

Quarterly Report 3/2022



Cover photo

In Barkarby to the north of Stockholm, Moelven Byggmodul AB has delivered a block of flats based on wooden modules for the new town that is developing around the planned Metro station.

Attractive blocks of flats are being combined here with functionally-adapted properties and important jobs.

The block of flats consists of two interconnected structures, with 5 and 6 floors respectively. The two bottom floors have a kindergarten and care homes, while the remaining floors have a total of 205 student flats. The ribbed formwork cladding the concrete base on the ground floor combined with the natural colour of the Thermo pine cladding serve to create a design that really makes an impact in a dynamic urban environment.

Project facts:

Size	9,254 m ²
Facade	Thermo pine, wooden panelling and painted panels from Moelven
Architect	Reflex
Construction time	18 months
Environment	The Swan ecolabel

Photo: Andreas Hulthén

Amounts in NOK million	Third quarter		9 months		12 months	
	2022	2021	2022	2021	2021	2020
Operating revenues	3,116	3,951	11,328	11,282	14,872	11,665
EBITDA	309	1,252	2,105	2,541	3,389	1,011
Gross operating margin/EBITDA in per cent	9.9 %	31.7 %	18.6 %	22.5 %	22.8 %	8.7 %
Depreciation and impairment	80	110	247	285	403	348
Operating profit	229	1,143	1,858	2,255	2,986	662
Net operating margin/EBIT in per cent	7.3 %	28.9 %	16.4 %	20.0 %	20.1 %	5.7 %
Profit before tax	238	1,143	1,854	2,257	2,991	604
Profit per share in NOK	1.45	6.98	11.28	13.70	18.1	3.6
Cash flow from operational activities, in NOK per share	5.77	8.80	11.24	14.11	21.0	8.0
Total equity*	212	888	4,888	4,082	4,588	2,865
Equity ratio*	3.1 %	6.2 %	56.6 %	50.3 %	55.5 %	49.1 %
Total assets*	-98	878	8,636	8,122	8,269	5,833
Investments*	101	155	300	286	420	272
Return on capital employed in per cent, 12 month rolling*	-21.6 %	24.3 %	52.9 %	65.9 %	73.5 %	17.9 %
Capital employed*	200	494	5,155	4,445	4,890	3,500
Net interest-bearing liabilities*	-637	-990	-1,331	-506	-1,312	536
Net working capital*	-708	117	3,127	3,448	3,093	2,273
Number of employees*	-23	29	3,318	3,424	3,312	3,391
Sick leave percentage*	-0.4 %	0.0 %	6.7 %	5.5 %	5.7 %	6.2 %
Lost Time Injury Frequency rate, rolling LTI-rate*	2.0	-1.8	6.8	9.6	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

- Historically speaking the third quarter of 2022 was an excellent quarter, despite a significant decline in profits when compared with our record quarter at the same time the previous year.
- Operating revenues: NOK 3,116 million (3,951).
- Operating profit: NOK 229 million (1,143).
- Return on employed capital (12-month rolling basis): 52.9 per cent (65.9).
- Hesitant attitude on the international market for sawn timber.
- Poor demand from the building products trade in Scandinavia.
- Good order situation for Building Systems, with the exception of the housing segment relating to our building module business in Norway.

In brief

The international sawn timber market adopted a more hesitant attitude during the third quarter and price levels have returned to the falling trend which applied at the start of the year. After the war in Ukraine broke out, several of those involved built up stock levels in order to secure their own access to raw materials, and this contributed towards a temporary increase in both demand and prices. Since the end of the second quarter this trend has reversed and our industrial customers have been more hesitant with their purchases, in order to both reduce their own stocks and in anticipation of a decline in prices. Historically speaking sawn timber prices have remained at a good level, but generally higher costs are placing pressure on operating margins. Private consumption has long been an important driving force for developments in overall demand. This is now being reduced by rising living costs and continued uncertainty about the war in Ukraine and economic developments. This is having a direct impact on the demand for timber due to fewer new builds and reduced maintenance and renovation activities. This impact is being partially offset by the fact that timber is regarded as being an attractive, sustainable material and is thus taking market shares from other types of materials.

Activities in the Scandinavian building products trade saw a substantial reduction during the third quarter of 2022, compared to the same period in 2021. The consumer market is still suffering from the greatest decline, although activities in the other market segments have also been suffering from a slight reduction as projects are being completed and the market is adjusting to fewer new projects being initiated. Activities in the RME market remain satisfactory. Price levels have dropped since reaching peak levels during the third quarter of 2021.

Activities relating to building and construction, infrastructure and minor projects in our Building Systems Division been good during the quarter. The demand for modular builds for various residential purposes in Sweden improved during 2021, reaching a satisfactory level during the third quarter of 2022. Our Norwegian business market activities in this segment were considerably lower than normal during the third quarter of 2022.

Due to a lack of current orders for production at Moelven Byggmodul AS's factory in Hjellum, 80 employees were notified of layoffs in September. However, 40 of these employees were offered work at other Moelven units. At the end of the quarter, 40 employees were still laid off. The demand for modular buildings for residential purposes, which are produced by our Hjellum factory, remains low and no final decisions have yet been made about when production will recommence.

Access to forestry raw materials was good in both Norway and Sweden during the third quarter. Our production units have had more than enough raw materials to cover production throughout the quarter. Production at some of our timber-producing units has been reduced slightly in order to adjust our stock levels of intermediate and finished goods. When combined with a good supply of raw materials this has served to boost our timber stocks. At the end of the quarter, our total sawlog inventories were higher than at the same time in 2021 and more than adequate when measured against our current production plans. Prices for sawlogs from spruce and pine in both Norway and Sweden have increased when compared to the third quarter of 2021. Realised prices for cellulose chips and other by-products increased in Norway when compared to the third quarter of 2021. Our Swedish units operated with the same prices as those which applied during the same period last year.

The Norwegian Safety Investigation Authority has taken over the responsibility for the investigation of the collapse of the Tretten Bridge on 15 August 2022. The main aim of this work is to find lessons that could contribute toward increasing future safety. However, given the complexity of the survey, it is

expected that it will take at least a year, and probably longer, before a final report will be ready. Interim reports will be published during this process as they become ready.

A fire broke out in the log sorting facility at Moelven Soknabruket AS on 5 September 2022. Two people working in the control hut managed to escape without sustaining any injuries. The fire developed rapidly and there was a lot of smoke. Since it was reported quickly and thanks to the great work of the fire brigade and Moelven's industrial protection service, who were first on the scene, the fire was quickly brought under control. However, the log sorting facility was a write-off. In order to ensure a continued supply of timber to the plant, temporary sorting solutions have therefore been established in the forest in cooperation with the supplier.

Moelven Wood was awarded Coop OBS Bygg/Coop Byggmix's honorary award at the annual gathering of Byggforum in September 2022. One of the reasons for the award was the fact that, despite an extremely difficult market, Moelven Wood, has maintained excellent close contact with shops and COOP's head office in order to ensure the best possible access to goods all year round and has done an excellent job of acting as a partner rather than a supplier.

Stefan Djupvik (43) was appointed IT Director at Moelven in September. He has been the acting director since March. Mr. Djupvik came to Moelven during the autumn of 2021 as the Head of the IT Department's Development Team.

Operating revenues and profits/losses

Operating revenues for the third quarter were lower than for the same period in 2021. The reason for this is lower price levels and to some degree lower delivery volumes, especially in the Wood Division.

In terms of profit, our timber processing business suffered a significant decrease in profits compared to the same period in 2021. Throughout the third quarter, demand has been lower and the falling price trend prevalent at the beginning of the year has returned. Overall, prices have been significantly lower than during the same period in 2021. For processed goods, reduced demand, especially from the consumer market, has resulted in a continued drop in both price levels and delivery volumes. At the same time, expenses were affected by increased maintenance costs following a long period of high capacity utilisation, as well as a general increase in costs, particularly energy costs.

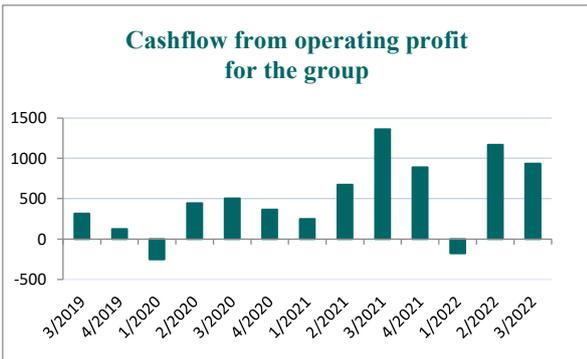
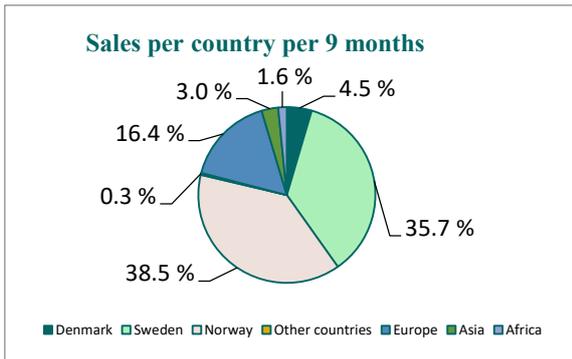
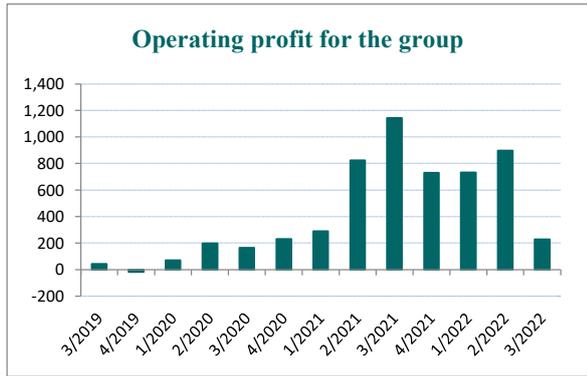
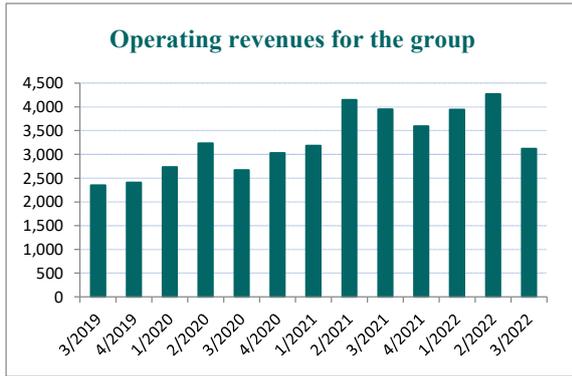
Chip and fibre product prices were higher overall than during the third quarter of 2021, but these are only compensating slightly for the sawn timber prices.

The operating profit for our Building Systems Division was also down compared to the corresponding period in 2021. Earnings improved for our glulam operations in Norway and Sweden, but operations in Sweden were negatively impacted during the quarter by inventory write-downs and costs relating to the severe weather that hit the production plant at the beginning of August. The action plans that were drawn up in 2021 for interior systems operations at Moelven Modus AS in order to improve competitiveness and recreate profitable operations have yielded results and this business delivered a quarterly result that was significantly better than that posted for the same period in 2021. Due to a drop in orders in the apartment segment in our Modular Buildings business in Norway, it has been necessary to reduce capacity at one of our factories. The costs associated with this are the main reason for the significant reduction in profits when compared to the third quarter of 2021.

The Group utilises financial instruments in order to reduce the impact of short-term fluctuations in foreign exchange rates, interest rates and energy prices. Non-cash items related to fair value assessments on unrealised balance sheet financial instruments totalled NOK 5 million (10) for the quarter and NOK 39 million (21.5) after the third quarter.

Pre-tax profit was NOK 238 million (1,143).

Amounts in NOK million	Third quarter		9 months		12 months	
	2022	2021	2022	2021	2021	2020
Operating revenues						
Timber	996	1,316	3,957	3,587	5,046	3,445
Wood	1,220	1,884	4,477	4,957	6,164	4,730
Building Systems	820	862	2,870	2,887	3,913	3,347
Other businesses	1,039	1,003	3,620	3,405	4,553	3,802
<i>Internal</i>	-960	-1,115	-3,597	-3,554	-4,803	-3,659
The Group	3,116	3,951	11,328	11,282	14,872	11,665
EBITDA						
Timber	190	595	1,199	1,192	1,794	366
Wood	94	618	792	1,266	1,504	482
Building Systems	11	49	109	130	160	166
Other businesses	-4	12	-23	-7	-6	-4
<i>Internal</i>	18	-21	28	-41	-62	0
The Group	309	1,252	2,105	2,541	3,389	1,011
Operating profit						
Timber	163	569	1,118	1,115	1,691	259
Wood	66	589	708	1,178	1,384	372
Building Systems	-2	5	60	40	19	76
Other businesses	-15	2	-56	-38	-47	-45
<i>Internal</i>	18	-21	28	-41	-62	0
The Group	229	1,143	1,858	2,255	2,986	662



Investments, balance sheet and financing

During the course of the third quarter, investments totalling NOK 101 million (155) were activated. For the first half of the year as a whole, investments totalling NOK 300 million (286) have been activated. This increase in investment activities is based on the Group's long-term strategy plan and mainly comprises three individual projects that are current throughout 2022.

Depreciation and write-downs for the quarter amounted to NOK 80 million (110). The decrease compared to the same period in 2021 is primarily related to losses from the sale of Moelven Modus AB, which were incorporated in the accounts as at the third quarter of 2021. Accumulated depreciations and write-downs amounted to NOK 247 million (285). At the end of the third quarter of 2022, the book value of the Group's total assets was NOK 8,636 million (8,269). This increase in total capital is mainly due to increased stocks of raw materials and finished goods, as well as higher liquidity reserves than usual due to high earnings throughout 2021 and 2022.

Cash flow from operating activities during the third quarter of 2022 was NOK 748 million (1,140), corresponding to NOK 5.77 per share (8.80). Cash flow for operating activities for the first three quarters totalled NOK 1,456 million (1,828), equivalent to NOK 11.24 per share (14.11). This decline compared to the previous year is due to lower earnings during the current year. Cash flow from working capital items was NOK 676 million for the third quarter (111) and accumulated NOK 396 million (-248).

At the end of the third quarter of 2022 the Group had net interest-bearing investments of NOK 1,331 million (506). Our strong liquidity situation is mainly due to good cash flow from operations and realised accounts receivable.

Liquidity reserves including unused credit facilities were NOK 3,462 million (2,792).

Equity at the end of the third quarter of 2022 amounted to NOK 4,888 million (4,082), equivalent to NOK 37.73 (31.51) per share. The equity ratio was 56.6 per cent (50.3).

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. During the third quarter, exchange rate fluctuations resulted in an unrealised increase in equity of NOK 24 million (minus 16). Accumulated for the first three quarters of the year this change amounted to NOK 13 million (minus 77). 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	Third quarter		9 months		12 months	
	2022	2021	2022	2021	2021	2020
Sales to external customers	844	1,016	3,299	2,801	3,911	2,745
Sales to internal customers	153	300	658	786	1,135	700
Operating revenues	996	1,316	3,957	3,587	5,046	3,445
Depreciation and impairment	27	26	81	77	103	107
Operating profit	163	569	1,118	1,115	1,691	259
Operating margin in per cent	16.4 %	43.2 %	28.3 %	31.1 %	33.5 %	7.5 %
Net operating capital (% of operating revenues)*	-2.0 %	1.8 %	12.9 %	15.8 %	14.5 %	13.3 %
Total assets*	151	528	3,146	2,710	3,079	1,743
Equity*	178	559	2,404	1,994	1,285	931
Capital employed*	177	454	2,444	2,049	1,327	1,101
Return on capital employed in per cent, 12 month rolling*	-27.4 %	30.7 %	85.0 %	86.3 %	104.8 %	22.4 %
Investments*	36	67	126	122	194	88
Total number of employees*	3	8	642	627	630	636

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

The demand for sawn timber in Scandinavia and Europe fell during the third quarter, while activities in our export markets in the Middle East, North Africa and the Far East remained satisfactory. Price levels in the international sawn timber market fell further, and at the end of the quarter they had returned to the levels that applied during the first half of 2021. These levels are still historically high, but increased cost levels in society mean that operating margins are now weaker.

Private consumption has long been an important driving force for developments in overall demand. Throughout 2022 this became increasingly impacted by rising living costs and uncertainty relating to both the war in Ukraine and economic developments. This is directly affecting the demand for timber in the form of reduced new build activities, maintenance and renovation. The impact of this is countered to a certain extent by wood being considered as an attractive and sustainable material, thus taking market shares from other types of materials. In sum, however, the demand surplus has been reduced and prices have fallen. 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. At the end of the first quarter and the start of the second quarter the entire market for timber products was affected by the war and concern about volume shortages on the supply side. Many of those involved built up their stocks in order to ensure access to raw materials. This temporarily contributed towards a demand for timber that was slightly higher than that indicated by the underlying activities. At the end of the second quarter and throughout the third quarter, the situation was starting to become normal again as customers reduced their stocks.

Overall, delivery volumes from the Division's units for the quarter were lower than during the same period in 2021. The main reason for this was reduced demand in the Scandinavian and European markets.

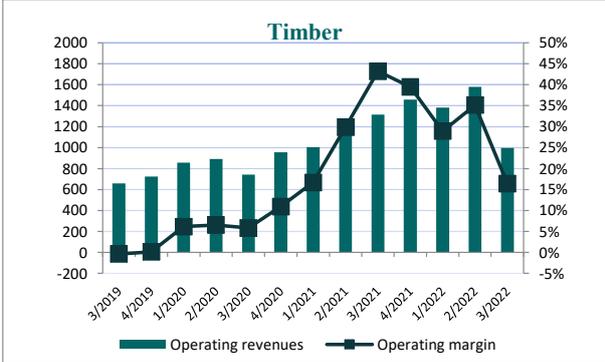
The production volume was also lower than during the third quarter of 2021. Processing costs per unit rose due to increased energy costs and high maintenance costs as a result of high utilisation rates at our plants over time, as well as increased cost levels in society in general. The availability of transport, which used to be a great challenge in the past, has improved somewhat with the reduction in activity levels and fewer pandemic-related lockdowns that have limited mobility, but prices have increased significantly from previous normal levels.

Total operating costs for the first three quarters have also been affected by increased costs relating to measures designed to maintain production capacity during a period when the COVID-19 pandemic has resulted in increased short-term absence due to sickness.

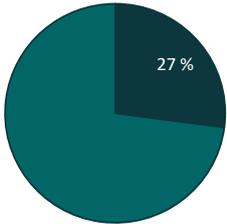
Technical safety inspections conducted in 2021 in connection with our improvement project entitled “HSE Towards 2023” have revealed a need for remedial measures in certain places. This work is still ongoing and will for all intents and purposes be completed during the course of 2022.

The rates for NOK and SEK compared to the Group’s key export currencies remain at levels that ensure good competitiveness in our export markets.

Access to forestry raw materials was good in both Norway and Sweden during the third quarter. Our production units have had more than enough raw materials to cover production throughout the quarter. Production at some of our units has been reduced slightly in order to adjust our stock levels of intermediate and finished goods. When combined with a good supply of raw materials this has served to boost our timber stocks. At the end of the quarter, our total sawlog inventories were higher than at the same time in 2021 and more than adequate when measured against our current production plans. Prices for sawlogs from spruce and pine in both Norway and Sweden have increased when compared to the third quarter of 2021. Realised prices for cellulose chips and other by-products increased in Norway when compared to the third quarter of 2021. Our Swedish units operated with the same prices as those which applied during the same period last year.



Timber’s share of the Groups sale to external customers



Wood

Amounts in NOK million	Third quarter		9 months		12 months	
	2022	2021	2022	2021	2021	2020
Sales to external customers	1,168	1,826	4,281	4,771	5,916	4,518
Sales to internal customers	52	58	196	186	247	212
Operating revenues	1,220	1,884	4,477	4,957	6,164	4,730
Depreciation and impairment	29	29	84	88	119	111
Operating profit	66	589	708	1,178	1,384	372
Operating margin in per cent	5.4 %	31.2 %	15.8 %	23.8 %	22.5 %	7.9 %
Net operating capital (% of operating revenues)	-4.0 %	-4.7 %	29.3 %	26.9 %	28.6 %	26.8 %
Total assets*	-247	572	3,613	4,194	3,866	2,802
Equity*	72	578	2,187	2,368	1,529	1,243
Capital employed*	-89	407	2,488	2,674	1,746	1,793
Return on capital employed in per cent, 12 month rolling*	-22.4 %	20.5 %	40.1 %	62.1 %	62.7 %	19.6 %
Investments*	61	64	149	109	155	130
Total number of employees*	-6	-19	1,095	1,110	1,108	1,099

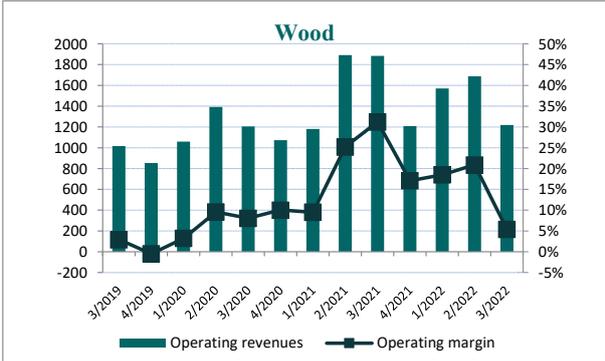
*The columns regarding the quarterly numbers show the change in the quarter

Demand from the building products trade for wood-based building products continued to fall during the third quarter of 2022 to a level significantly below that which applied during the same period the previous year. This decline has been greatest for building wood products, but increased towards the end of the quarter for interior products as well. Sheet products have been slightly better. The main reason for this is the decline in the consumer market for the refurbishment and maintenance of residential and holiday homes. Activities in the professional market have been better, but even here there has recently been a declining trend. The overall price levels were lower than during the corresponding period in 2021, and when coupled with reduced delivery volumes this has meant that operating revenues were significantly lower than for the third quarter of the previous year. Reduced delivery volumes and continued normal production rates have resulted in increased stocks of finished goods, resulting in higher levels than desired at the end of the third quarter of 2022. Measures are therefore being implemented in order to reduce planing production and avoid an excessive build-up of stocks towards the turn of the year.

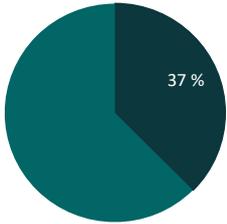
A fire broke out in the log sorting facility at Moelven Soknabruket AS on 5 September. Two people working in the control hut managed to escape without sustaining any injuries. The fire developed rapidly and there was a lot of smoke. Since it was reported quickly and thanks to the great work of the fire brigade and Moelven's industrial protection service, who were first on the scene, the fire was quickly brought under control. However, the log sorting facility was a write-off. In order to ensure a continued supply of timber to the plant, temporary sorting solutions have therefore been established in the forest in cooperation with the supplier.

For the division's sawlog 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 and increased cost levels in society in general. Technical safety inspections conducted in 2021 in connection with our improvement project entitled "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 during the course of 2022. The accumulated profits were also affected by a need for extra staffing during the first half of the year in order to manage high levels of short-term absence due to sickness as a result of the COVID-19 situation, something which resulted in increased costs.

Access to forestry raw materials was good in both Norway and Sweden during the third quarter. Our production units have had more than enough raw materials to cover production throughout the quarter. Production at some of our timber-producing units has been reduced slightly in order to adjust our stock levels of intermediate and finished goods. When combined with a good supply of raw materials this has served to boost our timber stocks. At the end of the quarter, our total sawlog inventories were higher than at the same time in 2021 and more than adequate when measured against our current production plans. Prices for sawlogs from spruce and pine in both Norway and Sweden have increased when compared to the third quarter of 2021. Realised prices for cellulose chips and other by-products increased in Norway when compared to the third quarter of 2021. Our Swedish units operated with the same prices as those which applied during the same period last year.



Wood's share of the Groups sale to external customers



Building Systems

Amounts in NOK million	Third quarter		9 months		12 months	
	2022	2021	2022	2021	2021	2020
Sales to external customers	819	857	2,868	2,875	3,899	3,343
Sales to internal customers	0	5	3	13	13	4
Operating revenues	820	862	2,870	2,887	3,913	3,347
Depreciation and impairment	14	44	50	90	140	90
Operating profit	-2	5	60	40	19	76
Operating margin in per cent	-0.3 %	0.6 %	2.1 %	1.4 %	0.5 %	2.3 %
Net operating capital (% of operating revenues)*	-1.8 %	-2.0 %	12.9 %	11.0 %	11.1 %	11.3 %
Total assets*	-113	25	1,767	1,907	1,694	1,909
Equity*	0	0	725	787	667	852
Capital employed*	-4	-12	901	947	782	1,028
Return on capital employed in per cent, 12 month rolling*	-0.6 %	-2.5 %	4.7 %	6.7 %	2.2 %	7.3 %
Investments*	1	20	15	45	54	22
Total number of employees*	-23	22	1,400	1,499	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 throughout the third quarter of 2022, apart from the residential segment of our building module business in Norway. The Division's order backlog at the end of the quarter is at a satisfactory level overall.

As regards our Glulam businesses in both Norway and Sweden, demand from the consumer market for standard laminated timber fell during the third quarter. Activities in the project market were particularly good in Sweden. High steel prices and a growing interest in building sustainably with wood have contributed towards increasing the demand for laminated timber buildings when priority would previously have been placed on steel load-bearing structures. Moelven Töreboda AB and Moelven Limtre AS have jointly received an order for a large logistics building to be erected in Jönköping, Sweden. In volume, this project will be the largest single glulam project in the history of Moelven. At the beginning of August our factory in Töreboda was hit by a severe storm which caused a certain amount of damage. Adjustments in stocks have had a negative effect on our glulam operations during the period. Production costs increased compared to the same period in 2021, mainly due to increased energy costs, increased prices for other input factors and increased price levels in society in general.

As regards our building module operations in Norway, activities in the building and construction segment have been satisfactory and production has been good. Activities in the project market have been reduced, with few public tenders. In the residential and holiday home market, demand for modular builds has been much lower than expected. Due to a lack of current orders for production at Moelven Byggmodul AS's factory in Hjellum, 80 employees were notified of layoffs in September. However, 40 of these employees were offered work at other Moelven units. At the end of the quarter, 40 employees were still laid off.

At the same time that the company is having to resort to layoffs, a major restructuring process for all of Moelven Byggmodul AS is being initiated. In 2021 the Moelven Byggmodul companies in Moelv and Hjellum were merged into one company in order to boost competitiveness, but so far this has not produced any satisfactory results. A restructuring process will therefore be initiated in order to achieve greater synergies from the merger.

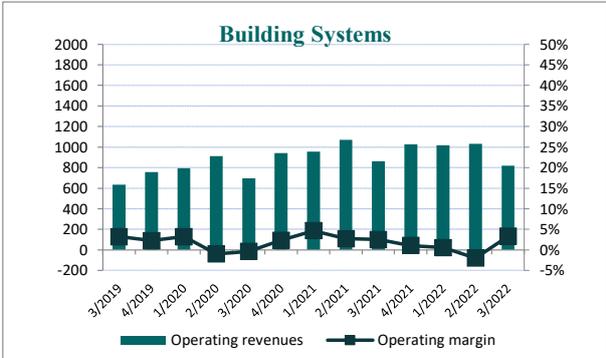
As regards our Swedish building module business, market activities were satisfactory in the residential segment and good in all the other market segments during the third quarter of 2022. Incoming orders

were satisfactory and the order situation at the end of the quarter will provide the basis for satisfactory activities at our factories well into 2023.

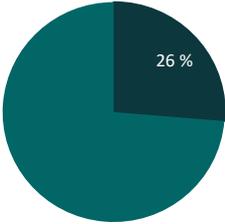
The results for our Modular Buildings operations were also negatively impacted by increased costs in society.

The accumulated results for our operations in both Norway and Sweden during several periods during the first half of the year have been affected by very high levels of short-term absence due to sickness relating to COVID-19. This created challenges in terms of maintaining activity levels and increased costs.

As regards Moelven Modus AS, our interior systems company, market activities during the third quarter were satisfactory. Although some parts of the country have adopted a slightly hesitant attitude, several exciting project enquiries have been received and the order situation is good. Action plans designed to improve competitiveness and restore profitable operations are now producing results. Moelven Modus AS also experienced high levels of short-term absence due to sickness relating to COVID-19 during some parts of the first six months of the year that involved challenges in maintaining high activity levels and resulted in increased costs.



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



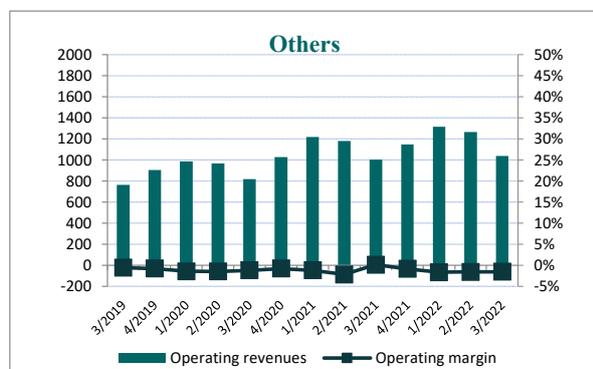
Other Businesses

Amounts in NOK million	Third quarter		9 months		12 months	
	2022	2021	2022	2021	2021	2020
Sales to external customers	313	269	969	905	1,253	1,152
Sales to internal customers	726	734	2,651	2,500	3,300	2,651
Operating revenues	1,039	1,003	3,620	3,405	4,553	3,802
Depreciation and impairment	11	10	33	31	41	41
Operating profit	-15	2	-56	-38	-47	-45
Operating margin in per cent	0.0 %	0.0 %	-1.5 %	-1.1 %	-1.0 %	-1.2 %
Net operating capital (% of operating revenues)*	0.4 %	6.6 %	5.2 %	11.9 %	5.2 %	4.4 %
Total assets*	146	-199	2,610	2,170	3,969	2,474
Equity*	-50	-234	1,152	553	2,714	1,450
Capital employed*	93	-595	1,182	733	2,868	1,811
Return on capital employed in per cent, 12 month rolling*	-1.0 %	-0.1 %	-3.5 %	-2.1 %	-2.3 %	-1.0 %
Investments*	3	3	10	9	18	32
Total number of employees*	3	18	181	188	191	166

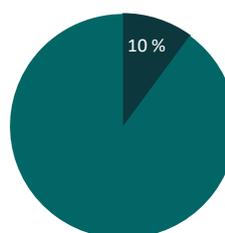
*The columns regarding the quarterly numbers show the change in the quarter

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 9 months 2022				Per 9 months 2021			
	Male	Female	% Female	Total	Male	Female	% Female	Total
Timber	571	71	11.1 %	642	561	66	10.5 %	627
Wood	915	180	16.4 %	1,095	923	187	16.8 %	1,110
Building Systems	1,274	126	9.0 %	1,400	1,382	117	7.8 %	1,499
Other businesses	127	54	29.8 %	181	133	55	29.3 %	188
The Group	2,887	431	13.0 %	3,318	2,999	425	12.4 %	3,424

Sickness absence rate	Per 9 months		Per 9 months	
	2022	2021	2022	2021
Timber	6.3 %	5.0 %	11.6	15.8
Wood	6.7 %	5.6 %	1.7	3.9
Building Systems	7.3 %	6.0 %	9.3	12.3
Other businesses	2.8 %	1.4 %	0.0	0.0
The Group	6.7 %	5.5 %	6.8	9.6

The injury frequency increased slightly during the third quarter of 2022. At the end of the quarter, the LTI rate (Lost Time Injury) measured on a 12-month rolling basis was 6.8 for the Group as a whole, an increase from 4.8 at the turn of the year, but still at a low level compared to previous years. Injuries caused by the use of hand tools are one of the most frequent causes of injury and measures designed to prevent this are now being reinforced. The LTI rate is the injury rate expressed as the number of injuries with subsequent absence from work due to sickness absence per million hours worked.

The actual number of injuries resulting in absence was 16, compared to 6 during the corresponding period in 2021. Total injuries during the first three quarters of the year amounted to 33, compared to 35 during the same period in 2021.

The TRI rate (Total Recorded Injury) measures the total number of injuries per million hours worked. At the end of the third quarter of 2022, the TRI rate on a 12-month rolling basis was 17.3 compared to 26.6 at the same time in 2021. The total number of injuries resulting in absence/no absence during the third quarter 2022 was 34 (22).

Internal investigations are routinely conducted of all injuries with a certain degree 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 we are aiming for the LTI1 rate to be lower than 6 and for the TRI rate to be lower than 24, both on a 12-month rolling basis. Developments during the previous year, with a reduction in the LTI rate from 9.6 as at 30 September 2021 to 6,8 one year later, and the TRI rate from 26.6 to 17.3, show

that our action plan for developing and improving our safety culture throughout Moelven – “HSE Towards 2023” - is producing results.

The main points of our 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.

Absence from work due to sickness during the third quarter amounted to 5.8 per cent (5.4), where 2.8 per cent (2.0) represents long-term absence. The long-term trend for developments in absence from work due to sickness has been falling for some time, but the COVID-19 pandemic resulted in greater variations than normal. Short-term absence has increased following the removal of infection control measures and changes in the virus to variants that are more infectious, but which result in shorter periods of sickness. After peaking during the first half of the year, absence from work due to sickness is once again on the decline for the Group as a whole. Many of Moelven's businesses already have absence levels that are lower than our 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

In its October edition of the “World Economic Outlook” report the IMF estimates that the global economy will grow by 3.2 per cent in 2022. This represents no changes when compared to the report published in July, but the projection for growth in 2023 has been adjusted down 0.2 per cent from 2.9 per cent from 2.7 per cent since the July report. Although COVID-19 still represents a risk and is occasionally creating challenges in some regions, it is now the energy crisis in Europe, rising inflation, interest rate hikes and not least the war in Ukraine and rising geopolitical tensions that are in focus. There is no doubt that this is all creating a negative impact on consumption and world trade. The biggest uncertainty factor is the war in Ukraine and as long as it continues, it is more difficult than ever to predict future macroeconomic developments.

Aggregate demand, particularly from consumer markets, fell further during the third quarter as a result of declining confidence in the future, reduced disposable income and generally higher cost levels. Throughout the third quarter of 2022 the trend during previous quarters has become increasingly more marked, with consumers continuing to spend less money on new buildings, maintenance and renovations. This was to be expected after a long period involving travel restrictions and abnormally high levels of activity in respect of renovation and rehabilitation.

During the third quarter of 2022 the demand for sawn timber has been falling in Scandinavia and Europe, but has been satisfactory for the rest of the world. As we head into the final quarter, the situation is more hesitant than normal. In the longer term, the war in Ukraine and increasing inflation are causing very high levels of uncertainty about future developments. The rates for NOK and SEK compared to the Group’s key export currencies remain at levels that ensure good competitiveness in our export markets. However, high energy prices, higher general cost levels and the war in Ukraine are pointing in the opposite direction. Access to transport capacity is still creating some challenges, even though the situation has improved when compared to the first half of the year.

As regards the market for processed timber in Scandinavia, activities relating to renovation, modernisation and extension are expected to remain at a satisfactory level. Sales of new homes and holiday homes have been falling for some time and the commencement of new building projects is also expected to be reduced as a consequence of this. This may partly be compensated for by increased activity in public sector construction projects. Developments in consumer demand will depend to a greater extent on changes in disposable income.

Thanks to Moelven’s good geographical supply situation, sawlog inventories at the start of the final quarter of 2022 are high in both Norway and Sweden. Given our current production plans, continued satisfactory access to raw materials is expected.

Activities relating to some of the business operations in our Building Systems Division have been lower than desired. Our current production capacity is being continuously adapted to accommodate this. The market situation for our glulam companies is at a level that ensures good capacity utilisation with good profit levels. Our building module companies are generally expected to enjoy satisfactory activity levels, apart from the residential segment in Norway where capacity was reduced during the third quarter of 2022. Activities at our interior systems company are satisfactory, but the competitive 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 achieving a return on average capital employed of 13 per cent over the course of an economic cycle. At the end of the third quarter, the rate of return amounted to as much as 52.9 per cent. During the final quarter of 2022, a further reduction in demand is expected and thus lower profits. However, there is considerable uncertainty in this respect.

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. This applies not only to international financial competitiveness, but also to safety, information technology, the climate and the environment.

For the final quarter of 2022 the Board is expecting activities and profits to be significantly lower than they were during the equivalent period in 2021. For 2022 overall we are expecting to see reduced profits when compared to 2021, but still good when compared to previous years.

Quarterly accounts for the Moelven Group for the third quarter of 2022

Condensed income statement and comprehensive income

Amounts in NOK million	Third quarter		9 months		12 months	
	2022	2021	2022	2021	2021	2020
Operating revenues	3,116	3,951	11,328	11,282	14,872	11,665
Cost of goods sold	1,912	1,821	6,300	5,924	7,564	7,191
Payroll expenses	501	528	1,754	1,816	2,465	2,280
Depreciation and impairment	80	110	247	285	403	348
Other operating expenses	394	350	1,169	1,001	1,454	1,184
Operating Profit	229	1,143	1,858	2,255	2,986	662
Financial income	14	11	61	26	43	24
Financial expenses	4	10	65	24	37	83
Profit before tax	238	1,143	1,854	2,257	2,991	604
Estimate income tax	50	239	393	482	642	132
Net profit	188	904	1,461	1,775	2,349	472
Non-controlling interest share	0.0	0.2	0.2	0.4	0.4	-0.4
Owner of parent company share	188	904	1,461	1,775	2,349	472
Earnings per share (in NOK)	1.45	6.98	11.28	13.70	18.13	3.64
Statement of comprehensive income						
Net profit	188	904	1,461	1,775	2,349	472
Other comprehensive income						
<i>Items that are not reclassified subsequently to profit or loss</i>						
Reclassification of realised translation differences to profit and loss	0	0	0	0	-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	24	-17	13	-78	-138	134
	24	-17	13	-78	-146	133
Total comprehensive income for the period	212	887	1,474	1,697	2,203	605
Comprehensive income assigned to:						
Owners of parent company	212	887	1,474	1,697	2,203	605
Non-controlling interests	0.1	0.2	0.2	0.3	0.2	-0.2

Condensed statement of financial position

Amounts in NOK million	Per 30.09		Per 31.12	
	2022	2021	2021	2020
Intangible assets	86	64	86	74
Tangible fixed assets	2,279	2,262	2,200	2,293
Financial fixed assets	3	5	3	6
Total fixed assets	2,367	2,331	2,289	2,373
Inventory	2,268	1,747	2,174	1,504
Contract assets	201	107	149	92
Receivables	2,169	2,982	2,023	1,717
Liquid assets and current financial investments	1,631	955	1,634	147
Total current assets	6,269	5,720	5,980	3,433
Assets held for sale	0	71	0	27
Total assets	8,636	8,122	8,269	5,833
Share capital*	648	648	648	648
Other equity	4,240	3,435	3,940	2,217
Total equity	4,888	4,082	4,588	2,865
Provisions	697	753	312	280
Long term interest-bearing liabilities	178	195	195	454
Lease liabilities	87	163	102	174
Total long term liabilities	961	1,110	610	909
Contract liabilities	247	183	244	140
Short term liabilities	2,541	2,691	2,828	1,902
Total short term liabilities	2,787	2,875	3,072	2,042
Liabilities held for sale	0	54	0	17
Total liabilities	3,748	4,039	3,682	2,968
Total liabilities and equity	8,636	8,122	8,269	5,833

*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
Comprehensive income for the period						
Net profit	0	0	1,775	1,775	0.4	1,775
Other comprehensive income						
Translation differences	0	0	-77	-77	-0.1	-78
Other comprehensive income (net of tax)	0	0	-77	-77	-0.1	-77
Transactions with owners, recognized directly against equity						
Exit non controlling interests du to sale of subsidiary	0	0	0	0	-8	-8
Dividend to owners	0	0	-472	-472	0	-472
Total transactions with owners	0	0	-472	-472	-8	-480
Total as at 30.09.2021	648	131	3,301	4,080	3	4,082
Total pr 01.01.2022	648	131	3,806	4,585	2	4,588
Comprehensive income for the period						
Net profit	0	0	1,461	1,461	0.2	1,461
Other comprehensive income						
Translation differences	0	0	13	13	-0.1	13
Other comprehensive income (net of tax)	0	0	13	13	-0.1	13
Transactions with owners, entered directly against equity						
Dividend to owners	0	0	-1,174	-1,174	0	-1,174
Total transactions with owners	0	0	-1,174	-1,174	0	-1,174
Total as at 30.09.2022	648	131	4,107	4,885	3	4,888

Consolidated statement of cash flow

Amounts in NOK million	Per 30.09	
	2022	2021
CASH FLOW FROM OPERATIONAL ACTIVITIES:		
Net profit	1,461	1,775
<i>Adjustments to reconcile net profit with net cash flow from operations:</i>		
Depreciation	247	261
Impairment	0.1	24.6
Tax paid	-576	-93
Unpaid pension costs entered as costs and unreceived pension funds entered as income	0.4	0.8
Loss (profit) on sale of fixed assets	-2.2	-29
Net value change of financial instruments to fair value	-39	-22
Income tax	393	482
<i>Changes in operating assets and liabilities:</i>		
Changes in inventory	-135	-252
Changes in accounts receivable and other receivables	-249	-1,317
Changes in trade accounts payable	252	257
Changes in provisions and benefits to employees	-6	4
Changes in short-term liabilities excluding borrowing	111	737
Cash flow from operational activities	1,456	1,828
CASH FLOW FROM INVESTMENT ACTIVITIES:		
Investment in plant and equipment exc. acquisition	-316	-286
Investment in current financial assets	400	0
Receipts from sale of fixed assets	3	45
Sale of subsidiaries excl cash in business sold	66	-26
Cash flow from investment activities	153	-266
CASH FLOW FROM FINANCING ACTIVITIES:		
Net borrowing (+) / repayment (-) of long term debt	-18	-260
Payment of leases	-28	-30
Payment of dividend	-1,174	-472
Cash flow from financial activities	-1,219	-761
Net increase (reduction) in liquid assets during year	390	801
Liquid assets start of period	1,214	100
Effect of exchange rate changes on liquid assets	-5	-33
Liquid assets end of period	1,599	868

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 September 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.

Note 2 – Statement of conformity

The consolidated financial statements for the third 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 27 October 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

Third quarter Amounts in NOK million	Timber		Wood		Building systems		Other		Group	
	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
Norway	118	182	569	1,133	363	376	134	107	1,183	1,798
Sweden	131	198	456	503	398	417	143	125	1,128	1,243
Rest of Europe	418	562	105	181	56	38	0	0	579	780
Rest of the world	175	72	32	3	0	0	0	0	207	75
Total Sales revenues	841	1,014	1,162	1,820	817	831	277	232	3,097	3,896
Other operating revenues	1	2	4	4	2	26	11	22	19	55
Total operating revenues	843	1,015	1,166	1,824	819	857	288	254	3,116	3,951

9 months Amounts in NOK million	Timber		Wood		Building systems		Other		Group	
	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
Norway	476	436	2,156	2,745	1,302	1,225	372	271	4,307	4,677
Sweden	622	626	1,495	1,456	1,397	1,476	496	538	4,010	4,096
Rest of Europe	1,691	1,473	513	521	162	136	0	0	2,366	2,130
Rest of the world	502	258	59	33	0	0	0	0	561	291
Total Sales revenues	3,290	2,793	4,224	4,755	2,861	2,837	868	809	11,243	11,194
Other operating revenues	4	5	48	8	7	38	26	37	85	88
Total operating revenues	3,294	2,798	4,272	4,763	2,868	2,875	894	846	11,328	11,282

Note 8 – Fixed assets, intangible assets and goodwill

Amounts in NOK million	Per 30.09	
	2022	2021
Book value per 1.1	2,217	2,321
Acquisitions	316	286
Lease acquisitions	13	21
Disposals	0	-17
Depreciations	-247	-260
Translation differences	-3	-45
Book value per 31.12.	2,296	2,280

Note 9 - Financial instruments

Amounts in NOK million	30.09.2022			31.12.2021			30.09.2022		
	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	17	-17	0	18	-24	-6		0	
Interest rate derivatives	15		15	1	-26	-25		15	
Embedded derivative - currency		-7	-7	0		0		-7	
Money market fund				400		400			
Total	33	-23	9	420	-50	370			

Amounts in NOK million	30.09.2021			31.12.2020			30.09.2021		
	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	15	-3	13	20	-11	9		13	
Interest rate derivatives		-30	-30		-52	-52		-30	
Embedded derivative - currency	1		1		-2	-2		1	
Total	16	-32	-16	20	-65	-46			

*

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	Third quarter		9 months		12 months	
	2022	2021	2022	2021	2021	2020
Timber	165	569	1,107	1,107	1,682	260
Wood	66	585	716	1,163	1,364	353
Building Systems	-3	4	58	38	23	71
Other	-8	7	-55	-10	-16	-81
Internal	18	-21	28	-41	-62	0
Profit before tax	238	1,143	1,854	2,257	2,991	604

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 3,318 employees. Moelven also has sales offices in Denmark, England, Germany and China. The Moelven group is owned by Glommen Mjøsen Skog SA (66.8 per cent) and Viken Skog SA (32.8 per cent). Most of the remaining 0.4 per cent is owned by private individuals.



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