



# Quarterly Report 4/2016

Construction timber. Moelven Våler AS.  
Photo: Jens Edgar Haugen.

**MOELVEN**<sup>®</sup>

Amounts in NOK million	Fourth quarter		Total	
	2016	2015	2016	2015
Operating revenues	2 456,2	2 483,1	10 349,7	9 690,4
EBITDA	160,8	153,8	641,6	553,9
Gross operating margin/EBITDA	6,5 %	6,2 %	6,2 %	5,7 %
Depreciation and impairment	97,1	88,7	306,6	339,1
Operating profit	63,7	65,1	335,0	214,8
Net operating margin/EBIT	2,6 %	2,6 %	3,2 %	2,2 %
Value change of financial instruments to fair value	4,1	3,4	14,6	5,6
Profit before tax	56,3	49,5	292,5	158,5
Profit per share in NOK	0,22	0,27	1,62	0,90
Cash flow from operational activities, in NOK per share	0,89	1,97	3,13	4,53
Total equity *	54,2	44,9	1 843,8	1 756,9
Equity ratio *	2,8 %	1,7 %	38,0 %	36,8 %
Total assets *	-225,2	-104,6	4 847,8	4 778,1
Investments *	108,1	82,9	275,2	215,8
Return on capital employed *	-0,9 %	0,6 %	11,7 %	7,4 %
Capital employed *	-4,8	-62,8	2 877,3	2 870,8
Net interest-bearing liabilities *	-28,6	-75,7	1 026,9	1 110,4
Net working capital *	-222,8	-166,6	2 152,2	2 081,2
Number of employees *	-120	33	3 492	3 426
Sick leave percentage *	0,1 %	-0,1 %	5,6 %	5,5 %
Frequency of accidents with absence, H1 value *	-0,7	-0,7	12,8	15,7
Number of shareholders	934	941	934	941
Average number of shares (mill)	129,5	129,5	129,5	129,5

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

- Operating revenues in the fourth quarter dropped by 1.1 per cent to NOK 2,456.2 million (2,483.1). Year-to-date operating revenues increased by 6.8 per cent to NOK 10,349.7 million (9,690.4).
- Operating revenues in the fourth quarter dropped by 2.2 per cent to NOK 63.7 million (65.1). However, the result for 2015 includes items of NOK 26,5 million related to conversion of the pension scheme for employees in Norway.
- Underlying operating profits have been improved by 23.5 per cent.
- The rate of return on employed capital for the year improved to reach 11.7% (7.4). Improvement and restructuring measures to achieve the long-term goal of 13% are going according to plan.
- Continued satisfactory demand for products from the Group's timber processing operations.
- A good level of activity and a continued healthy and well-composed order backlog for Building Systems.

## In brief

The fourth quarter followed the normal seasonal developments with good market activity in October/November, and a certain decline in December. International demand for sawn timber was good in all regions, with the exception of China. European markets are improving, and the Scandinavian home markets and the Middle East and North Africa have been good and stable. In the export markets where trade is in EUR, currency conditions have helped maintain margins for the Swedish units, which are responsible for most of exports. Prices on the UK market have increased, which partially compensates for the lower margins as a result of the depreciation of GBP following the Brexit referendum.

Demand from the building products trade in Scandinavia was satisfactory. Reduction in the tax deductions for renovation, modernisation and extension (RME) costs in Sweden appears to have slowed the RME market for consumers, but activity remains high in residential construction and commercial property.

Access to raw materials for the timber consuming units in Norway was somewhat reduced in the first part of the period, but picked up to satisfactory levels towards year end. At the end of the year both raw material access and inventory levels were satisfactory overall. Prices for sawlogs were generally higher than for the fourth quarter 2015 in Norway, and somewhat lower in Sweden. Sales of chip and fibre products were good in the quarter, at prices on a par with the corresponding period last year.

Moelven Elektro AS was sold to Bravida Norge AS on 1 December 2016. Moelven Elektro AS was demerged from the group's other electrical activities and placed under the Other business reporting area in the second quarter of 2016. The core business is maintenance contracts and small and medium-sized projects. At the time of the sale Moelven Elektro AS had a total of 162 employees.

On 21 November 2016 Moelven acquired the business and assets of DLH Sverige AB. The acquisition includes inventory, warehouse and offices in Hässleholm. The acquisition provides Moelven with improved access to the market in southern Sweden, while at the same time strengthening logistics and facilitating further expansion through a cost-effective distribution scheme to both the building products trade and industrial customers.

In January 2017 a decision was made to transfer operations at Moelven Tom Heurlin AB from the Timber division to the Wood division as of January 1<sup>st</sup>. The company has failed to achieve satisfactory profitability through its strategic focus on exports, and will instead coordinate with the Wood division's focus on the Scandinavian home market. Coordination will entail a need to scale back capacity, and negotiations with trade unions have been initiated.

At Moelven Valåsen AB and Moelven Notnäs AB it has been planned to invest a total of SEK 164 million in efficiency and cost-reduction measures. The investment will take place in stages, where the first stage will start now and the following stages will only be approved once the previous stage's targets have been met. Exploiting the opportunities provided by new technology has a high priority in these projects. The project at Moelven Valåsen AB is one of a total of eight innovation projects in Swedish industry that has been granted subsidies from state-owned Vinnova following "The smart digital factory" announcement.

Moelven Modus is actively working to combine flexibility and sustainability with good design in its products. When "Sweden's Nicest Office 2016" was to be announced, Moelven Modus was involved in around 30 per cent of the 73 participants. Out of the five participants that reached the final, Moelven Modus had supplied three: The company's own Gothenburg office that came in fourth, Kinnarp's headquarters that came in third, and the winner DICE's headquarters in Stockholm

The "Sjöterrassen" project in Fittja is one of four residential projects that is nominated to the national Swedish award "Bostadspriset 2016". A total of 62 homes have been built using modules supplied by Moelven Byggmodul AB.

## Revenues and results

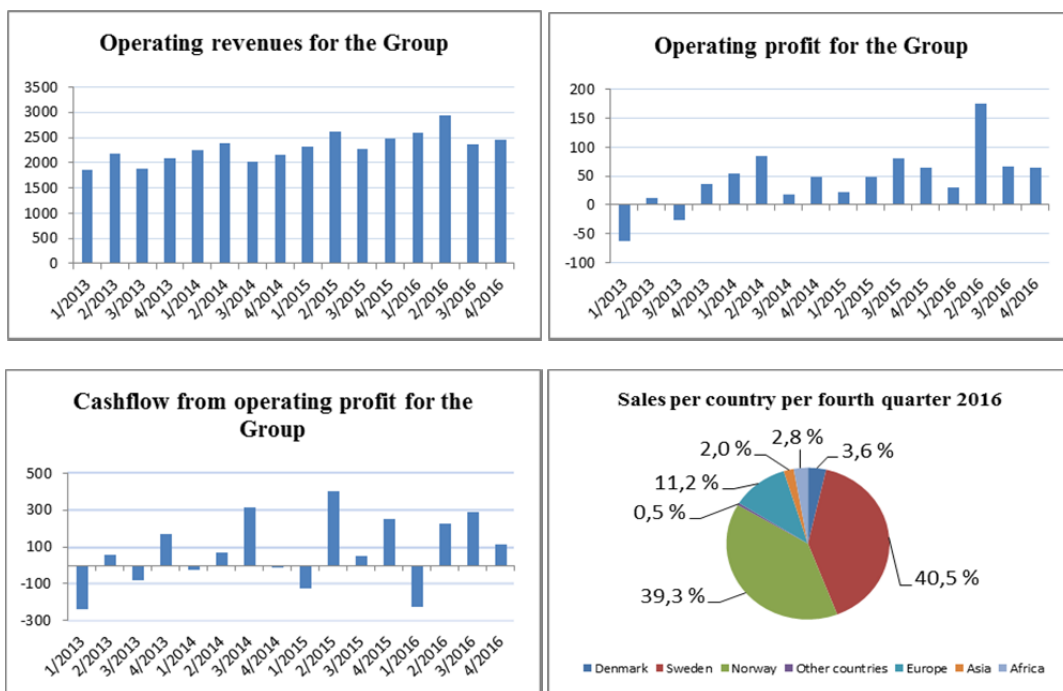
Revenues in the fourth quarter fell somewhat compared to the same period last year, largely due to divestments. Adjusted for the effects of the business in Moelven Nössemark Trä AB being sold on 30 December 2015 and the sale of Moelven Elektro AS on 1 December 2016, underlying activity levels have increased. Operating profits for the quarter were NOK 63,7 million (65,1), and the net profit margin of 2.6 per cent was thus unchanged compared to the previous year. However, the result for the fourth quarter of 2015 includes a positive non-recurring effect of NOK 26.5 million as a result of the group's remaining defined-benefit pension schemes in Norway being converted to defined contribution pension schemes. The FIFO principle requires that inventory calculations are adjusted in line with developments in raw material costs. Along with an update of real value assessments of inventory, this has formed the basis for price adjustments totalling NOK 6.0 million in the quarter. In the same period in 2015 the corresponding amount was NOK -3.5 million. Cumulative price adjustments comprised NOK 9.0 million in 2016 and NOK -45.6 million in 2015 respectively. The items do not have any impact on cash flow.

Year-to-date figures for 2015 include expenses totalling NOK 54.1 million related to the liquidation and sale of operations at Moelven Nössemark Trä AB, in addition to cost adjustments in the project portfolio of the Electrical Installations business of NOK 22 million. Both were charged to the second quarter accounts of 2015.

As a result of realised currency exchange gains, net financial expenses excluding value adjustments on financial instruments, were lower than in the fourth quarter last year, even though the combined loan margin has increased following refinancing carried out in June 2016.

The Group employs financial instruments as a hedge against short-term fluctuations in foreign exchange rates, interest rates and power prices. Non-cash items related to fair value assessments on unrealized financial instruments totalled NOK 4.1 million (NOK 3.4 million) for the quarter and NOK 14.6 million (NOK 5.6 million) for the year.

MNOK	Fourth quarter		Total	
	2016	2015	2016	2015
<b>Operating revenues</b>				
Timber	713,8	761,5	3 020,6	3 010,1
Wood	747,6	740,2	3 529,9	3 275,7
Building Systems	962,4	983,5	3 656,8	3 375,2
Other businesses	853,9	767,2	3 388,9	3 003,8
<i>Internal</i>	-821,5	-769,3	-3 246,5	-2 974,5
The Group	2 456,2	2 483,1	10 349,7	9 690,4
<b>EBITDA</b>				
Timber	44,1	32,4	181,1	145,1
Wood	53,4	45,8	274,5	237,4
Building Systems	67,4	77,0	206,3	185,2
Other businesses	-4,1	-1,4	-20,3	-13,9
The Group	160,8	153,8	641,6	553,9
<b>Operating profit</b>				
Timber	-0,4	-5,0	53,5	-23,9
Wood	24,1	14,5	160,6	123,7
Building Systems	48,2	61,1	155,1	140,8
Other businesses	-8,3	-5,4	-34,2	-25,9
The Group	63,7	65,1	335,0	214,8



## Investments, balance sheet and funding

Investments totalling NOK 108.1 million (NOK 82.9 million) were made during the fourth quarter, and NOK 275.2 million (NOK 215.8 million) year to date. Depreciations were NOK 80.5 million (NOK 88.7 million) in the quarter and NOK 290.1 million (NOK 291.2 million) year-to-date. In addition, the assets of Moelven Tom Heurlin AB were written down by NOK 16.5 million in the quarter. In 2015 Moelven Nössemark Trä AB's fixed assets were written down by NOK 47.9 million in the second quarter and subsequently sold in the fourth quarter. At the end of the fourth quarter, the book value of the Group's total assets was NOK 4,847.8 million (NOK 4,778.1 million).

Cash flow from operating activities in the quarter was NOK 115.20 million (NOK 253.6 million), corresponding to NOK 0.89 per share (NOK 1.97). Cumulative cash flow from operating activities was NOK 405.3 million (584.6 million).

The decline in the quarter compared to the same period the previous year is mainly due to lower realization of accounts receivable and higher repayment of short-term debt. Cash flow from working capital items was NOK -34.3 million in the fourth quarter (NOK 79.2 million) and NOK -179.1 million year to date (NOK 100.7 million).

Net interest-bearing liabilities were NOK 1,026.9 million (NOK 1,110.4 million) at the end of the fourth quarter. Financial leases are included in net interest-bearing liabilities in the amount of NOK 22.3 million (NOK 31.5 million). Cash reserves including short-term credit facilities was NOK 874.7 million (631.0). In the Group's main financing the available loan facility varies in time with the natural fluctuations in the Group's working capital through the year.

Equity at the end of the quarter amounted to NOK 1,843.8 million (NOK 1,756.9 million), equivalent to NOK 14.23 (NOK 13.56) per share. The decision to disburse a dividend for 2015 totalling NOK 58.3 million was made, and was carried out in the third quarter of 2016. In 2015 the dividend payment of NOK 51.8 million for 2014 was carried out in the fourth quarter. At the end of the fourth quarter the equity ratio was 38.0 per cent (36.8 per cent). Parts of the Group's equity are linked to ownership interests in foreign subsidiaries, principally in Sweden, and are thereby exposed to exchange rate fluctuations. The extent and consequences of likely variations in exchange rates are within acceptable risk limits. In the fourth quarter,

exchange rate fluctuations resulted in an unrealised increase in equity of NOK 18.7 million (NOK 22.9 million). Cumulatively for the full year, there has been a change of NOK -67.4 million (61.3 million). Approximately half of the Group's assets are recognized in SEK. The total assets thus also change based on the exchange rate. The equity ratio in percent is therefore less impacted by exchange rate fluctuations than the nominal equity.

## Divisions

### Timber

Amounts in NOK million	Fourth quarter		Total	
	2016	2015	2016	2015
Sales to external customers	557,0	610,4	2 410,6	2 487,4
Sales to internal customers	156,8	151,1	610,0	522,7
Operating revenues	713,8	761,5	3 020,6	3 010,1
Depreciation and impairment	44,5	37,4	127,6	169,0
Operating profit	-0,4	-5,0	53,5	-23,9
Operating margin in per cent	-0,6 %	-0,5 %	1,8 %	0,8 %
Net operating capital (% of operating revenues) *	0,4 %	0,2 %	16,3 %	18,7 %
Total assets *	39,5	-50,0	1 567,1	1 664,5
Equity *	-43,4	40,9	787,8	841,0
Capital employed *	-28,1	0,5	1 093,7	1 222,2
Return on capital employed *	-1,6 %	-1,2 %	4,7 %	1,9 %
Investments *	18,4	18,0	64,2	75,9
Number of employees *	-3	-29	674	679

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

Demand for sawn timber was satisfactory overall, and followed the normal seasonal fluctuations with a decline towards the end of the year. Adjusted for the operations at Moelven Nössemark Trä AB as of 31 December 2015 no longer being a part of the group, deliveries in the fourth quarter of 2016 were higher than for the same period the previous year. The results for the quarter have been charged with an impairment loss of NOK 16.5 million as a consequence of the restructuring of Moelven Tom Heurlin AB prior to transfer to the Wood division as of the first quarter of 2017. The result for the fourth quarter of 2015 includes a positive effect of NOK 2.1 million as a result of the group's remaining defined-benefit pension schemes in Norway being converted to defined contribution pension schemes. In connection with the sale of operations at Moelven Nössemark Trä AB, the accumulated operating result for 2015 has been charged with impairment and loss through the sale of fixed assets totalling NOK 54.1 million.

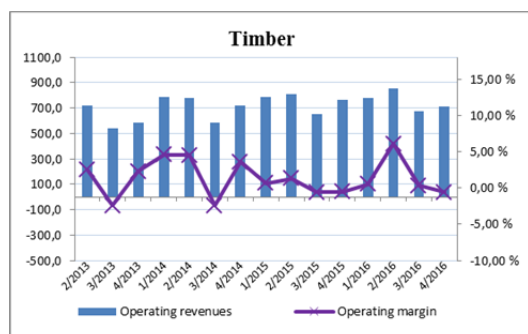
Due to price developments, the profits for the quarter have been credited with price adjustments to inventories totalling NOK 6.0 million. The corresponding adjustment in the fourth quarter of 2015 resulted in a charge of NOK 3.5 million. Year to date the price adjustment constitutes NOK -1.6 million (NOK -23.0 million).

Most of the exports are from the division's Swedish units. Changes in the currency situation have contributed to alter competitive ability in export markets. Compared to the fourth quarter of 2015, SEK has been weaker against EUR and stronger against GBP. The share of exports with settlement in EUR is higher than the share with settlement in GBP, and the net effect has thus been positive. Average prices, without adjustment for market mix in the quarter, were somewhat higher than the prices in the fourth quarter of 2015.

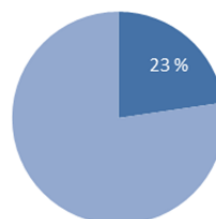
Access to sawlogs has been variable in the quarter, but improved to satisfactory levels toward the end of the period. The main features have been a low supply of spruce and a good supply of pine in Norway, and the opposite in Sweden. A year end sawlog inventories were nevertheless at levels that provide a satisfactory basis for the planned production levels for the winter. Prices for sawlogs were generally higher than for the fourth quarter 2015 in Norway, and somewhat lower in Sweden. Sales of chip and fibre products were good in the quarter, at prices on a par with the corresponding period last year.

Several units have improved efficiency through the ongoing improvement work, and overall processing

costs for the division were reduced compared to the fourth quarter of 2015. There are nevertheless units remaining with unsatisfactory results, and improvement work will continue unabated in order to bring all units up to acceptable profitability levels.



Timber's share of the Groups sale to external customers



## Wood

Amounts in NOK million	Fourth quarter		Total	
	2016	2015	2016	2015
Sales to external customers	707,6	706,3	3 379,1	3 153,8
Sales to internal customers	59,3	33,9	170,2	121,9
Operating revenues	747,6	740,2	3 529,9	3 275,7
Depreciation and impairment	29,2	31,3	113,8	113,7
Operating profit	24,1	14,5	160,6	123,7
Operating margin in per cent	3,2 %	2,0 %	4,5 %	3,8 %
Net operating capital (% of operating revenues) *	2,3 %	-0,3 %	27,6 %	27,7 %
Total assets *	-79,4	-105,1	2 151,6	2 134,8
Equity *	-46,0	-21,3	932,0	907,7
Capital employed *	-39,3	-35,7	1 493,8	1 513,7
Return on capital employed *	-1,5 %	-1,4 %	10,5 %	8,4 %
Investments *	44,7	49,6	114,7	96,8
Number of employees *	7	-3	1 039	1 009

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

Market activities in the quarter were satisfactory in both Norway and Sweden, and developed in the normal manner for the season, with a decline towards the end of the year. Delivery volumes were higher than for the same period the previous year, at corresponding price levels. Processing costs in the quarter were lower than for the same period the previous year, but are cumulatively at the same level. This is mainly due to excessive maintenance costs and lower production than normal in the first six months due to start up of new investments. There are still units with unsatisfactory earnings, and improvement work to bring these up to acceptable profitability levels will continue unabated.

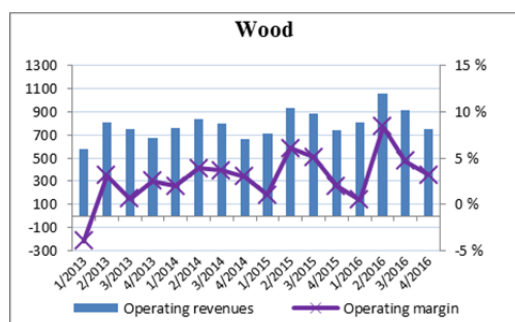
The acquisition of DLH Sverige AB's operations and assets was concluded on 21 November 2016. The takeover went according to plan, and has already yielded positive results in the board segment.

Access to sawlogs for the division's timber-consuming units has been variable in the quarter, but improved to satisfactory levels toward the end of the period. The main features have been a low supply of spruce and a good supply of pine in Norway, and the opposite in Sweden. At year end sawlog inventories were nevertheless at levels that provide a satisfactory basis for the planned production levels for the winter.

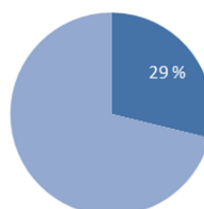
Prices for sawlogs were generally higher than for the fourth quarter 2015 in Norway, and somewhat lower in Sweden. Sales of chip and fibre products were good in the quarter, at prices on a par with the corresponding period last year.

For the division overall, results in the quarter are not impacted by price adjustments on inventories as a result of price developments, while the result for the fourth quarter 2015 was charged with NOK 8.4

million. Year to date the price adjustments constitute NOK 10.6 million (NOK -22.6 million). The result for the fourth quarter of 2015 includes a positive effect of NOK 4.6 million as a result of the group's remaining defined-benefit pension schemes in Norway being converted to defined contribution pension schemes.



Wood's share of the Groups sale to external customers



## Building systems

Amounts in NOK million	Fourth quarter		Total	
	2016	2015	2016	2015
Sales to external customers	959,0	982,3	3 651,1	3 371,2
Sales to internal customers	3,4	1,2	5,7	4,1
Operating revenues	962,4	983,5	3 656,8	3 375,2
Depreciation and impairment	19,2	15,9	51,3	44,4
Operating profit	48,2	61,1	155,1	140,8
Operating margin in per cent	5,0 %	6,2 %	4,2 %	4,2 %
Net operating capital (% of operating revenues) *	-3,8 %	-1,0 %	14,2 %	12,9 %
Total assets *	-110,8	238,0	1 723,2	1 616,8
Equity *	-44,1	30,6	722,6	665,5
Capital employed *	-24,3	62,2	806,0	743,2
Return on capital employed *	1,9 %	4,4 %	20,3 %	21,4 %
Investments *	36,6	14,3	84,5	40,2
Number of employees *	48	67	1 647	1 607

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

The reduction in revenues compared to the same period the previous year is due to a lower activity level for the interior decoration business in Norway, in addition to the transfer of the Electrical Installations business to Other businesses.

The order backlog for the division overall remains good and diversified, and was at the end of the quarter NOK 68 million lower than at the same time in 2015. The order backlog for the electrical operations that were demerged from the division as of the second quarter of 2016 comprised NOK 85 million at the end of the fourth quarter of 2015.

The decline in operating result in the quarter compared to the previous year is mainly due to reduced earnings from Interior Systems business in Norway and the module operations in Sweden. In addition the result for the fourth quarter of 2015 includes a positive effect of NOK 17.2 million as a result of the group's remaining defined-benefit pension schemes in Norway being converted to defined contribution pension schemes.

The accumulated operating result 2015 has been charged with cost adjustments of NOK 22 million relating to the project portfolio.

Modular Buildings' operations in Sweden continued to experience very good demand in all market segments in the fourth quarter, and projects are ongoing to expand capacity and optimise operations. Investment in a new production line at the plant in Säffle, which is to be completed in the second quarter of



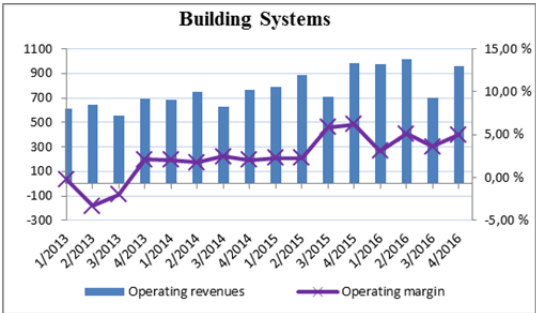
2017, is on schedule. Remodeling of the plant in Kil has been initiated, and this will increase capacity in building and construction modules by 15 per cent. Due to the increased level of activity, 133 contract employees have now been given permanent positions.

For operations in Norway demand has improved in all market segments, but is still not fully satisfactory for accommodation rigs. This market is to a certain extent characterised by the presence of many older modules that are still in use. The housing market in eastern Norway is particularly good, with demand for projects for production in 2017 and 2018. Activity levels are also good in the project market. The fourth quarter has also seen available capacity at the plants in Norway being used to produce modules for the Swedish market.

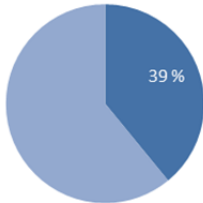
Pressure on prices remains strong for the Interior Systems business in the Norwegian market. Activity levels are lower than in the fourth quarter of 2015. Staffing on the Norwegian side has therefore been reduced and adjusted in accordance with the current market situation. The Swedish market remains good with high demand for both small and large projects, primarily concentrated around the major cities of Stockholm, Gothenburg and Malmö.

For the Glulam business activity was satisfactory in the fourth quarter in both Norway and Sweden. Price levels were on a par with the same period in 2015. An increased interest in building with wood and in using wood as a load-bearing material has had a positive effect. The Swedish operation's work on reducing costs has yielded positive results. In Norway business is suffering from higher costs for inputs than expected. Despite good access to new projects, the prices in Sweden are however experiencing some pressure. The reason is that several players have turned their volumes from the export markets in Asia and are instead directing these at the home market in Sweden.

Electrical installation operations in the Building Systems division has now concluded all projects on building sites, but clarification on the final settlement related to a major project remains. The other electrical installations operations were transferred to the reporting area "Other businesses" as of the second quarter of 2016, and have now been sold to Bravida Norge AS.



Building Systems' share of the Groups sale to external customers

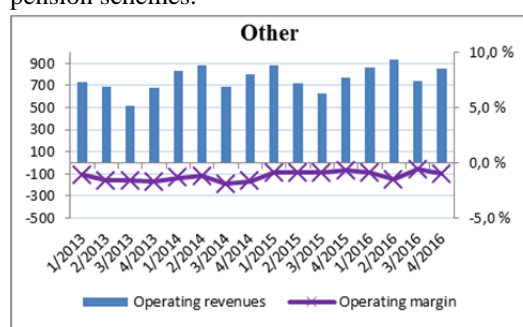


## Other businesses

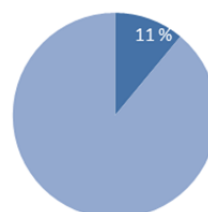
Amounts in NOK million	Fourth quarter		Total	
	2016	2015	2016	2015
Sales to external customers	271,2	205,5	1 006,9	763,4
Sales to internal customers	582,6	561,6	2 382,0	2 240,4
Operating revenues	853,9	767,2	3 388,9	3 003,8
Depreciation and impairment	4,2	4,0	13,9	12,0
Operating profit	-8,3	-5,4	-34,2	-25,9
Operating margin in per cent	-1,0 %	-0,7 %	-1,0 %	-0,9 %
Net operating capital (% of operating revenues) *	-4,0 %	-4,2 %	4,9 %	5,9 %
Total assets *	136,2	-82,8	2 464,5	2 468,5
Equity *	212,9	49,7	1 044,8	1 007,9
Capital employed *	100,8	-48,6	1 890,5	1 977,1
Return on capital employed *	0,0 %	0,1 %	-0,2 %	0,4 %
Investments *	8,3	1,0	11,8	3,0
Number of employees *	-158	-2	132	131

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

Other businesses include Moelven Industrier ASA, with common services in economics, finance, insurance, communications, HR, ICT and procurement. Timber supply and sales of wood chips and energy products are organised as a common function for the Group's timber processing industry and are included with the companies Moelven Skog AB, Moelven Virke AS, Vänerbränsle AB and Moelven Bioenergi AS. As of the second quarter of 2016, Moelven Elektro AS, which focuses exclusively on maintenance contract and small and medium size projects, was transferred to Other businesses. On 1 December 2016 Moelven Elektro AS was sold to Bravida Norge AS, and was therefore no longer a part of the group at year end. Apart from this reorganization and sale of operations, fluctuations in operating revenues within the area of Other businesses are largely due to fluctuations in the level of activity within timber supply and sales of chips and energy products. The main activity is internal sales, which do not materially affect the results within the business area. In order to safeguard the supply of timber and market opportunities for wood chip and energy products in regions without local demand for pulp wood and wood chips, train solutions have been established for the transport of these. The business is based on fixed agreements on both the customer and supplier sides. The result for the fourth quarter of 2015 includes a positive effect of NOK 3.5 million as a result of the group's remaining defined-benefit pension schemes in Norway being converted to defined contribution pension schemes.



Other's share of the Groups sale to external customers



## Employees

Employees	Per fourth quarter 2016				Per fourth quarter 2016			
	Male	Female	%Female	Total	Male	Female	%Female	Total
Timber	600	74	11,0 %	674	603	76	11,2 %	679
Wood	873	166	16,0 %	1 039	849	160	15,9 %	1 009
Building Systems	1 532	115	7,0 %	1 647	1 505	102	6,3 %	1 607
Others	102	30	22,7 %	132	99	32	24,4 %	131
The Group	3 107	385	11,0 %	3 492	3 056	370	10,8 %	3 426

Sickness absence rate in %	Per fourth quarter		H1 Value	Per fourth quarter	
	2016	2015		2016	2015
Timber	4,97 %	4,23 %	Timber	15,7	23,8
Wood	4,97 %	5,29 %	Wood	7,5	8,9
Building Systems	6,53 %	6,30 %	Building Systems	16,5	17,8
Others	3,32 %	3,00 %	Others	0,0	0,0
The Group	5,60 %	5,45 %	The Group	12,8	15,7

The increase in the number of employees compared to the same time in 2015 is due to increased activity in the Building Modules operations in Sweden. In the fourth quarter, absence due to illness was 5.57 per cent (5.49), where 2.72 per cent (2.69) represents long-term absence. The Group is still working on the reduction of absence due to illness below the maximum target level of 4 per cent. Many of Moelven's businesses have sickness absence levels lower than the maximum target of 4%. Efforts, which include employee surveys, close follow-up of sickness absence and cooperation with the occupational health services, are therefore particularly directed at those businesses with the highest sickness absence levels.

There were 21 (16) personal injuries with subsequent sick leave during the quarter, and 74 (88) year-to-date. A reduction in the number of injuries combined with a higher activity level and thus a higher number of hours worked, resulted in the LTI rate (number of personal injuries with sick leave per million worked hours) dropping significantly for the quarter compared to the same period last year. Moelven's goal is that no one is injured at work, and injury rates are thus still unacceptably high. HSE work has a high priority in the work of the board, the corporate management and the safety committee. The latter comprises the CEO, division managers, the HR and Communications Director and two employee representatives for the building and timber processing parts of the group respectively, and is the governing body for HSE work. Work on training and awareness-raising is constantly ongoing in order to establish a culture for safety at all levels. In the quarter all of Moelven's subsidiaries have completed the course "Clear HSE management" for everyone with operational and personnel responsibility, in addition to employee representatives and safety representatives. Many units have achieved a significant reduction in the number of injuries with absence in the past two years through focused efforts and clear leadership.

## Outlook

In Norway the mainland economy is showing signs of growth, and the decline in activity in the petroleum sector has slowed. In Sweden expectations toward activity have been turned down a notch following a period with very high activity. The rest of Europe continues with a marginal positive growth rate. In USA the economy is still on the mend. Growth in China continues to slightly drop, while there are indications of higher activity in the rest of Asia. The Middle East and North Africa are still characterized by unrest and regulations from public authorities that complicate international trade. However, the underlying demand is good in the latter markets.

Positive and stable developments in the international market for industrial wood are expected.

The currency situation continues to contribute to maintain competitive ability in export markets, particularly for the Group's Swedish businesses where trading is in EUR or USD. Swedish units have also achieved a significantly stronger competitive position in the Norwegian market. Hedges in GBP that were made at exchange rate levels before the Brexit referendum have now been realized, but price in GBP have increased and thus compensate for parts of the margin shortfall as a result of currency fluctuations.

In Norway demand for processed products is expected to remain on a par with the previous year, albeit with regional differences. Building activity in and around the major cities, with the exception of south-west Norway, is expected to remain high. In Sweden the need for new homes remains high and activity in the new building market is strong. The renovation, modernisation and extension (RME) market is also experiencing good levels of activity, although the changes in the tax deduction for RME-costs have slowed activities somewhat. No major changes are expected in the markets, and the Swedish market is expected to be at the same level as 2016 overall. Sawlog inventories and supply of sawlogs at the start 2017 are satisfactory with regard to planned production.

For Glulam it is expected that the positive trend of choosing wood for load bearing structures will continue. In both Norway and Sweden demand is good for module-based buildings for housing purposes. Demands toward short construction times are increasing. This applies equally to homes, schools and care facilities.

The market for system interior fitting is strong in Sweden, primarily in the Stockholm, Gothenburg and Malmö areas. After a period of decline in the Norwegian new build market there are signs of improvement, but pressure on prices remains high. Good activity is expected to continue in Norway and Sweden in renovation, conversion and extension.

For the Group as a whole revenues are expected to increase somewhat. The programme for operational improvement and structuring of the group in line with the long-term strategy plan continues unabated and will contribute to improved profitability for the underlying operations.

The Group's composition, with divisions that experience different impacts from economic fluctuations and units that operate in different markets, provides the Group with a good starting point for further improvements. The result for 2017 is expected to be somewhat better than for 2016. The group has a long-term goal of a return on capital employed of 13 per cent over an economic cycle. The Board is of the opinion that the Group has sufficient solidity and long-term access to liquidity to implement the restructuring and improvement projects required to achieve this goal.

## Summary quarterly accounts for the Moelven Group for the fourth quarter of 2016

### *Earnings and comprehensive income*

Amounts in NOK million	Fourth quarter		Total	
	2016	2015	2016	2015
Operating revenues	2 456,2	2 483,1	10 349,7	9 690,4
Cost of goods sold	1 469,1	1 515,0	6 552,5	6 207,3
Payroll expenses	559,9	539,6	2 113,2	1 943,3
Depreciation and impairment	97,1	88,7	306,6	339,1
Other operating expenses	266,4	274,7	1 042,5	985,9
<b>Operating profit</b>	<b>63,7</b>	<b>65,1</b>	<b>335,0</b>	<b>214,8</b>
Income from associates	0,0	0,0	0,0	0,0
Value change of financial instruments to fair value	4,1	3,4	14,6	5,6
Other financial income	16,1	7,9	32,4	51,2
Other financial expenses	-27,6	-26,9	-89,4	-113,0
<b>Profit before tax</b>	<b>56,3</b>	<b>49,5</b>	<b>292,5</b>	<b>158,5</b>
Estimate income tax	27,9	14,8	83,0	41,5
<b>Net profit</b>	<b>28,4</b>	<b>34,8</b>	<b>209,5</b>	<b>117,0</b>
Non-controlling interest share	-4,2	-0,6	-4,1	-0,5
Owner of parent company share	32,6	35,4	213,5	117,6
Earnings per share (in NOK)	0,2	0,3	1,6	0,9
Statement of comprehensive income				
Net profit	28,4	34,8	209,5	117,0
Other comprehensive income				
<i>Items that are not reclassified subsequently to profit or loss</i>				
Actuarial gains (losses) on defined-benefit pension schemes	-1,9	50,0	-1,9	-40,0
Income tax on items that are not reclassified to profit or loss	0,5	-12,5	0,5	10,8
	-1,4	37,5	-1,4	37,5
<i>Items that may be reclassified subsequently to profit or loss</i>				
Translation differences	18,8	19,9	-67,4	61,7
Proportion of other income and costs in associated companies	0,0	0,0	0,0	0,0
Other changes	8,3	0,1	4,5	0,1
Income tax on items that may be reclassified to profit or loss	0,0	0,0	0,0	0,0
	27,1	20,0	-62,9	61,8
Other comprehensive income, net of tax	25,7	57,5	-64,2	99,3
<b>Total comprehensive income for the period</b>	<b>54,1</b>	<b>92,3</b>	<b>145,3</b>	<b>216,3</b>
<b>Comprehensive income assigned to:</b>				
Owners of parent company	58,2	92,8	149,4	216,9
Non-controlling interests	-4,2	-0,6	-4,1	-0,5

## Consolidated balance sheet

Amounts in NOK million	Per 31.12	
	2016	2015
Intangible assets	72,8	35,5
Tangible fixed assets	1 637,2	1 765,2
Financial fixed assets	8,7	8,9
<b>Total fixed assets</b>	<b>1 718,7</b>	<b>1 809,6</b>
Inventory	1 464,1	1 526,7
Receivables	1 649,5	1 433,7
Liquid assets	15,6	8,1
<b>Total current assets</b>	<b>3 129,2</b>	<b>2 968,5</b>
<b>Total assets</b>	<b>4 847,8</b>	<b>4 778,1</b>
Share capital*	647,7	647,7
Other equity	1 196,1	1 109,2
<b>Total equity</b>	<b>1 843,8</b>	<b>1 756,9</b>
Provisions	190,2	111,9
Long term interest-bearing liabilities	921,1	1 034,3
Long term interest-free liabilities	11,7	12,1
<b>Total long term liabilities</b>	<b>1 123,0</b>	<b>1 158,2</b>
Short term interest-bearing liabilities	112,4	79,7
Short term liabilities	1 768,6	1 783,3
<b>Total short term liabilities</b>	<b>1 881,0</b>	<b>1 862,9</b>
<b>Total liabilities</b>	<b>3 004,0</b>	<b>3 021,2</b>
<b>Total equity and liabilities</b>	<b>4 847,8</b>	<b>4 778,1</b>

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

## Consolidated statement of changes in equity

Amounts in NOK million	Equity assigned to owners of parent company					Non-controlling interests	Total equity
	Share capital	Share premium funds	Own shares	Other equity	Total		
Total per 1.1.2015	647,7	180,7	0,0	752,6	1 581,0	11,4	1 592,3
<b>Comprehensive income for the period</b>							
<b>Net profit</b>	0,0	0,0	0,0	117,6	117,6	-0,5	117,0
<b>Other comprehensive income</b>							
Translation differences	0,0	0,0	0,0	61,5	61,5	0,2	61,7
Other changes	0,0	0,0	0,0	0,1	0,1	0,0	0,1
Actuarial gains (losses) on defined-benefit pension schemes	0,0	0,0	0,0	50,0	50,0	0,0	50,0
Income tax on other comprehensive income	0,0	0,0	0,0	-12,5	-12,5	0,0	-12,5
<b>Other comprehensive income (net of tax)</b>	0,0	0,0	0,0	99,1	99,1	0,2	99,3
<b>Transactions with owners, entered directly against equity</b>							
Purchase of non-controlling interests	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Effect of acquisition	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Dividend to owners	0,0	0,0	0,0	-51,8	-51,8	0,0	-51,8
Share based payment transactions	0,0	0,0	0,0	0,0	0,0	0,0	0,0
<b>Total transactions with owners</b>	0,0	0,0	0,0	-51,8	-51,8	0,0	-51,8
<b>Total as at 31.12.2015</b>	<b>647,7</b>	<b>180,7</b>	<b>0,0</b>	<b>917,5</b>	<b>1 745,9</b>	<b>11,1</b>	<b>1 756,9</b>
Total per 1.1.2016	647,7	180,7	0,0	917,5	1 745,9	11,1	1 756,9
<b>Comprehensive income for the period</b>							
<b>Net profit</b>	0,0	0,0	0,0	213,5	213,5	-4,1	209,5
<b>Other comprehensive income</b>							
Translation differences	0,0	0,0	0,0	-67,2	-67,2	-0,1	-67,4
Other changes	0,0	0,0	0,0	4,5	4,5	0,0	4,5
Actuarial gains (losses) on defined-benefit pension schemes	0,0	0,0	0,0	-1,9	-1,9	0,0	-1,9
Income tax on other comprehensive income	0,0	0,0	0,0	0,5	0,5	0,0	0,5
<b>Other comprehensive income (net of tax)</b>	0,0	0,0	0,0	-64,1	-64,1	-0,2	-64,3
<b>Transactions with owners, entered directly against equity</b>							
Purchase of non-controlling interests	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Effect of acquisition	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Dividend to owners	0,0	0,0	0,0	-58,3	-58,3	0,0	-58,3
Share based payment transactions	0,0	0,0	0,0	0,0	0,0	0,0	0,0
<b>Total transactions with owners</b>	0,0	0,0	0,0	-58,3	-58,3	0,0	-58,3
<b>Total as at 31.12.2016</b>	<b>647,7</b>	<b>180,7</b>	<b>0,0</b>	<b>1 008,7</b>	<b>1 837,1</b>	<b>6,8</b>	<b>1 843,8</b>

## Consolidated statement of cash flow

Amounts in NOK million	Per 31.12	
	2016	2015
<b>CASH FLOW FROM OPERATIONAL ACTIVITIES:</b>		
Net profit	209,5	117,0
<i>Adjustments to reconcile net profit with net cash flow from operations:</i>		
Depreciation	290,1	291,2
Impairment	16,5	47,9
Income from associated companies	0,0	0,0
Tax paid	0,0	0,0
Unpaid pension costs entered as costs and unreceived pension funds entered as income	-1,0	-10,3
Loss (profit) on sale of fixed assets	0,8	2,1
Net value change of financial instruments to fair value	-14,6	-5,6
Income tax	83,0	41,5
<i>Changes in operating assets and liabilities:</i>		
Changes in inventory	62,6	-2,8
Changes in accounts receivable and other receivables	-215,8	-180,6
Changes in trade accounts payable	19,4	38,4
Changes in provisions and benefits to employees	0,0	-9,6
Changes in short-term liabilities excluding borrowing	-45,3	255,2
<b>Cash flow from operational activities</b>	<b>405,3</b>	<b>584,6</b>
<b>CASH FLOW FROM INVESTMENT ACTIVITIES:</b>		
Investment in plant and equipment exc. acquisition	-275,2	-215,8
Net cash outlay on acquisition	0,0	0,0
Receipts from sale of fixed assets	4,1	45,1
Sale of other long-term investments	0,0	0,0
Acquisition of subsidiary, net of cash	0,0	-11,8
<b>Cash flow from investment activities</b>	<b>-271,1</b>	<b>-182,5</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES:</b>		
Raising short term debt	0,0	0,0
Repayment of short term debt	0,0	0,0
Change in bank overdrafts	32,7	-63,7
Purchase of non-controlling interests	0,0	0,0
Change in long term debt (borrowing facility)	-105,2	-297,3
Changes in other long-term liabilities	-0,5	0,0
Payment of dividend	-58,3	-51,8
<b>Cash flow from financial activities</b>	<b>-131,3</b>	<b>-412,8</b>
<b>Net increase (reduction) in liquid assets during year</b>	<b>3,0</b>	<b>-10,8</b>
Liquid assets start of period	3,6	14,4
Effect of exchange rate changes on liquid assets	0,0	0,0
<b>Liquid assets end of period</b>	<b>6,6</b>	<b>3,6</b>
<b>Cash and cash equivalents</b>		
Liquid assets	6,6	3,6
Unused drawing rights	868,1	627,4
Restricted bank deposits	0,0	0,0
<b>Cash and cash equivalents</b>	<b>874,7</b>	<b>631,0</b>



## **Notes to the summary consolidated quarterly financial statements**

### ***Note 1 – General information***

Moelven Industrier ASA is a public limited liability company, registered in Norway. The company's head office is at Industriveien 2, 2390 Moelv, Norway. The summary consolidated financial statements for the fourth quarter of 2016 ended 31 December 2016 include Moelven Industrier ASA and its subsidiaries (collectively referred to as the “Group”) and the Group's interests in associated companies. The annual accounts for 2015 are available at [www.moelven.no](http://www.moelven.no).

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

The consolidated financial statements for the fourth quarter of 2016 have been prepared in accordance with the requirements of IAS 34 “Interim Financial Reporting” which have been approved by the EU. The interim financial statements do not include all the information required in a complete annual report and ought to be read in conjunction with the consolidated financial statements for 2015. The summary consolidated quarterly financial statements were approved by the Board on 26 January 2017.

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

The accounting policies adopted in the quarterly financial statements are the same as those in the consolidated financial statements for 2015.

Currency 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 summary quarterly financial statements management has applied the same critical judgements in applying the accounting policies as it made when preparing the consolidated financial statements for 2015 and the principal sources of estimate uncertainty are the same when preparing these summary quarterly accounts as for the consolidated accounts for 2015.

### ***Note 5 – Pensions and taxes***

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

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

Demand for the Group's products and services is normally subject to variability throughout the year. This involves a low season during the first quarter, increasing activity and a peak season over the second and third quarters, and diminishing activity in the final part of the fourth quarter.

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

## Note 7 – Fixed assets, intangible assets and goodwill

Amounts in NOK million	Per 31.12	
	2016	2015
Book value per 1.1	1 765,2	1 838,3
Acquisitions	275,2	215,8
Business combinations	0,0	22,8
Disposals	-10,4	-48,4
Depreciations	-290,1	-291,2
Impairment losses	-16,5	-47,9
Transfers	0,0	0,0
Translation differences	-86,1	75,8
Book value per 30.09	1 637,2	1 765,2

## Note 8 - Financial instruments

Amounts in NOK million	Per 31.12.2016		
	Positive fair value	Negative fair value	Net fair value
Currency derivatives	5,6	-1,1	4,6
Interest rate derivatives	0,0	-82,6	-82,6
Power derivatives	3,4	0,0	3,4
Total	9,0	-83,7	-74,7

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

## Note 9 – Operating segments

The divisions are divided in accordance with Moelven's three core activities: Timber (industrial goods), Wood (building products) and Building Systems (projects). There is also a division named "Other" in which the remaining units are placed. The divisions are built up around independent subsidiaries with activities clearly defined within the divisions. All transactions between the divisions are conducted on normal commercial terms. The split into divisions differs from the formal legal ownership structure. See the consolidated financial statements for 2015 for further information about segments. Below is a reconciliation of the profit before taxes in the reporting segments with the company's profit before taxes.

Amounts in NOK million	Per 31.12	
	2016	2015
Timber	40,4	-32,9
Wood	136,3	96,6
Building Systems	153,4	140,7
Other	-37,6	-45,9
Profit before tax in segments	292,5	158,5
Eliminations	0,0	0,0
Profit before tax in Group Accounts	292,5	158,5

### ***Note 10 – Related parties***

Transactions with the owners are performed in some areas of the ordinary activities. Among other things, this relates to purchase of timber, where the Norwegian forest owner cooperatives are suppliers. There will also be deliveries of biofuel from the Moelven Group to a bioenergy plant owned by Eidsiva Energi AS, with possible buy-back of bioenergy for Moelven's industries in connection with the energy plant. Eidsiva Marked AS also trades electric power to Moelven's Norwegian industrial operations. All these transactions have in common that the arm's length principle shall be applied. Where other suppliers can offer better prices or terms, these will be used. About 40 per cent of Moelven's total purchasing requirement for timber of 4 million cubic metres comes via the Norwegian forest owner cooperatives.

Moelven's supply of energy raw materials to Eidsiva's bioenergy plant represents between 40 and 50 GWh on an annual basis, while buying back energy represents between 20 and 30 GWh. Net delivery of energy raw materials is 20 GWh. The extent of the sale of electrical power corresponds to about 40 per cent of Moelven's total consumption of 185 GWh.

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

### ***Note 11 - Events after the balance sheet date***

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

Moelven is organised into 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 wood products and components to industrial customers in Scandinavia and the rest of Europe, the Middle East and North Africa. The industrial customers use the products as intermediate goods in their own production. Shavings, chip and bark products are also supplied and are used in the pulp, chipboard and biofuel industry. The companies in Wood supply the building products trade in Scandinavia with a broad range of building and interior products. A critical competitive advantage is the division's efficient distribution system, which offers customers rapid and precise deliveries of a broad range of products. The companies within Building Systems deliver flexible system solutions for interior walls, modular buildings and load-bearing structures in glulam to projects and contractor clients, principally in Norway and Sweden. The division focuses on developing concepts and systems in collaboration with the customers and experts within architecture, design and construction. In total, the Group is composed of 44 production companies in Norway and Sweden and has 3,492 employees. Moelven also has its own sales offices in Denmark, England, Germany and the Netherlands. The Moelven Group is owned by Glommen Skog SA (29.1 per cent), Eidsiva Vekst AS (23.8 per cent), Felleskjøpet Agri SA (15.8 per cent), Viken Skog SA (11.9 per cent), Mjøsen Skog SA (11.7 per cent) and AT Skog SA (7.3 per cent). Most of the remaining 0.4 per cent is owned by private individuals.

#### 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  
Fax. +47 62 34 71 88

[www.moelven.com](http://www.moelven.com)

[post@moelven.com](mailto:post@moelven.com)