

# Quarterly report 2/2022



## Cover photo

Cabin in Norway that has been refurbished in partnership with the Hytteliv magazine with materials from Moelven Wood AS.

Wall	Boathouse panel Snø
Ceiling	Eco-panel oak
Floor	Solid wood oak floor, oiled Arctic
Mouldings	Timeless sill and floor, painted cotton

Photo: Per Erik Jæger

Amounts in NOK million	Second quarter		6 months		12 months	
	2022	2021	2022	2021	2021	2020
Operating revenues	4,268	4,149	8,212	7,331	14,872	11,665
EBITDA	979	911	1,796	1,289	3,389	1,011
Gross operating margin/EBITDA in per cent	22.9 %	21.9 %	21.9 %	17.6 %	22.8 %	8.7 %
Depreciation and impairment	82	88	166	176	403	348
Operating profit	897	823	1,629	1,113	2,986	662
Net operating margin/EBIT in per cent	21.0 %	19.8 %	19.8 %	15.2 %	20.1 %	5.7 %
Profit before tax	862	817	1,616	1,114	2,991	604
Profit per share in NOK	5.24	4.92	9.83	6.72	18.1	3.6
Cash flow from operational activities, in NOK per share	6.85	4.22	5.47	5.33	21.0	8.3
Total equity*	-413	213	4,676	3,195	4,588	2,865
Equity ratio*	-5.0 %	-3.9 %	53.5 %	44.1 %	55.5 %	49.1 %
Total assets*	43	1,034	8,734	7,244	8,269	5,833
Investments*	131	58	199	130	420	272
Return on capital employed in per cent, 12 month rolling*	-2.4 %	17.4 %	74.5 %	41.6 %	73.5 %	17.9 %
Capital employed*	-426	358	4,956	3,951	4,890	3,500
Net interest-bearing liabilities*	-12	-32	-694	484	-1,312	536
Net working capital*	159	696	3,835	3,331	3,093	2,273
Number of employees*	16	42	3,341	3,395	3,312	3,391
Sick leave percentage*	-1.4 %	0.0 %	7.1 %	5.5 %	5.7 %	6.2 %
Lost Time Injury Frequency rate, rolling LTI-rate*	-1.0	-0.5	4.8	11.4	6.9	11.7
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 second quarter of 2022 was the second best quarter in Moelven's history and the best second quarter of all time.
- Operating revenues were NOK 4,268 million (4,149).
- The operating result was NOK 897 million (NOK 823 million).
- Return on employed capital (12-month rolling basis) was 74.5 per cent (41.6).
- Continued good activity in the international saw timber market.
- Poor demand from the building products trade in Scandinavia.
- Poor order situation for the Building Module business in Norway.
- Moelven takes a very serious view of the incident with Tretten Bridge and places expertise and resources at the disposal of the further investigations and processes that are being initiated to find the cause of the incident at Tretten.

## In brief

Activity in the international saw timber market remained good var through the second quarter, but at a lower level than in the 2021 record year. The Group's turnover outside Scandinavia annually comprises 17-20 per cent of operating revenues, and the majority of this export goes to the international sawn timber market. Through the second quarter of 2022, the international market has remained stronger than the Scandinavian market. For a period, the international market was characterised by uncertainty related to access to both timber and other raw materials following Russia's attack on Ukraine, and the sanctions against Russia and Belarus that followed in its wake. Several players therefore built up inventory levels to secure their own access to raw materials. As the second quarter progressed, this has declined somewhat and reduced demand. The price levels on the international saw timber market have dropped to the levels from early in the first quarter. This is lower than the peak levels from the second half of 2021, but still good levels in historic terms. Private consumption has long been an important driving force for developments in overall demand. This is now being slowed by the rising cost of living and continued uncertainty related to the war in Ukraine and economic developments. This in turn affects demand for timber directly through fewer new builds and reduced maintenance and renovation. The impact of this is however countered to a certain extent by wood being considered an attractive and sustainable material, thus taking market shares from other types of materials.

Activity in the building goods trade in Scandinavia was significantly lower in the second quarter of 2022 than in the corresponding period in 2021 after activity in the consumer market declined. Price levels are reduced since the peak levels in the third quarter of 2021, but were nevertheless higher than in the second quarter of 2021.

Activity in building and construction, infrastructure and smaller projects in the quarter has been good. Demand for modular builds for residential and leisure housing purposes in Sweden improved through 2021 and was at a satisfactory level in the second quarter of 2022. For the Norwegian operations the market activity in this segment was significantly lower through the second quarter of 2022, and in the beginning of August it became clear that there would be no basis to maintain full production in the second half of the year. On 15 August 2022, 80 employees at Moelven Byggmodul AS's factory in Hjellum were informed that may receive notice of layoff. The layoff period has not been clarified, but it will realistically take four to six months before a sufficient order book and inputs are in place to restart production. At the same time, the company is working on reviewing whether up to 20 of the employees from Hjellum can be transferred to the factory at Moelv during the layoff period.

Access to forest raw materials was good in both Norway and Sweden in the second quarter. Timber inventories have increased and production units have had more than sufficient raw materials to cover production throughout the quarter. Somewhat reduced production at certain units to adjust the levels of intermediate and finished good inventories combined with good supply led to an increase in the timber inventories. At the end of the quarter, timber inventories were higher than at the same time in 2021, and more than adequate in relation to the current production plans. It will be necessary to reduce the inventories somewhat in the second half of the year. In both countries, prices for sawn timber of both spruce and pine have increased compared to the second quarter of 2021. Realised prices for cellulose chips fell in both Norway and Sweden compared to the second quarter of 2021. For other assortments the prices increased somewhat in Norway, while prices in Sweden were somewhat lower than in the same period last year.

On 21 June 2022 the Board of Directors signed off an investment of SEK 382 million in a new pellet factory and plant for energy production in Karlskoga. The investment will take place under the auspices

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of the newly-established company Moelven Pellets AB, and will be located on Moelven Valåsen AB's industrial site. The investment is a consequence of the capacity increases at Moelv's sawmills in the region. Previously the Board of Directors has approved an investment package totalling SEK 635 million at Moelven Edanesågen AB and Moelven Valåsen AB. The innovative pellet factory, which according to plan will start operation in the autumn of 2024, will be integrated in the sawmill concept at Moelven Valåsen AB. Just less than half of the saw timber will become fibre products. Integrating the pellet factory with the sawmill is thus a sustainable and profitable way of managing the residual raw material from sawmill.

In the course of the second quarter, the Board of Directors also approved an investment package of close to NOK 210 million to improve the safety, capacity, efficiency and not least the climate footprint of tomorrow's timber industry. The investments will take place at Moelven Treinteriør AS, Moelven Mjøsbuket AS, Moelven Våler AS and at Moelven Notnås Ransby AB. According to plan, all of the projects will be operational in 2024. Strategic investments such as these contribute to modernise and strengthen the competitiveness of the companies. In addition, modern production equipment results in safer workplaces and lower energy consumption. In Moelven Timber, an investment programme to replace timber dryers is ongoing. Calculations show that it is possible to save between 8 and 13 kWh per m<sup>3</sup> of timber. In the event of unchanged production volume for the dryers included in this investment package, this constitutes reduced annual energy consumption of approx. 6 GWh, which is 2.5% of the Group's total annual consumption.

No one was seriously injured when Tretten Bridge collapsed on 15 August 2022. Moelven views the incident very seriously and places much emphasis on clarifying the cause of the bridge's collapse. The state accident commission (Statens Havarikommisjon) will be responsible for the investigation. Moelven Limtre AS was subcontractor with responsibility for the production of glulam and assembly of the superstructure, i.e. everything above the bridge's foundations. The Norwegian Public Roads Administration was the client. The sizing and design and engineering of the bridge was carried out by a consulting company for the client.

## Operating income and profit/loss

Operating revenues in the second quarter were somewhat higher than in the same period of 2021. The reason is higher price levels. Delivery volumes were overall lower than in the second quarter of the previous year.

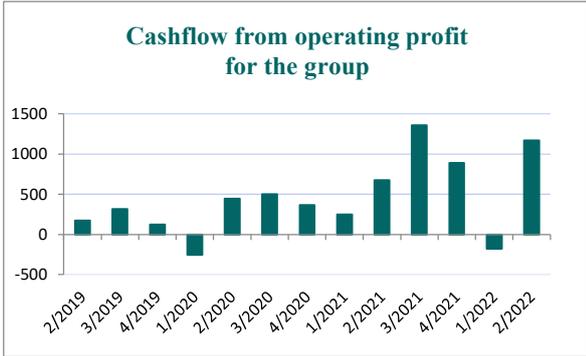
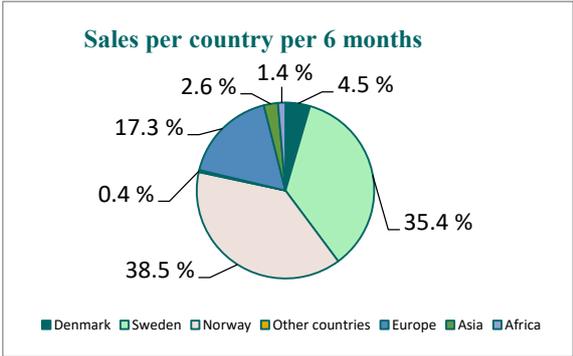
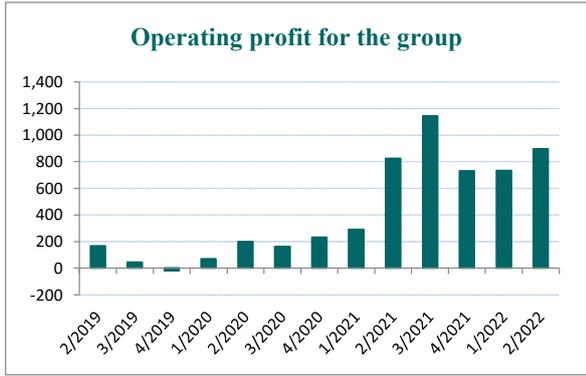
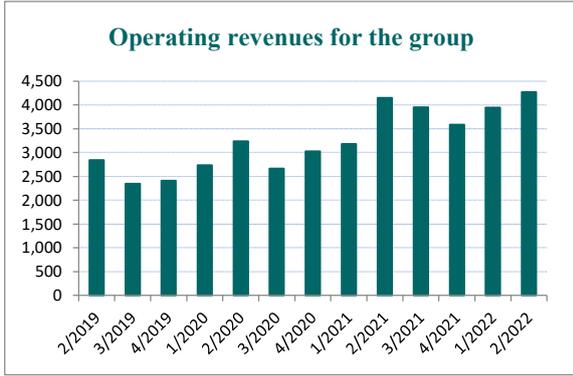
In terms of profitability, the timber processing business activities delivered a better quarter than in the same period the previous year, mainly due to the international price picture with higher finished goods prices for sawn timber. The prices for processed timber were higher than in the second quarter of 2021, but reduced volumes meant that the result from this segment was lower than in the same period in 2021. Price levels for chip and fibre products were overall somewhat lower than in the second quarter of 2021. This, along with higher saw timber prices and a generally higher cost level, especially for energy and transport, has had a negative impact on the result.

Operating profit in the Building Systems Division was also better than for the corresponding period in 2021. The main reason is improved earnings in the glulam business in Norway and Sweden, and the system interiors business Moelven Modus AS where action plans laid down in 2021 to improve competitiveness and reestablish profitable operations are now yielding results.

The Group utilises financial instruments to reduce the impact of short-term fluctuations in foreign exchange rates, interest rates and power prices. Non-cash items related to fair value assessments on unrealized balance sheet financial instruments totalled NOK -8 million (NOK 6 million) for the quarter and NOK 34 million (NOK 11.5 million) for the first six months. Overall for the first six months, the result has been charged with a foreign exchange loss of NOK 38 million (plus 5).

Pre-tax profit was NOK 862 million (817).

Amounts in NOK million	Second quarter		6 months		12 months	
	2022	2021	2022	2021	2021	2020
<b>Operating revenues</b>						
Timber	1,579	1,268	2,961	2,271	5,046	3,445
Wood	1,686	1,891	3,257	3,072	6,164	4,730
Building Systems	1,032	1,069	2,051	2,025	3,913	3,347
Other businesses	1,266	1,182	2,581	2,402	4,553	3,802
<i>Internal</i>	-1,296	-1,260	-2,637	-2,439	-4,803	-3,659
<b>The Group</b>	<b>4,268</b>	<b>4,149</b>	<b>8,212</b>	<b>7,331</b>	<b>14,872</b>	<b>11,665</b>
<b>EBITDA</b>						
Timber	583	404	1,009	598	1,794	366
Wood	380	507	698	649	1,504	482
Building Systems	44	34	98	81	160	166
Other businesses	-8	-15	-19	-19	-6	-4
<i>Internal</i>	-19	-19	10	-19	-62	0
<b>The Group</b>	<b>979</b>	<b>911</b>	<b>1,796</b>	<b>1,289</b>	<b>3,389</b>	<b>1,011</b>
<b>Operating profit</b>						
Timber	555	379	955	547	1,691	259
Wood	352	477	643	590	1,384	372
Building Systems	28	11	62	35	19	76
Other businesses	-19	-25	-41	-39	-47	-45
<i>Internal</i>	-19	-19	10	-19	-62	0
<b>The Group</b>	<b>897</b>	<b>823</b>	<b>1,629</b>	<b>1,113</b>	<b>2,986</b>	<b>662</b>



## Investments, balance sheet and financing

In the course of the second quarter, investments totalling NOK 131 million were activated (58). The increase in investment activity are based in the Group's long-term strategy plan and mainly comprises three individual projects that run throughout 2022. For the first half of the year as a whole, investments totalling NOK 199 million (130) have been activated.

Depreciations and impairments were NOK 82 million (NOK 88 million) in the quarter and NOK 166 million (NOK 166 million) for the first six months. At the end of the second quarter 2022, the book value of the Group's total assets was NOK 8,734 million (7,244). The increase in total capital is mainly due to high receivables as a result of increased turnover in the wood processing operations, increased inventories of raw materials and finished products, in addition to higher cash holdings than normal due to good earnings throughout 2021 and the first half of 2022.

Cash flow from operating activities in the second quarter of 2022 was NOK 887 million (546), which corresponds to NOK 6,84 per share (4,22). Overall, for the first half of the year, cash flow from operational activities was NOK 709 million (690). The change compared to the previous year is due to capital binding accounts receivable increased more in the second quarter of 2021 than the current year. Cash flow from working capital items was minus NOK 35 million in the second quarter (minus NOK 313 million) and minus NOK 670 million for the first half year (minus NOK 193 million).

At the end of the second quarter 2022 the Group had a net interest-bearing investment of NOK 694 million (484 in net interest-bearing debt). The strong liquidity situation is mainly due to good cash flow from operations.

Cash reserves including unused credit facilities were NOK 2,943 million (1,780).

Equity at the end of the second quarter 2022 amounted to NOK 4,676 million (NOK 3,195 million), which is equivalent to NOK 36.09 (24.66) per share. The equity ratio was 53.5 per cent (44.1).

The dividend for 2021 of NOK 9.06 per share (3,64), totalling NOK 1,174 million (472) was approved at the Annual General Meeting on 28 April 2022, and charged to equity in April with payment in May. 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 82 million (48). Year to date the change was NOK -11 million (-61). 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	
	2022	2021	2022	2021	2021	2020
Sales to external customers	1,330	991	2,455	1,785	3,911	2,745
Sales to internal customers	250	277	506	487	1,135	700
Operating revenues	1,579	1,268	2,961	2,271	5,046	3,445
Depreciation and impairment	28	25	54	51	103	107
Operating profit	555	379	955	547	1,691	259
Operating margin in per cent	35.2 %	29.9 %	32.3 %	24.1 %	33.5 %	7.5 %
Net operating capital (% of operating revenues)*	0.7 %	1.7 %	14.9 %	14.0 %	14.5 %	13.3 %
Total assets*	-477	273	2,995	2,182	3,079	1,743
Equity*	561	398	2,226	1,435	1,285	931
Capital employed*	564	397	2,267	1,595	1,327	1,101
Return on capital employed in per cent, 12 month rolling*	0.1 %	23.8 %	112.3 %	55.6 %	104.8 %	22.4 %
Investments*	58	22	89	54	194	88
Total number of employees*	1	15	639	619	630	636

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

International demand for sawn timber maintained a satisfactory level through the second quarter, while the activity level on the home market in Scandinavia dropped. Overall, market activity was somewhat lower than expected through the quarter. The price levels on the international saw timber market dropped to the levels from early in the first quarter. This is lower than the peak levels from the second half of 2021, but still a high level in historic terms.

Private consumption has long been an important driving force for developments in overall demand. In the first six months this has to a greater and greater extent been curtailed as a result of a rising cost of living and greater uncertainty related to both the war in Ukraine and economic developments. This affects demand for timber directly through reduced new builds, maintenance and renovation. The impact of this is countered to a certain extent by wood being considered an attractive and sustainable material, thus taking market shares from other types of materials.

The supply of goods on the European market has been reduced over time because several producers have directed their export volumes towards a strong US timber market.

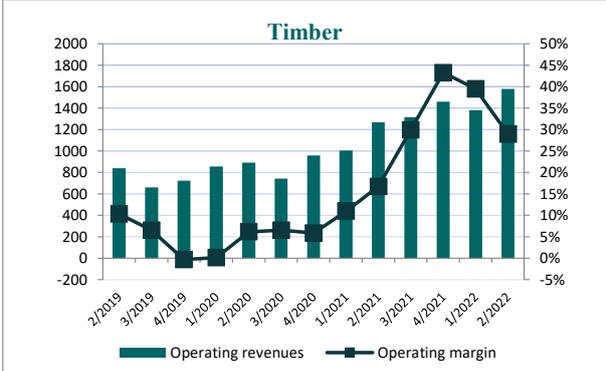
Following Russia's attack on Ukraine, sanctions on Russia and Belarus have led to a further reduction in the supply of goods on the European market. The entire global wood product market has been marked by the war and a concern of volume shortages on the supply side. Several players wanted to build up inventories to be prepared for such a situation, and this contributed to demand for saw timber that was somewhat higher than the underlying activity level indicated. At the end of the second quarter the situation was starting to normalise, and as a result demand has fallen compared to the levels at the end of the first quarter.

Overall, delivery volumes from the division's units in the quarter were lower than the same period in 2021. The main reason is reduced demand in the Scandinavian market.

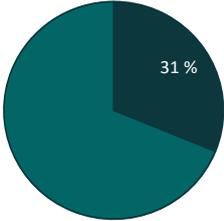
The production volume was also lower than in the second quarter of 2021. Processing costs per unit rose due to increased energy costs, high maintenance costs as a result of high utilisation rates at the plants over time, as well as increased cost levels in society in general. Access to road transport capacity has been somewhat reduced due to the driving and resting rules that were introduced in the EU in 2020 and that are now in effect. In combination with high demand for transport capacity and increased fuel prices, this has led to an increase in transport costs. Overall for the first six months

operating costs have also been characterised by increased costs due to measures to maintain production capacity in a period when the COVID-19 pandemic led to increased short-term absence. Technical safety inspections in 2021 that have been conducted in connection with the improvement project “HSE towards 2023” have revealed a need for remedial measures in certain places. This work is still ongoing, and will for all intents and purposes be completed in the course of 2022. The rates for NOK and SEK compared to the Group’s key export currencies remain at levels that ensure good competitiveness in the export markets.

Access to forest raw materials was good in both Norway and Sweden in the second quarter. Timber inventories have increased and production units have had more than sufficient raw materials to cover production throughout the quarter. Somewhat reduced production at certain units to adjust the levels of intermediate and finished good inventories combined with good supply led to an increase in the timber inventories. At the end of the quarter, timber inventories were higher than at the same time in 2021, and more than adequate in relation to the current production plans. It will be necessary to reduce the inventories somewhat in the second half of the year. In both countries, prices for sawn timber of both spruce and pine have increased compared to the second quarter of 2021. Realised prices for cellulose chips fell in both Norway and Sweden compared to the second quarter of 2021. For other assortments the prices increased somewhat in Norway, while prices in Sweden were somewhat lower than in the same period last year.



Timber’s share of the Groups sale to external customers



## Wood

Amounts in NOK million	Second quarter		6 months		12 months	
	2022	2021	2022	2021	2021	2020
Sales to external customers	1,614	1,823	3,113	2,944	5,916	4,518
Sales to internal customers	72	69	144	128	247	212
Operating revenues	1,686	1,891	3,257	3,072	6,164	4,730
Depreciation and impairment	27	30	55	59	119	111
Operating profit	352	477	643	590	1,384	372
Operating margin in per cent	20.9 %	25.2 %	19.7 %	19.2 %	22.5 %	7.9 %
Net operating capital (% of operating revenues)	-0.3 %	1.4 %	33.3 %	31.6 %	28.6 %	26.8 %
Total assets*	-301	620	3,860	3,622	3,866	2,802
Equity*	397	494	2,115	1,790	1,529	1,243
Capital employed*	543	442	2,576	2,267	1,746	1,793
Return on capital employed in per cent, 12 month rolling*	-7.3 %	17.6 %	62.5 %	41.6 %	62.7 %	19.6 %
Investments*	60	27	88	45	155	130
Total number of employees*	-2	30	1,101	1,129	1,108	1,099

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

Demand from the building products trade for wood-based building products fell through the second quarter of 2022 to a level significantly below that of the same period the previous year. The decline was greatest for construction wood products, while interior and board products held up slightly better. The main reason is the decline in the consumer market related to the refurbishment and maintenance of residential and leisure housing. In the professional market activity kept up better, but was overall at a slightly lower level than expected. The price level was overall higher than in the corresponding period in 2021, and resulted in an increase in operating income even though the overall delivery volume was lower than in the second quarter of the previous year.

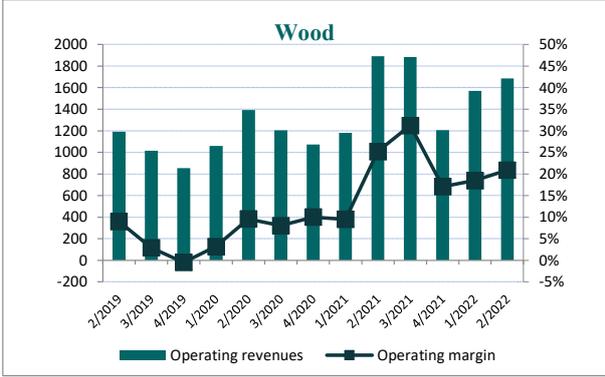
Reduced delivery volumes entailed that the finished product inventories increased through the quarter, and at the end of the second quarter 2022, finished product inventories were higher than desirable. In the second half of the year, planing production will be somewhat reduced to avoid excessive inventory build up going forward.

For the division's timber consuming units, processing costs increased compared to the same period last year. The most important reasons for this are increased energy costs, high maintenance costs as a result of high utilisation rates at the plants over time, as well as increased cost levels in society in general. Technical safety inspections in 2021 that have been conducted in connection with the improvement project "HSE towards 2023" have revealed a need for remedial measures in certain places. This work is still ongoing, and will for all intents and purposes be completed in the course of 2022.

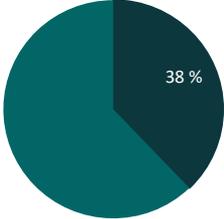
Year to date, the result is also impacted by a need for extra staffing in order to manage high short-term sickness absence as a result of the COVID-19 situation, with increased costs as a consequence.

Access to forest raw materials was good in both Norway and Sweden in the second quarter. Timber inventories have increased and production units have had more than sufficient raw materials to cover production throughout the quarter. Somewhat reduced production at certain units to adjust the levels of intermediate and finished good inventories combined with good supply led to an increase in the timber inventories. At the end of the quarter, timber inventories were higher than at the same time in 2021, and more than adequate in relation to the current production plans. It will be necessary to reduce the inventories somewhat in the second half of the year. In both countries, prices for sawn timber of both spruce and pine have increased compared to the second quarter of 2021. Realised prices for cellulose chips fell in both Norway and Sweden compared to the second quarter of 2021. For

other assortments the prices increased somewhat in Norway, while prices in Sweden were somewhat lower than in the same period last year.



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



## Building Systems

Amounts in NOK million	Second quarter		6 months		12 months	
	2022	2021	2022	2021	2021	2020
Sales to external customers	1,031	1,063	2,048	2,018	3,899	3,343
Sales to internal customers	1	6	2	7	13	4
Operating revenues	1,032	1,069	2,051	2,025	3,913	3,347
Depreciation and impairment	16	23	36	45	140	90
Operating profit	28	11	62	35	19	76
Operating margin in per cent	2.7 %	1.0 %	3.0 %	1.7 %	0.5 %	2.3 %
Net operating capital (% of operating revenues)*	3.0 %	2.2 %	14.6 %	13.0 %	11.1 %	11.3 %
Total assets*	108	-66	1,880	1,881	1,694	1,909
Equity*	37	-54	725	787	667	852
Capital employed*	100	-46	905	958	782	1,028
Return on capital employed in per cent, 12 month rolling*	1.9 %	-0.6 %	5.3 %	9.2 %	2.2 %	7.3 %
Investments*	10	6	14	25	54	22
Total number of employees*	22	-9	1,423	1,477	1,383	1,490

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

The order backlog for the division's businesses has improved through the second quarter of 2022, except from in the residential segment for the building module business in Norway. The division's order backlog at the end of the quarter is at a satisfactory level overall.

For the glulam businesses in both Norway and Sweden, demand for standard glulam decreased from the consumer market through the second quarter. However, in Sweden especially activity in the project market was good. Increased steel prices have contributed to increased demand for glulam halls where one previously would have prioritised steel load-bearing structures.

Through the "One ERP" project a new ERP system has been implemented in both the Swedish and Norwegian operations. The glulam business now has the same ERP system as the wood processing business in Timber and Wood. In the implementation phase in the first quarter for the business in Sweden and in the second quarter for the business in Norway, production and delivery capacity was temporarily reduced. Measures to increase production and reduce delivery times were quickly implemented, and at the end of the quarter we were back at satisfactory levels.

Production costs increased compared to the same period in 2021, mainly due to increased energy costs, increased prices for input factors and increased price levels in society in general.

For the building module operations in Norway, activities in the building and construction segment have been satisfactory with good production. In the project market, activity has been low with small volumes in public tenders. Also within the residential and leisure housing market, demand for modular builds has been lower than expected. Overall, this made it necessary to temporarily stop production at the factory at Hjellum at the beginning of the second quarter 2022. The order backlog at the end of the second quarter only ensures operation at the factory at Hjellum into the third quarter of 2022. 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. In mid-August 2022 it became clear that we would not succeed in securing sufficient orders to maintain profitable activity at the factory into the second half of the year. On 15 August 2022, 80 employees at Moelven Byggmodul AS's factory in Hjellum were informed that may receive notice of layoff. The layoff period has not been clarified, but it will realistically take four to six months before a sufficient order book and inputs are in place to restart

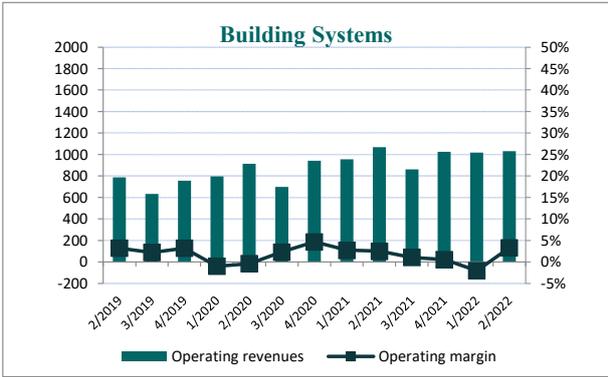
production. At the same time, the company is working on reviewing whether up to 20 of the employees from Hjellum can be transferred to the factory at Moelv during the layoff period.

At the same time that the company has to resort to layoffs, a major restructuring process for all of Moelven Byggmodul AS is being initiated. The Moelven Byggmodul companies in Moelv and Hjellum were merged into one company from 2021 to strengthen competitiveness, but so far we have not seen sufficient effect from this. A restructuring process will therefore be initiated to achieve more synergies from the merger.

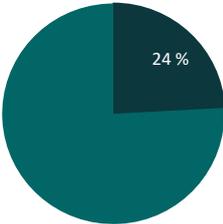
For the Swedish building module business, market activity was satisfactory in the residential segment and good in all other market segments in the second quarter of 2022. Incoming orders were satisfactory, and the order situation at year-end provides the basis for a good level of activity in factories through the second half-year. The Swedish business activities also experienced a challenging situation in terms of price developments and access to building materials in general.

Overall, the results for the business both in Norway and Sweden are impacted by very high short-term sickness absence related to COVID-19. This has posed challenges in terms of maintaining activity levels and increased costs.

For the system interiors business, Moelven Modus AS, market activity in the second quarter was satisfactory, with several exciting project inquiries and a good order situation. Action plans to improve competitiveness and re-establish profitable operations are in the process of being deployed and implemented, and have started to yield results. Especially in the first quarter, Moelven Modus AS also had high levels of short-term sickness absence related to COVID-19 that challenged the ability to maintain activity levels and resulted in increased costs.



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



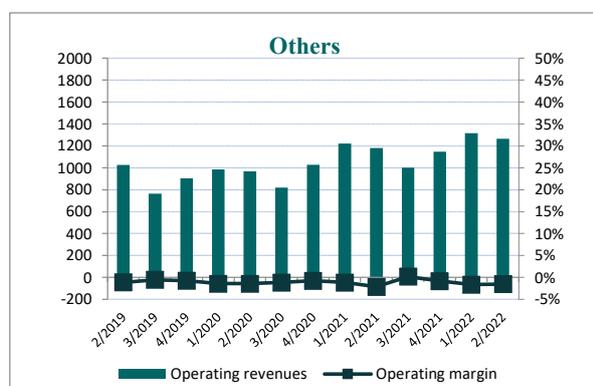
## Other Businesses

Amounts in NOK million	Second quarter		6 months		12 months	
	2022	2021	2022	2021	2021	2020
Sales to external customers	322	298	656	636	1,253	1,152
Sales to internal customers	944	883	1,925	1,766	3,300	2,651
Operating revenues	1,266	1,182	2,581	2,402	4,553	3,802
Depreciation and impairment	11	10	22	20	41	41
Operating profit	-19	-25	-41	-39	-47	-45
Operating margin in per cent	0.0 %	0.0 %	-1.6 %	-1.6 %	-1.0 %	-1.2 %
Net operating capital (% of operating revenues)*	-1.9 %	-0.9 %	4.8 %	5.3 %	5.2 %	4.4 %
Total assets*	-1,450	-282	2,464	2,368	3,969	2,474
Equity*	-1,370	-571	1,201	786	2,714	1,450
Capital employed*	-1,550	-394	1,089	1,327	2,868	1,811
Return on capital employed in per cent, 12 month rolling*	0.2 %	-0.9 %	-2.5 %	-2.0 %	-2.3 %	-1.0 %
Investments*	3	2	7	6	18	32
Total number of employees*	-5	6	178	170	191	166

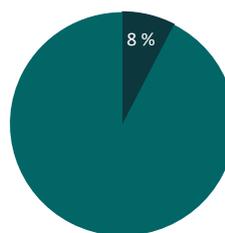
\*The columns regarding the quarterly numbers show the change in the quarter

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 timber processing industry. This includes Moelven Skog AB, Moelven Virke AS, Vänerbränsle AB, Moelven Bioenergi AS and Moelven Pellets AS. The newly established Moelven Pellets AB will be a part of Other Businesses.

Operating revenues in the area of Other Businesses are largely due to activities within timber supply and sales of wood chip and energy products. A major part of this turnover is intercompany.



Others's share of the groups sale to external customers



## Employees

Employees	Per 6 months 2022				Per 6 months 2021			
	Male	Female	% Female	Total	Male	Female	% Female	Total
Timber	566	73	11.4 %	639	550	69	11.1 %	619
Wood	924	177	16.1 %	1,101	945	184	16.3 %	1,129
Building Systems	1,299	124	8.7 %	1,423	1,360	117	7.9 %	1,477
Other businesses	127	51	28.7 %	178	123	47	27.6 %	170
<b>The Group</b>	<b>2,916</b>	<b>425</b>	<b>12.7 %</b>	<b>3,341</b>	<b>2,978</b>	<b>417</b>	<b>12.3 %</b>	<b>3,395</b>

Sickness absence rate	Per 6 months	
	2022	2021
Timber	6.8 %	4.9 %
Wood	7.0 %	5.6 %
Building Systems	7.8 %	6.1 %
Other businesses	2.9 %	1.1 %
<b>The Group</b>	<b>7.1 %</b>	<b>5.5 %</b>

	Per 6 months	
	2022	2021
Timber	9.7	16.8
Wood	2.3	5.6
Building Systems	5.2	14.8
Other businesses	0.0	0.0
<b>The Group</b>	<b>4.8</b>	<b>11.4</b>

The reduction in injury rate continued through the second quarter of 2022. At the end of the quarter the LTI rate on a 12-month rolling basis was down to 4.8 for the group as a whole, which is a historic low. The LTI rate is the injury rate expressed as the number of injuries with subsequent sickness absence per million hours worked.

The actual number of injuries with absence was 9, compared to 15 in the corresponding period in 2021. Overall for the first six months there were 17 injuries with absence, compared to 29 at the same time in 2021.

The LTI2 rate measures the total number of injuries per million worked hours. At the end of the second quarter of 2022, the LTI2 rate on a 12-month rotating basis was 14.9 compared to 26.6 at the same time in 2021. The total number of injuries with and without absence in the first second quarter 2022 was 40 (76).

Internal investigations are routinely conducted of all injuries with a certain level of seriousness. The investigation takes place in partnership with the Group's central HR department, including focusing on finding 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.

Moelven's ultimate objective in safety work is that no-one should get injured at work.

In 2022 the partial goal is that the LTI1 rate shall be lower than 6 and that the LTI2 rate shall be lower than 24, both on a 12-month rolling basis. The developments in the second half of 2021, with a reduction in the LTI rate from 11.4 as of 30 June 2021 to 4.8 a year later, and the LTI2 rate from 26.6 to 14.9, shows that the action plan for further development and improvement of the safety culture throughout Moelven – "HSE towards 2023" - is producing results.

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 5.6 per cent (5.5), of which 2.8 per cent (2.6) represents long-term absence. The long term trend for developments in sickness absence has been falling for some time, but the COVID-19 pandemic has led to greater variations than normal. Short-term absence has increased after the repeal of infection control measures, due to virus variants that are more infectious but that result in milder illness. Many of Moelven's businesses have sickness absence levels lower than the maximum target for 2022 of 4.0 per cent. There is nevertheless much to be gained, and work is actively ongoing to reduce sickness absence for both individual companies and the Group as a whole to below the target level. Efforts include the rollout of the Active Employee/Active Leadership concept and employee surveys adapted to this concept for the entire Group. 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.

## Outlook

The IMF estimates in the July edition of the “World Economic Outlook” report that the world economy will grow by 3.2 per cent in 2022. The estimate for 2022 has thus been reduced by 0.4 percentage points since the April report. COVID-19 now poses a significantly smaller challenge in the markets where Moelven operates, although local outbreaks still occur. Instead, it is the war in Ukraine and its consequences, as well as increasing inflation, that stand out as the greatest challenges. In addition, the geopolitical tension is greater than in many years, but it is uncertain how this can or will impact world trade. Due to rising food and energy prices and continued imbalances between supply and demand for a number of raw materials, including as a consequence of the war in Ukraine, the estimate for inflation overall for developed economies has been adjusted upwards by 0.9 percentage points to 6.6 per cent. The war in Ukraine continues, and it remains very difficult to predict developments and which consequences these will have for the rest of the world.

Overall demand, particularly from consumer markets, is adversely impacted by reduced disposable income as a result of generally increased cost levels. The COVID-19 pandemic is having less and less significance, although increased short-term sickness absence and strict infection control measures similar to those introduced by China in Shanghai at the end of the first quarter may pose some challenges. In particular for the Group’s businesses located in Eastern Norway, increased sickness absence will pose challenges if the Norwegian government’s heralded introduction of prohibition against the hiring of manpower in the construction industry in certain regions is implemented. Through the second quarter and summer of 2022, it has turned out that consumers are using more money on travel and experiences, which was to be expected after a long period of travel restrictions and an abnormally high level of activity in renovation and rehabilitation.

The international demand for wood-based products was good through the second quarter of 2022, and based on concluded contracts, both deliveries and price levels are expected to remain at a good level through the third quarter. In the longer term, the war in Ukraine and increasing inflation means that uncertainty regarding further developments is very high.

The rates for NOK and SEK compared to the Group’s key export currencies remain at levels that ensure good competitiveness in the export markets. Increased demand for transport capacity resulting from increased world trade, high energy prices as well as logistical challenges resulting from the infection situation and the war in Ukraine, is expected to contribute to transport costs remaining at a high level.

Within the market for further processed timber in Scandinavia, a clear division of demand between the professional market and the consumer market is expected. Good activity is expected to continue in rehabilitation, conversions and extensions. The sale of new homes and holiday homes has been falling for some time, and start-ups of new building projects are also expected to be reduced as a consequence of this. This may partly be compensated by increased activity in public sector construction projects. Developments in consumer demand will depend to a greater extent on changes in disposable income.

The timber stockpiles are high in both Norway and Sweden at the start of the third quarter of 2022 through a good supply situation in Moelven’s geographies. Continued satisfactory access to raw materials is expected given the existing production plans.

Regardless of the COVID-19 pandemic, the Building Systems division has had a lower level of activity than desirable in certain business areas. The current production capacity is adjusted to this on an ongoing basis. The market situation for the glulam companies is at a level that ensures good capacity utilisation with good profit levels. For the building module companies a largely satisfactory activity level

is expected, with the exception of the residential segment in Norway, where measures to reduce capacity are being implemented in the third quarter of 2022. The activity level in the system interiors business is satisfactory, but the competition situation is demanding. Measures are ongoing to reestablish satisfactory profitability under the prevailing market conditions. For the division as a whole, higher interest rates and high construction costs are expected to lead to lower start-ups, but greater activity in the renovation, conversion and extension market.

The Group has a long-term goal of a return on capital employed of 13 per cent over an economic cycle. At the end of the second quarter, the rate of return was a huge 74.5 per cent. Into the second half of 2022, a reduction in demand and poorer results are expected. Uncertainty is however considerable. The Board considers the Group's solvency and long-term access to liquidity to be good, and sufficient to implement planned improvement measures in accordance with the Group's strategy. A number of projects and investment plans are ongoing to equip the Group for the future. Not only with international financial competitiveness in mind, but also in terms of safety, information technology, climate and the environment.

For the second half of 2022, the Board expects an activity level and result significantly lower than in the second half of 2021. For 2022 overall, we expect a result that is weaker than for 2021, but still at a good level compared to earlier years.



## Statement by the Board and CEO

We confirm that the unaudited consolidated financial statements for the period 1 January to 30 June 2022 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, 25 August 2022

Olav Fjell  
Chairman of the Board

Gudmund Nordtun  
Deputy Chair

Hege Kverneland  
Board member

Oscar Östlund  
Board member

Martin Fauchald  
Board member

Olav Breivik  
Board member

Wenche Ravlo  
Board member

Morten Kristiansen  
Group CEO

# Quarterly accounts for the Moelven Group for the second quarter of 2022

## Condensed income statement and comprehensive income

Amounts in NOK million	Second quarter		6 months		12 months	
	2022	2021	2022	2021	2021	2020
Operating revenues	4,268	4,149	8,212	7,331	14,872	11,665
Cost of goods sold	2,248	2,229	4,388	4,103	7,564	7,191
Payroll expenses	644	673	1,253	1,288	2,465	2,280
Depreciation and impairment	82	88	166	176	403	348
Other operating expenses	396	337	775	652	1,454	1,184
<b>Operating Profit</b>	<b>897</b>	<b>823</b>	<b>1,629</b>	<b>1,113</b>	<b>2,986</b>	<b>662</b>
Financial income	8	8	47	16	43	24
Financial expenses	44	14	61	15	37	83
<b>Profit before tax</b>	<b>862</b>	<b>817</b>	<b>1,616</b>	<b>1,114</b>	<b>2,991</b>	<b>604</b>
Estimate income tax	183	180	343	243	642	132
<b>Net profit</b>	<b>678</b>	<b>637</b>	<b>1,273</b>	<b>871</b>	<b>2,349</b>	<b>471</b>
Non-controlling interest share	0.1	0.1	0.2	0.2	0.4	-0.4
Owner of parent company share	678	637	1,273	871	2,349	472
Earnings per share (in NOK)	5.24	4.92	9.83	6.72	18.13	3.64
<b>Statement of comprehensive income</b>						
Net profit	678	637	1,273	871	2,349	471
<b>Other comprehensive income</b>						
<i>Items that are not reclassified subsequently to profit or loss</i>						
Reclassification of realised translation differences to profit and loss	0	0	0	0	-6	0
Actuarial gains (losses) on defined-benefit pension schemes	0	0	0	0	-2	-2
Income tax on items that are not reclassified to profit or loss	0	0	0	0	0.4	0.4
<i>Items that may be reclassified subsequently to profit or loss</i>						
Translation differences	82	48	-11	-61	-138	134
	81	48	-11	-61	-146	133
<b>Total comprehensive income for the period</b>	<b>759</b>	<b>685</b>	<b>1,262</b>	<b>810</b>	<b>2,203</b>	<b>605</b>
<b>Comprehensive income assigned to:</b>						
Owners of parent company	759	685	1,262	810	2,203	605
Non-controlling interests	0.1	0.1	0.2	0.1	0.2	-0.2

## Condensed statement of financial position

Amounts in NOK million	Per 30.06		Per 31.12	
	2022	2021	2021	2020
Intangible assets	86	70	86	74
Tangible fixed assets	2,239	2,226	2,200	2,293
Financial fixed assets	3	5	3	6
<b>Total fixed assets</b>	<b>2,327</b>	<b>2,301</b>	<b>2,289</b>	<b>2,373</b>
Inventory	2,404	1,693	2,174	1,504
Contract assets	231	101	149	92
Receivables	2,772	2,865	2,023	1,717
Liquid assets and current financial investments	999	285	1,634	147
<b>Total current assets</b>	<b>6,406</b>	<b>4,943</b>	<b>5,980</b>	<b>3,433</b>
<b>Assets held for sale</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>27</b>
<b>Total assets</b>	<b>8,734</b>	<b>7,244</b>	<b>8,269</b>	<b>5,833</b>
Share capital*	648	648	648	648
Other equity	4,028	2,547	3,940	2,217
<b>Total equity</b>	<b>4,676</b>	<b>3,195</b>	<b>4,588</b>	<b>2,865</b>
Provisions	637	509	312	280
Long term interest-bearing liabilities	186	585	195	454
Lease liabilities	90	165	102	174
<b>Total long term liabilities</b>	<b>913</b>	<b>1,258</b>	<b>610</b>	<b>909</b>
Contract liabilities	275	124	244	140
Short term liabilities	2,870	2,666	2,828	1,902
<b>Total short term liabilities</b>	<b>3,145</b>	<b>2,791</b>	<b>3,072</b>	<b>2,042</b>
<b>Liabilities held for sale</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>17</b>
<b>Total liabilities</b>	<b>4,058</b>	<b>4,049</b>	<b>3,682</b>	<b>2,968</b>
<b>Total liabilities and equity</b>	<b>8,734</b>	<b>7,244</b>	<b>8,269</b>	<b>5,833</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			Total	Non-controlling interests	Total equity
	Share capital	Share premium funds	Other equity			
Total pr 01.01.2021	648	131	2,076	2,854	11	2,865
<b>Comprehensive income for the period</b>						
<b>Net profit</b>	0	0	871	871	0.2	871
<b>Other comprehensive income</b>						
Translation differences	0	0	-61	-61	0	-61
<b>Other comprehensive income (net of tax)</b>	0	0	-61	-61	0	-61
<b>Transactions with owners, recognized directly against equity</b>						
Exit non controlling interests du to sale of subsidiary	0	0	0	0	-8	-8
Dividend to owners	0	0	-472	-472	0	-472
<b>Total transactions with owners</b>	0	0	-472	-472	-8	-480
<b>Total as at 30.06.2021</b>	<b>648</b>	<b>131</b>	<b>2,414</b>	<b>3,192</b>	<b>3</b>	<b>3,195</b>
Total pr 01.01.2022	648	131	3,806	4,585	2	4,588
<b>Comprehensive income for the period</b>						
<b>Net profit</b>	0	0	1,273	1,273	0.2	1,273
<b>Other comprehensive income</b>						
Translation differences	0	0	-11	-11	0	-11
<b>Other comprehensive income (net of tax)</b>	0	0	-11	-11	0	-11
<b>Transactions with owners, entered directly against equity</b>						
Dividend to owners	0	0	-1,174	-1,174	0	-1,174
Other changes	0	0	0.1	0.1	0	0.1
<b>Total transactions with owners</b>	0	0	-1,174	-1,174	0	-1,174
<b>Total as at 30.06.2022</b>	<b>648</b>	<b>131</b>	<b>3,894</b>	<b>4,673</b>	<b>3</b>	<b>4,676</b>

## Consolidated statement of cash flow

Amounts in NOK million	Per 30.06	
	2022	2021
<b>CASH FLOW FROM OPERATIONAL ACTIVITIES:</b>		
Net profit	1,273	871
<i>Adjustments to reconcile net profit with net cash flow from operations:</i>		
Depreciation	166	175
Impairment	0.1	0.6
Tax paid	-369	-81
Unpaid pension costs entered as costs and unreceived pension funds entered as income	0.3	0.3
Loss (profit) on sale of fixed assets	-0.3	-1
Net value change of financial instruments to fair value	-34	-12
Income tax	343	243
<i>Changes in operating assets and liabilities:</i>		
Changes in inventory	-259	-188
Changes in accounts receivable and other receivables	-869	-1,160
Changes in trade accounts payable	235	267
Changes in provisions and benefits to employees	-16	-8
Changes in short-term liabilities excluding borrowing	238	583
<b>Cash flow from operational activities</b>	<b>709</b>	<b>690</b>
<b>CASH FLOW FROM INVESTMENT ACTIVITIES:</b>		
Investment in plant and equipment exc. acquisition	-199	-130
Investment in current financial assets	400	0
Receipts from sale of fixed assets	1	3
Sale of subsidiaries excl cash in business sold	66	-2
<b>Cash flow from investment activities</b>	<b>268</b>	<b>-130</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES:</b>		
Net borrowing (+) / repayment (-) of long term debt	-9	131
Payment of leases	-19	-20
Payment of dividend	-1,174	-472
<b>Cash flow from financial activities</b>	<b>-1,202</b>	<b>-361</b>
<b>Net increase (reduction) in liquid assets during year</b>	<b>-225</b>	<b>199</b>
Liquid assets start of period	1,214	100
Effect of exchange rate changes on liquid assets	-15	-28
<b>Liquid assets end of period</b>	<b>974</b>	<b>271</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 2022, ending on 30 June 2022, 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 2021 are available at [www.moelven.no](http://www.moelven.no).

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

The consolidated financial statements for the second quarter of 2022 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 2021. The consolidated quarterly financial statements were approved by the Board on 25 August 2022.

### **Note 3 – Accounting policies**

The accounting policies adopted in the quarterly financial statements for 2022 are the same as those in the consolidated financial statements for 2021. 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 2021 and the principal sources of estimate uncertainty are the same when preparing these quarterly accounts as for the consolidated accounts for 2021.

### **Note 5 – Pensions and taxes**

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

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

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

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

## Note 7 – Sales revenues

Second quarter Amounts in NOK million	Timber		Wood		Building systems		Other		Group	
	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
Norway	182	141	805	1,083	476	453	130	79	1,592	1,756
Sweden	253	240	555	539	522	555	157	186	1,487	1,520
Rest of Europe	703	515	235	185	31	48	0	0	968	747
Rest of the world	190	94	12	11	0	0	0	0	202	105
<b>Total Sales revenues</b>	<b>1,327</b>	<b>989</b>	<b>1,606</b>	<b>1,818</b>	<b>1,029</b>	<b>1,056</b>	<b>287</b>	<b>265</b>	<b>4,249</b>	<b>4,128</b>
Other operating revenues	1	0	5	2	2	7	10	12	19	21
<b>Total operating revenues</b>	<b>1,328</b>	<b>990</b>	<b>1,612</b>	<b>1,820</b>	<b>1,031</b>	<b>1,063</b>	<b>298</b>	<b>277</b>	<b>4,268</b>	<b>4,149</b>

6 months Amounts in NOK million	Timber		Wood		Building systems		Other		Group	
	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
Norway	358	254	1,587	1,612	940	849	238	164	3,124	2,879
Sweden	491	428	1,040	952	998	1,060	353	413	2,881	2,853
Rest of Europe	1,273	911	408	341	105	98	0	0	1,787	1,349
Rest of the world	327	186	27	30	0	0	0	0	354	216
<b>Total Sales revenues</b>	<b>2,449</b>	<b>1,779</b>	<b>3,062</b>	<b>2,935</b>	<b>2,044</b>	<b>2,006</b>	<b>591</b>	<b>577</b>	<b>8,146</b>	<b>7,298</b>
Other operating revenues	3	3	44	4	5	12	15	15	66	33
<b>Total operating revenues</b>	<b>2,452</b>	<b>1,782</b>	<b>3,106</b>	<b>2,939</b>	<b>2,048</b>	<b>2,018</b>	<b>606</b>	<b>592</b>	<b>8,212</b>	<b>7,331</b>

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

Amounts in NOK million	Per 30.06	
	2022	2021
Book value per 1.1	2,217	2,321
Acquisitions	199	130
Lease acquisitions	7	12
Disposals	0	-1
Depreciations	-166	-176
Transfers	10	2
Translation differences	-11	-38
<b>Book value per 31.12.</b>	<b>2,256</b>	<b>2,249</b>

## Note 9 - Financial instruments

Amounts in NOK million	30.06.2022			31.12.2021			30.06.2022		
	Positive fair value	Negative fair value	Net fair value	Positive fair value	Negative fair value	Net fair value	Level 1*	Level 2*	Level 3*
Currency derivatives	16	-17	-1	18	-24	-6			-1
Interest rate derivatives	9		9	1	-26	-25			9
Embedded derivative - currency		-4	-4	0		0			-4
Money market fund				400		400			
<b>Total</b>	<b>25</b>	<b>-21</b>	<b>4</b>	<b>420</b>	<b>-50</b>	<b>370</b>			

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	-5	7	20	-11	9			7
Interest rate derivatives		-35	-35		-52	-52			-35
Embedded derivative - currency		1	1		-2	-2			1
<b>Total</b>	<b>12</b>	<b>-38</b>	<b>-26</b>	<b>20</b>	<b>-65</b>	<b>-46</b>			

\*

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

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

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

## Note 10 – Operating segments

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

Amounts in NOK million	Second quarter		6 months		12 months	
	2022	2021	2022	2021	2021	2020
Timber	529	376	942	538	1,682	260
Wood	369	482	650	578	1,364	353
Building Systems	28	11	61	34	23	71
Other	-45	-33	-48	-17	-16	-81
Internal	-19	-19	10	-19	-62	0
<b>Profit before tax</b>	<b>862</b>	<b>817</b>	<b>1,616</b>	<b>1,114</b>	<b>2,991</b>	<b>604</b>

## Note 11 – Related parties

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

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

Moelven is organised into three divisions: Timber, Wood and Building Systems. There is also an Other Businesses reporting area, which consists of the holding companies, supply businesses and bioenergy companies. The sawmills in Timber supply sawn timber products and components to industrial customers in Scandinavia and the rest of Europe, the Middle East, North Africa and China. The industrial customers use the products as intermediate goods in their own production. Shavings, chips and bark products are also supplied and are used in the pulp, chipboard and biofuel industry. The companies in Wood supply the building products trade in Scandinavia with a broad range of building and interior products. A critical competitive advantage is the division's efficient distribution system, which offers customers rapid and precise deliveries of a broad range of products. The companies within Building Systems deliver flexible system solutions for interior walls, modular buildings and load-bearing structures in glulam to projects and contractor clients, principally in Norway and Sweden. The division focuses on developing concepts and systems in collaboration with the customers and experts within architecture, design and construction. In total, the Group is composed of 36 production companies in Norway and Sweden and has 3,328 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.



Head office

Moelven Industrier ASA  
Org.no. NO 914 348 803 VAT  
P.O. Box 134, NO-2391 Moelv  
Tel. +47 62 34 70 00

[www.moelven.com](http://www.moelven.com)  
[post@moelven.com](mailto:post@moelven.com)