements for a small number of previous and current employees.

**A new AFP scheme from 01 January 2011 for the Group's Norwegian companies**

All employees in the Norwegian companies in the group should be comprised by the right to early retirement (AFP), early retirement schemes in the private sector from the age of 62 if they fulfil the requirements of this scheme. The new AFP scheme which came into force in 2011 is defined as a defined-benefit multi-employer plan, but accounted for as a defined contribution scheme until reliable and sufficient information enabling the companies to account for its proportionate share of pension costs, pension obligations and pension funds in the scheme. The company's obligations related to the new AFP scheme is therefore not recorded as a liability.

**The group's foreign companies**

Many of the group's foreign companies offer their employees pensions based on agreed individual contribution-based pension schemes.

In Sweden, most employees are covered by a collective occupational pension agreement. The scheme is defined as a multi-employer plan. Salaried staff born before 1979 are included in an individual occupational pension scheme that is also defined as a defined benefit plan. Because of the difficulty of reliably measuring the benefit level of these plans, there is insufficient information on an individual basis to enter the plans in the accounts as defined benefit schemes. The plans are accounted for as if they were contribution-based, in accordance with good accounting practice. Salaried staff born after 1979 are included in an occupational pension scheme that is premium based and is therefore treated in the accounts as contribution-based.

### 23.1 – Economic and actuarial assumptions

The following economic assumptions have been made:

| | 2016 | 2015 |
|---|---|---|
| Return on pension funds | 2.10 % | 2.50 % |
| Discount rate | 2.10 % | 2.50 % |
| Annual adjustment of pensions being paid | 2.00 % | 1.50 % |
| Average employer's contribution factor | 14.10 % | 14.10 % |

### 23.2 - Pension commitments entered in the accounts

**Amounts in NOK million**

| | 2016 | 2015 |
|---|---|---|
| Present value of the secured pension commitments | 4.2 | 23.6 |
| Present value of the unsecured pension commitments | 19.0 | 18.6 |
| Total present value of pension commitments | 23.2 | 42.3 |
| Fair value of pension funds | -3.5 | -21.8 |
| Net pension liability outside Norway | 0.8 | 1.8 |
| **Pension commitments entered** | **20.5** | **22.3** |

In the balance sheet the pension commitments are entered gross with the following amounts:

| | 2016 | 2015 |
|---|---|---|
| Net pension funds | 2.2 | 2.5 |
| Pension liabilities | 22.7 | 24.8 |

### 23.3 – Pension costs

| **Amounts in NOK million** | **2016** | **2015** |
|---|---|---|
| Pension entitlements accrued in the year | 0.2 | 16.1 |
| Administration costs | 0.0 | 2.3 |
| Change in pension plans | 0.0 | -35.9 |
| Net financial costs/income | 0.5 | 3.1 |
| **Pension costs secured and unsecured defined benefit schemes** | **0.7** | **-14.4** |
| Contribution pension costs and other pension costs | 97.0 | 64.0 |
| **Pension cost (net) entered on the income statement** | **97.7** | **49.6** |

## Note 24 - Provisions

**Guarantee liability on projects**

| **Guarantee provisions** | **2016** | **2015** |
|---|---|---|
| Guarantee provisions as at 1.1 | 19.1 | 16.2 |
| Used during the year | -0.7 | -0.2 |
| Reversed during the year | 0.0 | 0.0 |
| New provisions during the year | 8.0 | 3.2 |
| **Guarantee provisions 31.12** | **26.4** | **19.1** |

**Other guarantee liability**

| | 2016 | 2015 |
|---|---|---|
| Loan guarantees/financial guarantees | 18.7 | 23.9 |

Moelven Industrier is operating business that can effect the external environment. Moelven performs periodical mapping of the environmental effect of our production. Based on these mappings, Moelven has assessed that the recognition criteria of a reliable estimate is not fulfilled. There is therefore not recognized any provisions regarding environmental effects.

## Note 25 - Other short-term liabilities

| **Other short term liabilities** | **Note** | **2016** | **2015** |
|---|---|---|---|
| Prepayments from customers | 19 | 109.1 | 110.8 |
| Accrued holiday pay | | 181.7 | 195.1 |
| Bonus provisions | | 137.2 | 133.1 |
| Accrued costs and other short term liabilities | | 437.9 | 499.1 |
| **Total other short term liabilities** | | **865.9** | **938.1** |

Prepayments from customers relates to invoiced income on projects that has not been earned (invoiced, not performed). Refer to note 19 Projects.

## Note 26 - Financial instruments

### 26.1 Book value of financial assets and obligations by category

**Financial assets 31.12.16**

| **Amounts in NOK million** | Assets | Recognized at fair value | Book value | Level 1 | Level 2 | Level 3 | Total fair value |
|---|---|---|---|---|---|---|---|
| Accounts receivable | 1358.5 | | 1358.5 | | | | |
| Other receivables | 210.0 | | 210.0 | | | | |
| Financial instruments - currency derivative | | 5.6 | 5.6 | | 5.6 | | 5.6 |
| Fin. instr. - emb. cur. derivative in hedg. of el.power | | 0.6 | 0.6 | | 0.6 | | 0.6 |
| Financial instruments - power derivative | | 2.8 | 2.8 | 2.8 | | | 2.8 |
| Bank deposits etc. | 6.6 | | 6.6 | | | | |
| Investments in equities | 1.2 | | 1.2 | | | 1.2 | 1.2 |
| **Total** | **1,576.3** | **9.0** | **1,585.3** | | | | |

**Financial obligations 31.12.16**

| **Amounts in NOK million** | Recog. at amort. cost | Recognized at fair value | Book value | Level 1 | Level 2 | Level 3 | Total fair value |
|---|---|---|---|---|---|---|---|
| Liabilities to credit institutions | 887.6 | | 887.6 | | 898.8 | | 898.8 |
| Financial leases | 22.3 | | 22.3 | | 22.3 | | 22.3 |
| Other long term liabilities | 6.8 | | 6.8 | | 6.8 | | 6.8 |
| Financial instruments - currency derivative | 0.0 | 1.1 | 1.1 | | 1.1 | | 1.1 |
| Financial instruments - interest derivative | 0.0 | 82.6 | 82.6 | | 82.6 | | 82.6 |
| Payables | 574.7 | | 574.7 | | | | |
| Overdrafts | 112.4 | | 112.4 | | | | |
| **Total** | **1603.7** | **83.7** | **1687.4** | | | | |

**Financial assets 31.12.15**

| **Amounts in NOK million** | Assets | Recognized at fair value | Book value | Level 1 | Level 2 | Level 3 | Total fair value |
|---|---|---|---|---|---|---|---|
| Accounts receivable | 1259.0 | 0.0 | 1259.0 | | | | |
| Other receivables | 174.7 | 0.0 | 174.7 | | | | |
| Financial instruments - currency derivative | | 4.5 | 4.5 | | 4.5 | | 4.5 |
| Bank deposits etc. | 3.6 | 0.0 | 3.6 | | | | |
| Investments in equities | 1.4 | 0.0 | 1.4 | | | 1.4 | 1.4 |
| **Total** | **1438.7** | **4.5** | **1443.2** | | | | |

**Financial obligations 31.12.15**

| **Amounts in NOK million** | Recog. at amort. cost | Recognized at fair value | Book value | Level 1 | Level 2 | Level 3 | Total fair value |
|---|---|---|---|---|---|---|---|
| Liabilities to credit institutions | 1,002.4 | | 1,002.4 | | 1002.4 | | 1002.4 |
| Financial leases | 31.5 | | 31.5 | | 31.5 | | 31.5 |
| Other long term liabilities | 12.4 | | 12.4 | | 12.4 | | 12.4 |
| Financial instruments - currency derivative | | 0.9 | 0.9 | | 0.9 | | 0.9 |
| Financial instruments - interest derivative | | 76.2 | 76.2 | | 76.2 | | 76.2 |
| Financial instruments - power derivative | | 16.6 | 16.6 | 16.6 | | | 16.6 |
| Payables | 555.2 | | 555.2 | | | | |
| Overdrafts | 79.7 | | 79.7 | | | | |
| **Total** | **1,681.2** | **93.7** | **1,774.9** | | | | |

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 direct or indirect (derived from prices) for the asset or liability.
Level 3: Valuation based on factors that are not obtained from observable markets. (non-observable assumptions)

### 26.2 Nominal value of financial derivatives

| Amounts in NOK million | As of 31 December 2016 | 2015 |
|---|---|---|
| **Interest rate derivatives** | | |
| Maturing under 1 year | 0.0 | 0.0 |
| Maturing 2 - 5 years | 314.0 | 128.6 |
| Maturing 6 - 10 years | 286.8 | 498.0 |
| **Total** | **600.8** | **626.6** |
| | | |
| **Currency derivatives, forward contracts for sale of foreign currency** | | |
| Maturing 0-6 months | 154.4 | 151.2 |
| Maturing 7-12 months | 30.4 | 21.4 |
| Maturing >12 months | 1.9 | 0.0 |
| **Total** | **186.7** | **172.6** |
| | | |
| **Currency derivatives, forward contracts for purchase of foreign currency** | | |
| Maturing 0-6 months | 84.3 | 14.0 |
| Maturing 7-12 months | 11.1 | 0.0 |
| Maturing >12 months | 0.0 | 0.0 |
| **Total** | **95.4** | **14.0** |
| | | |
| **Power derivatives** | | |
| Maturing less than 1 year | 21.0 | 15.7 |
| Maturing 1-2 years | 11.9 | 13.2 |
| Maturing 3-4 years | 5.4 | 7.3 |
| **Total** | **38.3** | **36.2** |
| | | |
| **Power derivatives accounted according to IAS 39 as purchase for own use*** | | |
| Maturing less than 1 year | 12.7 | 18.0 |
| Maturing 1-2 years | 6.8 | 9.8 |
| Maturing 3-4 years | 7.3 | 3.3 |
| **Total** | **26.9** | **31.1** |

The table shows the nominal gross value in NOK. Sales of foreign currency is sales against NOK and SEK. Calculation of nominal value in NOK is done by using the nominal value of SEK converted to NOK by using the balance sheet date rate. Acquisitions of foreign currency are mainly sales of SEK against NOK and SEK against EUR. Power contracts are bought forward contracts for electricity.

*The market value of power derivatives for own consumption was NOK 5.9 million in 2016 and minus NOK 8.9 million in 2015.

## Note 27 - Share capital and share premium reserve

The last capital increase was in 2004 when Moelven aquired the Are Group. The share capital was increased by NOK 52.5 million

| | |
|---|---|
| **Summary of shareholders as at 31.12.2016** | |
| Number of shares | 129,542,384 |
| Number of own shares | 1,100 |
| Number of voting shares | 129,541,284 |
| | |
| Face value | NOK 5 |
| Share capital | 647,711,920 |
| **Summary of shareholders as at 31.12.2015** | |
| Number of shares | 129,542,384 |
| Number of own shares | 1,100 |
| Number of voting shares | 129,541,284 |
| Face value | NOK 5 |
| Share capital | 647,711,920 |
| Number of shares on average | 129,541,284 |

| **Shareholders** | | **Number of shares** | **Ownership of voting shares in per cent** |
|---|---|---|---|
| Glommen Skog SA | Norway | 37,692,572 | 29.10 % |
| Eidsiva Vekst AS | Norway | 30,803,178 | 23.78 % |
| Felleskjøpet Agri SA | Norway | 20,535,451 | 15.85 % |
| Viken Skog SA | Norway | 15,378,530 | 11.87 % |
| Mjøsen Skog SA | Norway | 15,221,334 | 11.75 % |
| AT Skog SA | Norway | 9,442,026 | 7.29 % |
| **6 largest owners** | | **129,073,091** | **99.64 %** |
| Other 935 shareholders | | 469,193 | 0.36 % |
| **Total 941 shareholders** | | **129,541,284** | **100.00 %** |

## Note 28 - Remuneration to group management, board and corporate assembly

### 28.1 – Shares in Moelven Industrier ASA owned by members of the group management, board and corporate assembly

| The Corporate assembly | | Deputy members | | The board of Directors | | Group Executive Board | |
|---|---|---|---|---|---|---|---|
| Egil Magnar Stubsjøen | 0 | | | Olav Fjell | 0 | Morten Kristiansen | 500 |
| Terje Uggen | 0 | Erik A. Dahl | 0 | Trond Stangeby | 0 | Anders Lindh | 0 |
| Maren Kyllingstad | 0 | Anne Sagstuen Nysæther | 0 | Elisabeth Krokeide | 0 | Bjarne Hønningstad | 2700 |
| Thor Svegården | 0 | Leif Henning Asla | 0 | Mari Wilhelmsen | 0 | Marcus Johansson | 1012 |
| John Arne Ulvan | 0 | Jan Kollsgård | 0 | Asbjørn Bjørnstad | 0 | | |
| Olav A. Veum | 0 | Anders Roger Øynes | 0 | Martin Fauchald *) | 0 | **Group shared services** | |
| Gudbrand Gulsvik | 0 | Tor Henrik Kristiansen | 0 | Lars Håkan Karlsson *) | 0 | | |
| Rolf Th. Holm | 0 | Thorvald Grini | 0 | | | Kristin Vitsø Bjørnstad | 750 |
| Trond Sønes *) | 0 | | | **Deputy members** | | Morten Sveiverud | 2350 |
| John-Inge Lorentsen *) | 0 | Leif Bjarne Undem *) | 0 | | | Even Rognan Lutnæs | 0 |
| Ann Christine Löfborg *) | 0 | Ove Gunarsson *) | 0 | Terje Johansen | 0 | | |
| Lennart Perez *) | 0 | Jörgen Weman *) | 0 | Aud Ingvild Storås | 0 | | |
| | | | | Iver Melby *) | 74 | | |

*) Employee's representatives

### 28.2 Declaration of determination of remuneration for the Group Executive Board

**Background**
In accordance with section 6-16a of the Public Limited Company Act, the board of Moelven Industrier ASA has prepared a declaration on the fixing of pay and other remuneration for senior executives within the group. The declaration, which was adopted by the general meeting of 26 April 2016, has been the guideline for the 2016 financial year. An identical declaration, which will be presented to the general meeting of 26 April 2017, will be the guideline for the 2017 financial year.

**The following persons are involved**
The declaration covers the group management of Moelven Industrier ASA. Group management means the CEO and the heads of the divisions.

**General**
Moelven shall have a level of pay and other terms of employment that is necessary in order to be able to keep and recruit managers with good competence and the capacity to achieve the objectives that are set.

**Salary**
Moelven's main principle is that senior executives shall have fixed salary. Salary is adjusted annually, normally with effect from 1 July.

**Other benefits in kind**
Moelven shall have other benefits, in the form of free car, free newspapers and free telephony for example, where this makes work easier and is deemed to be reasonable in relation to general practice in the market.

**Bonuses and other variable elements of the remuneration**
Over and above the main principle of fixed pay, the board wishes it to be possible to offer other variable forms of remuneration in cases where this is found to be appropriate. Bonuses may be used to a limited extent and by special agreement and shall be directly dependent on operating profit.

**Remuneration linked to shares etc.**
Moelven has no form of remuneration for companies within the group that is linked to shares or the development of the share price, including shares, subscription rights and options. In the event of the establishment of such a scheme, it shall cover a large number of employees and such remuneration shall represent a smaller proportion than the fixed pay.

**Pension schemes**
Moelven shall have pension conditions that are on a level with the general market in the home country. New employees shall join contributory pension schemes.

**Pay after termination of employment**
In the event of immediate termination of employment by the company, management shall as a standard be entitled to pay for 18 months, less pay earned by any new employer during this period.

**Previous financial years**
Management pay policy in previous financial years has been in line with the content of this declaration.

The board reserves the right to deviate from these guidelines if there are serious grounds for doing so in individual cases. If the board should deviate from these guidelines, their reasons for doing so must appear in the minutes of the meeting.

## Note 28 - Remuneration to group management, board and corporate assembly contd.

### 28.3 – Remuneration to senior executives etc.

**Amounts in NOK 1,000 paid during the financial year**

| | 2016 | | | 2015 | | |
|---|---|---|---|---|---|---|
| | Salaries | Pension costs | Other benefits | Salaries | Pension costs | Other benefits |
| Remuneration to: | | | | | | |
| CEO Morten Kristiansen | 3,923.3 | 610.6 | 205.8 | 3,132.0 | 842.0 | 172.5 |
| Anders Lindh, Managing Director Timber from 01.12.2016 | 148.3 | 19.6 | 14.6 | 0.0 | 0.0 | 0.0 |
| Ole Helge Aalstad, former Managing Director Timber until 30.09.16 | 1,648.1 | 189.5 | 133.8 | 1,798.1 | 184.1 | 184.5 |
| Bjarne Hønningstad, Managing Director Wood | 2,099.1 | 298.4 | 184.2 | 1,798.1 | 182.3 | 164.3 |
| Marcus Johansson, Managing Director Building Systems | 1,797.0 | 488.4 | 71.7 | 1,761.4 | 552.4 | 106.8 |
| **Total** | **9,615.8** | **1,606.5** | **610.1** | **8,489.6** | **1,760.8** | **628.1** |

On termination of employment, the President and CEO and the Managing Directors of Timber and Wood have 18 month's pay after termination, less pay from new position/employer. The Managing Director of Building Systems has a similar agreement for 6 months.

### 28.4 - Remuneration to the board and corporate assembly

| **Amounts in NOK 1,000 paid during the financial year** | **2016** | **2015** |
|---|---|---|
| Remuneration to the board of Directors | 1,256.5 | 1,254.3 |
| Remuneration to the corporate assembly | 312.4 | 451.3 |

The chairman of the board of directors receives NOK 500.000 and the board members NOK 120.000 in annual remuneration. Deputy members of the board receive NOK 5.500 per meeting. The chairman of the corporate assembly receives NOK 60.000 in annual remuneration. The members and deputy members of the corporate assembly receive NOK 5.500 per meeting.

## Note 29 - Shareholders' agreement and related parties

### 29.1 Shareholders' agreement

The share capital of Moelven Industrier ASA consists of 129,542,384 shares with a face value of NOK 5 and there is only one share class. In total the shares are distributed among 934 shareholders, of which the six largest, Eidsiva Vekst AS, Felleskjøpet Agri SA and the forest owner cooperatives Glommen Skog SA, Mjøsen Skog SA, AT Skog SA and Viken Skog SA, control a total of 99.6 per cent. There is several shareholders' agreements between these shareholders. Among other things, this shareholders' agreement has clauses that determine that the company shall be run as an independent unit with a long-term perspective and with continued focus on Scandinavia as the main market. The agreement also contains clauses regarding the composition of the board, dividend policy, strategic focus areas and share transfer.

### 29.2 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. Also, Eidsiva Energi Marked AS sells electric power to Moelven's Norwegian industrial operations. All these transactions have in common that the arm's length principle shall be applied. Where other suppliers can offer better prices or terms, these will be used. About 40 per cent of Moelven's total purchasing requirement for timber of 4.3 million cubic metres comes via the Norwegian forest owner cooperatives.

Moelven' supply of energy raw materials to Eidsiva's bioenergy plant represents between 40 and 50 GWh on an annual basis, while buying back energy represents between 20 and 30 GWh. Net delivery of energy raw materials is 20 GWh.

The extent of the sale of electrical power corresponds to about 40 per cent of Moelven's total consumption of 210 GWh.

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

## Note 30 - Events after the date of balance

No subsequent events have taken place that should have any effect on the 2016 annual report.

# Annual accounts for Moelven Industrier ASA

## Income statement

| Amounts in NOK million | Note | Moelven Industrier 2016 | 2015 |
|---|---|---|---|
| Other operating revenues | 17 | 100.4 | 96.0 |
| **Operating revenues** | 2 | **100.4** | **96.0** |
| Payroll expenses | 12.16 | 58.1 | 51.5 |
| Depreciation on tangible and intangible fixed assets | 10.11 | 7.9 | 7.2 |
| Other operating expenses | 16 | 77.1 | 80.8 |
| **Operating expenses** | | **143.1** | **139.5** |
| **Operating profit** | | **-42.7** | **-43.5** |
| Income from investment in subsidiaries 1) | | 132.3 | 35.5 |
| Value increase of financial instruments to fair value | 9 | 26.9 | 3.9 |
| Interest income from group companies | | 63.7 | 73.3 |
| Other financial income | | 25.6 | 45.9 |
| Value reduction of financial instruments to fair value | 9 | -8.3 | -12.0 |
| Impairment of financial assets | 7 | -74.4 | 0.0 |
| Interest costs to group companies | | -3.6 | -5.0 |
| Other interest costs | | -45.6 | -51.8 |
| Other financial costs | | -25.2 | -52.3 |
| **Net financial items** | | **91.4** | **37.5** |
| **Result before tax** | | **48.7** | **-6.0** |
| Tax on ordinary result | 3.4 | 13.2 | 1.5 |
| **Annual profit** | | **35.5** | **-7.5** |
| Dividend distributed, NOK 0.45 per share | | -58.3 | 0.0 |
| Allocated to dividend, NOK 0.48 per share | | -62.2 | 0.0 |
| To/from other equity | 16 | 85.0 | 7.5 |
| **Total** | | **-35.5** | **7.5** |

1) Including group contribution

## Balance at 31.12

| Amounts in NOK million | Note | Moelven Industrier ASA 2016 | 2015 |
|---|---|---|---|
| **ASSETS** | | | |
| Deferred tax assets | 4 | 25.7 | 36.0 |
| Other intangible assets | 10 | 3.7 | 6.8 |
| **Total intangible assets** | | **29.4** | **42.8** |
| Land | | 3.7 | 3.7 |
| Buildings and other property | | 5.6 | 6.1 |
| Machinery and plant | | 11.2 | 6.3 |
| Fixtures and fittings, tools, office machinery etc. | | 5.8 | 7.3 |
| **Total tangible fixed assets** | 11 | **26.3** | **23.4** |
| Investments in subsidiaries | 13 | 1,050.6 | 1,012.1 |
| Investments in associated companies | 15 | 3.8 | 3.3 |
| Loans to group companies | 17 | 1,276.5 | 1,497.0 |
| Investments in other shares | 14 | 0.8 | 0.8 |
| Net pension funds | | 1.4 | 1.4 |
| **Total financial fixed assets** | | **2,333.1** | **2,514.6** |
| **Total fixed assets** | | **2,388.8** | **2,580.8** |
| Accounts receivable | | 0.4 | 0.1 |
| Accounts receivable group companies | 17 | 2.8 | 1.1 |
| Receivables group contributions/dividend | 17 | 132.3 | 35.5 |
| Other receivables | | 13.2 | 17.7 |
| **Total receivables** | | **148.7** | **54.4** |
| Financial derivatives | 9 | 8.2 | 6.8 |
| Bank deposits, cash etc. | 6 | 0.0 | 0.0 |
| **Total current assets** | | **156.9** | **61.2** |
| **Total assets** | | **2,545.7** | **2,642.0** |

| Amounts in NOK million | Note | Moelven Industrier ASA 2016 | 2015 |
|---|---|---|---|
| **LIABILITIES AND EQUITY** | | | |
| Share capital | | 647.7 | 647.7 |
| Own shares | | 0.0 | 0.0 |
| Share premium reserve | | 130.9 | 180.7 |
| **Total contributed equity** | | **778.6** | **828.4** |
| Retained earnings | | 0.0 | 36.1 |
| **Total equity** | 16 | **778.6** | **864.5** |
| Pension liabilities | 12 | 19.6 | 19.5 |
| **Total provision for commitments** | | **19.6** | **19.5** |
| Liabilities to credit institutions | 6 | 886.5 | 996.9 |
| Other short term debt | | 5.1 | 10.3 |
| **Total long term liabilities** | | **891.6** | **1,007.2** |
| Liabilities to credit institutions | 6 | 604.7 | 610.0 |
| Financial derivatives | 9 | 92.2 | 109.4 |
| Trade accounts payable | | 8.9 | 7.7 |
| Trade accounts payable to group companies | 17 | 2.4 | 3.8 |
| Payable public duties | | 4.3 | 4.1 |
| Dividends | | 62.2 | 0.0 |
| Tax payable | 3 | 2.5 | 0.0 |
| Other short term debt | 5 | 78.7 | 15.8 |
| **Total short term liabilities** | | **855.9** | **750.8** |
| **Total liabilities** | | **1,767.1** | **1,777.5** |
| **Total equity and liabilities** | | **2,545.7** | **2,642.0** |
| | | | |
| Guarantee liability | 8 | 753.1 | 630.7 |
| Number of shares (Face value per share NOK 5.-) | 16 | 129,541,284 | 129,541,284 |

Moelv 09 March 2017
The Board of Directors of Moelven Industrier ASA

| | | |
|---|---|---|
| Olav Fjell<br>Chairman of the Board | Trond Stangeby<br>Deputy chair | Elisabeth Krokeide |
| Mari Wilhelmsen | Asbjørn Bjørnstad | Martin Fauchald |
| Lars Håkan Karlsson | | Morten Kristiansen<br>CEO |

## Cash flow statement

| Amounts in NOK million | Note | Moelven Industrier ASA 2016 | 2015 |
|---|---|---|---|
| **CASH FLOW FROM OPERATIONAL ACTIVITIES:** | | | |
| Profit before tax | | 48.7 | -6.0 |
| Tax paid this year | 3 | 0.0 | 0.0 |
| Ordinary depreciation | 10.11 | 7.9 | 7.2 |
| Loss on associates | | 0.0 | 0.0 |
| Correction items - financial derivatives | | -18.6 | 7.0 |
| Unpaid pension costs entered as costs and unreceived pension funds entered as income | 12 | -1.4 | -7.2 |
| Changes in current assets excluding liquids and loans | | 2.5 | 1.0 |
| Changes in short-term liabilities excluding borrowing | | 62.9 | -4.4 |
| **Cash flow from operational activities** | | **102.0** | **-2.4** |
| **CASH FLOW FROM INVESTMENT ACTIVITIES:** | | | |
| Investment in plant and equipment exc. acquisition | 10.11 | -7.5 | -3.5 |
| Net cash flow from investments in shares | | 17.7 | -16.0 |
| Net cash outlay on acquisition | | 0.0 | 0.0 |
| Long-term investments, financial | | 163.8 | -74.4 |
| Short term loans | | -96.8 | 23.7 |
| **Cash flow from investment activities** | | **77.2** | **-70.2** |
| **CASH FLOW FROM FINANCING ACTIVITIES:** | | | |
| Changes in short-term loans and overdraft | | -5.3 | 140.8 |
| Changes in long-term liabilities | | -115.6 | -28.5 |
| Payment of dividend | | -58.3 | -51.8 |
| **Cash flow from financial activities** | | **-179.2** | **60.5** |
| **CASH HOLDINGS** | | | |
| Net change in liquidity through year | | 0.0 | -12.1 |
| Cash holdings 01.01. | | 0.0 | 12.1 |
| **Cash holdings 31.12.** | 6 | **0.0** | **0.0** |

## Note 1 - Accounting principles

The annual accounts have been prepared in accordance with the provisions of the Norwegian Accounting Act and with generally accepted accounting principles.

### 1.1 Use of estimates

Management has used estimates and assumptions that have affected the income statement and the valuation of assets and liabilities, as well as uncertain assets and obligations on the date of balance in the preparation of the annual accounts in accordance with good accounting practice.

### 1.2 Foreign currency

Foreign exchange transactions are calculated at the exchange rate prevailing at the time of the transaction. Monetary items in foreign currency are converted to Norwegian kroner by using the rate of exchange on the balance date. Non-monetary items which are measured at historical exchange rates expressed in foreign currency, are converted to Norwegian kroner by using the exchange rate at the time of transaction. Non-monetary items which are measured at fair value expressed in foreign currency are converted to the exchange rate determined at the time of measurement. Exchange rate changes are entered on the income statement as they occur during the accounting period under other financial items.

### 1.3 Operating revenues

The operating revenues consist mainly of division of joint costs among the subsidiaries. Sales are invoiced as the services occur.

### 1.4 Tax

Tax costs consist of payable tax and changes in deferred tax. Deferred tax/tax benefits are calculated on all differences between the company's accounting and tax carrying values of assets and liabilities. Deferred tax is calculated at 24 per cent of the temporary differences between the book and taxable values, as well as tax losses carried forward at the end of the reporting year. Net deferred tax benefits are entered on the balance sheet to the extent that it is probable they can be utilised.

Payable tax and deferred tax are entered directly against equity to the extent that the tax entries relate to equity items.

### 1.5 Classification and valuation of balance sheet items

Current assets and short-term debt include items which become due for payment within a year after the date of acquisition and items associated with the goods cycle. Other items are classified as fixed assets/long-term liabilities.

Current assets are valued at the lower of acquisition cost and fair value. Short-term debt is recognised on the balance sheet at the nominal amount at the time it is taken out.

Fixed assets are measured at acquisition cost, less depreciations and write downs. Long-term debt is recognised in the balance sheet at the nominal amount at the time of establishment.

### 1.6 Research & Development

Research and development expenses are entered on the balance sheet to the extent to which a future financial benefit can be identified that is linked to the development of an identifiable intangible asset, and the expenses can be reliably measured. Otherwise, such expenses are recognised as costs on an on-going basis. Development that is entered on the balance sheet is depreciated on a straight line basis over the financial lifetime. Research expenses are recognised as costs on an on-going basis.

### 1.7 Tangible fixed assets

Tangible fixed assets are entered on the balance sheet and depreciated on a straight line basis over the asset's expected lifetime. Major assets that consist of significant components having different lifetimes are depreciated with different depreciation times for the different components. Direct maintenance of equipment is recognised continuously as an expense under operating expenses, while increased costs or improvements are added to the equipment's price and amortised concurrently. If the recoverable value of the asset is lower than book value, it is written down to recoverable value. Recoverable value is the higher of net sales value and value in use. Value in use is the present value of the future cash flow that the asset is expected to generate.

### 1.8 Subsidiaries/associated companies

Subsidiary and associates are assessed by the cost method in the company accounts. The investment is valued at acquisition cost for the shares unless write down has been necessary. Write down to fair value is been done when the decrease in value is due to causes that cannot be considered  to be transitory and where this must be considered necessary according to good accounting practice. Write downs are reversed when the reason for write down no longer exists.

Dividends, group contributions and other payments from subsidiaries are entered as revenue during the same year as provision is made for them in the subsidiary's accounts.  If the dividend/group contribution exceeds the proportion of earned profit after the date of acquisition, the surplus represents part repayment of invested capital and is deducted from the value of the investment on the parent company's balance sheet.

### 1.9 Receivables

Trade accounts receivable and other receivables are recognised in the balance sheet at their nominal value after deductions for provision for expected loss. Provision for losses is made on the basis of individual assessment of each debt. In addition, an unspecified provision is made for the remaining trade accounts receivable to cover assumed loss.

### 1.10 Short-term investments

Short-term investments (shares assessed as current assets) are valued at the lower of acquisition cost and fair value on the date of balance. Dividends received and other payments from the companies are entered as other financial income.

### 1.11 Pensions

The company has collective, contribution-based pension schemes. These are schemes with a savings portion and a risk portion with earnings right. Pension premiums are entered as costs as they occur.

The company's defined benefit plan that was closed in 2015, per 31.12.2015 discontinued with issue of free policies. The defined benefit plan with a pension of approximately 60 per cent of final salary at age 67 and full service period of 30 years, was replaced with a new deposit scheme from 1.1.2016 valid for all employees. Deposit Scheme provides risk coverage for disability. Earlier risk-pension with policy earnings is also completed with the issuance of free policies per. 31.12.2015. Of defined benefit plans, the company still have an on-going taxable joint annuity policy valid for a limited number of people.

*Defined-benefit pension schemes*

Defined-benefit pension schemes are valued at present value of the future pension benefits that have been earned on the date of balance. Pension funds are valued at fair value.

Changes in defined-benefit pension commitments that are due to changes in pension plans are distributed over the estimated average remaining earnings period. Estimate changes and changes in financial and actuarial assumptions (actuarial gains and losses) are entered against equity (OCI). The period's net pension costs are classified as payroll and personnel costs.

### 1.12 Cash flow statement

The cash flow statement has been prepared according to the indirect method. Cash and cash equivalents comprise cash, bank deposits and other short-term liquid investments.

## Note 2 - Operating revenues

| Amounts in NOK million | 2016 | 2015 |
|---|---|---|
| Subsidiaries' proportion of joint costs | 54.6 | 50.6 |
| Subsidiaries' proportion of IT services | 36.4 | 35.2 |
| Rent income - outside the group | 0.7 | 0.7 |
| Rent income - inside the group | 2.6 | 2.7 |
| Other | 6.1 | 6.8 |
| **Total other operating income** | **100.4** | **96.0** |

According to company specification in note 17, revenues from our subsidiaries total NOK 98.6 million. Total revenues from Norwegian companies amounts NOK 47.8 million, Swedish companies NOK 49.9 million and Danish company NOK 0.9 million.

## Note 3 - Tax expense

| Amounts in NOK million | 2016 | 2015 |
|---|---|---|
| **Ordinary result before tax** | **48.7** | **-6.0** |
| Nominal tax 27 % 2015, 27 % 2014 | 12.1 | -1.6 |
| Tax effect from change in tax per cent from 27 % to 25 % | 1.0 | 3.0 |
| Tax effect of permanent differences | 0.1 | 0.1 |
| **Total tax costs** | **13.2** | **1.5** |
| **Ordinary result after tax** | **35.5** | **-7.5** |
| Tax percentage | 27.1 % | 25.0 % |
| ***Tax costs consist of payable tax in*** | | |
| Total tax payable | **2.5** | **0.0** |
| Changes in deferred tax from income statement | 10.7 | 1.5 |
| **Total tax costs** | **13.2** | **1.5** |
| Changes in deferred tax from OCI item pension | -0.3 | 1.6 |
| Changes in deferred tax from income statement | 10.7 | 1.5 |
| **Total changes in deferred tax** | **10.4** | **3.1** |

## Note 4 - Deferred tax

**Deferred tax /deferred tax assets**

The table below shows the tax effects of the various temporary differences between accounting and tax values.

| Amounts in NOK million | 2016 | 2015 |
|---|---|---|
| **Temporary differences** | | |
| Asset reserves | 0.0 | 0.0 |
| Cost provisions according to good accounting practice | -0.3 | -0.3 |
| Other short-term temporary differences | -20.2 | -30.4 |
| **Sub-total short-term differences** | **-20.5** | **-30.7** |
| Plant and equipment reserves | -0.8 | -0.7 |
| Profit and loss account | 0.3 | 0.3 |
| Pension funds | 0.0 | 0.0 |
| Pension commitments | -4.7 | -4.9 |
| **Sub-total long-term items** | **-5.2** | **-5.3** |
| **Tax-reducing differences (-), tax-increasing (+)** | **-25.7** | **-36.0** |
| **Deferred tax assets** | **-25.7** | **-36.0** |

## Note 5 - Other short-term liabilities

Other short-term liabilities consist mainly of accrued costs not yet due for payment.

## Note 6 - Liquid holdings and debt

### 6.1 Interest-bearing holdings and debt

| | | 2016 | 2015 |
|---|---|---|---|
| Overdraft and interest-bearing debt | | 604.7 | 610.0 |
| ***Long-term interest-bearing liabilities in*** | | | |
| NOK | 4.01 % | 549.2 | 200.0 |
| SEK | 4.16 % | 337.3 | 796.9 |
| DKK | | 0.0 | 0.0 |
| EUR | | 0.0 | 0.0 |
| **Total long-term interest-bearing debt** | | **886.5** | **996.9** |
| **Net interest-bearing debt** | | **1,491.2** | **1,606.9** |

### 6.2 Repayment schedule long-term liabilities

| **Amounts in NOK million** | **2016** | **2015** |
|---|---|---|
| *Long-term liabilities that fall due for payment in* | | |
| 1 year | 0.0 | 330.8 |
| 2 years | 0.0 | 666.1 |
| 3 years | 886.5 | 0.0 |
| 4 years | 0.0 | 0.0 |
| 5 years | 0.0 | 0.0 |
| 6 years and over | 0.0 | 0.0 |

### 6.3 Ceilings and withdrawals in syndicated loan market

| **Amounts in NOK million** | **2016** | **2015** |
|---|---|---|
| Ceiling | 1,563.4 | 1,575.0 |
| Withdrawal | 886.5 | 991.4 |
| Remaining term in months | 29 | 9/18 |

The loans have been taken with negative security declaration and have normal clauses relating to equity, equity ratio and debt ratio. The bonds are issued with a negative pledge and have standard terms linked to equity, equity ratio and debt ratio. The company signed a new agreement on long-term debt financing in June 2016. This is described in report of the Board of Directors and Note 5.1.5 to the consolidated financial statements.

### 6.4 Future access to liquidity

**Long financing**

| Amounts in NOK million | 2016 | 2015 |
|---|---|---|
| as at 31.12 | 1,563.4 | 1,575.0 |
| in 1 year | 1,563.4 | 1,350.0 |
| in 2 years | 1,563.4 | 0.0 |
| in 3 years | 0.0 | 0.0 |
| in 4 years | 0.0 | 0.0 |
| in 5 years | 0.0 | 0.0 |
| in 6 years or later | 0.0 | 0.0 |

**Short financing**

In addition to the long-term access to liquidity, the group has loan facilities that are renewed each year. As at 31.12.2016 these were NOK 312 million. As a result of normal seasonal variations, the group's net interest-bearing debt was at its highest in March 2016, NOK 1 368.7 million. The long term loan facilities as at 31.12.2016 are expected to be sufficient to cover liquidity needs for the coming 2.5 years.

## Note 7 - Financial market risk and impairment of financial assets

### 7.1 Financial market risk

Assets with associated financial market risk consist of loans in foreign currency to subsidiaries, mainly in SEK. Exchange rate exposure is eliminated in that the loans are financed with debts in the same currency. Interest rate risk connected with the same receivables and liabilities is reduced by using rate swaps. In order to assist subsidiaries in covering risks associated with buying and selling currency, and within limits defined by the Board, currency positions may be used for internal exchanges. The company also carry out the the hedging of the Group's consumption of electricity. For the Swedish part of the Group this is done through trading financial contracts on the Nasdaq OMX Commodities. The realized hedging income is distrbuted on subsidiaries according to consumption, resulting in no net impact for Moelven Industrier ASA.

### 7.2.Impairment of financial assets

After valuation of the subsidiary, shares are carried amortization of the cost price of shares to a total of NOK 12 million. In addition, a provision is made for risks on loans and guarantee obligations to group companies with NOK 62,4 mill.

## Note 8 - Guarantee liability

| Amounts in NOK million | 2016 | 2015 |
|---|---|---|
| Loan guarantees/financial guarantees | 222.1 | 144.3 |
| Unconditional guarantees | 474.3 | 442.7 |
| Tax deduction guarantees | 56.7 | 43.6 |
| **Total** | **753.1** | **630.7** |

The company has no restricted bank deposits. The company's cash credit accounts are included in the group's account systems. The company can thus be collectively responsible for more than the company's withdrawals. The employees' tax deduction funds are secured with guarantees furnished by an external credit institution.

## Note 9 - Financial instruments

**The following types of hedging are used:**
Rate swaps
Currency future contracts
Structured forward buying of currency
Future contracts for electric power

The Group does not use hedge accounting

| **Financial assets entered at fair value** | **2016** | **2015** |
|---|---|---|
| Exchange rate derivatives | 8.2 | 6.8 |
| Total assets presented on the financial derivatives line | **8.2** | **6.8** |

| **Financial obligations entered at fair value** | **2016** | **2015** |
|---|---|---|
| Interest rate derivatives | 82.6 | 76.2 |
| Exchange rate derivatives | 9.6 | 7.7 |
| Power derivatives *) | 0.0 | 25.5 |
| Total obligations presented on the financial derivatives line | **92.2** | **109.4** |

*) Interest derivaties and power derivatives are entered on the lowest value principle

| **Value changes of financial instruments recognised in the profit and loss account** | **2016** | **2015** |
|---|---|---|
| Value change financial instruments, gain | 26.9 | 3.9 |
| Value change financial instruments, loss | -8.3 | -12.0 |
| Net result of financial instruments | **18.6** | **-8.1** |

**Fair value of hedging instruments and hedged items are set as follows:**
The Group has no hedging instruments not traded in functional markets. Fair value is calculated based on observable market prices for similar instruments.

### Presentation of nominal value and duration of financial instruments

| **Amounts in NOK million** | **2016** | **2015** |
|---|---|---|
| **Interest rate derivatives** | | |
| Maturing under 1 year | 0.0 | 0.0 |
| Maturing 2 - 5 years | 314.0 | 128.6 |
| Maturing 6 - 10 years | 286.8 | 498.0 |
| **Total** | **600.8** | **626.6** |
| | | |
| **Currency derivatives, forward contracts for sale of foreign currency** | | |
| Maturing 0-6 months | 311.6 | 239.1 |
| Maturing 7-12 months | 41.4 | 28.9 |
| Maturing >12 months | 1.9 | 4.4 |
| **Total** | **354.9** | **272.4** |
| | | |
| **Currency derivatives, forward contracts for purchase of foreign currency** | | |
| Maturing 0-6 months | 363.1 | 216.5 |
| Maturing 7-12 months | 43.4 | 25.9 |
| Maturing >12 months | 3.7 | 3.9 |
| **Total** | **410.2** | **246.3** |
| | | |
| **Power derivatives** | | |
| Maturing under 1 year | 33.8 | 33.7 |
| Maturing 1-2 years | 18.7 | 23.0 |
| Maturing 3-4 years | 12.8 | 10.7 |
| **Total** | **65.3** | **67.4** |

## Note 10 Intangible assets

| Amounts in NOK million | Other intangible assets | Total |
|---|---|---|
| Acquisition value as at 31.12.2014 | 25.4 | 25.4 |
| Acquisitions | 1.9 | 1.9 |
| Disposal acquisition value | 0.0 | 0.0 |
| **Acquisition value as at 31.12.2015** | 27.3 | 27.3 |
| Accumulated ordinary depreciations 31.12.2014 | 16.9 | 16.9 |
| Disposals accumulated depreciations | 0.0 | 0.0 |
| Depreciation and write downs for the year | 3.5 | 3.5 |
| **Accumulated ordinary depreciations 31.12.2015** | 20.4 | 20.4 |
| Book value 31.12.2014 | 8.5 | 8.5 |
| **Book value 31.12.2015** | 6.9 | 6.9 |
| Ordinary depreciation rates in per cent | 20/33% | |

| Amounts in NOK million | Other intangible assets | Total |
|---|---|---|
| Acquisition value as at 31.12.2015 | 27.3 | 27.3 |
| Acquisitions | 0.6 | 0.6 |
| Disposal acquisition value | 0.0 | 0.0 |
| **Acquisition value as at 31.12.2016** | 27.9 | 27.9 |
| Accumulated ordinary depreciations 31.12.2015 | 20.4 | 20.4 |
| Disposals accumulated depreciations | 0.0 | 0.0 |
| Depreciation and write downs for the year | 3.8 | 3.8 |
| **Accumulated ordinary depreciations 31.12.2016** | 24.2 | 24.2 |
| Book value 31.12.2015 | 6.9 | 6.9 |
| **Book value 31.12.2016** | 3.7 | 3.7 |
| Ordinary depreciation rates in per cent | 20/33% | |

**Other intangible assest**

In 2016, there is capitalized NOK 0.1 million in intangible assets and related to Intranet in Moelven and NOK 0.5 million related to Moelven's project for a new www.moelven.com

## Note 11 - Tangible fixed assets

| Amounts in NOK million | Land | Buildings and other property | Machinery and plant | Fixtures and fittings, tools etc. | Total |
|---|---|---|---|---|---|
| Acquisition value as at 31.12.2014 | 3.7 | 29.6 | 11.5 | 29.2 | 74.0 |
| Acquisitions | 0.0 | 0.0 | 1.1 | 2.4 | 3.5 |
| Disposal acquisition value | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| **Acquisition value as at 31.12.2015** | **3.7** | **29.6** | **12.6** | **31.6** | **77.5** |
| Accumulated ordinary depreciations 31.12.2014 | 0.0 | 22.5 | 3.5 | 22.7 | 48.7 |
| Disposals accumulated depreciations | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Depreciation and write downs for the year | 0.0 | 0.5 | 0.7 | 2.2 | 3.4 |
| **Accumulated ordinary depreciations 31.12.2015** | **0.0** | **23.0** | **4.2** | **24.9** | **52.1** |
| Book value 31.12.2014 | 3.7 | 7.1 | 8.0 | 6.5 | 25.3 |
| **Book value 31.12.2015** | **3.7** | **6.6** | **8.4** | **6.7** | **25.4** |
| Ordinary depreciation rates in per cent | 0 | 2,5-10 % | 5-10 % | 10-20 % | |

| Amounts in NOK million | Land | Buildings and other property | Machinery and plant | Fixtures and fittings, tools etc. | Total |
|---|---|---|---|---|---|
| Acquisition value as at 31.12.2015 | 3.7 | 29.6 | 12.6 | 31.6 | 77.5 |
| Acquisitions | 0.0 | 0.0 | 0.0 | 1.6 | 1.6 |
| Disposal acquisition value | 0.0 | 0.0 | -1.4 | 1.4 | 0.0 |
| **Acquisition value as at 31.12.2016** | **3.7** | **29.6** | **11.2** | **34.6** | **79.1** |
| Accumulated ordinary depreciations 31.12.2015 | 0.0 | 23.0 | 4.2 | 24.9 | 52.1 |
| Disposals accumulated depreciations | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Depreciation and write downs for the year | 0.0 | 0.5 | 0.7 | 2.4 | 3.6 |
| **Accumulated ordinary depreciations 31.12.2016** | **0.0** | **23.5** | **4.9** | **27.3** | **55.7** |
| Book value 31.12.2015 | 3.7 | 6.6 | 8.4 | 6.7 | 25.4 |
| **Book value 31.12.2016** | **3.7** | **6.1** | **6.3** | **7.3** | **23.4** |
| Ordinary depreciation rates in per cent | 0 | 2,5-10 % | 5-10 % | 10-20 % | |

## Note 12 - Payroll costs and pension costs/pension liabilities

### 12.1 – Payroll costs

| **Amounts in NOK million** | **2016** | **2015** |
|---|---|---|
| Salaries | 45.9 | 43.8 |
| Employer contribution and social costs | 7.6 | 7.7 |
| Pension costs ref. defined benefit and contribution based pension schemes | 3.4 | -0.3 |
| Other benefits/other personnel costs inc. proportion charged to subsidiaries | 1.2 | 0.3 |
| **Total** | **58.1** | **51.5** |
| **Number of man years** | **52.0** | **52.0** |

**Pension schemes**

The group's defined benefit scheme was closed in 2005 and ended in 2015. The defined benefit scheme which had a pension coverage of about 60% of final pay at age 67 and a full earning period of 30 years is replaced with a contribution based pension scheme. The contribution scheme has a risk coverage with disability of about 60 per cent (with paid-up pension) and is a solution that is better than the statutory minimum pension solution. Over half of the company's employees are now covered by the contribution based scheme.

**Unsecured schemes**

All obligations related to previous AFP schemes has ceased. Remaining uncecured schemes are related to other guaranteed obligations applicable to a limited number of people.

**A new AFP scheme from 01 January 2011 for the Group's Norwegian companies**

The new AFP scheme which came into force in 2011 is defined as a defined-benefit multi-employer plan, but accounted for as a defined contribution scheme until reliable and sufficient information enabling the companies to account for its proportionate share of pension costs, pension obligations and pension funds in the scheme. The company's obligations related to the new AFP scheme is therefore not recorded as a liability.

### 12.2 – Economic and actuarial assumptions

| | **2016** | **2015** |
|---|---|---|
| Return on pension funds | 2.10 % | 2.50 % |
| Discount rate | 2.10 % | 2.50 % |
| Annual pay increase | 2.25 % | 2.25 % |
| Annual G adjustment (National Insurance Scheme's basic amount) | 2.00 % | 2.25 % |
| Annual adjustment of pensions being paid | 2.00 % | 1.50 % |

### 12.3 – Pension costs

| Amounts in NOK million | 2016 | 2015 |
|---|---|---|
| Pension entitlements accrued in the year | 0.1 | -1.9 |
| Interest costs on the pension commitments | 0.5 | 2.2 |
| **Pension cost (gross)** | **0.6** | **0.3** |
| Expected return on pension funds | 0.0 | -1.3 |
| Plan changes and reductions entered on the income statement | 0.0 | 0.0 |
| Administration costs | 0.0 | 0.1 |
| Accrued employers' national insurance contribution | 0.0 | -0.2 |
| **Pension costs secured and unsecured defined benefit schemes** | **0.6** | **-1.1** |
| Contribution pension costs and other pension costs | 2.8 | 0.8 |
| **Pension cost (net) entered on the income statement** | **3.4** | **-0.3** |

### 12.4 - Pension liabilities

| Amounts in NOK million | 2016 | 2015 |
|---|---|---|
| ***Balance as at 01.01.*** | | |
| Accrual of future pensions | 19.8 | 83.8 |
| **Pension commitments (gross)** | **19.8** | **83.8** |
| Pension funds | -2.7 | -54.7 |
| Employer contributions | 2.4 | 4.1 |
| **Pension commitments (net)** | **19.5** | **33.2** |
| ***Balance as at 31.12*** | | |
| Pension commitments (gross) | 20.0 | 19.8 |
| Pension funds (anticipated) | -2.8 | -2.7 |
| Employer contributions | 2.4 | 2.4 |
| **Pension commitments (net)** | **19.6** | **19.5** |
| | | |
| **Net pension funds, secured schemes that can be netted** | **0.0** | **0.0** |
| Pension commitments, secured (and unsecured) schemes that cannot be netted | 19.6 | 19.5 |
| Pension commitments, contractual pension (AFP) | 0.0 | 0.0 |
| **Total pension commitments** | 19.6 | **19.5** |

### 12.5 – Key figures

| | 2016 | 2015 |
|---|---|---|
| Number of active members secured schemes | 4 | 4 |
| Number of pensioners secured schemes | 9 | 9 |

## Note 13 - Shares in subsidiaries

| Amounts in NOK 1,000 | Office, municipality /country | Holding % | The company's share capital | The company's total equity | The company's net profit in 2016 | Number of shares in Moelven's ownership | Total face value | Book value 31.12. |
|---|---|---|---|---|---|---|---|---|
| ***Moelven Industrier ASA owns*** | | | | | | | | |
| Moelven Van Severen AS | Namsos | 100.0 % | 35,000 | 51,800 | 6,022 | 3,500 | 35,000 | 35,005 |
| Moelven Østerdalsbruket AS | Stor-Elvdal | 100.0 % | 20,000 | 42,053 | 5,870 | 2,000 | 20,000 | 20,005 |
| Moelven Våler AS | Våler | 100.0 % | 48,000 | 103,095 | 28,612 | 4,800 | 48,000 | 48,005 |
| Moelven Soknabruket AS | Ringerike | 100.0 % | 30,000 | 89,208 | 19,216 | 3,000 | 30,000 | 32,511 |
| Moelven Numedal AS | Flesberg | 100.0 % | 10,000 | 31,790 | 8,291 | 1,000 | 10,000 | 10,005 |
| Moelven Løten AS | Løten | 100.0 % | 12,000 | 24,278 | -984 | 1,200 | 12,000 | 12,005 |
| Moelven Telemarksbruket AS | Bø | 51.0 % | 10,000 | 13,687 | -1,257 | 710 | 13,920 | 9,490 |
| Moelven Wood AS | Eidsvoll | 100.0 % | 5,500 | 16,573 | -3,798 | 5,500 | 5,500 | 10,000 |
| Moelven Langmoen AS | Ringsaker | 100.0 % | 18,000 | 69,603 | 7,101 | 1,800 | 18,000 | 37,156 |
| Moelven Portefølje AS | Ringsaker | 100.0 % | 1,000 | 9,500 | -16 | 1,000 | 1,000 | 1,155 |
| Moelven Eidsvoll AS | Eidsvoll | 100.0 % | 8,500 | 23,639 | -5,109 | 850 | 8,500 | 18,500 |
| Moelven Treinteriør AS | Ringsaker | 100.0 % | 3,500 | 16,094 | 4,097 | 3,500 | 3,500 | 8,482 |
| Moelven Modus AS | Ullensaker | 100.0 % | 22,000 | 99,028 | 1,807 | 2,200 | 22,000 | 95,000 |
| Moelven ByggModul AS | Ringsaker | 100.0 % | 31,688 | 110,684 | 12,904 | 158,440 | 31,688 | 89,299 |
| Moelven Bioenergi AS | Ringsaker | 100.0 % | 6,000 | 18,923 | 2,177 | 6,000,000 | 6,000 | 6,800 |
| Moelven Limtre AS | Ringsaker | 100.0 % | 11,000 | 81,809 | 7,738 | 11,000 | 11,000 | 43,028 |
| Moelven Industrier AB | Sverige | 100.0 % | 197,046 SEK | 324,195 | -17,389 | 19,704,581 | 197,046 | 241,406 |
| Moelven Danmark A/S | Danmark | 100.0 % | 5,000 DKK | 16,423 | 1,380 | 50,000 | 5,000 | 12,417 |
| Moelven U.K. Ltd | Storbritannia | 100.0 % | 950 GBP | 312 | 116 | 950,000 | 50 | 10,426 |
| Moelven Deutschland GmbH | Tyskland | 100.0 % | 110 EUR | 464 | 78 | 11 | 110 | 217 |
| Moelven Nederland B.V. | Nederland | 100.0 % | 36 EUR | 125 | -3 | 360 | 36 | 317 |
| Moelven Are AS | Spydeberg | 100.0 % | 300 | 52,306 | 261 | 100 | 300 | 50,116 |
| Moelven Mjøsbruket AS | Gjøvik | 100.0 % | 12,000 | 51,045 | 16,313 | 12,000 | 12,000 | 15,990 |
| Moelven Eidsvold Værk AS | Eidsvoll | 100.0 % | 32,500 | 68,110 | -3,233 | 32,500 | 32,500 | 35,578 |
| Moelven Trysil AS | Trysil | 100.0 % | 15,600 | 43,137 | 4,959 | 15,600 | 15,600 | 35,634 |
| Moelven Multi3 AS | Ringsaker | 100.0 % | 3,425 | 7,594 | -2,082 | 6,850 | 3,425 | 9,192 |
| Moelven Virke AS | Ringsaker | 100.0 % | 5,000 | 13,526 | 6,708 | 50,000 | 5,000 | 4,546 |
| Moelven Sør Tre AS | Kragerø | 100.0 % | 8,487 | 20,974 | 280 | 8,487 | 8,487 | 50,000 |
| Moelven Granvin Bruk AS | Granvin | 99.3 % | 1,490 | 19,779 | 2,698 | 2,959 | 1,480 | 16,672 |
| Moelven Wood Prosjekt AS | Ringsaker | 100.0 % | 300 | 3,631 | 4,101 | 3,000 | 300 | 11,000 |
| Moelven Profil AS | Grue | 100.0 % | 15,000 | 22,684 | 2,597 | 15,000 | 15,000 | 15,030 |
| Moelven ByggModul Hjellum AS | Hamar | 100.0 % | 4,206 | 77,754 | -5,201 | 50,001 | 4,206 | 65,584 |
| Moelven Elprosjekt AS | Ringsaker | 100.0 % | 10,000 | 14,252 | 11,704 | 50,000 | 10,000 | 0 |
| **Total Moelven Industrier ASA** | | | | | | | | **1,050,571** |

## Note 14 - Investments in other shares

| Amounts in NOK 1,000 | Municipality | Holding % | The company's share capital | Number of shares in Moelven's ownership | Total face value | Book value 31.12. |
|---|---|---|---|---|---|---|
| ***Owned by Moelven Industrier ASA:*** | | | | | | |
| Tretorget AS | Elverum | 24.9 % | 312 | 777 | 78 | 749 |
| Others | | | | | | 31 |
| **Total Moelven Industrier ASA** | | | | | | **780** |

## Note 15 - Investments in associated companies

| Amounts in NOK 1,000 | Holding % | The company's share capital | The company's total equity | The company's net profit in 2016 | Number of shares in Moelven's ownership | Total face value | Book value 31.12. |
|---|---|---|---|---|---|---|---|
| ***Owned by Moelven Industrier ASA:*** | | | | | | | |
| Weda Skog AB | 30.0 % | 10,000 SEK | 10,074 | 3 | 3,000,000 | 3,000 | 2,632 |
| Woodtrans AS | 34.0 % | 1,310 NOK | 1,011 | -1,804 | 445 | 445 | 1,187 |
| **Total** | | | | | | | **3,819** |

## Note 16 - Equity

### 16.1 – Change in equity

| Amounts in NOK million | Share capital | Share premium funds | Own shares | Other equity | Total equity |
|---|---|---|---|---|---|
| **Equity 31.12.2015** | **647.7** | **180.7** | **0.0** | **36.1** | **864.5** |
| Annual profit | | | | 35.5 | 35.5 |
| Actuarial gains and losses, and other direct to equity | | | | -0.9 | -0.9 |
| Disbursed dividend | | | | -58.3 | -58.3 |
| Allocated to dividend | | -49.8 | | -12.4 | -12.4 |
| **Egenkapital 31.12.2016** | **647.7** | **130.9** | **0.0** | **0.0** | **778.6** |

For information regarding developments in share capital, summary of shareholders, shareholder agreements and closely related parties, shares owned by members of the board of Directors, corporate assembly and group management, declaration on fixing of salary and other remuneration to group management and also remuneration to the board of directors and corporate assembly, see notes 27, 28 and 29 to the consolidated accounts.

### 16.2 – Remuneration to President and CEO

| **Amounts in NOK 1,000 paid during the financial year** | **2016** | | | **2015** | | |
|---|---|---|---|---|---|---|
| Remuneration to: | Salary | Pension costs | Other benefits | Salary | Pension costs | Other benefits |
| CEO Morten Kristiansen | 3,923.3 | 610.6 | 205.8 | 3,132.0 | 842.0 | 172.5 |
| Anders Lindh, Managing Director Timber from 01.12.2016 | 148.3 | 19.6 | 14.6 | 0.0 | 0.0 | 0.0 |
| Ole Helge Aalstad, former Managing Director Timber until 30.09.16 | 1,648.1 | 189.5 | 133.8 | 1,798.1 | 184.1 | 184.5 |
| Bjarne Hønningstad, Managing Director Wood | 2,099.1 | 298.4 | 184.2 | 1,798.1 | 182.3 | 164.3 |
| Marcus Johansson, Managing Director Building Systems | 1,797.0 | 488.4 | 71.7 | 1,761.4 | 552.4 | 106.8 |
| **Total** | **9,615.8** | **1,606.4** | **610.1** | **8,489.6** | **1,760.8** | **628.1** |

There is not given any loans or guarantees to the company management.

See note 28 to the consolidated accounts for fixing of salary and other benefits for group management.

### 16.3 – Remuneration to auditor

| **Amounts in NOK million paid during the financial year**<br>Amount ex VAT | **2016** | **2015** |
|---|---|---|
| Legally mandated account audit | 0.7 | 0.4 |
| Other services related to certification | 0.0 | 0.0 |
| Tax advisory services | 0.0 | 0.1 |
| For services other than audit | 0.8 | 0.1 |
| **Sum** | **1.5** | **0.6** |

## Note 17 - Transactions with related parties

| Amounts in NOK million | Holding % | Other operating revenue | Interests from group companies | Loans to group companies | Receivables group contributions | Accounts receivable group companies | Trade accounts payable group companies |
|---|---|---|---|---|---|---|---|
| ***Moelven Industrier ASA*** | | | | | | | |
| Moelven Van Severen AS | 100.0 % | 1.1 | 2.1 | 39.2 | | | |
| Moelven Østerdalsbruket AS | 100.0 % | 1.0 | 0.9 | 19.0 | | | |
| Moelven Våler AS | 100.0 % | 4.2 | 0.9 | 20.0 | | | |
| Moelven Soknabruket AS | 100.0 % | 1.6 | 4.3 | 113.0 | | | |
| Moelven Numedal AS | 100.0 % | 1.7 | 0.6 | 15.0 | | | |
| Moelven Løten AS | 100.0 % | 1.2 | 0.2 | 3.8 | | | |
| Moelven Telemarksbruket AS | 51.0 % | 0.9 | 0.4 | 10.0 | | | |
| Moelven Wood AS | 100.0 % | 6.7 | | | | 0.6 | 0.1 |
| Moelven Langmoen AS | 100.0 % | 0.9 | 0.4 | 10.0 | | | |
| Moelven Eidsvoll AS | 100.0 % | 0.5 | 0.4 | 8.6 | | | |
| Moelven Treinteriør AS | 100.0 % | 0.4 | 0.2 | 7.6 | | | |
| Moelven Modus AS | 100.0 % | 3.8 | | | 33.5 | 0.1 | 0.4 |
| Moelven Modus Prosjekt AS | 100.0 % | 5.2 | | | | 0.9 | |
| Moelven ByggModul AS | 100.0 % | 1.1 | | | 75.0 | | |
| Moelven ByggModul Hjellum AS | 100.0 % | 0.3 | 0.5 | 9.3 | | | |
| Moelven Bioenergi AS | 100.0 % | 1.8 | 0.0 | 3.0 | | | |
| Moelven Elektro AS | 0.0 % | 1.0 | | | | | |
| Moelven Limtre AS | 100.0 % | 5.4 | | | | 0.2 | |
| Moelven Industrier AB | 100.0 % | 0.1 | 19.1 | 475.6 | | | 1.7 |
| Moelven Are AS | 100.0 % | 0.5 | | | | | |
| Moelven Mjøsbruket AS | 100.0 % | 2.1 | 0.6 | 13.2 | 20.5 | | |
| Moelven Eidsvold Værk AS | 100.0 % | 1.2 | 2.5 | 60.7 | | | |
| Moelven Trysil AS | 100.0 % | 0.8 | | | | | |
| Moelven Multi3 AS | 100.0 % | 1.0 | 0.3 | 6.2 | | | 0.1 |
| Moelven Virke AS | 100.0 % | 0.5 | | | 3.3 | 0.4 | 0.1 |
| Moelven Sør Tre AS | 100.0 % | 0.4 | 0.6 | 13.6 | | | |
| Moelven Granvin Bruk AS | 99.3 % | 0.6 | 0.6 | 19.6 | | | |
| Moelven Wood Prosjekt AS | 100.0 % | 0.2 | | | | | |
| Moelven Profil AS | 100.0 % | 1.6 | 1.2 | 28.5 | | | |
| Moelven Danmark AS | 100.0 % | 0.9 | | | | | |
| Moelven UK Ltd. | 100.0 % | | | | | | |
| ***Swedish companies owned by Moelven Industrier AB*** | | | | | | | |
| Moelven Notnäs AB | 100.0 % | 4.6 | 1.5 | 38.0 | | | |
| Moelven List AB | 100.0 % | 0.7 | 0.4 | 9.7 | | | |
| Moelven ByggModul AB | 100.0 % | 5.6 | | | | 0.3 | |
| Moelven Norsälven AB | 100.0 % | 2.3 | 0.3 | 7.1 | | | |
| Moelven Ransbysågen AB | 100.0 % | 1.7 | 0.4 | 5.5 | | | |
| Moelven Värmlands Trä AB | 100.0 % | 0.6 | 0.4 | 8.2 | | | |
| Moelven Component AB | 100.0 % | 1.3 | 0.4 | 10.2 | | | |
| Skåre Kontorshotell AB | 100.0 % | | 0.1 | 1.4 | | | |
| Moelven Wood AB | 100.0 % | 4.6 | | | | | |
| Moelven Notnäs Wood AB | 100.0 % | 0.5 | | | | | |
| Moelve Valåsen Wood AB | 100.0 % | 1.2 | 1.5 | 28.5 | | | |
| Moelven Valåsen AB | 100.0 % | 7.8 | 2.0 | 45.7 | | | |
| Moelven Dalaträ AB | 100.0 % | 3.8 | 1.0 | 23.8 | | | |
| Moelven Modus AB | 100.0 % | 2.6 | | | | 0.1 | |
| Moelven Edanesågen AB | 100.0 % | 1.5 | 2.5 | 63.2 | | | |
| Moelven Nössemark Trä AB | 100.0 % | | 0.7 | 31.9 | | | |
| Moelven Årjäng Såg AB | 100.0 % | 2.7 | | | | | |
| Moelven Tom Heurlin AB | 100.0 % | 2.3 | 1.4 | | | | |
| Moelven Skog AB | 100.0 % | 1.5 | 1.2 | 30.1 | | | |
| Moelven Töreboda AB | 100.0 % | 2.3 | 0.8 | 18.1 | | 0.2 | |
| Vänerbränsle AB | 82.3 % | 0.1 | | | | | |
| Moelven Lovene AB | 100.0 % | 0.1 | 0.2 | 5.3 | | | |
| Moelven Vänerply AB | 100.0 % | 1.6 | 3.2 | 77.0 | | | |
| UJ Trading AB | 100.0 % | 0.3 | | | | | |
| **Other companies** | | | | | | | |
| Various companies not specified 1) | | 0.1 | | -3.1 | | | |
| **Total 2016** | | **98.6** | **53.5** | **1,276.5** | **132.3** | **2.8** | **2.4** |
| Comparative figures 2015 | | | | | | | |
| **Total 2015** | | **94.9** | **60.7** | **1,497.0** | **35.5** | **1.1** | **3.8** |

1) Included to show the total amounts

To the General Meeting of Moelven Industrier ASA

# Independent Auditor’s Report

## Report on the Audit of the Financial Statements

### Opinion

We have audited the financial statements of Moelven Industrier ASA. The financial statements comprise:

- The financial statements of the parent company, which comprise the balance sheet as at 31 December 2016, and the income statement, cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and

- The financial statements of the group, which comprise the balance sheet as at 31 December 2016, and income statement, statement of comprehensive income, statement of changes in equity, cash flow for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion:

- The financial statements are prepared in accordance with the law and regulations.

- The accompanying financial statements give a true and fair view of the financial position of the parent company as at 31 December 2016, and its financial performance and its cash flows for the year then ended in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway.

- The accompanying financial statements give a true and fair view of the financial position of the group as at 31 December 2016, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

### Basis for Opinion

We conducted our audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, included International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor’s Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company as required by laws and regulations, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## Other information

Management is responsible for the other information. The other information comprises the Board of Directors' report, statements on Corporate Governance and Corporate Social Responsibility, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## Responsibilities of the Board of Directors and the Managing Director for the Financial Statements

The Board of Directors and the Managing Director (management) are responsible for the preparation and fair presentation of the financial statements of the parent company in accordance with Norwegian Accounting Act and accounting standards and practices generally accepted in Norway, and for the preparation and fair presentation of the financial statements of the group in accordance with International Financial Reporting Standards as adopted by the EU, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's and the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern. The financial statements of the parent company use the going concern basis of accounting insofar as it is not likely that the enterprise will cease operations. The financial statements of the group use the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

## Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, included International Standards on Auditing (ISAs), we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error. We design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit

## Report on Other Legal and Regulatory Requirements

### Opinion on the Board of Directors' report

Based on our audit of the financial statements as described above, it is our opinion that the information presented in the Board of Directors' report and statements on Corporate Social Responsibility concerning the financial statements, the going concern assumption, and the proposal for the allocation of the profit is consistent with the financial statements and complies with the law and regulations.

### Opinion on Registration and Documentation

Based on our audit of the financial statements as described above, and control procedures we have considered necessary in accordance with the International Standard on Assurance Engagements *(ISAE) 3000, Assurance Engagements Other than Audits or Reviews of Historical Financial Information*, it is our opinion that management has fulfilled its duty to produce a proper and clearly set out registration and documentation of the company's accounting information in accordance with the law and bookkeeping standards and practices generally accepted in Norway.

Hamar, 14 March 2017
KPMG AS

Stein Erik Lund
*State Authorised Public Accountant*

[Translation has been made for information purposes only]

## Statement by the Corporate Assembly

The following items were discussed at the meeting of the Corporate Assembly held on 24 March 2017:
- Annual report and proposed Annual Financial Statement by the Board of Directors and President/CEO for the 2016 accounting year for Moelven Industrier ASA and group.
- Board's proposed allocation of profit for year in Moelven Industrier ASA.
- Board's determination of remuneration to Group Executive Board.
- The Statement by the Corporate Assembly to the General Meeting.

The Corporate Assembly recommends that the general meeting approve the Board of Directors and CEO's annual report and accounts for Moelven Industrier ASA and group in 2016, including allocation of the result for the year in Moelven Industrier ASA.

The Corporate Assembly also recommends that the general meeting approve the Board of Directors proposal for remuneration to corporate management.

24 March 2017

Thor Svegården
Deputy Chairman of the Corporate Assembly

# Financial calendar 2017

30 January 2017
Fourth Quarter report 2016 /
Preliminary annual result 2016

26 April 2017
General meeting – Annual Accounts 2016

**Publishing Quarterly**
28 April 2017
First Quarter Report 2017

28 August 2017
Second Quarter Report 2017

27 Oktober 2017
Third Quarter Report 2017

30 Januar 2018
Fourth Quarter report 2017/
Preliminary annual result 2017

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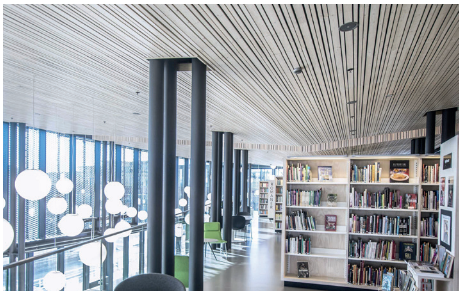

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