

Quarterly report 2/2023



Cover photo

Glulam from Moelven is produced from renewable raw materials from environmentally certified forestry in Norway. When wood is used as a building material, it still acts as a carbon repository in the same manner as if it remained in the forest. For example, an agricultural building 1,300 square metres in size will bind 74 tonnes of CO₂ in the wood as long as the building remains standing.

Photo: Moelven

The quarter in brief

- The second quarter of 2023 was characterised by low levels of activity on the domestic markets in Scandinavia, satisfactory, albeit declining demand from the export markets, and an overall higher cost level as a result of inflation.
- Operating revenues: NOK 3,468 million (4,268).
- The operating profit was NOK 214 million. This is significantly lower than in the second quarter of 2022 (897 million), which was Moelven's best second quarter of all time.
- Return on capital employed (12-month rolling basis) is now at 9.9 per cent (74.5).
- Reduced demand in the international market for sawn timber through the quarter.
- Poor demand from the building products trade in Scandinavia.
- Overall, a satisfactory order situation within the Building Systems division, with the exception of certain segments.

Amounts in NOK million	Second quarter		6 months		12 months
	2023	2022	2023	2022	2022
Operating revenues	3,468	4,268	7,040	8,212	14,439
EBITDA	294	979	503	1,796	2,106
Gross operating margin/EBITDA in per cent	8.5 %	22.9 %	7.1 %	21.9 %	14.6 %
Depreciation and impairment	80	82	160	166	350
Operating profit	214	897	343	1,629	1,756
Net operating margin/EBIT in per cent	6.2 %	21.0 %	4.9 %	19.8 %	12.2 %
Profit before tax	199	862	278	1,616	1,754
Profit per share in NOK	1.22	5.24	1.70	9.83	10.7
Cash flow from operational activities, in NOK per share	4.83	6.84	3.26	5.47	11.1
Total equity	-581	-413	4,405	4,676	4,737
Equity ratio	-3.7 %	-5.0 %	56.1 %	53.5 %	59.9 %
Total assets	-483	43	7,848	8,734	7,904
Investments	336	131	506	199	501
Return on capital employed in per cent, 12 month rolling	-13.7 %	-2.4 %	9.9 %	74.5 %	35.6 %
Capital employed	-598	-426	4,637	4,956	4,998
Net interest-bearing liabilities	430	388	-388	-694	-1,079
Net working capital	-309	159	2,782	3,835	2,808
Number of employees	8	16	3,314	3,341	3,332
Sick leave percentage	-0.1 %	-1.4 %	6.5 %	7.1 %	6.7 %
Lost Time Injury Frequency rate, rolling LTI-rate	-0.3	-1.0	7.6	4.8	8.0
Average number of shares (mill)	129.5	129.5	129.5	129.5	129.5

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

In brief

Activity in the international sawn timber market was, as in the first quarter, better than what was expected at the beginning of the year. The exception is the domestic market in Scandinavia. Sawn timber prices have increased in the quarter, but the upward trend from the first quarter has slowed. Historically the prices are at a good level, but a generally higher cost level puts considerable pressure on margins. Private consumption is being curbed by inflation, increasing interest rates and continued uncertainty related to the war in Ukraine and economic developments. Demand for timber is impacted due to fewer new builds and reduced maintenance and renovation activities. This impact is being partially offset by the fact that timber is regarded as being an attractive, sustainable material and is thus taking market shares from other types of materials.

Activities in the Scandinavian building products trade saw a substantial reduction during the second quarter of 2023, compared to the same period in 2022. In the second quarter it is the professional market that has seen the greatest decline, although activities in the other market segments have also been suffering from a reduction as projects are being completed and the market is adjusting to fewer new projects being initiated. Despite reduced activity, the renovation, conversion and extension market has been satisfactory through the second quarter. Overall, the price levels for processed goods have decreased since the second quarter of 2022.

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

Activities relating to building and construction, infrastructure and minor projects in our

Building Systems Division have been good overall during the quarter, although certain segments have seen a significantly lower level of activity.

The report from the Accident Investigation Board Norway (AIBN) on the causes of the collapse of the Tretten Bridge was published in August. The report makes it clear that the glulam manufactured and installed by Moelven Limtre AS had nothing to do with the cause of the collapse. Moelven Limtre AS has been in dialogue with AIBN during the investigation, and has contributed with the company's expertise and documentation when requested. Moelven Limtre AS is now ready to look forward and continue to build a sustainable future using wood.

In August, the storm "Hans" has affected operations in some of our industries and our logistics on the public road and rail networks.

Operating revenues and profits/losses

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

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

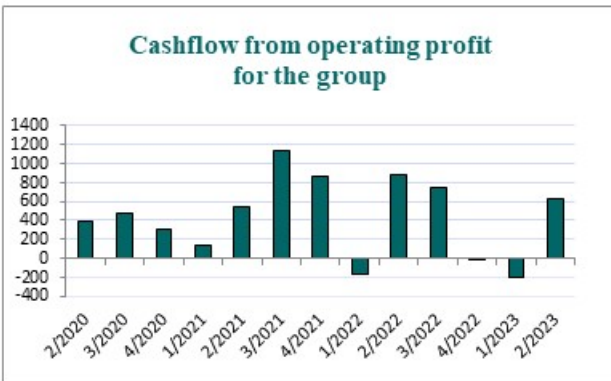
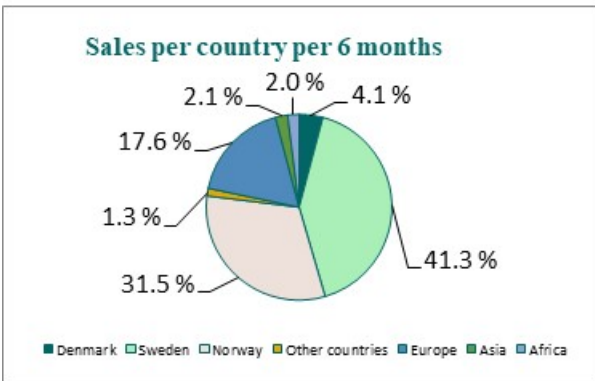
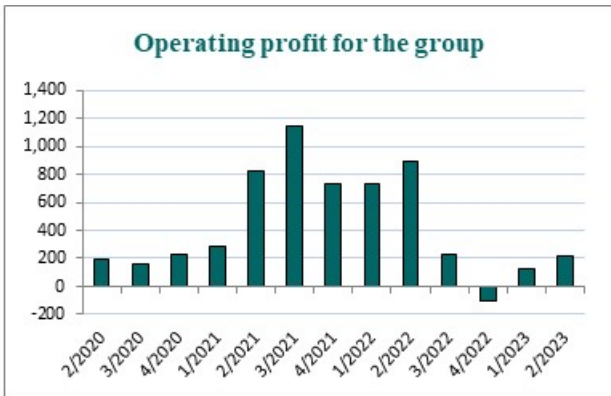
Operating profit in the Building Systems Division was also better than for the corresponding period in 2022, mainly due to good profitability in the module business. A good level of activity in Sweden has been coupled with better profitability in Norway following reduced focus on the apartment segment through the discontinuation of the production line at

Hjellum in the fourth quarter of 2022. The glulam business also reported significantly improved results following a period of good deliveries in the project market.

The Group utilises financial instruments in order to reduce the impact of short-term fluctuations in foreign exchange rates, interest rates and energy prices. The result from market value developments of hedging instruments amounted to NOK -18 million in the quarter (-8).

Pre-tax profit for the quarter was NOK 199 million (862).

Amounts in NOK million	Second quarter		6 months		12 months
	2023	2022	2023	2022	2022
Operating revenues					
Timber	1,114	1,579	2,235	2,961	4,944
Wood	1,354	1,686	2,601	3,257	5,528
Building Systems	898	1,032	1,953	2,051	3,833
Other businesses	1,360	1,266	2,797	2,581	4,741
<i>Internal</i>	-1,258	-1,296	-2,546	-2,637	-4,608
The Group	3,468	4,268	7,040	8,212	14,439
EBITDA					
Timber	145	583	235	1,009	1,239
Wood	93	380	126	698	757
Building Systems	64	44	142	98	84
Other businesses	-7	-8	-1	-19	-31
<i>Internal</i>	-2	-19	0	10	57
The Group	294	979	503	1,796	2,106
Operating profit					
Timber	120	555	185	955	1,132
Wood	64	352	69	643	645
Building Systems	48	28	109	62	15
Other businesses	-16	-19	-21	-41	-93
<i>Internal</i>	-2	-19	0	10	57
The Group	214	897	343	1,629	1,756
Operating profit, net percentage					
Timber	10.8%	35.2%	8.3%	32.3%	22.9%
Wood	4.8%	20.9%	2.6%	19.7%	11.7%
Byggsystemer	5.3%	2.7%	5.6%	3.0%	0.4%
Øvrige	-1.2%	-1.5%	-0.7%	-1.6%	-2.0%
The Group	6.2%	21.0%	4.9%	19.8%	12.2%



Investments, balance sheet and financing

In the course of the second quarter, investments totalling NOK 336 million (131) were activated. This increase in investment activities is based on the Group's long-term strategy plan and mainly comprises three individual projects that are current throughout 2023. For the first half of the year, investments of NOK 506 million have been activated, compared to NOK 199 million in 2022.

Depreciation and write-downs for the quarter amounted to NOK 80 million (82). At the end of the second quarter 2023, the book value of the Group's total assets was NOK 7,848 million (8,734). The reduction in total assets is mainly due to reduced inventories, accounts receivable and bank deposits after the payment of dividends in May 2023, among other things.

Cash flow from operating activities in the second quarter of 2023 was NOK 626 million (887), which corresponds to NOK 4,83 per share (6,84). The decline compared to the first quarter of 2022 is mainly due to weaker earnings. Cash flow from working capital items was NOK 403 million in the first quarter (-108).

At the end of the second quarter 2023, the Group had a net interest-bearing investment of

NOK 388 mill (694). The strong liquidity situation is mainly due to good cash flow from operations in the previous two years. Liquidity reserves including unused credit facilities were NOK 2,512 million (2,943).

Equity at the end of the second quarter 2023 amounted to NOK 4,405 million (NOK 4,676 million), which is equivalent to NOK 34.01 (36.09) per share. The equity ratio was 56.1 per cent (53.5). The proposed dividend for 2022 of NOK 5.36 per share (9.06), totalling NOK 694 million (1,174) was approved at the Annual General Meeting on 4 May 2023 with payment the same month. In accordance with IFRS, distribution was charged to equity in the second quarter of 2023.

Parts of the Group's equity are linked to ownership interests in foreign subsidiaries, principally in Sweden, and are thereby exposed to exchange rate fluctuations. The scope and consequences of probable exchange rate fluctuations are within acceptable risk limits. In the second quarter, exchange rate fluctuations resulted in an unrealised change in equity of NOK -44 million (NOK 82 million). Approximately half of the Group's assets are recognised in SEK. The total assets thus also change based on the exchange rate. The equity ratio in percent is therefore less impacted by exchange rate fluctuations than nominal equity.

Employees

Employees	Per 6 months 2023				Per 6 months 2022			
	Male	Female	% Female	Total	Male	Female	% Female	Total
Timber	593	75	11.2 %	668	566	73	11.4 %	639
Wood	896	181	16.8 %	1,077	924	177	16.1 %	1,101
Building Systems	1,240	136	9.9 %	1,376	1,299	124	8.7 %	1,423
Other businesses	136	57	29.5 %	193	127	51	28.7 %	178
The Group	2,865	449	13.5 %	3,314	2,916	425	12.7 %	3,341

Sickness absence rate	Per 6 months	
	2023	2022
Timber	5.8 %	6.8 %
Wood	5.8 %	6.9 %
Building Systems	7.8 %	7.8 %
Other businesses	2.5 %	2.9 %
The Group	6.5 %	7.1 %

12 months rolling basis	LTI per 6 months		TRI per 6 months	
	2023	2022	2023	2022
Timber	7.6	9.7	18.1	18.5
Wood	5.3	2.3	23.0	13.2
Building Systems	10.5	5.2	22.7	16.0
Other businesses	0.0	0.0	3.3	3.3
The Group	7.6	4.8	20.8	14.9

The injury rate decreased slightly in the second quarter of 2023 compared to the end of the first quarter, but increased compared to the end of the second quarter of 2022. The LTI rate is the injury rate expressed as the number of injuries with subsequent absence from work due to sickness absence per million hours worked. For 2023, the intermediary target is for the LTI rate measured on a 12-month rolling basis to be less than 5. At the end of the quarter, the Group as a whole had an LTI rate of 7.6. This is 0.3 lower than at the end of the first quarter, but 2.8 higher than at the end of the second quarter of 2022. The level is nevertheless low compared to previous years, and the long-term trend is still falling. The actual number of injuries resulting in absence in the second quarter of 2023 was 7, compared to 9 during the corresponding period in 2022.

The TRI rate is the total number of injuries per million hours worked. For 2023, the intermediary target is for the TRI rate measured on a 12-month rolling basis to be less than 20. At the end of the third quarter 2023, the TRI rate was 20.8. This is 1.2 higher than at the end of the first quarter, and 5.9 higher than at the end of the second quarter of 2022. As for the LTI rate, the long-term trend for the TRI rate is also falling. The total number of injuries with and without absence in the second quarter of 2023 was

24, compared to 19 in the same period in 2022.

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

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

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

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

The key points of HSE towards 2025 are:

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

The long-term trend for developments in absence from work due to sickness has been falling for some time, but the COVID-19 pandemic resulted in greater variations than normal.

Sick leave in the second quarter was at 6.3 per cent (5.6). Long-term sick leave was 3.6 per cent, compared to 2.7 per cent at the same time in 2022. For the 2017-2021 period, average sick leave was 6.0 per cent.

Many of Moelven's businesses already have absence levels that are lower than our maximum target for 2023 of 4.0 per cent. However, there is still much to be gained, and section two in the action plan "HSE towards 2025" addresses precisely this. Among other things, emphasis will be placed on using insight into "best practice" to establish procedures for follow-up of sick leave. In addition, culture building and further development of active employees based on the

value platform, as well as the development of leadership modules related to health-promoting workplaces and the working environment are important areas.

Outlook

In the July edition of the "World Economic Outlook", the IMF estimates growth in the world economy will drop from 3.5 per cent in 2022 to 3.0 per cent in both 2023 and 2024. The estimate for 2023 has thus been increased by 0.2 percentage points from April 2023, but remains low compared to historical figures.

In the second quarter of 2023, much uncertainty in the banking sector has come in addition to high inflation, rising interest rates and the war in Ukraine as the main reasons for their expectations about current economic growth declining to one of its lowest levels in nearly 30 years, with the exception of the financial crisis of 2009 and the pandemic year of 2020. Inflation is expected to peak in 2023, but is unlikely to reach the desired levels for a few years to come. The greatest uncertainty factor is still the war in Ukraine and as long as it continues, it is more difficult than ever to predict future macroeconomic developments.

So far in 2023 demand for sawn timber from Moelven has been better than expected in Europe, with the exception of Scandinavia, as a result of reduced supply on the market. Uncertainty with regard to developments going forward is significant. In Scandinavia, demand has been weaker than what was assumed at the beginning of the year. In the time ahead, demand is expected to be lower than in previous years. In other parts of the world, activity levels are expected to slow down in the years to come.

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

As regards the market for processed timber in Scandinavia, activities relating to renovation, modernisation and extension are expected to fall when compared to the two previous years. Developments in consumer demand will depend to a greater extent on changes in disposable income. Sales of new homes and holiday homes have been falling for some time and the commencement of new building projects is at a very low level. Activities for this segment in 2023 are expected to remain low.

The Group has a long-term goal of achieving a return on average capital employed of 13 per cent over the course of an economic cycle. At the end of the second quarter, the rate of return was 9.9 per cent. The Board considers the Group's solvency and long-term access to liquidity to be good, and sufficient to implement planned improvement measures in

accordance with the Group's strategy. A number of projects and development plans are ongoing to equip the Group for the future. This applies not only to international financial competitiveness, but also to safety, information technology, the climate and the environment.

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

Statement by the Board and CEO

We confirm that the unaudited consolidated financial statements for the period 1 January to 30 June 2023 have been prepared in accordance with IAS 34 – Interim Reporting, and that the information in the accounts provides a fair representation of the Company's and the Group's assets, liabilities, financial position and earnings. We also confirm that the Board's report provides a fair overview of important events during the accounting period and their influence on the financial statements for the first half of the year, the most central risk and uncertainty factors that the company faces in the next accounting period, and significant transactions with related parties.

Moelven Industrier ASA
Moelv, 28 August 2023

Finn Ivar Marum
Chairman of the Board

Gudmund Nordtun
Deputy Chair

Hege Kverneland
Board member

Oscar Östlund
Board member

Martin Fauchald
Board member

Olav Breivik
Board member

Wenche Ravlo
Board member

Morten Kristiansen
Group CEO

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

Condensed income statement and comprehensive income

Amounts in NOK million	Second quarter		6 months		12 months
	2023	2022	2023	2022	2022
Operating revenues	3,468	4,268	7,040	8,212	14,439
Cost of goods sold	2,174	2,248	4,510	4,388	8,296
Payroll expenses	621	644	1,246	1,253	2,395
Depreciation and impairment	80	82	160	166	350
Other operating expenses	378	396	781	775	1,642
Operating Profit	214	897	343	1,629	1,756
Financial income	11	8	24	47	74
Financial expenses	26	44	89	61	77
Profit before tax	199	862	278	1,616	1,754
Estimate income tax	42	183	57	343	365
Net profit	158	678	221	1,273	1,389
Non-controlling interest share	0.1	0.1	0.1	0.2	0.2
Owner of parent company share	158	678	221	1,273	1,389
Earnings per share (in NOK)	1.22	5.24	1.70	9.83	10.72
Statement of comprehensive income					
Net profit	158	678	221	1,273	1,389
Other comprehensive income					
<i>Items that are not reclassified subsequently to profit or loss</i>					
Reclassification of realised translation differences to profit and loss	0	0	0	0	-3
Actuarial gains (losses) on defined-benefit pension schemes	0	0	0	0	0
Income tax on items that are not reclassified to profit or loss	0	0	0	0	0.1
<i>Items that may be reclassified subsequently to profit or loss</i>					
Translation differences	-44	82	141	-11	-62
	-44	81	141	-12	-65
Total comprehensive income for the period	114	759	362	1,262	1,324
Comprehensive income assigned to:					
Owners of parent company	114	759	362	1,261	1,323
Non-controlling interests	0	0.2	0.2	0.2	0.2

Condensed statement of financial position

Amounts in NOK million	Per 30.06		Per 31.12
	2023	2022	2022
Intangible assets	62	86	62
Tangible fixed assets	2,747	2,239	2,343
Financial fixed assets	3	3	3
Total fixed assets	2,812	2,327	2,408
Inventory	1,863	2,404	2,111
Contract assets	175	231	186
Receivables	2,346	2,772	1,828
Liquid assets and current financial investments	652	999	1,370
Total current assets	5,036	6,406	5,495
Total assets	7,848	8,734	7,904
Share capital*	648	648	648
Other equity	3,757	4,028	4,090
Total equity	4,405	4,676	4,737
Provisions	417	637	350
Long term interest-bearing liabilities	150	186	169
Lease liabilities	79	90	89
Total long term liabilities	647	913	608
Contract liabilities	210	275	168
Short term liabilities	2,586	2,870	2,391
Total short term liabilities	2,796	3,145	2,559
Total liabilities	3,443	4,058	3,166
Total liabilities and equity	7,848	8,734	7,904

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

Consolidated statement of changes in equity

Amounts in NOK million	Equity assigned to owners of parent company			Total	Non-controlling interests	Total equity
	Share capital	Share premium funds	Other equity			
Total pr 01.01.2022	648	131	3,806	4,585	2	4,588
Comprehensive income for the period						
Net profit	0	0	1,273	1,273	0.2	1,273
Other comprehensive income						
Translation differences	0	0	-11	-11	0	-11
Other comprehensive income (net of tax)	0	0	-11	-11	0	-11
Transactions with owners, recognized directly against equity						
Dividend to owners	0	0	-1,174	-1,174	0	-1,174
Total transactions with owners	0	0	-1,174	-1,174	0	-1,174
Total as at 30.06.2022	648	131	3,894	4,673	3	4,676
Total pr 01.01.2023	648	131	3,956	4,735	3	4,737
Comprehensive income for the period						
Net profit	0	0	221	221	0.1	221
Other comprehensive income						
Translation differences	0	0	141	141	0.2	141
Other comprehensive income (net of tax)	0	0	141	141	0.2	141
Transactions with owners, entered directly against equity						
Dividend to owners	0	0	-694	-694	0	-694
Total transactions with owners	0	0	-694	-694	0	-694
Total as at 30.06.2023	648	131	3,624	4,402	3	4,405

Consolidated statement of cash flow

Amounts in NOK million	Per 30.06	
	2023	2022
CASH FLOW FROM OPERATIONAL ACTIVITIES:		
Net profit	221	1,273
<i>Adjustments to reconcile net profit with net cash flow from operations:</i>		
Depreciation	159	166
Impairment	1	0.1
Income from associated companies	-3	0
Tax paid	-134	-369
Unpaid pension costs entered as costs and unreceived pension funds entered as income	0	0.3
Loss (profit) on sale of fixed assets	-5	0
Net value change of financial instruments to fair value	31	-34
Income tax	57	343
Other	7	0
<i>Changes in operating assets and liabilities:</i>		
Changes in inventory and contract assets	260	-259
Changes in accounts receivable and other receivables	-520	-868
Changes in trade accounts payable	118	235
Changes in provisions and benefits to employees	1	-16
Changes in short-term liabilities excluding borrowing	229	238
Cash flow from operational activities	422	709
CASH FLOW FROM INVESTMENT ACTIVITIES:		
Investment in plant and equipment exc. acquisition	-506	-199
Investment in current financial assets	0	400
Receipts from sale of fixed assets	12	1
Sale of subsidiaries excl cash in business sold	0	66
Cash flow from investment activities	-494	268
CASH FLOW FROM FINANCING ACTIVITIES:		
Net borrowing (+) / repayment (-) of long term debt	-19	-9
Payment of leases	-19	-19
Net paid interests	9	0
Payment of dividend	-694	-1,174
Cash flow from financial activities	-723	-1,202
Net increase (reduction) in liquid assets during year	-795	-225
Liquid assets start of period	1,340	1,214
Effect of exchange rate changes on liquid assets	75	-15
Liquid assets end of period	619	974

Notes to the consolidated financial statements

Note 1 – General information

Moelven Industrier ASA is a public limited liability company, registered in Norway. The company's headquarters are located at Industriveien 2, 2390 Moelv, Norway. The consolidated financial statements for the first quarter of 2023, ending on 31 March 2023, includes Moelven Industrier ASA and its subsidiaries (collectively referred to as the “Group”) and the Group's interests in associated companies. The accounts are unaudited. The annual accounts for 2022 are available at www.moelven.com.

Note 2 – Statement of conformity

The consolidated financial statements for the first quarter of 2023 have been prepared in accordance with the requirements of IAS 34 “Interim Financial Reporting” which have been approved by the EU. The interim financial statements do not include all the information required in a complete annual report and ought to be read in conjunction with the consolidated financial statements for 2022. The consolidated quarterly financial statements were approved by the Board on 4 May 2023.

Note 3 – Accounting policies

The accounting policies adopted in the quarterly financial statements for 2023 are the same as those in the consolidated financial statements for 2022. Currency exchange rates in the consolidation are retrieved from Norges Bank.

Note 4 – Critical judgements and estimates

The preparation of quarterly financial statements requires management to make judgements, estimates and assumptions that affect both which accounting policies are applied and the reported amounts of assets, liabilities, revenues and expenses. Actual amounts may differ from the estimated amounts. In preparing these quarterly financial statements management has applied the same critical judgements in applying the accounting policies as it made when preparing the consolidated financial statements for 2022 and the principal sources of estimate uncertainty are the same when preparing these quarterly accounts as for the consolidated accounts for 2022.

Note 5 – Pensions and taxes

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

Note 6 – Seasonal fluctuations

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

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

Note 7 – Sales revenues

Second quarter Amounts in NOK million	Timber		Wood		Building systems		Other		Group	
	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
Norway	95	182	587	805	364	476	93	130	1,138	1,592
Sweden	86	253	465	555	486	522	330	157	1,367	1,487
Rest of Europe	565	703	160	235	41	31	0	0	767	968
Rest of the world	108	190	56	12	0	0	0	0	164	202
Total Sales revenues	854	1,327	1,268	1,606	891	1,029	422	287	3,436	4,249
Other operating revenues	2	1	10	5	5	2	15	10	32	19
Total operating revenues	856	1,328	1,278	1,612	896	1,031	438	298	3,468	4,268

Note 8 – Fixed assets, intangible assets and goodwill

Amounts in NOK million	Per 30.06	
	2023	2022
Book value per 1.1	2,357	2,217
Acquisitions	506	199
Lease acquisitions	10	7
Disposals	-6	0
Depreciations	-159	-166
Impairment losses	-1	0
Transfers	3	10
Translation differences	55	-11
Book value per 31.12.	2,764	2,256

Note 9 - Financial instruments

Amounts in NOK million	30.06.2023			31.12.2022			30.06.2023		
	Positive fair value	Negative fair value	Net fair value	Positive fair value	Negative fair value	Net fair value	Level 1*	Level 2*	Level 3*
Currency derivatives	16	-33	-17	16	-8	8		-17	
Interest rate derivatives	16		16	14		14		16	
Embedded derivative - currency	-17		-17		-9	-9.3		-17	
Money market fund									
Total	15	-33	-18	30	-17	13			

Amounts in NOK million	30.06.2022			31.12.2021			30.06.2022		
	Positive fair value	Negative fair value	Net fair value	Positive fair value	Negative fair value	Net fair value	Level 1*	Level 2*	Level 3*
Currency derivatives	16	-17	-1	18	-24	-6		-1	
Interest rate derivatives	9		9	1	-26	-25		9	
Embedded derivative - currency		-4	-4	0.5		0.5		-4.0	
Money market fund				400		400			
Total	25	-21	4	420	-50	370			

*

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

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

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

Note 10 – Operating segments

The divisions are divided in accordance with Moelven's three core activities: Timber (industrial goods), Wood (building products) and Building Systems (projects). There is also a division named "Other" in which the remaining units are placed. The divisions are built up around independent subsidiaries with activities clearly defined within the divisions. All transactions between the divisions are conducted on normal commercial terms. The split into divisions differs from the formal legal ownership structure. See the consolidated financial statements for 2021 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.

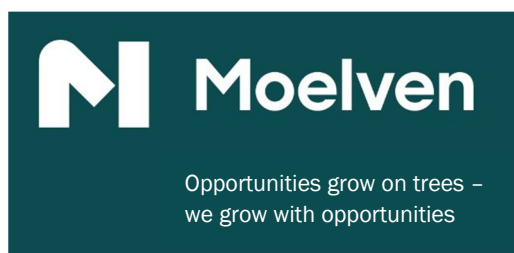
Amounts in NOK million	6 months		12 months	
	2023	2022	2022	2021
Timber	113	942	1,133	1,682
Wood	62	650	658	1,364
Building Systems	110	61	13	23
Other	-77	-48	-107	-16
Internal	0	10	57	-62
Profit before tax	278	1,616	1,754	2,991

Note 11 – Related parties

Transactions with the owners are performed in some areas of the ordinary activities. Among other things, this relates to purchase of timber, where the Norwegian forest owner cooperatives are suppliers. Here the arm's length principle is applied. Where other suppliers can offer better prices or terms, these will be used. About 43 per cent of Moelven's total purchasing requirement for sawlogs of 4,5 million cubic metres comes via the Norwegian forest owner cooperatives.

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

Moelven is organised into three divisions: Timber, Wood and Building Systems. There is also an Other Businesses reporting area, which consists of the holding companies, supply businesses and bioenergy companies. The sawmills in Timber supply sawn timber products and components to industrial customers in Scandinavia and the rest of Europe, the Middle East, North Africa and China. The industrial customers use the products as intermediate goods in their own production. Shavings, chips and bark products are also supplied and are used in the pulp, chipboard and biofuel industry. The companies in Wood supply the building products trade in Scandinavia with a broad range of building and interior products. A critical competitive advantage is the division's efficient distribution system, which offers customers rapid and precise deliveries of a broad range of products. The companies within Building Systems deliver flexible system solutions for interior walls, modular buildings and load-bearing structures in glulam to projects and contractor clients, principally in Norway and Sweden. The division focuses on developing concepts and systems in collaboration with the customers and experts within architecture, design and construction. In total, the Group is composed of 34 production companies in Norway and Sweden and has 3,314 employees. Moelven also has sales offices in Denmark, England, Germany and China. The Moelven group is owned by Glommen Mjøsen Skog SA (66.8 per cent) and Viken Skog SA (32.8 per cent). Most of the remaining 0.4 per cent is owned by private individuals.



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