



# Quarterly Report 1/2016

*Interior products from Moelven Wood shown in environment.  
Photo: Einar Breen.*

**MOELVEN®**

Amounts in NOK million	First quarter		Total	
	2015	2014	2015	2014
Operating revenues	2 604,6	2 316,1	9 690,4	8 828,2
EBITDA	100,0	89,6	553,9	490,0
Gross operating margin/EBITDA	3,8 %	3,9 %	5,7 %	5,6 %
Depreciation	70,0	68,1	291,2	286,5
Operating profit before non-recurring items	30,0	21,5	262,7	203,6
Impairment losses	0,0	0,0	47,9	0,0
Operating profit	30,0	21,5	214,8	203,6
Net operating margin/EBIT	1,2 %	0,9 %	2,2 %	2,3 %
Value change of financial instruments to fair value	-6,8	2,1	5,6	-30,4
Profit before tax	7,3	8,7	158,5	115,3
Profit per share in NOK	0,04	0,06	0,90	0,68
Cash flow from operational activities, in NOK per share	-1,75	-0,96	4,53	2,71
Total equity *	1 743,4	1 583,4	1 756,9	1 592,3
Equity ratio *	33,5 %	32,2 %	36,8 %	34,2 %
Total assets *	5 209,0	4 923,9	4 778,1	4 653,2
Investments *	36,5	31,1	215,8	195,1
Return on capital employed *	4,0 %	2,8 %	7,4 %	6,8 %
Capital employed *	3 116,4	3 102,1	2 870,8	2 959,9
Net interest-bearing liabilities *	1 368,7	1 500,9	1 110,4	1 353,1
Net working capital *	2 438,7	2 282,3	2 081,2	1 928,3
Number of employees *	3 456	3 384	3 426	3 326
Sick leave percentage *	6,1 %	6,1 %	5,5 %	5,5 %
Frequency of accidents with absence, H1 value *	15,1	17,4	15,7	15,9
Number of shareholders	941	948	941	948
Average number of shares (mill)	129,5	129,5	129,5	129,5

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

## Increased revenues and an improved operating profit

- Revenues in the first quarter increased by 12.5 per cent to NOK 2,604.6 million (NOK 2,316.1 million) and operating profit was NOK 30.0 million (NOK 21.5 million).
- Price adjustment for projects in the wood processing part of the group with NOK 4.4 million for the quarter, compared to NOK -17.0 million for the same period last year.
- Satisfactory demand for sawn timber for the quarter.
- High delivery volumes to the building products trade in Scandinavia.
- Satisfactory access to raw material for the timber-consuming units.
- A continued healthy and well-composed order backlog for Building Systems, particularly for housing modules.
- Healthy activity in both the new building and renovation and remodelling markets in Sweden.

## In brief

Demand for products from the Group's timber processing operations was normal for the season.

In the export markets currency conditions have contributed to maintain margins. Demand from the building products trade in Scandinavia was satisfactory. The volume of deliveries was higher, but at prices lower than for the same period last year. The increase in delivery volumes was due to announced price increases.

Access to raw material for the sawlog-consuming units was satisfactory for the period. The prices for sawn timber were somewhat lower than for the same period last year, while the prices for chip and fibre products were somewhat higher.

For Building Systems activity levels were higher than in the same period last year, chiefly due to a very good inflow of new orders in Building Modules in Sweden throughout 2015, as well as good market conditions for System Interiors in Sweden. Demand in the Norwegian market, particularly in the Stavanger region, is to an increasing degree characterised by the slowdown in the economy, and was weaker than in the same period for 2015.

There are still units with poor results that have a negative impact on the Group's results. In the plan of action that has been prepared to reach the Group's target profitability, significant resources have been allocated to improvement work in these units. This work will continue unabated throughout 2016.

Treet – the world's tallest wooden building – won the 'Wood building of the year 2015' award. The award was presented during the Building Days on 8 March 2016. The glulam components were supplied by Moelven Limtre AS. Treet is 14 storeys high and is a pilot project for sustainable tall wooden buildings in urban environments. The building meets the passive house requirements and received support from Enova and Innovation Norway. The load bearing system is glulam, the apartments are module-based, and stairs and lift shafts are made from solid wood. The project has 62 apartments and totals 5,600 sqm.

In February a glulam bridge across the new E6 motorway south of Sjøa in Gudbrandsdalen collapsed. The bridge, which was designed and scaled by consulting company Reinertsen on behalf of the Norwegian Public Roads Administration (NPRA), was manufactured, assembled and supplied by Moelven Limtre AS for primary contractor Implenia Aurstad in the autumn of 2015. The driver of a timber truck that was on the bridge when it collapsed was admitted to hospital after the accident, but escaped the incident without serious injury. Two independent firms – Sweco and Norconsult – investigated the incident and concluded that the bridge was undersized. The collapse of the bridge was not due to the glulam structure, glulam as a material or the assembly of the bridge. In order to make sure that all bridges are safe for travel, Moelven as supplier has made itself available with the resources and expertise the company has if the NPRA requests further assistance.

Through its majority ownership in Vänerbränsle AB, Moelven has established an inventory and distribution plant for chips and energy products in Karlskoga. The company will operate the bio-terminal that will handle chip products from Moelven Valåsen AB for resale as energy products to Fortum's new bio-heating plant in Stockholm. Chip products are shipped by train to Fortum Värme. There will be an estimated 25 train sets a year. Vänerbränsle AB has also established a corresponding terminal in Arvika.

In March it was decided to invest in a new production line at Moelven Byggmodul AB's production unit in Säffle. In order to meet demand for the module building concept, increased capacity is needed in addition to more rational production solutions. Investments will be made in increased automation that will provide a significant boost in the industrialization of module production. The project will be completed in stages within a cost framework of SEK 72 million.

At the beginning of the second quarter the Group initiated the process to establish a new electrical company. Moelven Elektro AS has for a number of years seen good operations and earnings from maintenance contracts and smaller and medium sized projects, but has however incurred losses on larger projects in the Oslo region. The new company will cultivate those parts of operations that over time have provided satisfactory profitability.

The establishment of the new company will not entail any changes for customers, suppliers or employees. With the exception of projects with a value greater than NOK 30 million, all contracts, in close dialogue with customers and suppliers, will be transferred to the new company.

## Revenues and results

Revenue in the quarter increased significantly compared to the same period last year as a result of increased volumes in the timber processing part of the Group and the module business.

For the timber processing part, the prices of finished products were overall lower than for the corresponding period last year, and the reduction was only partly compensated by a reduction in raw material costs. At the same time, productivity at several units was somewhat below budget. The operating margin thus dropped compared to the first quarter of 2015.

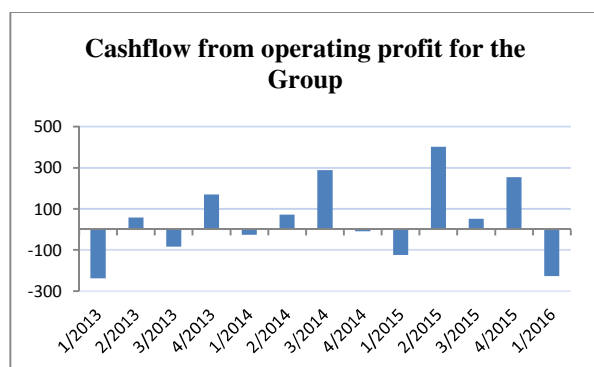
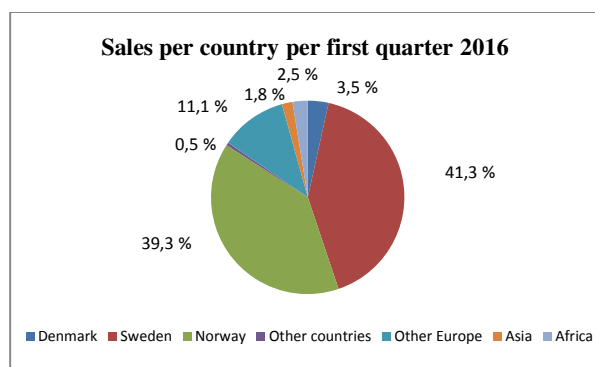
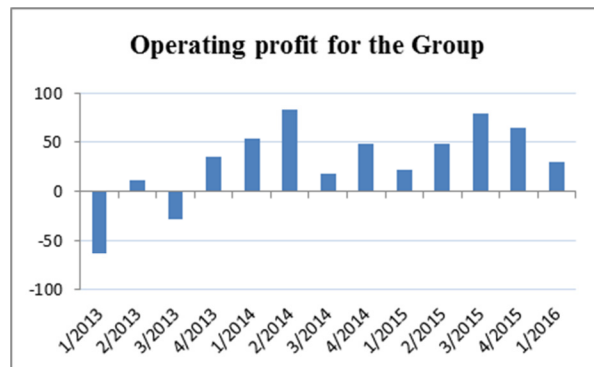
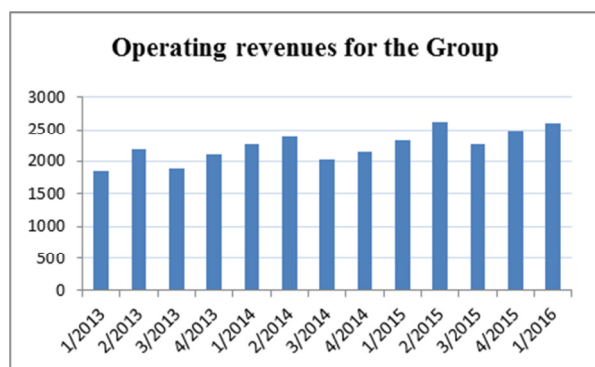
In Building Systems operating profit significantly improved compared with the same period last year. The main cause is constant positive developments in the Swedish part of the business, and also that the Norwegian part of the business succeeded in improving its productivity.

Net financial expenses excluding changes in the value of financial instruments were somewhat higher than in Q1 2015. This is due to realized foreign currency losses. Net interest-bearing liabilities has been lower through the first quarter of 2016, while the combined loan margin is unchanged. To the extent the Group holds financial instruments, these are exclusively used for hedging exchange rates, interest rates and energy prices. Non-cash items associated with this totalled minus NOK 6.8 million (plus NOK 2.1 million)

Currency hedging and energy contracts saw positive developments in the quarter, while interest rate hedging had a negative result as a consequence of falling market rates in both Norway and Sweden.

MNOK	First quarter		12 months	
	2016	2015	2015	2014
<b>Operating revenues</b>				
Timber	781,2	786,7	3 010,1	2 872,3
Wood	805,8	710,9	3 275,7	3 066,2
Building Systems	977,4	791,7	3 375,2	2 836,7
Other businesses	863,4	881,9	3 003,8	3 204,4
<i>Internal</i>	<i>-823,2</i>	<i>-855,1</i>	<i>-2 974,5</i>	<i>-3 151,4</i>
The Group	2 604,6	2 316,1	9 690,4	8 828,2
<b>EBITDA</b>				
Timber	31,6	32,7	145,1	199,5
Wood	32,5	34,6	237,4	225,3
Building Systems	41,2	27,7	185,2	98,8
Other businesses	-5,3	-5,3	-13,9	-33,6
The Group	100,0	89,6	553,9	490,0
<b>Operating profit</b>				
Timber *	3,6	5,1	-23,9	83,0
Wood	4,4	6,9	123,7	110,9
Building Systems	30,1	17,9	140,8	57,2
Other businesses	-8,1	-8,4	-25,9	-47,5
The Group	30,0	21,5	214,8	203,6

\* Includes non-recurring items



## Investments, balance sheet and funding

During the first quarter, total investments were NOK 36.5 million (NOK 31.1 million). Investments in 2016 will increase compared to 2015. At the end of the first quarter, the book value of the Group's total assets was NOK 5,209.0 million (NOK 4,923.9 million).

The increase in balance is due to a combination of a higher activity level and a weaker NOK against SEK. Cash flow from operating activities in the first quarter was minus NOK 227.2 million (minus NOK 124.2 million), corresponding to NOK -1.75 (NOK -0.96) per share. The change compared with the same period last year is attributed to a higher level of tied-up capital as a result of the activity level.

Cash flow from working capital items was NOK 311.2 mill (-197.9). Net interest-bearing liabilities were NOK 1,368.7 million (NOK 1,500.9 million) at the end of the quarter. Financial leases are included in net interest-bearing liabilities, amounting to NOK 31.5 million (NOK 27.2 million). The liquidity reserve was NOK 608.8 million (NOK 189.6 million).

The Group's long-term financing consists of two loan facilities with a credit ceiling totalling NOK 1,575 million. NOK 225 million is due in September 2016 and the primary facility is due at the end of the first six months of 2017. The process for refinancing both facilities was initiated in January 2016.

Equity at the end of the quarter amounted to NOK 1,743.4 million (NOK 1,583.4 million), which is equivalent to NOK 13.46 (NOK 12.22) per share. The equity ratio was 33.5 per cent (32.2 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. In the first quarter, exchange rate fluctuations resulted in an unrealised change in equity of NOK -18.7 million (NOK -16.1 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.

## Divisions

### Timber

Amounts in NOK million	First quarter		12 months	
	2016	2015	2016	2015
Sales to external customers	645,5	655,4	2 487,4	2 391,9
Sales to internal customers	135,6	131,2	522,7	480,4
Operating revenues	781,2	786,7	3 010,1	2 872,3
Depreciation	27,9	27,6	121,1	116,5
Operating profit before non-recurring items	3,6	5,1	24,0	83,0
Impairment losses	0,0	0,0	47,9	0,0
Operating profit	3,6	5,1	-23,9	83,0
Operating margin in per cent **	0,5 %	0,6 %	0,8 %	2,9 %
Net operating capital (% of operating revenues) *	18,2 %	19,5 %	18,7 %	19,8 %
Total assets *	1 680,7	1 812,5	1 664,5	1 754,5
Equity *	831,6	791,4	841,0	813,5
Capital employed *	1 196,9	1 271,2	1 222,2	1 282,2
Return on capital employed * **	1,2 %	1,6 %	1,9 %	6,5 %
Investments *	6,5	10,5	75,9	67,6
Number of employees *	677	706	679	703

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

\*\* The key figures is calculated before non-recurring items

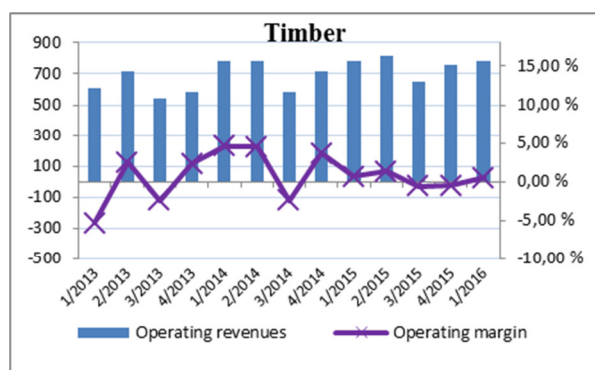
Overall, demand for industrial wood was satisfactory for the first quarter, with a good rate of delivery in Europe and North Africa. Delivery volumes in the first quarter, adjusted for business at Moelven Nössemark Trä AB that was discontinued in the second half of 2015, were somewhat higher than for the same period last year. For the Norwegian units prices of finished products were at the same level in Norway as last year, while the prices of finished products for the Swedish units were somewhat lower in all markets. The currency situation, with a continuing weak Norwegian and Swedish Krone, has contributed to maintaining competitive ability in export markets. In particular in markets where trading is in EUR.

For the industrial component companies in the division, both delivery volumes and and production efficiency have improved compared to Q1 2015.

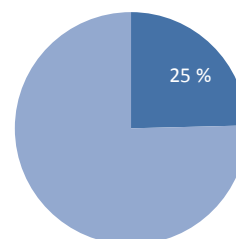
Production for the sawmills in the first quarter was somewhat lower than the corresponding quarter last year. In combination with a good delivery rate, this has led to a reduction in inventory. Overall, the inventory situation in industrial wood is improving.

Access to raw material has been satisfactory, and the prices for saw logs were somewhat lower than in Q1 2015. Overall the prices for chip and fibre products were somewhat higher than in the same period last year. Due to price developments, the profits for the quarter have been charged with price adjustments to inventories totalling NOK 5.5 million. The corresponding adjustment in Q1 2015 resulted in a charge of NOK 8.0 million.

Unit costs increased somewhat compared with the first quarter last year. This is partly due to reduced production volume, but also to a certain increase in cost consumption. Extensive improvement work is being carried out to bring all units up to acceptable profitability levels.



Timber's share of the Groups sale to external customers



## Wood

Amounts in NOK million	First quarter		12 months	
	2016	2015	2016	2015
Sales to external customers	771,5	681,5	3 153,8	2 954,3
Sales to internal customers	34,4	29,4	121,9	111,9
Operating revenues	805,8	710,9	3 275,7	3 066,2
Depreciation and impairment	28,1	27,7	113,7	114,4
Operating profit	4,4	6,9	123,7	110,9
Operating margin in per cent	0,5 %	1,0 %	3,8 %	3,6 %
Net operating capital (% of operating revenues) *	32,9 %	39,4 %	27,7 %	28,7 %
Total assets *	2 264,7	2 239,2	2 134,8	2 033,9
Equity *	894,3	807,5	907,7	815,1
Capital employed *	1 600,6	1 566,5	1 513,7	1 442,9
Return on capital employed *	1,2 %	1,9 %	8,4 %	7,9 %
Investments *	19,0	9,1	96,8	82,1
Number of employees *	1 018	998	1 009	993

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

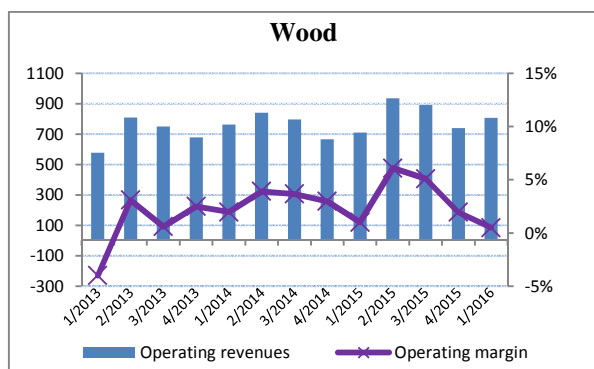
The winter season saw normal developments, with low activity throughout the winter months and an increase towards the end of the quarter and the start of the high season up to the summer.

Economic developments in Scandinavia and the price developments for sawn timber have led to some pressure on prices for the Wood division's products, and price levels were somewhat lower than in the first quarter of 2015. However, supply volumes were higher than for the previous year. This is mainly due to somewhat higher deliveries than usual in the last part of the quarter due to announced price increases.

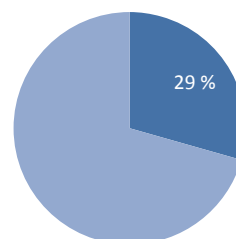
The planing mills in the Wood division use sawn logs as a raw material, and the raw material costs for these units thus follow the same trends as the finished product prices for the sawmills in the Timber division. Compared to the first quarter last year, overall raw material costs have fallen, albeit not sufficiently to compensate for reduced finished product prices. For the sawlogs-consuming units in the division, access to raw material has been satisfactory, and the prices for saw logs were somewhat lower than in Q1 2015. Overall the prices for chip and fibre products were somewhat higher than in the same period last year.

Due to price developments since the turn of the year, the profits for the quarter have seen a positive effect of a price adjustment to inventories totalling approx. NOK 9.9 million. The corresponding adjustment in Q1 2015 had a negative effect of NOK 9.0 million.

Improvement work continues unabated in the entire division in order to maintain competitiveness and to bring the remaining units with poor earnings up to an acceptable profitability level.



Wood's share of the Groups sale to external customers



## Building Systems

Amounts in NOK million	First quarter		12 months	
	2016	2015	2016	2015
Sales to external customers	976,0	791,0	3 371,2	2 832,2
Sales to internal customers	1,3	0,8	4,1	4,4
Operating revenues	977,4	791,7	3 375,2	2 836,7
Depreciation and impairment	11,1	9,7	44,4	41,6
Operating profit	30,1	17,9	140,8	57,2
Operating margin in per cent	3,1 %	2,3 %	4,2 %	2,0 %
Net operating capital (% of operating revenues) *	14,4 %	10,2 %	12,9 %	11,0 %
Total assets *	1 772,5	1 343,5	1 616,8	1 256,4
Equity *	685,7	547,9	665,5	523,9
Capital employed *	795,2	626,7	743,2	600,1
Return on capital employed *	17,4 %	12,2 %	21,4 %	10,6 %
Investments *	8,6	11,7	40,2	37,9
Number of employees *	1 631	1 547	1 607	1 498

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

Glulam operations saw a good level of activity in the first quarter. For operations in Sweden this has, in combination with restructuring and rationalisation measures, contributed to increased profits compared to the same period last year.

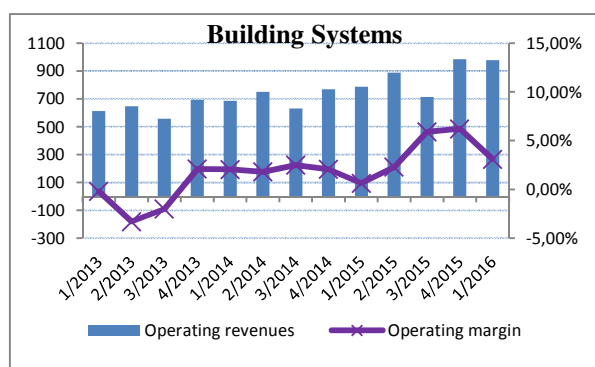
In the Electrical Installations Business the focus on service assignments and smaller projects continues to provide positive results, but as a result of poor earnings on projects with contract values above NOK 30 million, the first quarter ended with a slightly negative result. The first quarter of 2015 was charged with write downs totalling NOK 8 million.

For the Modular Building business in Sweden, market activity was good, and the company maintained a very good inflow of new orders. Profits for the first quarter improved significantly compared with the same period last year. In Norway too both activity levels and profitability improved compared to the same period last year. The Modular Building business in Norway has increased its activity compared to the first quarter last year through the acquisition of Hedalm AS in October 2015. The housing concept is selling well, and the cultivation of concepts between the plants in Moelv and Hjellum is going according to plan.

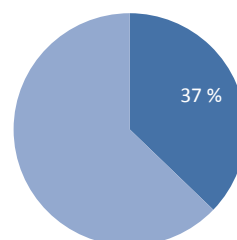
For the Modular System Interiors companies, the level of activity for new construction was good in the Swedish part of the business, especially in the major cities of Stockholm, Gothenburg and Malmö. This applies to both new buildings and the renovation and remodelling market. In Norway activity has slowed down in new buildings in the past year, and the market situation has become increasingly challenging. The renovation and remodelling



market has also decreased, but to a significantly smaller degree than the new building market. At the end of the quarter the order backlog for the division totalled NOK 57 million more than at the same time in 2015.



Building Systems' share of the Groups sale to external customers



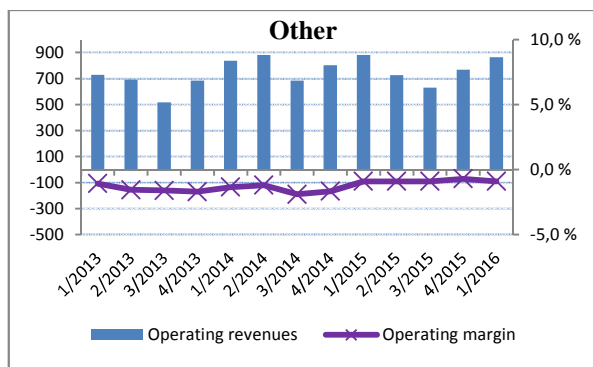
## Other business

Amounts in NOK million	First quarter		12 months	
	2016	2015	2016	2015
Sales to external customers	232,6	210,0	763,4	721,6
Sales to internal customers	630,8	671,9	2 240,4	2 482,8
Operating revenues	863,4	881,9	3 003,8	3 204,4
Depreciation and impairment	2,8	3,0	12,0	13,9
Operating profit	-8,1	-8,4	-25,9	-47,5
Operating margin in per cent	-0,9 %	-0,9 %	-0,9 %	-1,5 %
Net operating capital (% of operating revenues) *	7,1 %	6,4 %	5,9 %	5,2 %
Total assets *	2 596,8	2 721,0	2 468,5	2 702,7
Equity *	973,9	981,6	1 007,9	1 004,7
Capital employed *	2 005,3	2 082,3	1 977,1	2 104,8
Return on capital employed *	0,0 %	0,0 %	0,4 %	-0,8 %
Investments *	2,3	-0,2	3,0	7,5
Number of employees *	130	133	131	132

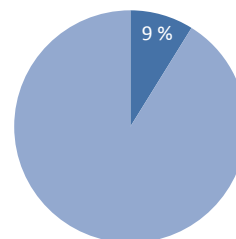
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Other businesses include Moelven Industrier ASA, with common services in economics, finance, insurance, communications, HR, ICT and procurement. Timber supply and sales of wood chips and energy products are organised as a common function for the Group's timber processing industry and are included with the companies Moelven Skog AB, Moelven Virke AS and Vanerbransle AB. Moelven Bioenergi AS is also included.

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 sawlogs 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.



Other's share of the Groups sale to external customers



## Employees

Employees	Per first quarter 2016				Per first quarter 2015			
	Male	Female	%Female	Total	Male	Female	%Female	Total
Timber	602	75	11,1 %	<b>677</b>	627	79	11,2 %	<b>706</b>
Wood	857	161	15,8 %	<b>1 018</b>	834	165	16,5 %	<b>998</b>
Building Systems	1 528	103	6,3 %	<b>1 631</b>	1 447	100	6,5 %	<b>1 547</b>
Others	96	34	26,2 %	<b>130</b>	100	33	24,8 %	<b>133</b>
The Group	3 083	373	10,8 %	<b>3 456</b>	3 008	377	11,1 %	<b>3 384</b>

Sickness absence rate in %	Per first quarter		H1 Value	Per first quarter	
	2016	2015		2016	2015
Timber	5,60 %	5,53 %	Timber	23,8	14,7
Wood	5,60 %	5,43 %	Wood	8,9	18,2
Building Systems	6,90 %	6,91 %	Building Systems	17,8	15,8
Others	1,88 %	4,09 %	Others	0,0	4,7
The Group	6,08 %	6,07 %	The Group	15,7	15,9

In the first quarter, absence due to illness was 6.1 per cent (6.1), where 2.9 per cent (2.6) represents long-term absence. The Group is still working on the reduction of absence due to illness below the maximum target level of 4 per cent.

There were 22 (25) personal injuries with subsequent sick leave during the quarter. Due to a higher level of activity, the LTI rate (number of personal injuries with sick leave per million worked hours) for the quarter dropped compared to the same period last year. This level is, however, unacceptably high. Moelven's goal is for no one to be injured on the job. Safety work has been given high priority for several years. Key instruments in this work are employee involvement/commitment and management focus on both individual entities and through the allocation of dedicated HSE resources to the divisions. There is also significant emphasis on reviewing both near-accidents and hazardous conditions/risk. Despite efforts, declines in injury rates have levelled off recently. Due to this, new measures have also been implemented. These include the establishment of a safety committee comprising the CEO, heads of divisions, the HR and Communications director and two employee representatives for the building and timber processing parts of the group respectively. The committee is the steering body for HSE work at Moelven. The committee started its work in Q1, and has thus far focused on both the introduction and follow-up of corporate requirements to safety information and the use of safety equipment. In the course of 2016 there will also be greater emphasis on the use of employee surveys in work on following up well-being and safety.

## Outlook

While Norway is experiencing a situation where the downturn in the petroleum industry to a greater extent is making itself felt in relation to economic activity, other and less oil-dependent markets are in a different stage of their economic cycles. In Sweden activity levels are higher than in a long time, and the US economy is on the mend. The growth rate in China is declining, while the Middle East and North Africa are characterized by unrest and regulations from public authorities that complicate international trade. However, the underlying demand is good in the latter markets.

Positive developments in the international market for industrial wood are expected. The currency situation continues to contribute to maintain competitive ability in export markets, particularly in markets where trading is in EUR or USD. 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 and remodelling market is also good. No major changes are expected in the markets, and the Swedish market is expected to be at the same level as 2015 overall. Timber stocks at the start of the second quarter are satisfactory with regard to planned production for the first six months. Continued good access to sawlogs is expected.

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, care facilities and not least refugee reception centres.

The market for system interior fitting is experiencing a very high level of activity in Sweden, primarily in and around Stockholm, Gothenburg and Malmö areas. The Norwegian market is declining, and capacity adjustments will be required. In both Norway and Sweden the renovation and remodelling market may see a certain increase in activities as a result of the need to remodel empty premises into refugee and asylum seeker reception centres. 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 divisions are impacted in different ways on different points in time from economic fluctuations. This is because the division classification is based on which markets the units operate in. While this will over time give a diversification effect, yet it can still be realized synergies across the divisions. This provides the Group with a good starting point for further improvements. The result for 2016 is expected to be somewhat better than for 2015. The group has a long-term goal of a return on capital employed of 13 per cent. To ensure that the Group has sufficient long-term access to liquidity in order to implement the restructuring and improvement projects required to reach this goal, the process to refinance the Group's long-term debt was initiated in January 2016.

## Condensed quarterly financial statement for Moelven Group first quarter 2016

### *Profit and loss and total comprehensive income*

Amounts in NOK million	First quarter		Total	
	2016	2015	2015	2014
Operating revenues	2 604,6	2 316,1	9 690,4	8 828,2
Cost of goods sold	1 697,9	1 495,4	6 207,3	5 601,0
Payroll expenses	545,0	493,7	1 943,3	1 807,6
Depreciation	70,0	68,1	291,2	286,5
Impairment losses	0,0	0,0	47,9	0,0
Other operating expenses	261,7	237,2	985,9	929,5
<b>Operating profit</b>	<b>30,0</b>	<b>21,5</b>	<b>214,8</b>	<b>203,6</b>
Income from associates	0,0	0,0	0,0	0,0
Value change of financial instruments to fair value	-6,8	2,1	5,6	-30,4
Other financial income	3,6	6,1	51,2	28,2
Other financial expenses	-19,5	-21,0	-113,0	-86,0
<b>Profit before tax</b>	<b>7,3</b>	<b>8,7</b>	<b>158,5</b>	<b>115,3</b>
Estimate income tax	1,5	1,4	41,5	27,0
<b>Net profit</b>	<b>5,8</b>	<b>7,2</b>	<b>117,0</b>	<b>88,4</b>
Non-controlling interest share	-0,1	0,2	-0,5	0,0
Owner of parent company share	5,9	7,1	117,6	88,4
Earnings per share (in NOK)	0,0	0,1	0,9	0,7
Statement of comprehensive income				
Net profit	5,8	7,2	117,0	88,4
Other comprehensive income				
<i>Items that are not reclassified subsequently to profit or loss</i>				
Actuarial gains (losses) on defined-benefit pension schemes	0,0	0,0	50,0	-40,0
Income tax on items that are not reclassified to profit or loss	0,0	0,0	-12,5	10,8
	0,0	0,0	37,5	-29,2
<i>Items that may be reclassified subsequently to profit or loss</i>				
Translation differences	-18,7	-16,1	61,7	12,3
Proportion of other income and costs in associated companies	0,0	0,0	0,0	0,0
Other changes	-0,6	0,0	0,1	-1,2
Income tax on items that may be reclassified to profit or loss	0,0	0,0	0,0	0,0
	-19,3	-16,1	61,8	11,1
Other comprehensive income, net of tax	-19,3	-16,1	99,3	-18,1
<b>Total comprehensive income for the period</b>	<b>-13,5</b>	<b>-9,0</b>	<b>216,4</b>	<b>70,3</b>
<b>Comprehensive income assigned to:</b>				
Owners of parent company	-13,4	-9,1	216,9	70,3
Non-controlling interests	-0,1	0,2	-0,5	0,0

## Condensed statement of financial position

Amounts in NOK million	Per 31.03		Per 31.12.
	2016	2015	2015
Intangible assets	34,5	38,5	35,5
Tangible fixed assets	1 707,3	1 750,0	1 765,2
Financial fixed assets	8,8	8,1	8,9
<b>Total fixed assets</b>	<b>1 750,6</b>	<b>1 796,6</b>	<b>1 809,6</b>
Inventory	1 535,5	1 611,9	1 526,7
Receivables	1 912,3	1 490,5	1 433,7
Liquid assets	10,6	24,8	8,1
<b>Total current assets</b>	<b>3 458,5</b>	<b>3 127,3</b>	<b>2 968,5</b>
<b>Total assets</b>	<b>5 209,0</b>	<b>4 923,9</b>	<b>4 778,1</b>
Share capital*	647,7	647,7	647,7
Other equity	1 095,7	935,7	1 109,2
<b>Total equity</b>	<b>1 743,4</b>	<b>1 583,4</b>	<b>1 756,9</b>
Provisions	108,0	184,6	111,9
Long term interest-bearing liabilities	1 311,1	1 422,8	1 034,3
Long term interest-free liabilities	11,9	2,0	12,1
<b>Total long term liabilities</b>	<b>1 430,9</b>	<b>1 609,3</b>	<b>1 158,2</b>
Short term interest-bearing liabilities	61,9	95,9	79,7
Short term liabilities	1 972,8	1 635,3	1 783,3
<b>Total short term liabilities</b>	<b>2 034,7</b>	<b>1 731,1</b>	<b>1 862,9</b>
<b>Total liabilities</b>	<b>3 465,7</b>	<b>3 340,5</b>	<b>3 021,2</b>
<b>Total equity and liabilities</b>	<b>5 209,0</b>	<b>4 923,9</b>	<b>4 778,1</b>

\*129.542.384 shares á NOK 5,-, adjusted for 1.100 own shares.

## Statement of change in equity for the Group

Amounts in NOK million	Equity assigned to owners of parent company					Non-controlling interests	Total equity
	Share capital	Share premium funds	Own shares	Other equity	Total		
Total per 1.1.2015	647,7	180,7	0,0	752,6	1 581,0	11,4	1 592,3
<b>Comprehensive income for the period</b>							
<b>Net profit</b>	0,0	0,0	0,0	7,1	7,1	0,2	7,2
<b>Other comprehensive income</b>							
Translation differences	0,0	0,0	0,0	-16,1	-16,1	0,0	-16,1
Other changes	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Actuarial gains (losses) on defined-benefit pension schemes	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Income tax on other comprehensive income	0,0	0,0	0,0	0,0	0,0	0,0	0,0
<b>Other comprehensive income (net of tax)</b>	0,0	0,0	0,0	-16,1	-16,1	0,0	-16,1
<b>Transactions with owners, entered directly against equity</b>							
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	0,0	0,0	0,0	0,0
Share based payment transactions	0,0	0,0	0,0	0,0	0,0	0,0	0,0
<b>Total transactions with owners</b>	0,0	0,0	0,0	0,0	0,0	0,0	0,0
<b>Total as at 31.12.2015</b>	<b>647,7</b>	<b>180,7</b>	<b>0,0</b>	<b>743,7</b>	<b>1 572,0</b>	<b>11,6</b>	<b>1 583,4</b>
Total per 1.1.2016	647,7	180,7	0,0	917,5	1 745,9	11,1	1 756,9
<b>Comprehensive income for the period</b>							
<b>Net profit</b>	0,0	0,0	0,0	5,9	5,9	-0,1	5,8
<b>Other comprehensive income</b>							
Translation differences	0,0	0,0	0,0	-18,7	-18,7	0,0	-18,7
Other changes	0,0	0,0	0,0	-0,6	-0,6	0,0	-0,6
Actuarial gains (losses) on defined-benefit pension schemes	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Income tax on other comprehensive income	0,0	0,0	0,0	0,0	0,0	0,0	0,0
<b>Other comprehensive income (net of tax)</b>	0,0	0,0	0,0	-19,3	-19,3	0,0	-19,3
<b>Transactions with owners, entered directly against equity</b>							
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	0,0	0,0	0,0	0,0
Share based payment transactions	0,0	0,0	0,0	0,0	0,0	0,0	0,0
<b>Total transactions with owners</b>	0,0	0,0	0,0	0,0	0,0	0,0	0,0
<b>Total as at 31.03.2016</b>	<b>647,7</b>	<b>180,7</b>	<b>0,0</b>	<b>904,0</b>	<b>1 732,4</b>	<b>11,0</b>	<b>1 743,4</b>

## Cashflow statement for the Group

Amounts in NOK million	Per 31.03	
	2016	2015
<b>CASH FLOW FROM OPERATIONAL ACTIVITIES:</b>		
Net profit	5,8	7,2
<i>Adjustments to reconcile net profit with net cash flow from operations:</i>		
Depreciation	70,0	68,1
Impairment	0,0	0,0
Income from associated companies	0,0	0,0
Tax paid	0,0	0,0
Unpaid pension costs entered as costs and unreceived pension funds entered as income	0,0	-0,7
Loss (profit) on sale of fixed assets	0,0	-0,3
Net value change of financial instruments to fair value	6,8	-2,1
Income tax	1,5	1,4
<i>Changes in operating assets and liabilities:</i>		
Changes in inventory	-8,8	-88,1
Changes in accounts receivable and other receivables	-479,4	-239,9
Changes in trade accounts payable	13,6	48,3
Changes in provisions and benefits to employees	-3,9	-5,3
Changes in short-term liabilities excluding borrowing	167,3	87,1
<b>Cash flow from operational activities</b>	<b>-227,2</b>	<b>-124,2</b>
<b>CASH FLOW FROM INVESTMENT ACTIVITIES:</b>		
Investment in plant and equipment exc. acquisition	-36,5	-31,1
Net cash outlay on acquisition	0,0	0,0
Receipts from sale of fixed assets	0,0	0,3
Sale of other long-term investments	0,0	0,0
Acquisition of subsidiary, net of cash	0,0	0,0
<b>Cash flow from investment activities</b>	<b>-36,5</b>	<b>-30,8</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES:</b>		
Raising short term debt	0,0	0,0
Repayment of short term debt	0,0	0,0
Change in bank overdrafts	-17,8	-47,4
Purchase of non-controlling interests	0,0	0,0
Change in long term debt (borrowing facility)	283,6	206,3
Changes in other long-term liabilities	-1,4	-0,5
Payment of dividend	0,0	0,0
<b>Cash flow from financial activities</b>	<b>264,4</b>	<b>158,4</b>
<b>Net increase (reduction) in liquid assets during year</b>	<b>0,7</b>	<b>3,4</b>
Liquid assets start of period	3,6	14,4
Effect of exchange rate changes on liquid assets	0,0	0,0
<b>Liquid assets end of period</b>	<b>4,3</b>	<b>17,8</b>
<b>Cash and cash equivalents</b>		
Liquid assets	4,3	17,8
Unused drawing rights	749,7	171,8
Restricted bank deposits	0,0	0,0
<b>Cash and cash equivalents</b>	<b>754,0</b>	<b>189,6</b>

## Notes to the summary consolidated quarterly financial statements

### ***Note 1 – General information***

Moelven Industrier ASA is a public limited liability company, registered in Norway. The company's head office is at Industriveien 2, 2390 Moelv, Norway. The summary consolidated financial statements for the first quarter of 2016 ended the 31 March 2016 include Moelven Industrier ASA and its subsidiaries (collectively referred to as the “Group”) and the Group's interests in associated companies. The annual accounts for 2015 are available at [2015.moelven.com](http://2015.moelven.com).

### ***Note 2 – Statement of conformity***

The consolidated financial statements for the first quarter of 2016 have been prepared in accordance with the requirements of IAS 34 “Interim Financial Reporting” which have been approved by the EU. The interim financial statements do not include all the information required in a complete annual report and ought to be read in conjunction with the consolidated financial statements for 2015.

The summary consolidated quarterly financial statements were approved by the Board 26<sup>th</sup> of April 2016.

### ***Note 3 – Accounting policies***

The accounting policies adopted in the quarterly financial statements are the same as those in the consolidated financial statements for 2015. Currency rates in the consolidated statements are derived from Norges Bank.

### ***Note 4 – Critical judgements and estimates***

The preparation of quarterly financial statements requires management to make judgements, estimates and assumptions that affect both which accounting policies are applied and the reported amounts of assets, liabilities, revenues and expenses. Actual amounts may differ from the estimated amounts.

In preparing these summary quarterly financial statements management has applied the same critical judgements in applying the accounting policies as it made when preparing the consolidated financial statements for 2015 and the principal sources of estimate uncertainty are the same when preparing these summary quarterly accounts as for the consolidated accounts for 2015.

### ***Note 5 – Pensions and taxes***

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

### ***Note 6 – Seasonal fluctuations***

Demand for the Group's products and services are normally subject to variability throughout the year. This involves a low season during the first quarter, increasing activity and a peak season over the second and third quarters, and diminishing activity in the final part of the fourth quarter.

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



## Note 7 - Tangible fixed assets

Amounts in NOK million	Per 31.03	
	2016	2015
Book value per 1.1	1 790,1	1 838,3
Acquisitions	36,5	31,1
Business combinations	0,0	0,0
Disposals	0,0	0,0
Depreciations	-70,0	-68,1
Impairment losses	0,0	0,0
Transfers	0,0	0,0
Translation differences	-25,5	-24,2
Book value per 31.03	1 731,1	1 777,2

## Note 8 - Financial instruments

Amounts in NOK million	Per 31.03.2016			Per 31.12.2015		
	Positive fair value	Negative fair value	Net fair value	Positive fair value	Negative fair value	Net fair value
Currency derivatives	6,3	-0,6	5,7	4,5	-0,9	-3,6
Interest rate derivatives	0,0	-87,4	-87,4	0,0	-76,2	-76,2
Power derivatives	0,0	-14,4	-14,4	0,0	-16,6	-16,6
Total	6,3	-102,4	-96,0	4,5	-93,7	-89,2

Amounts in NOK million	Per 31.03.2015			Per 31.12.2014		
	Positive fair value	Negative fair value	Net fair value	Positive fair value	Negative fair value	Net fair value
Currency derivatives	7,0	-5,7	1,2	6,6	-10,2	-3,6
Interest rate derivatives	0,0	-82,6	-82,6	0,0	-80,1	-80,1
Power derivatives	0,0	-11,3	-11,3	0,0	-11,1	-11,1
Total	7,0	-99,6	-92,7	6,6	-101,4	-94,8

## Note 9 – Operating segments

The divisions are divided in accordance with Moelven's three core activities: Timber (industrial goods), Wood (building products) and Building Systems (projects). There is also a division named "Other" in which the remaining units are placed. The divisions are built up around independent subsidiaries with activities clearly defined within the divisions. All transactions between the divisions are conducted on normal commercial terms. The split into divisions differs from the formal legal ownership structure. See the consolidated financial statements for 2015 for further information about segments.

Below is a reconciliation of the profit before taxes in the reporting segments with the company's profit before taxes.

Amounts in NOK million	Per 31.03	
	2016	2015
Timber	3,6	7,0
Wood	4,4	-0,1
Building Systems	30,1	18,1
Other	-8,1	-16,3
Profit before tax in segments	30,0	8,7
Eliminations	0,0	0,0
Profit before tax in Group Accounts	30,0	8,7

### ***Note 10 – Related parties***

Transactions with the owners are performed in some areas of the ordinary activities. Among other things, this relates to purchase of saw logs, where the Norwegian forest owner cooperatives are suppliers. There will also be deliveries of biofuel from the Moelven Group to a bioenergy plant owned by Eidsiva Energi AS, with possible buy-back of bioenergy for Moelven's industries in connection with the energy plant. Eidsiva Energi Marked AS trade 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 saw log of 4 million cubic metres comes via the Norwegian forest owner cooperatives.

Moelven's supply of energy raw materials to Eidsiva's bioenergy plant represents between 40 and 50 GWh on an annual basis, while buying back energy represents between 20 and 30 GWh. Net 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 185 GWh.

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

### ***Note 11 - Events after the balance sheet date***

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

Moelven is organised into four divisions: Timber, Wood, Building Systems and Other. The sawmills in Timber supply sawed wood products and components to industrial customers in Scandinavia and the rest of Europe. These use the products as intermediate goods in their own production. Shavings, chip and bark products are also supplied and are used in the pulp, chipboard and biofuel industry. The processing companies in Wood supply the building products trade in Scandinavia with a broad range of building and interior products. A critical competitive advantage is the division's efficient distribution system which offers customers rapid and precise deliveries of a broad range of products. The companies within Building Systems deliver flexible system solutions for interior walls, modular buildings, electrical installations and load-bearing structures in glulam to projects and contractor clients, principally in Norway and Sweden. Other comprises holding companies, supply businesses and bioenergy companies. The division is heavily focused on developing concepts and systems in collaboration with the customers and experts within architecture, design and construction. In total, the Group is composed of 44 operating units in Norway and Sweden and has 3,456 employees. Moelven also has its own sales offices in Denmark, England, Germany and the Netherlands. The Moelven Group is owned by Glommen Skog SA (29.1 per cent), Eidsiva Vekst AS (23.8 per cent), Felleskjøpet Agri SA (15.8 per cent), Viken Skog SA (11.9 per cent), Mjøsen Skog SA (11.7 per cent) and AT Skog SA (7.3 per cent). Most of the remaining 0.4 per cent is owned by private individuals.

## Quality rooms

More information:

[www.moelven.com](http://www.moelven.com)

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