

## Quarterly report 2/2021

*Design students at the University of Bergen has built the 10 meter high construction «Rørsle» of structural timber from Moelven. «Rørsle» shall put focus on unity, sustainability and climate.*

*Photo: Pål Hoff*

Amounts in NOK million	Second quarter		6 months		12 months	
	2021	2020	2021	2020	2020	2019
Operating revenues	4 149,5	3 235,1	7 331,5	5 970,6	11 665,2	10 297,5
EBITDA	910,6	282,2	1 288,8	431,6	1 010,6	629,8
Gross operating margin/EBITDA in per cent	21,9 %	8,7 %	17,6 %	7,2 %	8,7 %	6,1 %
Depreciation and impairment	87,6	83,2	175,9	163,0	348,4	294,4
Operating profit	823,0	199,0	1 113,0	268,6	662,2	335,4
Net operating margin/EBIT in per cent	19,8 %	6,2 %	15,2 %	4,5 %	5,7 %	3,3 %
Value change of financial instruments to fair value	6,3	66,2	11,5	-25,0	6,8	-23,7
Profit before tax	817,5	230,5	1 114,1	200,1	603,6	239,7
Profit per share in NOK	4,92	1,39	6,72	1,21	3,64	1,46
Cash flow from operational activities, in NOK per share	4,22	3,03	5,33	1,38	7,99	5,09
Total equity*	213,4	86,3	3 194,8	2 548,1	2 865,0	2 368,2
Equity ratio*	-3,9 %	1,1 %	44,1 %	40,9 %	49,1 %	42,9 %
Total assets*	1 034,0	43,6	7 243,9	6 223,8	5 833,0	5 518,0
Investments*	58,0	68,0	130,4	135,6	271,9	478,7
Return on capital employed in per cent, 12 month rolling*	17,4 %	0,7 %	41,6 %	8,1 %	17,9 %	9,4 %
Capital employed*	358,3	-89,3	3 950,8	3 800,1	3 500,3	3 524,0
Net interest-bearing liabilities*	-32,1	-225,6	484,4	1 187,2	535,6	1 136,4
Net working capital*	695,7	-65,7	3 330,6	2 680,3	2 272,6	2 293,2
Number of employees*	42	-1	3 395	3 373	3 391	3 399
Sick leave percentage*	0,0 %	-0,1 %	5,5 %	6,4 %	6,2 %	5,4 %
Lost Time Injury Frequency rate, rolling LTI-rate*	-0,5	1,1	11,4	10,7	11,7	11,3
Number of shareholders	863	862	863	862	863	869
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

- Operating revenues in the second quarter was NOK 4,149.5 million (NOK 3,235.1 million) and NOK 7,331.5 million (NOK 5,970.6 million) for the first six months.
- Operating profit in the second quarter was NOK 823.0 million (NOK 199.0 million) and NOK 1 113.0 million (NOK 268.6 million) for the first six months.
- Return on employed capital (12-month rolling basis) was 41.6 per cent (8.1).
- The Group's employees have shown great flexibility in a demanding situation to improve the Group's ability to meet customer needs
- Continued strong demand and high level of activity in the international market for sawn timber.
- High demand from the building products trade, but low inventory levels have limited delivery flexibility.
- Improvement in the order situation for Building Systems.
- Covid-19 has not resulted in any disruption to operations, but measures to secure necessary production volumes have resulted in increased costs.

## In brief

The second quarter of 2021 was the best ever quarterly result for Moelven.

In the international sawn timber market, which comprises the majority of the Group's exports, demand was very good in the quarter. Prices continued their positive development, driven by high demand in the US, which also affects the market balance in Europe. The main reasons for the positive market developments are largely private consumption, which affects demand for timber both directly through new construction, maintenance and renovation, and indirectly through increased online shopping – which contributes to good demand for timber also for packaging purposes. In addition, wood is considered an attractive and sustainable material and is taking market shares from other types of materials.

Activity in the building products trade in Scandinavia was somewhat higher than for the corresponding period of 2020, but low inventories at manufacturers have limited delivery volumes. Start-ups of new homes have declined in both Norway and Sweden. However, sales of real estate, particularly holiday properties, have increased. The ROT market – especially in the consumer segment – has seen a very high level of activity during the pandemic and is the main cause of the strong demand. Delivery volumes from the Wood division were lower than in the second quarter of the previous year, due to low inventories after a long period of high delivery rates.

For the Building Systems division, activity in building and construction, infrastructure and smaller projects has been good. Demand for module-based buildings for housing and holiday homes has been somewhat poorer, although better when compared to 2020. In Sweden in particular the market has been hesitant and projects have been slow to start.

The supply of wooden raw materials has been good in both Norway and Sweden in the second quarter, and timber inventories have increased at the same time as the production units have had sufficient raw materials throughout the quarter to be able to run a higher production rate than planned to meet the strong demand for timber. At the end of the quarter the timber inventories were higher than for the same period in 2020, and satisfactory in relation to the current production plans. In both countries the prices for sawlogs have increased compared to the second quarter of 2020. A high supply of chip and fibre products has generally led to a decline in prices to levels lower than in the same period last year for both the Norwegian and Swedish units.

In June, it was decided to start extensive development projects at both Moelven Edanesågen AB and Moelven Valåsen AB. The projects are important prerequisites for the implementation of the Group's long-term strategy. At Moelven Edanesågen AB, a complete renovation of the entire production process will be carried out from timber sorting, timber intake, saw line and dryer, which will improve efficiency and increase capacity. The project will be Moelven's largest ever single investment, with a framework of SEK 450 million, and will be completed during the first half of 2024. Capacity will also be increased at Moelven Valåsen AB in Karlskoga. Construction is already underway of a new SEK 60 mill. power exchange, which will be put into operation towards the end of the year. Furthermore, an additional SEK 185 million will be invested to further develop the sawmill. This entails new investments in saw intake, raw sorting with camera technology, as well as a new saw line for small timber. When all of this is completed in 2024, efficiency and capacity at the sawmill will increase.

In May, Vera Flatebø (44) was appointed new division manager for the Building Systems division. CEO Morten Kristiansen has been acting division manager since autumn 2019. Flatebø comes from the position

as CEO of Hydal Aluminium Profiler AS at Raufoss, and will take on the position 1 September 2021. In May, a new IT director was also appointed in Moelven Industrier ASA. Petter Hallerby (38) will take up the position on 1 September. He will then take over from Lars Storslett, Regional Director Wood, who has been acting IT director since 1 April. Hallerby comes from the position of General Manager and Director of Software Development Services at Innit Arribatec Solutions in Hamar.

Moelven Løten AS is about to take a significant step on the technology front in relation to moisture measurement after the company in the second quarter began the process of installing a robot that will measure moisture in timber during the drying process. With continuous measurement throughout the drying process, the process will be able to be adapted to the individual timber batch to a much greater extent, which will provide better precision with regard to the final moisture level. Increased precision in the drying process will therefore provide both energy savings and better product quality. Robot technology will also provide an improvement in the HSE area, since there will be less need for operators to move inside the dryers to perform measurements. The installation is part of the project "Automatic moisture measurement in a timber dryer" which is funded by the Regional Research Fund.

In May, Mjøstårnet in Brumunddal was awarded yet another prize. This time it was the recognised organisation CTBUH (Council on Tall Buildings and Urban Habitat) that was responsible for the award. Every year, CTBUH awards the world's best buildings in a number of categories. In the combined award for 2020 and 2021, Moelven and Sweco received an "Award of Excellence" in Construction Technology. Among all the skyscrapers that have been built in the world in recent years, 13 of these have received this award, and Mjøstårnet was one of them. What started out as a wild idea and a desire to show what it is possible to build in wood now inspires people worldwide.

In May, for the first time Moelven Byggmodul AS delivered a six-storey modular building. The project in Hamar city centre consists of 60 single-room student housing of 16, 18 and 20 square metres respectively. The modules were produced in the factory in Moelv and delivered complete with kitchens and bathrooms. The student housing will be ready for occupation at the start of the autumn semester 2021. Prefabricated modular homes make it possible to build quickly, economically and sustainably. For this project, it took only four months from start-up until the building was ready for occupation. Such rapid installation on the construction site results in less environmental impact, and controlled production in the factory results in better waste management and a dry building that has been less exposed to weather during the construction period.

## Operating revenues and results

Operating income increased significantly compared to the same period last year. Delivery volumes were somewhat higher than in the second quarter of 2020 for some units within the Timber Division as well as Building Systems. Within the Timber Division, production capacity and low inventory levels following a persistently high demand have meant that it has not been possible to increase delivery volumes. The main reason for the increase in operating income is that the persistently high demand for timber both internationally and in the domestic markets has resulted in higher finished goods prices within the mechanical wood operations, as well as increased activity in the module operations in both Norway and Sweden.

In terms of profitability, the mechanical wood operations had a significantly better quarter than in the same period last year, mainly due to the increase in finished goods prices for sawn timber and processed timber. An increase in sawlogs prices and a decline in prices for chip and fibre products have had the opposite effect. The result is also negatively affected by increased maintenance costs due to a high production rate with a view to serving the market as well as possible, together with measures to ensure production capacity at a time when the COVID-19 pandemic entails both an increased risk of staff shortage and production disruption in the event of outbreaks of infection.

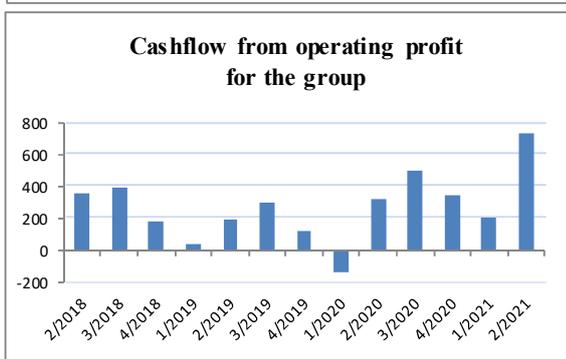
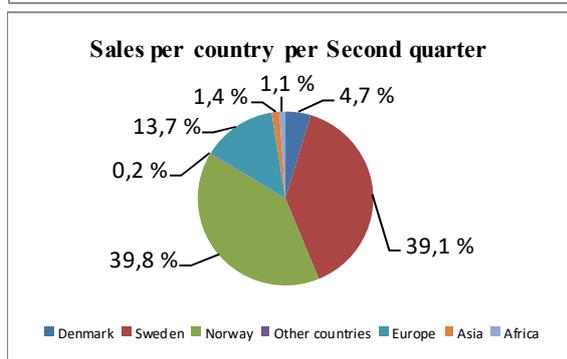
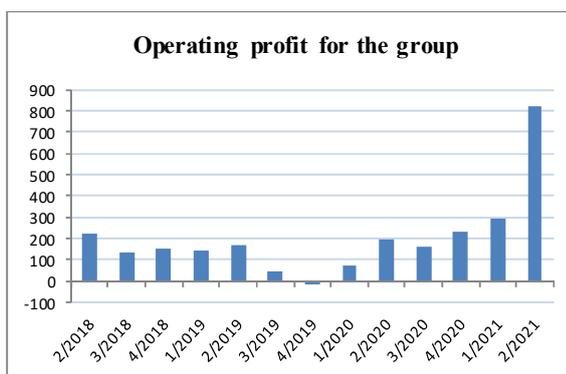
The Building Systems Division also improved earnings compared to the corresponding period in 2020, but to a lesser extent than for the mechanical wood operations. The improvement in earnings stems mainly from the module operations, after the activity level increased compared to the second quarter of 2020. Demand for glulam was good in the second quarter, but price developments for sawn timber as a significant input factor have led to an increase in costs that limits the improvement in earnings. For the system interior companies activity levels remain low in a market characterised by intense competition and uncertainty related to operating conditions at construction sites resulting from infection control issues.

Inventories for the mechanical wood operations are assessed monthly against developments in production costs and fair value. This has had a positive impact on operating profit with a total of NOK 50.6 million for the quarter (37.7) and NOK 73.3 million for the first half of the year (66.2). These items do not have any impact on cash flow.

The Group utilises financial instruments to hedge against short-term fluctuations in foreign exchange rates, interest rates and power prices. Fluctuations in the quarter were significantly less than in the second quarter of 2020, when NOK and SEK in particular strengthened sharply after the weakening at the start of the pandemic. Non-cash items connected to fair value adjustments on unrealised hedging instruments comprised NOK 6.3 million for the quarter (66.2 million).

Pre-tax profit was NOK 817.5 million (230.5). Pre-tax profit before tax for the first six months was NOK 1,114.1 million (200.1).

Amounts in NOK million	Second quarter		6 months		12 months	
	2021	2020	2021	2020	2020	2019
<b>Operating revenues</b>						
Timber	1 267,7	892,2	2 271,2	1 747,5	3 444,9	3 118,9
Wood	1 891,5	1 391,9	3 072,4	2 451,0	4 730,3	4 018,1
Building Systems	1 068,7	912,9	2 025,2	1 707,6	3 346,6	3 002,7
Other businesses	1 181,9	967,7	2 402,1	1 953,4	3 802,4	3 727,8
<i>Internal</i>	-1 260,3	-929,6	-2 439,4	-1 888,9	-3 659,0	-3 570,0
<b>The Group</b>	<b>4 149,5</b>	<b>3 235,1</b>	<b>7 331,5</b>	<b>5 970,6</b>	<b>11 665,2</b>	<b>10 297,5</b>
<b>EBITDA</b>						
Timber	404,4	83,5	597,6	160,8	365,9	243,1
Wood	506,8	159,9	648,8	219,6	482,3	265,4
Building Systems	33,7	43,0	80,7	60,8	166,2	135,0
Other businesses	-15,1	-4,2	-19,1	-9,6	-3,8	-13,7
<i>Internal</i>	-19,2	0,0	-19,2	0,0	0,0	0,0
<b>The Group</b>	<b>910,6</b>	<b>282,2</b>	<b>1 288,8</b>	<b>431,6</b>	<b>1 010,6</b>	<b>629,8</b>
<b>Operating profit</b>						
Timber	379,1	58,3	546,8	111,0	258,9	145,8
Wood	477,2	133,2	589,6	167,2	371,7	165,1
Building Systems	11,1	21,2	35,2	18,1	76,4	56,8
Other businesses	-25,3	-13,7	-39,4	-27,6	-44,7	-32,3
<i>Internal</i>	-19,2	0,0	-19,2	0,0	0,0	0,0
<b>The Group</b>	<b>823,0</b>	<b>199,0</b>	<b>1 113,0</b>	<b>268,6</b>	<b>662,2</b>	<b>335,4</b>



## Investments, balance sheet and financing

During the second quarter, total investments constituted NOK 58.0 million (68.0). According to the investment programme in the Group's current strategy plan, investments in 2021 will be increased somewhat compared to 2020. Compared with the previous year, the increase will intensify during the second half of the year as a consequence of a reduction in investment activity in 2020 resulting from the uncertainty caused by the Covid-19 pandemic.

Depreciation in the quarter was NOK 87.6 million (83.2). At the end of the second quarter, the book value of the Group's total assets was NOK 7,243.9 million (6,223.8). The increase in total capital is mainly due to high receivables as a result of increased turnover within mechanical wood operations.

Cash flow from operating activities in the second quarter was NOK 547.4 million (392.4), which corresponds to NOK 4.22 per share (3.03). Corresponding figures for the first six months were NOK 690.7 million (178.6), which is equivalent to NOK 5.33 (1.38) per share. The change compared to the same period last year is due to improved cash flow from operations and natural fluctuations in the working capital items. Cash flow from working capital items was minus NOK 147.4 million in the second quarter ( 172.8) and minus NOK 311.5 million for the first half year (minus 151.4).

Net interest-bearing liabilities were NOK 484.4 million (1,187.2) at the end of the quarter. Financial leases are included in net interest-bearing liabilities in the amount of NOK 164.9 million (184.5). Compared to the end of the first six months of 2020, the debt reduction is mainly due to good cash flow from operations. The Group has a restrictive credit policy, and uses credit insurance and guarantees to secure receivables.

Cash reserves including unused credit facilities were NOK 1,780.5 million (1,162.3). The available loan facility in the Group's main financing varies in step with the natural fluctuations in the Group's tied-up capital through the year.

Equity at the end of the second quarter amounted to NOK 3,194.8 million (2,548.1), which is equivalent to NOK 24.67 (19.67) per share. The equity ratio was 44.1 per cent (40.9). The dividend for 2020 of NOK 3.64 per share (0.72), totalling NOK 471.5 million (93.3), was paid and charged to equity in the second quarter.

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 increase in equity of NOK 48.1 million (0.4). Year to date the change was minus NOK 60.9 million (plus 132.2). 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 the nominal equity.

## Divisions

### Timber

Amounts in NOK million	Second quarter		6 months		12 months	
	2021	2020	2021	2020	2020	2019
Sales to external customers	990,7	698,4	1 784,6	1 398,3	2 745,0	2 512,3
Sales to internal customers	277,0	193,8	486,6	349,2	699,9	606,6
Operating revenues	1 267,7	892,2	2 271,2	1 747,5	3 444,9	3 118,9
Depreciation and impairment	25,3	25,3	50,8	49,8	107,0	97,4
Operating profit	379,1	58,3	546,8	111,0	258,9	145,8
Operating margin in per cent	7,4 %	0,2 %	24,1 %	6,3 %	7,5 %	4,7 %
Net operating capital (% of operating revenues)*	1,7 %	-0,6 %	14,0 %	15,4 %	13,3 %	15,8 %
Total assets*	273,1	-51,6	2 182,0	1 664,8	1 742,9	1 513,1
Equity*	397,9	85,9	1 435,4	963,1	930,8	799,8
Capital employed*	396,9	81,2	1 595,1	1 179,4	1 100,5	1 031,6
Return on capital employed in per cent, 12 month rolling*	23,8 %	0,2 %	55,6 %	9,9 %	22,4 %	13,4 %
Investments*	22,2	18,4	54,4	32,7	88,0	115,8
Total number of employees*	15	-8	619	617	636	629

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

The high demand for sawn timber that began in the spring of 2020 has continued through the second quarter of 2021. Market activity has been higher than normal for the season. The markets in North Africa, the Middle East and Asia have generally been weaker than the US and Europe, but in Japan and China in particular the activity level has recently improved. Demand is largely driven by private consumption and because wood is taking market shares from other construction material such as concrete and steel. The US market in particular has a high level of activity. Delivery volumes have been moved to the US from the European market, which regardless of this already had a low supply of goods in relation to the overall demand. In the first part of the Covid-19 pandemic, there was a general perception that activity in the economy would decline, and this was also the scenario that many manufacturers in the mechanical wood industry planned for. Instead of a fall in demand, there was an increase during 2020, and the imbalance between supply and demand has persisted through the first half of 2021. As a result, prices in the international sawn timber market have been rising over the past year, and levels in the second quarter of 2021 were significantly higher than for the same period in 2020.

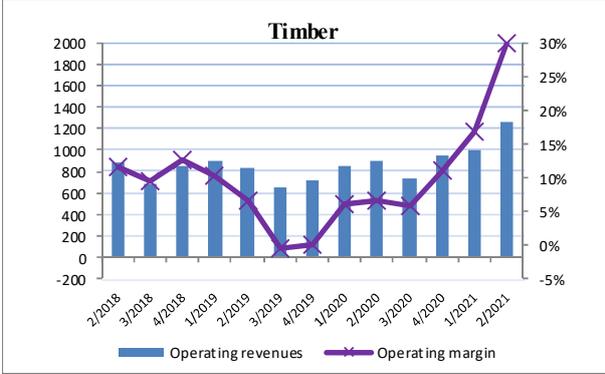
Delivery volumes from Moelven's units in the quarter were higher than for the same period in 2020. Measures to increase production and delivery capacity have resulted in increased supply of finished goods and increased delivery capacity. For the division as a whole, processing costs increased somewhat compared to the same period last year. In the second quarter alone, the main reason for this was a high utilisation rate of the facilities to increase production, and that personnel costs have increased as a result of strict infection control measures. For the first half of the year as a whole, operational challenges associated with the cold spell in the winter of 2021 are also a contributing factor to increased costs. Currency exchange conditions continue to contribute to good competitiveness in the export markets.

The supply of wooden raw materials has been good in both Norway and Sweden in the second quarter, and timber inventories have increased at the same time as the production units have had sufficient raw materials throughout the quarter to be able to run a higher production rate than planned to meet the strong demand for sawn timber.

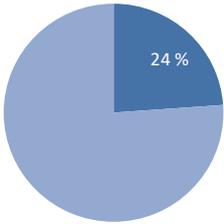
At the end of the quarter timber inventories were higher than for the same period in 2020, and satisfactory in relation to the current production plans. In both countries the prices for sawlogs have increased compared to

the second quarter of 2020. High supply of chip and fibre products has generally led to a decline in prices to levels lower than in the same period last year for both the Norwegian and Swedish units.

Inventories are assessed monthly against developments in production costs and fair value. This has had a positive impact on the operating profit for the quarter to the tune of NOK 14.2 million (minus 6.6), and accumulated 32.7 (minus 8.6). The items have no effect on cash flow.



Timber’s share of the Groups sale to external customers



## Wood

Amounts in NOK million	Second quarter		6 months		12 months	
	2021	2020	2021	2020	2020	2019
Sales to external customers	1 822,6	1 367,1	2 944,3	2 342,9	4 518,0	3 827,9
Sales to internal customers	68,9	24,8	128,1	108,2	212,4	190,2
Operating revenues	1 891,5	1 391,9	3 072,4	2 451,0	4 730,3	4 018,1
Depreciation and impairment	29,5	26,7	59,2	52,4	110,6	100,3
Operating profit	477,2	133,2	589,6	167,2	371,7	165,1
Operating margin in per cent	9,7 %	3,6 %	19,2 %	6,8 %	7,9 %	4,1 %
Net operating capital (% of operating revenues)*	1,4 %	-4,2 %	31,6 %	31,8 %	26,8 %	32,3 %
Total assets*	620,2	-60,1	3 621,8	2 880,8	2 802,3	2 514,4
Equity*	494,3	123,2	1 789,8	1 281,9	1 243,4	1 064,2
Capital employed*	441,9	-15,7	2 266,9	1 972,0	1 793,3	1 711,6
Return on capital employed in per cent, 12 month rolling*	17,6 %	1,2 %	41,6 %	10,4 %	19,6 %	9,3 %
Investments*	27,2	30,1	44,6	68,8	130,2	117,2
Total number of employees*	30	9	1 129	1 096	1 099	1 114

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

The high demand in Scandinavia continued through the second quarter. The situation is largely driven by a strong consumer market linked to the renovation and maintenance of homes and holiday homes. The overall price level was higher than for the corresponding period in 2020. While demand in the second quarter of 2020 was clearly focused on impregnated building timber, demand in 2021 has been more spread across the product range.

Delivery capacity has been somewhat limited and throughout the second quarter it has been necessary to adjust the delivery capacity to avoid emptying the warehouses. Measures have been implemented to increase production and thereby improve the ability to deliver.

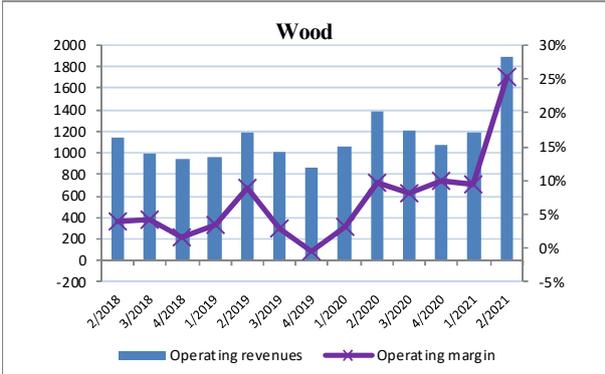
For the division's timber consuming units, processing costs increased somewhat compared to the same period last year. In general, personnel costs have also increased as a result of strict infection control measures. For the first half of the year as a whole, operational challenges associated with the cold spell in the winter of 2021 are also a contributing factor to increased costs.

The supply of wooden raw materials has been good in both Norway and Sweden in the second quarter, and timber inventories have increased at the same time as the division has had sufficient raw materials throughout the quarter to be able to run a higher production rate than planned to meet the strong demand. At the end of the quarter timber inventories were higher than for the same period in 2020, and satisfactory in relation to the current production plans. In both countries the prices for sawlogs have increased compared to the second quarter of 2020. High supply of chip and fibre products has generally led to a decline in prices to levels lower than in the same period last year for both the Norwegian and Swedish units.

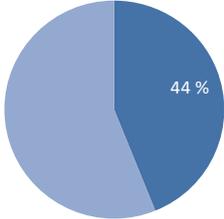
Inventories are assessed monthly against developments in production costs and fair value. This has had a positive impact on the operating result with a total of NOK 36.4 million for the quarter (44.4), and accumulated 40.6 (16.9). These items do not have any impact on cash flow.

The authorities have made changes to the regulations so that construction projects with royal treated cladding can be granted a certificate of practical completion and a certificate of completion as long as the requirements for fire safety in the Fire Safety Regulations (TEK17) are met. Moelven has nevertheless chosen to maintain a halt to all production and sale of royal treated cladding until further notice, as

Moelven's tests show that the product does not meet the requirements set for fire class D. This applies only to the cladding products, and not to terrace products, which is the largest segment that Moelven has within royal treated products.



**Wood's share of the Groups sale to external customers**



## Building Systems

Amounts in NOK million	Second quarter		6 months		12 months	
	2021	2020	2021	2020	2020	2019
Sales to external customers	1 062,7	912,0	2 017,7	1 706,0	3 342,6	2 998,8
Sales to internal customers	6,0	0,9	7,5	1,6	4,0	3,9
Operating revenues	1 068,7	912,9	2 025,2	1 707,6	3 346,6	3 002,7
Depreciation and impairment	22,5	21,8	45,5	42,7	89,9	78,1
Operating profit	11,1	21,2	35,2	18,1	76,4	56,8
Operating margin in per cent*	-0,8 %	1,5 %	1,7 %	1,1 %	2,3 %	1,9 %
Net operating capital (% of operating revenues)*	2,2 %	-0,4 %	13,0 %	12,8 %	11,3 %	13,4 %
Total assets*	-66,1	17,2	1 881,5	1 883,5	1 908,6	1 751,0
Equity*	-54,1	21,3	787,0	871,7	851,6	808,8
Capital employed*	-45,6	24,0	958,3	1 104,2	1 027,9	1 066,3
Return on capital employed in per cent, 12 month rolling*	-0,6 %	0,3 %	9,2 %	3,2 %	7,3 %	5,6 %
Investments*	6,2	4,4	25,1	14,7	21,6	55,9
Total number of employees*	-9	-3	1 477	1 504	1 490	1 494

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

The order backlog for the division overall increased somewhat in the second quarter of 2021, and at the end of the quarter it totalled NOK 179 million more than at the same time in 2020. The increase, which is shared between several different units, is slightly moderated by a decline in the order backlog for the housing segment in the Building Module operations in Sweden.

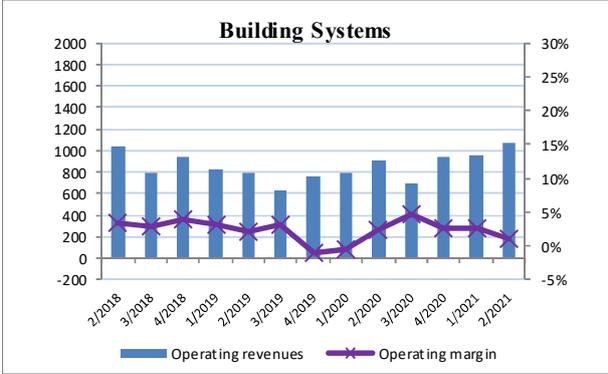
For the glulam operations in both Norway and Sweden market activity has been better than normal for the season in the standard segment, while activity in the project markets has been more normal. The order backlog ensures utilisation of production capacity into the third quarter. The strong demand for inputs for the construction industry, for the glulam business, this particularly applies to the input factors sawn timber and steel, has led to price increases that result in an increased cost level and reinforce the need to realise efficiency measures and concept adaptations quickly. Steel is an essential component of the multiple joint technology used in larger glulam structures.

For the building module operations in Norway, activities in the building and construction segment have been satisfactory with good production. In the housing and holiday home market, activity improved somewhat, and activity in the first quarter of 2021 has been satisfactory. In the project market, activity has been low with small volumes in public tenders. Overall, operations in the plants are secured into the fourth quarter. Rising prices for most categories of building materials used as input factors in production, as well as some challenges in obtaining adequate deliveries of certain goods, place high demands on planning and efficiency in operations to ensure a sound level of profitability.

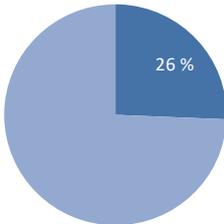
For the Swedish building module operations, the demand for standard modules for building and construction has been good, but demand for modules for leasing purposes has been poorer than normal. The order intake has nevertheless been sufficient to secure the factory production. The housing segment remains somewhat hesitant, and start-ups of building projects are being postponed. This means that capacity utilisation in the short term is somewhat uncertain, and capacity adjustments have been implemented. The Swedish business activities are also experiencing a challenging situation in terms of price developments for building materials in general.

For system interiors market activity is hesitant in both Norway and Sweden.

The Covid-19 pandemic led to a fall in demand especially for the Swedish business activities. The pandemic continues to complicate physical customer visits and work on construction sites. Regardless of the Covid-19 pandemic, profitability in both countries has been unsatisfactory for some time. Action plans have been adopted to improve competitiveness and re-establish profitable operations, and these are in the process of being deployed and implemented.



**Building Systems 's share of the Groups sale to external customers**



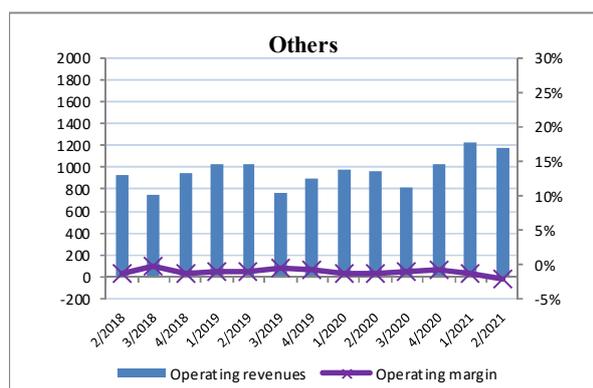
## Other Businesses

Amounts in NOK million	Second quarter		6 months		12 months	
	2021	2020	2021	2020	2020	2019
Sales to external customers	298,5	281,1	636,0	569,7	1 151,7	1 059,9
Sales to internal customers	883,4	686,6	1 766,1	1 383,6	2 650,6	2 667,9
Operating revenues	1 181,9	967,7	2 402,1	1 953,4	3 802,4	3 727,8
Depreciation and impairment	10,2	9,5	20,4	18,0	40,9	18,6
Operating profit	-25,3	-13,7	-39,4	-27,6	-44,7	-32,3
Operating margin in per cent*	-0,5 %	0,0 %	-1,6 %	-1,4 %	-1,2 %	-0,9 %
Net operating capital (% of operating revenues)*	-0,9 %	-2,6 %	5,3 %	3,7 %	4,4 %	2,6 %
Total assets*	-281,6	-299,0	2 368,2	2 558,3	2 474,1	2 633,9
Equity*	-571,1	-144,6	786,3	1 041,7	1 449,5	1 283,8
Capital employed*	-393,9	-251,4	1 327,5	1 895,3	1 811,1	2 092,7
Return on capital employed in per cent, 12 month rolling*	-0,9 %	-0,1 %	-2,0 %	-0,7 %	-1,0 %	-0,4 %
Investments*	2,5	15,1	6,3	19,4	32,1	189,8
Total number of employees*	6	1	170	156	166	162

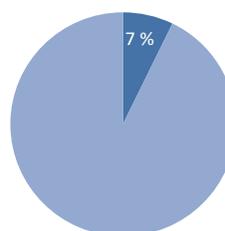
\*The columns regarding the quarterly numbers show the change in the quarter

Other businesses include Moelven Industrier ASA, with shared services for finance, accounting, insurance, communications, HR and ICT. In addition, timber supply and sales of wood chips and energy products are included as a shared function for the Group's mechanical wood industry. This includes Moelven Skog AB, Moelven Virke AS, Vänerbränsle AB, Moelven Bioenergi AS and Moelven Pellets AS.

Fluctuations in operating revenues in the area of Other Businesses are largely due to the level of activity within timber supply and sales of wood chips and energy products. A large part of the sales within Other Businesses is intercompany, except for Moelven Pellets AS, Vänerbränsle AB and Moelven Bioenergi AS, which sell their products to external customers on ordinary market terms. In order to safeguard the supply of timber and market opportunities for wood chip and energy products in regions without local demand for pulpwood and wood chips, Moelven is also to a certain extent involved in the purchase and resale of this range of products, based on established train solutions for transport, among other things. The business is based on fixed agreements with both customers and suppliers.



**Others's share of the groups sale to external customers**



## Employees

Employees	Per 6 months 2021				Per 6 months 2020			
	Male	Female	% Female	Total	Male	Female	% Female	Total
Timber	550	69	11,1 %	619	554	63	10,2 %	617
Wood	945	184	16,3 %	1 129	918	178	16,2 %	1 096
Building Systems	1 360	117	7,9 %	1 477	1 398	106	7,0 %	1 504
Other businesses	123	47	27,6 %	170	117	39	25,0 %	156
The Group	2 978	417	12,3 %	3 395	2 987	386	11,4 %	3 373

Sickness absence rate	Per 6 months	
	2021	2020
Timber	4,9 %	5,6 %
Wood	5,6 %	6,1 %
Building Systems	6,1 %	7,4 %
Other businesses	1,1 %	1,8 %
The Group	5,5 %	6,4 %

LTI Value	Per 6 months	
	2021	2020
Timber	16,8	11,0
Wood	5,6	10,1
Building Systems	14,8	12,2
Other businesses	0,0	0,0
The Group	11,4	10,7

Moelven's overall goal in safety work is that no one should be injured at work. The LTI rate on a 12 month rotating basis, which is an expression for the number of injuries with subsequent sickness absence per million worked hours, was 11.4 (10.7) at the end of the second quarter 2021. The actual number of injuries with absence was 15, compared to 17 in the corresponding period in 2020. In total for the first half of 2021, there have been 29 injuries with absence compared to 30 in the first half of 2020. The LTI2 rate measures the total number of injuries per million worked hours. After the second quarter of 2021, the LTI2 rate on a 12-month rotating basis was 26.6 compared to 31.4 at the same time in 2020. The total number of injuries in the second quarter of 2021 was 33 (33), and for the first six months 76 (66).

From 2020 it has been decided that all injuries of a certain severity are to be investigated in cooperation with the Group's central HR department in order to identify the root cause of the injury. 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. The results of investigations are shared with all employees in the Group to provide greater insight into the incident and thus be able to implement preventive measures to avoid similar incidents elsewhere.

In 2021 the goal is that the LTI rate shall be lower than 6 and that the LTI2 rate shall be lower than 24, both on a 12-month rotating basis. The positive developments that the Group has had in periods has however slowed with regard to injuries with absence. In order to create new energy and progress in the improvement work, in the course of the fourth quarter of 2020 an action plan was drawn up for the further development of a good safety culture in all of Moelven – "HSE towards 2023." The main points of the action plan are:

1. Strengthen the HSE organisation and organisation of the HSE work.
2. Strengthen the HSE by rolling out Active Leadership and Active Employee.
3. Implement "Risk Management Operations".
4. Develop and implement HSE courses at all levels in the organisation. Establish a course portfolio of different HSE courses.

5. Conduct a technical safety inspection of production facilities, including the development of an action plan.
6. Establish an internal audit organisation that annually examines compliance with internal and external requirements and rules at the company level.
7. Continuous improvement and organisational learning.

In the second quarter, sickness absence was 5.5 per cent (6.4), of which 2.6 per cent (3.3) represents long-term absence. The long-term trend for developments in sickness absence is declining. However, since March 2020, absence related to the Covid-19 pandemic has caused greater variation than normal. Many of Moelven's businesses have sickness absence levels lower than the maximum target for 2021 of 4.0 per cent. There is nevertheless much to be gained, and work is ongoing to reduce sickness absence for both individual companies and the group as a whole to below the target level. Efforts, which include employee surveys, close follow-up of sickness absence and cooperation with the occupational health services, are particularly directed at those businesses with the highest sickness absence levels.

The number of detected Covid-19 cases among Moelven's employees has followed the general developments in society. The key focus for the Group's work in connection with the pandemic has been preventing infection and spread, following up advice from authorities and employer organisations, internal and external communication and the mobilisation of contingency plans both centrally and locally. In addition to the national measures in Sweden and Norway, the Group has focused on measures directed at travel, internal and external meetings and gatherings, logistics procedures and closure/restrictions in canteens, dining rooms and gyms.

At the end of the second quarter the Group had 5 employees in isolation with confirmed infection. In addition, 9 employees were quarantined at home. A total of 258 employees have been confirmed infected and 1,867 have been quarantined due to Covid-19 since March 2020.

## Outlook

In the July edition of the “World Economic Outlook” report, the IMF estimates that the world economy shrank by 3.2 per cent in 2020, and estimates that we will see growth of 6.0 per cent in 2021 and 4.9 per cent in 2022. There is a clear expectation that recovery in the economy will accelerate as mass immunity is achieved and infection control measures are eased and eventually abolished. At the same time, recent key figures indicate that both the pace of growth in the Chinese economy is slowing and consumer confidence in the US is falling. Uncertainty thus remains considerable. Not least with regard to consumer markets, where there is considerable uncertainty about which goods and services will be in demand after a long period of restrictive infection control measures and travel restrictions. Changes in commodity and service producing industries as a result of pandemic-related bankruptcies also play a part in increasing the uncertainty related to where and in which sectors the recovery will be strongest. It therefore remains necessary to plan for several different scenarios. International demand for wood-based products has been very good so far in 2021, and this is expected to continue in the second half of the year.

As far as possible, the Group has introduced measures to both limit infection in society in general and to protect its own employees and the business against operational disruptions as a result of the pandemic. Regulations have been introduced with regard to travel activity, visits to our businesses, large gatherings, hygiene, etc. Production procedures have as far as possible been adjusted so that operation of the business is affected to the least possible extent without compromising the safety of employees. During the first half of 2021 there have been some cases of infection at the Group’s production units and construction sites, but the measures that have been introduced have proven to be effective, and the outbreaks have quickly been controlled. At the end of August 2021, the measures in society at large are in the process of being eased, and the Group has decided to harmonise its own relatively restrictive measures, with what are the general recommendations of the health authorities in each country. However, preparedness for the rapid reintroduction of measures is being maintained until further notice.

For Moelven’s mechanical wood business it is expected that demand for sawn timber in the export markets will generally remain at a high level until the end of the year. NOK and SEK have strengthened considerably against the main currencies from the weakest levels experienced early on in the pandemic, but the rates are still at levels that ensure good competitiveness in the export markets. The UK is an important market for many of the units in the Timber Division. So far, there is little to indicate that significant market-related changes will arise for Moelven in the short term, but new trade agreements have led to a need for an increased use of resources particularly in connection with customs clearance.

A good level of activity is expected in the building products trade in Scandinavia in the second half of the year. For many producers, inventories in the industry are lower than desirable, and this impacts both delivery capacity and price developments in the market. Moelven is constantly working on measures to ensure delivery capacity in the third quarter. As infection control measures are eased, demand from the consumer market is expected to decline somewhat, while a high level of activity is still expected in the rehabilitation, renovation and extension market. The start-up of new building projects is expected to remain low. This may partly be compensated by increased activity in public sector construction projects.

The timber inventories and the supply situation in Moelven’s geographies are satisfactory at the beginning of the second half of 2021 in both Norway and Sweden, and it is anticipated that there will still be a good supply of raw materials to meet current production plans.

Unrelated to the Covid-19 pandemic, the Building Systems Division has had a lower level of activity than desirable in certain business areas, and has adjusted production capacity accordingly. The market situation

for the glulam and building module companies has improved to a level that essentially ensures good capacity utilisation with satisfactory profit levels. However, the market situation remains difficult in the system interiors business. Measures are being implemented to reestablish satisfactory profitability under the prevailing market conditions.

The Group has a long-term goal of a return on capital employed of 13 per cent over an economic cycle. For the year as a whole, the return on capital employed is expected to be far above the target. Towards the end of 2021 a normalisation of market activity is expected, particularly in the consumer segment for the mechanical wood part of the Group. The reopening of society is ongoing, but uncertainty remains high about how demand for the Group's goods and services will be affected.

However, the Board considers the Group's solvency and long-term access to liquidity to be good, and sufficient to implement both planned improvement measures in accordance with the Group's strategy, and necessary measures to counter any negative impact from the Covid-19 pandemic. The Board expects activity levels and profits in the third quarter that are significantly better than the previous year, but with significantly greater uncertainty associated with developments in the fourth quarter towards the end of the year.

## Statement by the Board and CEO

We confirm that the unaudited, condensed financial statements for the period 1 January to 30 June 2021 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, 26 August 2021

Olav Fjell  
Chairman of the Board

Gudmund Nordtun  
Deputy Chair

Ingvild Storås  
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 second quarter of 2021

## Condensed income statement and comprehensive income

Amounts in NOK million	Second quarter		6 months		12 months	
	2021	2020	2021	2020	2020	2019
Operating revenues	4 149,5	3 235,1	7 331,5	5 970,6	11 665,2	10 297,5
Cost of goods sold	2 229,1	2 067,9	4 103,3	3 778,7	7 191,2	6 307,5
Payroll expenses	673,3	591,1	1 287,8	1 171,2	2 279,8	2 185,8
Depreciation and impairment	87,6	83,2	175,9	163,0	348,4	294,4
Other operating expenses	336,5	293,9	651,6	589,2	1 183,5	1 174,4
<b>Operating Profit</b>	<b>823,0</b>	<b>199,0</b>	<b>1 113,0</b>	<b>268,6</b>	<b>662,2</b>	<b>335,4</b>
Income from associates	0,0	0,0	0,0	0,0	0,6	0,0
Value change of financial instruments to fair value	6,3	66,2	11,5	-25,0	6,8	-23,7
Other financial income	2,0	-6,2	4,2	3,6	9,8	6,5
Other financial expenses	13,8	28,4	14,5	47,1	75,3	78,6
<b>Profit before tax</b>	<b>817,5</b>	<b>230,5</b>	<b>1 114,1</b>	<b>200,1</b>	<b>603,6</b>	<b>239,7</b>
Estimate income tax	180,5	50,3	243,4	43,4	132,2	51,0
<b>Net profit</b>	<b>637,0</b>	<b>180,2</b>	<b>870,7</b>	<b>156,6</b>	<b>471,7</b>	<b>188,4</b>
Non-controlling interest share	0,1	0,1	0,2	-0,5	-0,4	-0,2
Owner of parent company share	636,9	180,1	870,5	157,1	472,1	188,6
Earnings per share (in NOK)	4,9	1,4	6,7	1,2	3,6	1,5
Statement of comprehensive income						
Net profit	637,0	180,2	870,7	156,6	471,7	188,4
Other comprehensive income						
<i>Items that are not reclassified subsequently to profit or loss</i>						
Actuarial gains (losses) on defined-benefit pension schemes	-0,6	0,0	0,0	0,0	-1,7	0,2
Income tax on items that are not reclassified to profit or loss	0,1	0,0	0,0	0,0	0,4	0,0
	-0,5	0,0	0,0	0,0	-1,3	0,1
<i>Items that may be reclassified subsequently to profit or loss</i>						
Translation differences	-209,2	0,4	-61,0	132,3	134,6	-28,1
Proportion of other income and costs in associated companies	0,0	0,0	0,0	0,0	0,0	0,3
Other changes	15,9	-0,8	0,0	-15,8	0,0	0,1
Income tax on items that may be reclassified to profit or loss	0,0	0,0	0,0	0,0	0,0	0,0
	-193,3	-0,3	-61,0	116,6	134,6	-27,8
<i>Items that may be reclassified subsequently to profit or loss</i>						
Other comprehensive income, net of tax	-193,8	-0,3	-61,0	116,6	133,3	-27,8
<b>Total comprehensive income for the period</b>	<b>443,2</b>	<b>179,9</b>	<b>809,7</b>	<b>273,2</b>	<b>605,0</b>	<b>160,3</b>
Comprehensive income assigned to:						
Owners of parent company	443,2	179,7	809,6	273,8	605,1	161,0
Non-controlling interests	0,1	0,1	0,1	-0,5	-0,2	-0,2

## Condensed statement of financial position

Amounts in NOK million	Per 30.06		Per 31.12	
	2021	2020	2020	2019
Intangible assets	70,3	80,3	73,8	81,2
Tangible fixed assets	2 225,5	2 322,1	2 293,0	2 226,4
Financial fixed assets	5,3	6,0	5,9	5,9
<b>Total fixed assets</b>	<b>2 301,1</b>	<b>2 408,4</b>	<b>2 372,7</b>	<b>2 313,6</b>
Inventory	1 692,5	1 634,8	1 504,5	1 742,9
Contract assets	100,8	91,3	91,7	71,5
Receivables	2 864,6	2 000,4	1 717,5	1 365,8
Liquid assets	284,8	88,9	146,6	24,3
<b>Total current assets</b>	<b>4 942,8</b>	<b>3 815,4</b>	<b>3 460,3</b>	<b>3 204,4</b>
<b>Total assets</b>	<b>7 243,9</b>	<b>6 223,8</b>	<b>5 833,0</b>	<b>5 518,0</b>
Share capital*	647,7	647,7	647,7	647,7
Other equity	2 547,1	1 900,4	2 217,3	1 720,5
<b>Total equity</b>	<b>3 194,8</b>	<b>2 548,1</b>	<b>2 865,0</b>	<b>2 368,2</b>
Provisions	508,6	295,7	279,9	242,1
Long term interest-bearing liabilities	584,9	1 059,4	454,2	952,5
Lease liabilities	164,9	184,5		
Long term interest-free liabilities	0,0	0,0	0,0	0,0
<b>Total long term liabilities</b>	<b>1 258,5</b>	<b>1 539,6</b>	<b>908,6</b>	<b>1 393,5</b>
Short term interest-bearing liabilities	0,0	0,0	0,0	0,0
Contract liabilities	124,3	99,1	140,0	137,7
Short term liabilities	2 666,3	2 037,0	1 919,5	1 618,7
<b>Total short term liabilities</b>	<b>2 790,6</b>	<b>2 136,1</b>	<b>2 059,4</b>	<b>1 756,4</b>
<b>Total liabilities</b>	<b>4 049,1</b>	<b>3 675,7</b>	<b>2 968,0</b>	<b>3 149,8</b>
<b>Total liabilities and equity</b>	<b>7 243,9</b>	<b>6 223,8</b>	<b>5 833,0</b>	<b>5 518,0</b>

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

## Consolidated statement of changes in equity

Amounts in NOK million	Equity assigned to owners of parent company					Non-controlling interests	Total equity
	Share capital	Share premium funds	Own shares	Other equity	Total		
Total pr 1.1.2020	647,7	130,9	0,0	1 576,3	2 354,9	13,2	2 368,2
<b>Comprehensive income for the period</b>							
<b>Net profit</b>	0,0	0,0	0,0	157,1	157,1	-0,5	156,6
<b>Other comprehensive income</b>							
Translation differences	0,0	0,0	0,0	132,2	132,2	0,2	132,3
Other changes	0,0	0,0	0,0	-15,8	-15,8	0,0	-15,8
<b>Other comprehensive income (net of tax)</b>	0,0	0,0	0,0	116,4	116,4	0,2	116,6
<b>Transactions with owners, entered directly against equity</b>							
<b>Total transactions with owners</b>	0,0	0,0	0,0	-93,3	-93,3	0,0	-93,3
<b>Total as at 30.06.2020</b>	<b>647,7</b>	<b>130,9</b>	<b>0,0</b>	<b>1 756,5</b>	<b>2 535,1</b>	<b>12,9</b>	<b>2 548,1</b>
Total pr 1.1.2021	647,7	130,9	0,0	2 075,7	2 854,4	10,6	2 865,0
<b>Comprehensive income for the period</b>							
<b>Net profit</b>	0,0	0,0	0,0	870,5	870,5	0,2	870,7
<b>Other comprehensive income</b>							
Translation differences	0,0	0,0	0,0	-60,9	-60,9	-0,1	-61,0
<b>Other comprehensive income (net of tax)</b>	0,0	0,0	0,0	-60,9	-60,9	-0,1	-61,0
<b>Transactions with owners, entered directly against equity</b>							
Exit of non-controlling interests due to sale of subsidiary	0,0	0,0	0,0	0,0	0,0	-8,2	-8,2
Dividend to owners	0,0	0,0	0,0	-471,5	-471,5	0,0	-471,5
Other changes	0,0	0,0	0,0	-0,1	-0,1	0,0	-0,1
<b>Total transactions with owners</b>	0,0	0,0	0,0	-471,7	-471,7	-8,2	-479,9
<b>Total as at 30.06.2021</b>	<b>647,7</b>	<b>130,9</b>	<b>0,0</b>	<b>2 413,7</b>	<b>3 192,3</b>	<b>2,5</b>	<b>3 194,8</b>

## Consolidated statement of cash flow

Amounts in NOK million	Per 30.06.	
	2021	2020
<b>CASH FLOW FROM OPERATIONAL ACTIVITIES:</b>		
Net profit	870,7	156,6
<i>Adjustments to reconcile net profit with net cash flow from operations:</i>		
Depreciation	175,3	163,0
Impairment	0,6	0,0
Tax paid	-81,2	-57,2
Unpaid pension costs entered as costs and unreceived pension funds entered as income	0,3	-0,4
Loss (profit) on sale of fixed assets	-1,3	-0,5
Net value change of financial instruments to fair value	-11,5	25,0
Income tax	243,4	43,4
<i>Changes in operating assets and liabilities:</i>		
Changes in inventory	-188,0	108,1
Changes in accounts receivable and other receivables	-1160,5	-655,2
Changes in trade accounts payable	267,2	165,7
Changes in provisions and benefits to employees	-7,5	53,5
Changes in short-term liabilities excluding borrowing	583,2	176,4
<b>Cash flow from operational activities</b>	<b>690,7</b>	<b>178,6</b>
<b>CASH FLOW FROM INVESTMENT ACTIVITIES:</b>		
Investment in plant and equipment exc. acquisition	-130,4	-135,6
Receipts from sale of fixed assets	2,7	2,0
Sale of subsidiary excl cash in business sold	-2,3	0,0
<b>Cash flow from investment activities</b>	<b>-130,0</b>	<b>-133,6</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES:</b>		
Change in borrowings	130,7	106,8
Payment of leases	-20,1	-13,2
Payment of dividend	-471,5	-93,3
<b>Cash flow from financial activities</b>	<b>-360,9</b>	<b>0,5</b>
<b>Net increase (reduction) in liquid assets during year</b>	<b>199,8</b>	<b>45,4</b>
Liquid assets start of period	99,8	19,4
Effect of exchange rate changes on liquid assets	-27,9	0,0
<b>Liquid assets end of period</b>	<b>271,6</b>	<b>64,8</b>
Unused drawing rights	1 508,9	1 097,5
<b>Liquidity reserve</b>	<b>1 780,5</b>	<b>1 162,3</b>

## **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 second quarter of 2021, ending on 30 June 2021, 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 2020 are available at [www.moelven.no](http://www.moelven.no).

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

The consolidated financial statements for the second quarter of 2021 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 2020. The consolidated quarterly financial statements were approved by the Board on 26 August 2021.

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

The accounting policies adopted in the quarterly financial statements for 2021 are the same as those in the consolidated financial statements for 2020. 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 2020 and the principal sources of estimate uncertainty are the same when preparing these quarterly accounts as for the consolidated accounts for 2020.

### ***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

Geographical area Amounts in NOK million	Timber		Wood		Building systems		Other		Group	
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
<b>Second quarter</b>										
Norway	140,9	99,8	1 083,2	751,5	452,9	376,7	79,1	64,2	1 764,2	1 294,0
Sweden	240,0	176,2	539,0	461,3	555,3	502,9	185,8	185,3	1 517,3	1 321,4
Rest of Europe	514,7	252,8	184,8	128,0	47,9	27,5	0,0	0,0	743,1	410,1
Rest of the world	93,7	167,8	10,8	23,8	0,0	0,0	0,0	0,0	103,5	192,4
<b>Total Sales revenues</b>	<b>989,3</b>	<b>696,6</b>	<b>1 817,9</b>	<b>1 364,6</b>	<b>1 056,1</b>	<b>907,2</b>	<b>264,9</b>	<b>249,5</b>	<b>4 128,1</b>	<b>3 217,8</b>
Other operating revenues	0,4	0,8	2,3	1,7	6,6	4,9	12,0	10,0	21,4	17,3
<b>Total operating revenues</b>	<b>989,7</b>	<b>697,4</b>	<b>1 820,2</b>	<b>1 366,2</b>	<b>1 062,7</b>	<b>912,0</b>	<b>277,0</b>	<b>259,4</b>	<b>4 149,5</b>	<b>3 235,1</b>

Geographical area Amounts in NOK million	Timber		Wood		Building systems		Other		Group	
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
<b>6 months</b>										
Norway	254,3	201,9	1 612,3	1 226,6	848,7	724,2	164,0	126,9	2 894,2	2 289,4
Sweden	428,1	323,2	952,4	815,5	1 059,7	920,3	413,2	386,8	2 849,9	2 441,7
Rest of Europe	910,6	581,2	340,7	245,6	97,8	53,7	0,0	0,0	1 340,1	877,3
Rest of the world	186,3	288,5	30,0	51,1	0,0	0,0	0,0	0,0	213,9	337,1
<b>Total Sales revenues</b>	<b>1 779,3</b>	<b>1 394,8</b>	<b>2 935,4</b>	<b>2 338,8</b>	<b>2 006,2</b>	<b>1 698,1</b>	<b>577,2</b>	<b>513,8</b>	<b>7 298,1</b>	<b>5 945,5</b>
Other operating revenues	3,1	1,9	3,8	2,4	11,5	7,9	15,0	13,0	33,4	25,2
<b>Total operating revenues</b>	<b>1 782,4</b>	<b>1 396,7</b>	<b>2 939,2</b>	<b>2 341,2</b>	<b>2 017,7</b>	<b>1 706,0</b>	<b>592,2</b>	<b>526,8</b>	<b>7 331,5</b>	<b>5 970,6</b>

## Note 8 – Fixed assets, intangible assets and goodwill

Amounts in NOK million	Per 30.06.	
	2021	2020
Book value per 1.1	2 321,0	2 258,6
Acquisitions	130,4	135,6
Lease acquisitions	11,9	21,5
Disposals	-1,4	-1,5
Depreciations	-175,3	-163,0
Impairment losses	-0,6	0,0
Transfers	2,1	3,3
Translation differences	-38,2	98,7
Book value per 30.06.	2 250,0	2 353,3

## Note 9 - Financial instruments

Amounts in NOK million	30.06.2021			31.12.2020			30.06.2021		
	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	12,1	-4,8	7,3	19,5	-10,6	9,0		7,3	
Interest rate derivatives		-34,7	-34,7		-52,0	-52,0		-34,7	
Embedded derivative - currency		1,1	1,1		-2,4	-2,4		1,1	
Total	12,1	-38,4	-26,3	19,5	-64,9	-45,4			

Amounts in NOK million	30.06.2020			31.12.2019			30.06.2020		
	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	24,0	-31,8	-7,8	4,9	-9,7	-4,8		-7,8	
Interest rate derivatives		-59,8	-59,8		-44,9	-44,9		-59,8	
Embedded derivative - currency		-7,2	-7,2		-1,9	-1,9		-7,2	
Total	24,0	-98,7	-74,7	4,9	-56,5	-51,6			

\*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 2020 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	Second quarter		6 months		12 months	
	2021	2020	2021	2020	2020	2019
Timber	376,3	86,7	537,7	108,1	259,9	140,6
Wood	482,1	124,5	578,2	160,5	353,0	135,9
Building Systems	11,0	20,0	34,4	15,7	71,2	52,9
Other	-32,8	-0,7	-17,0	-84,3	-80,5	-89,8
<i>Internal</i>	-19,2	0,0	-19,2	0,0	0,0	0,0
Profit before tax	817,5	230,5	1 114,1	200,1	603,6	239,7

### ***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 42 per cent of Moelven's total purchasing requirement for timber of 4,4 million cubic metres comes via the Norwegian forest owner cooperatives.

Moelven 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 12 - Events after the balance sheet date***

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

Moelven is organised into three divisions: Timber, Wood and Building Systems. There is also an Other Businesses reporting area, which consists of the holding companies, supply businesses and bioenergy companies. The sawmills in Timber supply sawn timber products and components to industrial customers in Scandinavia and the rest of Europe, the Middle East and North Africa. The industrial customers use the products as intermediate goods in their own production. Shavings, chip and bark products are also supplied and are used in the pulp, chipboard and biofuel industry. The companies in Wood supply the building products trade in Scandinavia with a broad range of building and interior products. A critical competitive advantage is the division's efficient distribution system, which offers customers rapid and precise deliveries of a broad range of products. The companies within Building Systems deliver flexible system solutions for interior walls, modular buildings and load-bearing structures in glulam to projects and contractor clients, principally in Norway and Sweden. The division focuses on developing concepts and systems in collaboration with the customers and experts within architecture, design and construction. In total, the Group is composed of 37 production companies in Norway and Sweden and has approximately 3,350 employees. Moelven also has its own sales offices in Denmark, England and Germany. 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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