



Quarterly Report 2/2016

*Spjelkavik Secondary School. Moelven Modus AS has supplied glass walls and interior solutions.
Photo: Karl Otto Kristiansen.*

Amounts in NOK million	Second quarter		6 months		Total	
	2016	2015	2016	2015	2015	2014
Operating revenues	2 930,4	2 628,1	5 534,9	4 944,1	9 690,4	8 828,2
EBITDA	245,7	163,9	345,7	253,5	553,9	490,0
Gross operating margin/EBITDA	8,4 %	6,2 %	6,2 %	5,1 %	5,7 %	5,6 %
Depreciation	70,4	67,6	140,3	135,7	291,2	286,5
Operating profit before non-recurring items	175,4	96,2	205,4	117,8	262,7	203,6
Impairment losses	0,0	47,9	0,0	47,9	47,9	0,0
Operating profit	175,4	48,3	205,4	69,9	214,8	203,6
Net operating margin/EBIT	6,0 %	1,8 %	3,7 %	1,4 %	2,2 %	2,3 %
Value change of financial instruments to fair value	-2,3	25,2	-9,0	27,2	5,6	-30,4
Profit before tax	154,4	59,0	161,6	67,7	158,5	115,3
Profit per share in NOK	0,92	0,34	0,96	0,39	0,90	0,68
Cash flow from operational activities, in NOK per share	1,75	0,58	0,00	-0,38	4,53	2,71
Total equity *	90,4	55,3	1 833,8	1 638,8	1 756,9	1 592,3
Equity ratio *	0,4 %	0,7 %	33,9 %	32,8 %	36,8 %	34,2 %
Total assets *	200,3	70,6	5 409,4	4 994,5	4 778,1	4 653,2
Investments *	49,5	47,0	86,0	78,1	215,8	195,1
Return on capital employed *	5,1 %	1,8 %	9,1 %	4,7 %	7,4 %	6,8 %
Capital employed *	24,1	-98,0	3 140,5	3 004,1	2 870,8	2 959,9
Net interest-bearing liabilities *	-132,0	-144,0	1 236,7	1 356,9	1 110,4	1 353,1
Net working capital *	149,4	104,3	2 588,1	2 386,5	2 081,2	1 928,3
Number of employees *	73	29	3 529	3 413	3 426	3 326
Sick leave percentage *	-0,5 %	-0,4 %	5,6 %	5,7 %	5,5 %	5,5 %
Frequency of accidents with absence, H1 value *	-0,3	-1,3	14,8	16,1	15,7	15,9
Number of shareholders	941	948	941	948	941	948
Average number of shares (mill)	129,5	129,5	129,5	129,5	129,5	129,5

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

The best quarterly results since 2007

- Operating revenues in the second quarter increased by 11.5 per cent to NOK 2,930.4 million (2,628.1). Year-to-date operating revenues increased by 11.9 per cent to NOK 5,534.9 million (4,944.1).
- Operating profit in the second quarter increased to NOK 175.4 million (48.3). Adjusted for irregular items that charges from the second quarter of 2015, totalling NOK 66.9 million, the underlying operations were improved by 45.9 per cent.
- A new long-term loan agreement replacing earlier loan agreements with maturity in 2016 and 2017 was signed in June.
- Satisfactory demand for products from the Group's timber processing operations.
- A good level of activity and a continued healthy and well-composed order backlog for Building Systems, particularly for housing modules in Sweden.

In brief

For the timber processing part of the Group demand followed the ordinary seasonal increased towards the summer. In the export markets currency conditions have continued to maintain margins. Demand from the building products trade in Scandinavia has been satisfactory, although the Swedish market has started to note a certain slowdown as a result of the reduction in the renovation, conversion and extension deduction from the turn of the year. Overall delivery volumes were higher, while prices remained at the same level as corresponding period the previous year.

Access to raw material for the timber-consuming units was satisfactory for the period. The prices for saw

timber were on a par with the same period last year, while the prices for chip and fibre products were somewhat higher.

The Building Systems activity was higher than for the same period last year. The causes are primarily due to Building Modules in Sweden, as well as good market conditions System Interiors in Sweden. The latter particularly applies in and around the major cities of Gothenburg, Malmö and Stockholm. The Norwegian market, in particular in the Stavanger region, is characterised by the slowdown in the economy, and was weaker than in the same period for 2015.

Despite result improvements for the Group, there are still units with results that negatively impact the Group's result. In the plan of action for achieving the Group's profitability targets, significant resources have been allocated to improvement work in these units. This work will continue unabated throughout 2016.

Revenues and results

Revenues in the quarter increased significantly compared to the same period last year due to increased volumes. In Norway an acquisition was completed at the beginning of the fourth quarter of 2015. Activities in the acquired enterprise, which currently operates under the name Moelven Byggmodul Hjellum AS, are not included the 2015 accounts prior to the fourth quarter. The accounts for the second quarter of 2015 were charged with an impairment loss of NOK 48 million related to the completed sale of the operations at Moelven Nössemark Trä AB, in addition to cost corrections in the project portfolio of the Electrical Installations business of NOK 22 million.

Updates of inventory estimates based on price developments resulted in a charge to the result of NOK 5 million for the quarter (minus 11) and NOK 21 million (minus 28) year to date.

Net financial expenses excluding changes in the value of financial instruments were somewhat higher than in Q2 of the previous year. This is due to costs related to the refinancing that was conducted in June and realized foreign currency losses. The overall lending margin will increase somewhat under the new agreement, but this will only come into effect as of the third quarter.

The Group employs financial instruments to hedge foreign exchange rates, interest rates and power prices. Non-cash items related to fair value assessments on unrealized financial instruments totalled NOK -2.3 million (NOK 25.2 million) for the quarter and NOK -9.0 million (NOK 27.2 million) for the year.

MNOK	Second quarter		6 months		12 months	
	2016	2015	2016	2015	2015	2014
Operating revenues						
Timber	852,0	812,1	1 633,2	1 598,7	3 010,1	2 872,3
Wood	1 062,5	934,5	1 868,3	1 645,4	3 275,7	3 066,2
Building Systems	1 017,8	887,6	1 995,2	1 679,4	3 375,2	2 836,7
Other businesses	929,3	724,8	1 792,7	1 606,7	3 003,8	3 204,4
<i>Internal</i>	-931,4	-731,0	-1 754,5	-1 586,1	-2 974,5	-3 151,4
The Group	2 930,4	2 628,1	5 534,9	4 944,1	9 690,4	8 828,2

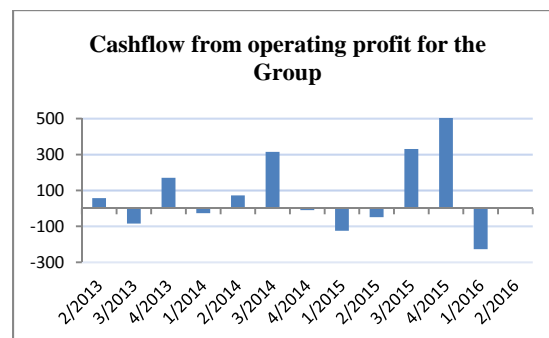
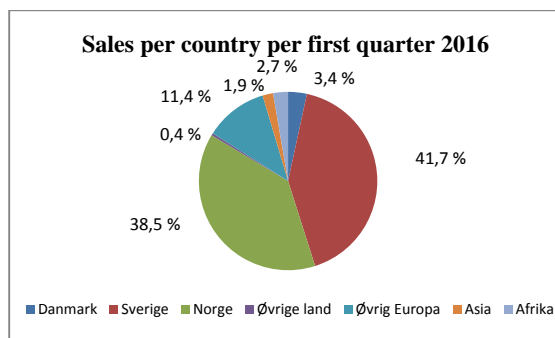
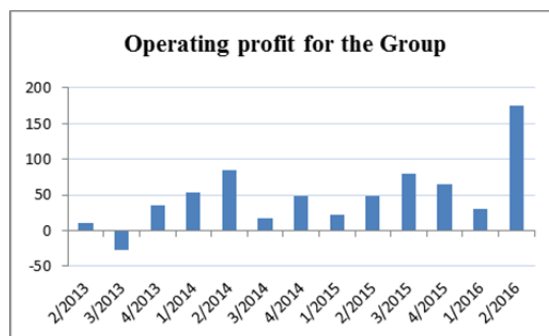
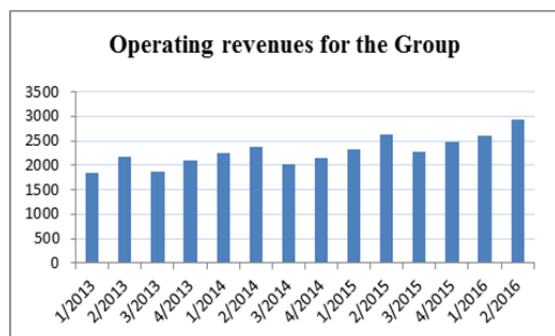
EBITDA

Timber	76,2	53,6	107,8	86,3	145,1	199,5
Wood	117,5	84,8	149,9	119,3	237,4	225,3
Building Systems	62,6	29,7	103,8	57,4	185,2	98,8
Other businesses	-10,5	-4,2	-15,8	-9,5	-13,9	-33,6
The Group	245,7	163,9	345,7	253,5	553,9	490,0

Operating profit

Timber *	48,4	-21,9	52,0	-16,8	-23,9	83,0
Wood	89,0	56,9	93,3	63,7	123,7	110,9
Building Systems	51,7	20,0	81,8	37,9	140,8	57,2
Other businesses	-13,7	-6,6	-21,7	-15,0	-25,9	-47,5
The Group	175,4	48,3	205,4	69,9	214,8	203,6

* Includes non-recurring items



Investments, balance sheet and funding

Investments totalling NOK 49.5 million (NOK 47.0 million) were made during the second quarter, and NOK 86.0 million (NOK 78.1 million) during the first half of the year. Investments in 2016 will increase compared to the previous year.

At the end of the second quarter, the book value of the Group's total assets was NOK 5,409.4 million (NOK 4,994.5 million).

Cash flow from operating activities in the second quarter was NOK 226.3 million (NOK 75.1 million), which corresponds to NOK 1.75 per share (NOK 0.58). The corresponding cash flow for the first half year was NOK -0.9 million (NOK -49.1 million), which corresponds to NOK 0.00 per share (NOK -0.38) per share. Operating profit for the second quarter 2016 is, in addition to depreciation, charged with non-cash write downs totalling NOK 70 million. The improvement in cash flow compared to the same period last year is due to an improved underlying cash flow from operations and realization of working capital. Cash flow from working capital items was NOK 35.2 million in the second quarter (NOK -71.7 million) and NOK -276 million year to date (NOK -269.6 million).

Net interest-bearing liabilities were NOK 1,236.7 million (NOK 1,356.9 million) at the end of the second quarter. Financial leases are included in net interest-bearing liabilities in the amount of NOK 31.5 million (NOK 27.2 million). The liquidity reserve was NOK 665.5 million (NOK 263.0 million).

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 quarter amounted to NOK 1,833.8 million (NOK 1,638.8 million), equivalent to NOK 14.16 (NOK 12.65) per share. The equity ratio was 33.9 per cent (32.8 per cent). On 26 April 2016 the Annual General Meeting decided to delegate authority to disburse dividends to the Board, with an upward limit of NOK 58,816,952. Any distribution of dividends assumes that the company has sufficient capital and liquidity at the time the dividend is approved by the Board. The authorization is valid until the next annual general meeting.

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 second quarter, exchange rate fluctuations resulted in an unrealised change in equity of NOK -23.6 million (NOK 11.7 million). Year to date the change was NOK -42,3 million (-4,4 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	Second quarter		6 months		Total	
	2016	2015	2016	2015	2015	2014
Sales to external customers	671,9	675,6	1 317,4	1 331,0	2 487,4	2 391,9
Sales to internal customers	180,2	136,5	315,8	267,7	522,7	480,4
Operating revenues	852,0	812,1	1 633,2	1 598,7	3 010,1	2 872,3
Depreciation	27,8	27,6	55,8	55,2	121,1	116,5
Operating profit before non-recurring items	48,4	26,0	52,0	31,1	24,0	83,0
Impairment losses	0,0	47,9	0,0	47,9	47,9	0,0
Operating profit	48,4	-21,9	52,0	-16,8	-23,9	83,0
Operating margin in per cent **	6,1 %	1,3 %	6,6 %	1,9 %	0,8 %	2,9 %
Net operating capital (% of operating revenues) *	-0,9 %	-0,4 %	17,3 %	19,1 %	18,7 %	19,8 %
Total assets *	-75,9	-143,4	1 604,8	1 669,1	1 664,5	1 754,5
Equity *	29,7	-13,9	861,3	777,5	841,0	813,5
Capital employed *	-53,4	-65,6	1 143,5	1 205,6	1 222,2	1 282,2
Return on capital employed * **	2,6 %	3,3 %	3,8 %	4,9 %	1,9 %	6,5 %
Investments *	16,5	20,5	23,0	31,1	75,9	67,6
Number of employees *	20	9	697	715	679	703

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

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

Market activity and demand in the Timber division's primary markets was satisfactory overall in the second quarter. Compared to the previous year, delivery volumes were somewhat higher (adjusted for business at Moelven Nössemark Trä AB now being discontinued following the sale of the property, production equipment and movable property in Q4 2015). The currency situation has continued to help maintain competitive ability in export markets, in particular in markets where trading is in EUR.

Average prices were somewhat higher than for the same period last year for Norwegian manufacturers, and practically unchanged for Swedish manufacturers. Prices are partially influenced by the market mixture in the quarter.

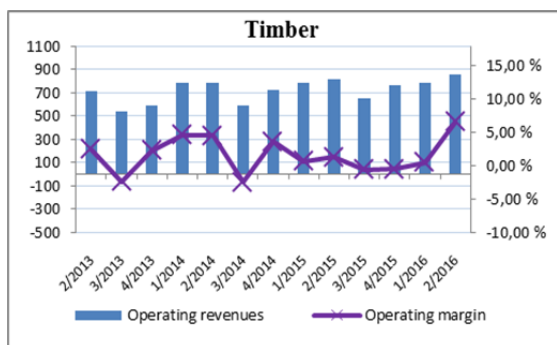
Production in the second quarter was somewhat higher than for the corresponding quarter last year.

Inventory levels are normal for the time of year.

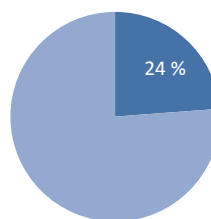
The supply of raw materials has been satisfactory. Prices for sawn timber were on a par with the second quarter of 2015. Overall the prices for chip and fibre products were around the same level as in the same period last year. Due to price developments, the profits for the quarter have been charged with price adjustments to inventories totalling NOK 3 million. The corresponding adjustment in Q2 2015 resulted in a charge of NOK 7 million. For the first six months the price adjustment constituted NOK -9 million (NOK -18 million).

Extensive improvement work is being carried out to bring all units up to acceptable profitability levels. Unit costs were somewhat higher than expected in the quarter, partly due to costs related to pushing forward production and maintenance, but also due to a certain increase in other cost consumption.

For the industrial component companies in the division, both delivery volumes and and production efficiency have improved compared to Q2 2015.



Timber's share of the Groups sale to external customers



Wood

Amounts in NOK million	Second quarter		6 months		Total	
	2016	2015	2016	2015	2015	2014
Sales to external customers	1 015,9	902,8	1 787,3	1 584,3	3 153,8	2 954,3
Sales to internal customers	46,7	31,8	81,0	61,1	121,9	111,9
Operating revenues	1 062,5	934,5	1 868,3	1 645,4	3 275,7	3 066,2
Depreciation and impairment	28,5	27,9	56,6	55,6	113,7	114,4
Operating profit	89,0	56,9	93,3	63,7	123,7	110,9
Operating margin in per cent	8,4 %	6,1 %	5,0 %	3,9 %	3,8 %	3,6 %
Net operating capital (% of operating revenues) *	-3,1 %	-2,9 %	29,8 %	36,4 %	27,7 %	28,7 %
Total assets *	61,7	37,2	2 326,4	2 276,4	2 134,8	2 033,9
Equity *	69,5	59,1	963,8	866,6	907,7	815,1
Capital employed *	21,7	44,4	1 622,3	1 610,9	1 513,7	1 442,9
Return on capital employed *	10,7 %	6,5 %	11,9 %	8,4 %	8,4 %	7,9 %
Investments *	24,2	18,5	43,2	27,6	96,8	82,1
Number of employees *	23	20	1 041	1 018	1 009	993

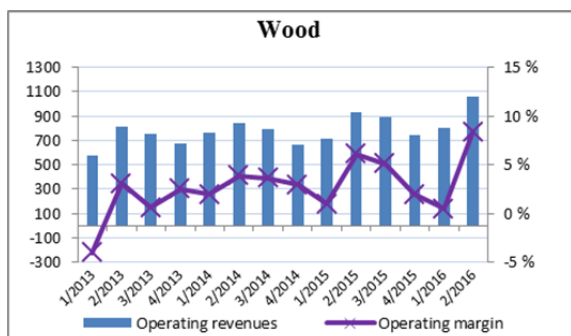
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Market activity developed as normal for the season, with increased demand in spring and early summer. The price outlook was generally on a par with the second quarter of 2015, but demand was greater and delivery volumes increased. Demand and the share of service-adapted products and products with a high level of processing continues to increase.

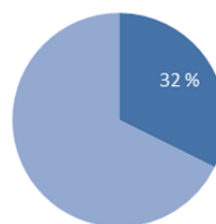
For the planing mills that use purchased sawn timber as raw material, raw material prices were higher than for the second quarter of 2015. For the timber-consuming units in the division access to raw material has been satisfactory, and prices have been on a par with the same period last year. Overall the prices for chip and fibre products were around the same level as in the same period last year.

Due to price developments, the profits for the quarter have been charged with price adjustments to inventories totalling approx. NOK 2 million. The corresponding adjustment in the second quarter of 2015 resulted in a charge of approx. NOK 4 million. For the first six months the price adjustment constituted approx. NOK -12 million (NOK -13 million).

The flood in the Trysil River resulted in a halt in operations at Moelven Trysil and a loss of processing value of around NOK 1.2 million. Beyond this, operating conditions in the quarter were good, and a number of units have shown good progress as a result of the ongoing improvement work. Improvement work continues unabated 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	Second quarter		6 months		Total	
	2016	2015	2016	2015	2015	2014
Sales to external customers	1 017,4	886,6	1 993,5	1 677,5	3 371,2	2 832,2
Sales to internal customers	0,4	1,1	1,7	1,8	4,1	4,4
Operating revenues	1 017,8	887,6	1 995,2	1 679,4	3 375,2	2 836,7
Depreciation and impairment	10,9	9,7	22,0	19,4	44,4	41,6
Operating profit	51,7	20,0	81,8	37,9	140,8	57,2
Operating margin in per cent	5,1 %	2,3 %	4,1 %	2,3 %	4,2 %	2,0 %
Net operating capital (% of operating revenues) *	3,1 %	2,1 %	17,5 %	12,3 %	12,9 %	11,0 %
Total assets *	-15,5	35,0	1 757,0	1 378,5	1 616,8	1 256,4
Equity *	36,8	25,8	722,5	573,8	665,5	523,9
Capital employed *	21,8	-2,2	817,0	624,4	743,2	600,1
Return on capital employed *	3,8 %	0,7 %	21,2 %	12,9 %	21,4 %	10,6 %
Investments *	7,4	6,4	16,0	18,0	40,2	37,9
Number of employees *	-134	-1	1 497	1 546	1 607	1 498

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

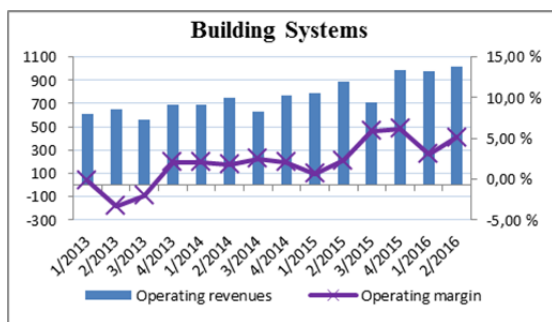
Building Module operations in Sweden saw very good demand in all market segments. Activity is greatest within rental modules, but module-based structures for housing and education purposes is also on the increase. The high demand for rental modules is the reason for the decision to invest in increased production capacity at the plant in Säffle. The investment commenced at the end of the second quarter. The new production line will increase overall capacity by 50 per cent and also provide more rational production solutions, including through automation. The project will be implemented in stages within a framework cost of SEK 72 million, and is scheduled for completion during the second quarter of 2017.

For the Norwegian operations demand for school projects is good. The same applies to residential projects in eastern Norway. Poor demand from several of the remaining market segments has led to overcapacity at Moelven's plant, but this is utilized to produce modules for the Swedish market.

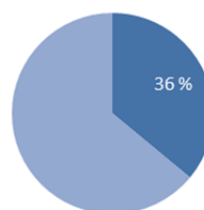
The Swedish market is also very favourable for the Building Interiors companies, while the Norwegian market is becoming increasingly challenging with fewer new projects and pressure on prices. For this reason operations in Norway have implemented capacity adjustments. Activity in the Swedish market are mainly concentrated in and around the major cities of Stockholm, Gothenburg and Malmö.

Glulam operations saw satisfactory activity levels in both Norway and Sweden. Interest in wood as a material for load-bearing structures is on the increase. Despite good access to new projects, the prices in the Swedish market are nevertheless subject to some pressure due to several export-oriented players now directing their volumes at the domestic Swedish market.

The Electrical Installations operations in the Building Systems division works exclusively with projects greater than NOK 30 million in scope. The remaining Electrical Installations business has been transferred to the "Other business" reporting area as of the second quarter of 2016.



Building Systems' share of the Groups sale to external customers

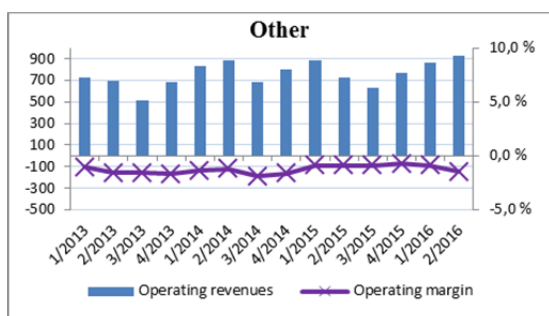


Other businesses

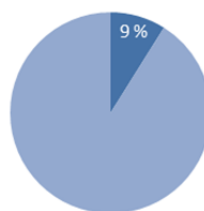
Amounts in NOK million	Second quarter		6 months		Total	
	2016	2015	2016	2015	2015	2014
Sales to external customers	260,9	184,6	493,5	394,7	763,4	721,6
Sales to internal customers	668,4	540,2	1 299,2	1 212,1	2 240,4	2 482,8
Operating revenues	929,3	724,8	1 792,7	1 606,7	3 003,8	3 204,4
Depreciation and impairment	3,2	2,5	6,0	5,5	12,0	13,9
Operating profit	-13,7	-6,6	-21,7	-15,0	-25,9	-47,5
Operating margin in per cent	-1,5 %	-0,9 %	-0,9 %	-0,9 %	-0,9 %	-1,5 %
Net operating capital (% of operating revenues) *	-1,1 %	-1,2 %	6,0 %	5,1 %	5,9 %	5,2 %
Total assets *	74,2	-239,8	2 671,0	2 481,2	2 468,5	2 702,7
Equity *	103,2	-1,0	1 077,1	980,6	1 007,9	1 004,7
Capital employed *	6,3	-48,9	2 011,6	2 033,4	1 977,1	2 104,8
Return on capital employed *	0,0 %	0,2 %	0,0 %	0,2 %	0,4 %	-0,8 %
Investments *	0,9	1,6	3,2	1,4	3,0	7,5
Number of employees *	164	1	294	134	131	132

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

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, Vänerbränsle AB and Moelven Bioenergi AS. As of the second quarter of 2016 Moelven Elektro AS is also a component, which works exclusively with maintenance contracts and small- and medium-sized projects. The market in these segments has been good, with satisfactory access to new projects. This type of project is beyond the defined focus area of the Electrical Installations operations within Building Systems. Apart from this reorganization, 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.



Other's share of the Groups sale to external customers



Employees

Employees	Per second quarter 2016				Per second quarter 2015			
	Male	Female	% Female	Total	Male	Female	% Female	Total
Timber	617	80	11,5 %	697	636	79	11,0 %	715
Wood	877	164	15,8 %	1 041	854	164	16,1 %	1 018
Building Systems	1 403	94	6,3 %	1 497	1 446	100	6,5 %	1 546
Others	256	38	12,9 %	294	100	34	25,4 %	134
The Group	3 153	376	10,7 %	3 529	3 036	377	11,0 %	3 413

Sickness absence rate in %	Per second quarter		H1 Value	Per second quarter	
	2016	2015		2016	2015
Timber	5,01 %	4,73 %	Timber	19,9	22,9
Wood	5,09 %	5,44 %	Wood	8,0	8,2
Building Systems	6,39 %	6,44 %	Building Systems	18,3	19,4
Others	2,14 %	3,37 %	Others	0,0	0,0
The Group	5,56 %	5,67 %	The Group	14,8	16,1

In the second quarter, absence due to illness was 5.0 per cent (5.3), of which 2.6 per cent (2.7) represents long-term absence, while the year to date figure is 5.6 per cent (5.7). 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 (21) personal injuries with subsequent sick leave during the quarter, and 44 (46) year-to-date. Due to a higher level of activity and thus a higher number of hours worked, the LTI rate (number of personal injuries with sick leave per million worked hours) for the quarter nevertheless 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 has so 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 period of declining activity in the petroleum sector, other markets are experience a different and more positive development. In Sweden activity levels are higher than in a long time, and the US economy continues to improve. 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.

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 in markets where trading is in EUR or USD. In the short term currency hedging contributes to reduce the effects of the GBP weakening following the Brexit referendum. 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 appear to 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 2015 overall. Timber stocks at the start of the third quarter are satisfactory with regard to planned production for the second half of 2016. Continued good access to saw timber 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 strong in Sweden, primarily in connection with the Stockholm, Gothenburg and Malmö areas. The Norwegian market is declining, and capacity adjustments will be required. In both Norway and Sweden healthy activity is expected in the renovation, conversion and extension market as a result of the need to remodel empty premises into refugee and asylum seeker reception centres, among other things.

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 division 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 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. Refinancing of the Group's long-term debt was carried out according to plan in June, and the Board is of the opinion that the Group has sufficient long-term access to liquidity to implement the restructuring and improvement projects required to achieve this goal.

Statement by the Board and CEO

We declare to the best of our judgement that the financial statements for the period 1 January to 30 June 2016 have been prepared in accordance with IAS 34 – Interim Reporting, and that the information in the accounts provide a fair representation of the Company's and Group's assets, debt, financial situation and overall results. We also declare, to the best of our judgement, that the financial statements provide 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 business faces in the next accounting period, and significant transactions with related parties.

Moelv, the 25th August 2016

Sign.
Olav Fjell
Chairman

Sign.
Trond Stangeby

Sign.
Elisabeth Krokeide

Sign.
Mari Wilhelmsen

Sign.
Asbjørn Bjørnstad

Sign.
Martin Fauchald

Sign.
Lars-Håkan Karlsson

Sign.
Morten Kristiansen
Acting President and CEO

Accounts

Amounts in NOK million	Second quarter		6 months		Total	
	2016	2015	2016	2015	2015	2014
Operating revenues	2 930,4	2 628,1	5 534,9	4 944,1	9 690,4	8 828,2
Cost of goods sold	1 846,2	1 718,1	3 544,2	3 213,5	6 207,3	5 601,0
Payroll expenses	568,2	507,6	1 113,2	1 001,3	1 943,3	1 807,6
Depreciation	70,4	67,6	140,3	135,7	291,2	286,5
Impairment losses	0,0	47,9	0,0	47,9	47,9	0,0
Other operating expenses	270,2	238,6	531,9	475,8	985,9	929,5
Operating profit	175,4	48,3	205,3	69,9	214,8	203,6
Income from associates	0,0	0,0	0,0	0,0	0,0	0,0
Value change of financial instruments to fair value	-2,3	25,2	-9,0	27,2	5,6	-30,4
Other financial income	3,7	30,8	7,3	36,9	51,2	28,2
Other financial expenses	-22,5	-45,3	-42,0	-66,3	-113,0	-86,0
Profit before tax	154,3	59,0	161,6	67,7	158,6	115,4
Estimate income tax	35,6	15,4	37,0	16,8	41,5	27,0
Net profit	118,8	43,6	124,6	50,9	117,1	88,4
Non-controlling interest share	0,4	0,1	0,4	0,2	-0,5	0,0
Owner of parent company share	118,4	43,6	124,3	50,6	117,6	88,4
Earnings per share (in NOK)	1,0	0,3	1,0	0,4	0,9	0,7
Statement of comprehensive income						
Net profit	118,8	43,6	124,6	50,9	117,1	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	0,0	0,0	50,0	-40,0
Income tax on items that are not reclassified to profit or loss	0,0	0,0	0,0	0,0	-12,5	10,8
	0,0	0,0	0,0	0,0	37,5	-29,2
<i>Items that may be reclassified subsequently to profit or loss</i>						
Translation differences	-23,6	11,7	-42,3	-4,4	61,7	12,3
Proportion of other income and costs in associated companies	0,0	0,0	0,0	0,0	0,0	0,0
Other changes	-4,8	0,0	-5,4	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	0,0	0,0
	-28,4	11,7	-47,7	-4,4	61,8	11,1
Other comprehensive income, net of tax	-28,4	11,7	-47,7	-4,4	99,3	-18,1
Total comprehensive income for the period	-13,5	-9,0	43,1	-53,5	216,4	70,3
Comprehensive income assigned to:						
Owners of parent company	90,0	55,2	76,5	46,3	216,9	70,3
Non-controlling interests	0,4	0,1	0,4	0,2	-0,5	0,0

Condensed statement of financial position

Amounts in NOK million	Per 30.06		Per 31.12.
	2016	2015	2015
Intangible assets	33,5	37,4	35,5
Tangible fixed assets	1 661,4	1 693,8	1 765,2
Financial fixed assets	9,4	8,0	8,9
Total fixed assets	1 704,4	1 739,2	1 809,6
Inventory	1 494,4	1 561,4	1 526,7
Receivables	2 136,9	1 677,7	1 433,7
Liquid assets	73,7	16,3	8,1
Total current assets	3 705,0	3 255,4	2 968,5
Total assets	5 409,4	4 994,5	4 778,1
Share capital*	647,7	647,7	647,7
Other equity	1 186,1	991,1	1 109,2
Total equity	1 833,8	1 638,8	1 756,9
Provisions	142,8	202,5	111,9
Long term interest-bearing liabilities	1 306,7	1 365,4	1 034,3
Long term interest-free liabilities	11,8	1,7	12,1
Total long term liabilities	1 461,3	1 569,5	1 158,2
Short term interest-bearing liabilities	0,0	0,0	79,7
Short term liabilities	2 114,3	1 786,2	1 783,3
Total short term liabilities	2 114,3	1 786,2	1 862,9
Total liabilities	3 575,6	3 355,7	3 021,2
Total equity and liabilities	5 409,4	4 994,5	4 778,1

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

Equity assigned to owners of parent company

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
Comprehensive income for the period							
Net profit	0,0	0,0	0,0	50,6	50,6	0,2	50,9
Other comprehensive income							
Translation differences	0,0	0,0	0,0	-4,4	-4,4	0,0	-4,4
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
Other comprehensive income (net of tax)	0,0	0,0	0,0	-4,4	-4,4	0,0	-4,4
Transactions with owners, entered directly against equity							
Purchase of non-controlling interests	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Effect of acquisition	0,0	0,0	0,0	0,0	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
Total transactions with owners	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Total as at 31.12.2015	647,7	180,7	0,0	798,8	1 627,1	11,7	1 638,8
Total per 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	124,3	124,3	0,4	124,6
Other comprehensive income							
Translation differences	0,0	0,0	0,0	-42,3	-42,3	0,0	-42,3
Other changes	0,0	0,0	0,0	-5,4	-5,4	0,0	-5,4
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
Other comprehensive income (net of tax)	0,0	0,0	0,0	-47,7	-47,7	0,0	-47,7
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	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
Total transactions with owners	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Total as at 31.03.2016	647,7	180,7	0,0	994,1	1 822,5	11,3	1 833,8

Cash flow statement for the Group

Amounts in NOK million	Per 30.06	
	2016	2015
CASH FLOW FROM OPERATIONAL ACTIVITIES:		
Net profit	124,6	50,9
<i>Adjustments to reconcile net profit with net cash flow from operations:</i>		
Depreciation	140,3	135,7
Impairment	0,0	47,9
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	-0,5	-1,8
Loss (profit) on sale of fixed assets	0,2	-1,7
Net value change of financial instruments to fair value	9,0	-27,2
Income tax	1,5	16,8
<i>Changes in operating assets and liabilities:</i>		
Changes in inventory	-32,3	-37,5
Changes in accounts receivable and other receivables	-703,8	-425,4
Changes in trade accounts payable	136,8	25,6
Changes in provisions and benefits to employees	0,5	17,9
Changes in short-term liabilities excluding borrowing	322,8	149,8
Cash flow from operational activities	-0,9	-49,1
CASH FLOW FROM INVESTMENT ACTIVITIES:		
Investment in plant and equipment exc. acquisition	-86,0	-78,1
Net cash outlay on acquisition	0,0	0,0
Receipts from sale of fixed assets	1,1	1,7
Sale of other long-term investments	0,0	0,0
Acquisition of subsidiary, net of cash	0,0	0,0
Cash flow from investment activities	-84,9	-76,4
CASH FLOW FROM FINANCING ACTIVITIES:		
Raising short term debt	0,0	0,0
Repayment of short term debt	0,0	0,0
Change in bank overdrafts	-79,7	-143,3
Purchase of non-controlling interests	0,0	0,0
Change in long term debt (borrowing facility)	234,9	262,5
Changes in other long-term liabilities	-3,0	0,4
Payment of dividend	0,0	0,0
Cash flow from financial activities	152,3	119,6
Net increase (reduction) in liquid assets during year	66,4	-5,9
Liquid assets start of period	3,6	14,4
Effect of exchange rate changes on liquid assets	0,0	0,0
Liquid assets end of period	70,0	8,4
Cash and cash equivalents		
Liquid assets	70,0	8,5
Unused drawing rights	595,5	254,5
Restricted bank deposits	0,0	0,0
Cash and cash equivalents	665,5	263,0

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 second quarter of 2016 ended the 30 June 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 www.moelven.com.

Note 2 – Statement of conformity

The consolidated financial statements for the second 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 25th of August 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 30.06	
	2016	2015
Book value per 1.1	1 790,1	1 838,3
Acquisitions	86,0	78,1
Business combinations	0,0	0,0
Disposals	0,0	0,0
Depreciations	-140,3	-135,7
Impairment losses	0,0	-47,9
Transfers	0,0	0,4
Translation differences	-51,4	-13,4
Book value per 30.06	1 684,4	1 719,8

Note 8 - Financial instruments

Amounts in NOK million	Per 30.06.2016			Per 31.12.2015		
	Positive fair value	Negative fair value	Net fair value	Positive fair value	Negative fair value	Net fair value
Currency derivatives	4,9	-1,9	3,0	4,5	-0,9	3,6
Interest rate derivatives	0,0	-93,4	-93,4	0,0	-76,2	-76,2
Power derivatives	0,0	-7,9	-7,9	0,0	-16,6	-16,6
Total	4,9	-103,2	-98,3	4,5	-93,7	-89,2

Amounts in NOK million	Per 30.06.2015			Per 31.12.2014		
	Positive fair value	Negative fair value	Net fair value	Positive fair value	Negative fair value	Net fair value
Currency derivatives	7,8	-1,5	6,3	6,6	-10,2	-3,6
Interest rate derivatives	0,0	-61,5	-61,5	0,0	-80,1	-80,1
Power derivatives	0,0	-12,4	-12,4	0,0	-11,1	-11,1
Total	7,8	-75,4	-67,6	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 30.06	
	2016	2015
Timber	43,5	-15,7
Wood	78,4	52,1
Building Systems	80,7	38,2
Other	-41,0	-6,8
Profit before tax in segments	161,6	67,7
Eliminations	0,0	0,0
Profit before tax in Group Accounts	161,6	67,7

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' 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 3,426 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

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