



Oiled wood based interior products in the same color range provide a warm atmosphere.
Delivered by Moelven Wood AS. Photo: Einar Breen.

Quarterly Report 4/2017

MOELVEN[®]

| Amounts in NOK million | Fourth quarter | | 12 months | |
|--|----------------|---------|-----------|----------|
| | 2017 | 2016 | 2017 | 2016 |
| Operating revenues | 2,708.9 | 2,416.2 | 10,768.4 | 10,309.7 |
| EBITDA | 197.2 | 120.8 | 716.1 | 601.6 |
| Gross operating margin/EBITDA | 7.3 % | 5.0 % | 6.6 % | 5.8 % |
| Depreciation and impairment | 72.5 | 97.1 | 295.7 | 306.6 |
| Operating profit | 124.7 | 23.7 | 420.4 | 295.0 |
| Net operating margin/EBIT | 4.6 % | 1.0 % | 3.9 % | 2.9 % |
| Value change of financial instruments to fair value | -13.7 | 4.1 | -4.7 | 14.6 |
| Profit before tax | 104.1 | 16.3 | 373.6 | 252.5 |
| Profit per share in NOK | 0.68 | 0.02 | 2.26 | 1.41 |
| Cash flow from operational activities, in NOK per share | 1.10 | 1.01 | 5.14 | 3.25 |
| Equity * | 113.1 | 23.8 | 2,092.6 | 1,813.4 |
| Equity ratio (i %) * | 1.8 % | 2.8 % | 41.5 % | 38.0 % |
| Total assets * | 56.5 | -306.2 | 5,045.9 | 4,766.8 |
| Investments * | 120.2 | 108.0 | 357.0 | 275.2 |
| Return on capital employed in per cent, 12 month rolling * | 3.3 % | -1.3 % | 14.2 % | 9.9 % |
| Capital employed * | 22.3 | -35.3 | 2884.6 | 2,846.9 |
| Net interest bearing liabilities * | -16.6 | -28.6 | 760.5 | 1,026.9 |
| Operating working capital * | -111.4 | -292.8 | 2,071.5 | 2,082.2 |
| Total number of employees * | 15 | -119 | 3,546 | 3,492 |
| Sick leave percentage * | -0.1 % | 0.1 % | 5.6 % | 5.6 % |
| Frequency of accidents with absence, rolling LTI value * | 0.8 | -0.8 | 12.4 | 12.8 |
| Number of shareholders | 901 | 941 | 901 | 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 increased by 12 per cent to NOK 2,708.9 million (2,416.2). For the year, operating revenues increased by 4.5 per cent to NOK 10,768.4 million (10,309.7).
- Operating profit for the fourth quarter was NOK 124.7 million (23.7). For the year overall, operating income was NOK 420.4 million (295.0).
- The return on capital employed for the year improved to reach 14.2 per cent (9.9).
- Good international demand for sawn timber.
- Satisfactory activity in the building materials trade in Scandinavia.
- Good level of activity and good order backlog in Building Systems.

In brief

The quarter entailed a high level of activity with a seasonally normal decline in December. Delivery volumes for sawn timber were higher than during the same period in 2016. Demand and prices internationally have been satisfactory. Currency conditions, in particular against the euro, continue to contribute to good margins for the export-oriented units. These belong mainly to the Timber division. Activity in the UK market remains good, and this is an important export market for Moelven. In Britain, finished product prices in GBP have increased, and thus compensate some of the margin shortfall as a result of the depreciation of the pound following the Brexit referendum. Activity in the building materials trade in Scandinavia has been good. In Sweden the Renovation, Conversion and Extension market has slowed somewhat as a result of changes in tax regulations, but overall demand is nevertheless at a satisfactory level. Activity levels in housing construction remain high, but have approached a more normal level in the course of the second half of the year. Activity in commercial real estate remains high, but there is strong competition and a certain pressure on prices. Access to sawlogs at the start of the quarter was somewhat reduced in certain areas due to the wet autumn. The situation improved as the period progressed, and at the end of the quarter sawlog inventories were satisfactory and on a par with the same time the previous year. For the Norwegian units the sawlog prices were somewhat higher than for the corresponding period in 2016, while the level for the Swedish units was unchanged. Prices for chip and fibre products were at the same level as for the fourth quarter the preceding year.

Operating revenues and results

Operating revenues in the fourth quarter remained significantly higher than the level in the same period of 2016. The main causes are increased sawn timber prices, a changed product mix in Wood, and a higher level of activity in Modular buildings and Glulam. The operating result for the quarter was NOK 124.7 million (23.7) and the operating margin improved to 4.6 per cent (1.0). The operating profit for the fourth quarter of 2016 includes a write-down of fixed assets in the Timber division amounting to NOK 16.5 million and a disparagement of the project portfolio in Building Systems amounting to NOK 40.0 million that were not included in the 4-2016 quarterly report, but which were implemented in the final accounts. For the year overall, operating profit was NOK 420.4 million (295.0) and the operating margin 3.9 per cent (2.9). The cumulative operating profit includes a charge from the third quarter of NOK 46.1 million. The background for the item is the decision to close Moelven Norsälven AB from the turn of the year, in addition to a resolved dispute related to a larger project in Building Systems.

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 provided a positive effect totalling NOK 16.4 million in the quarter (6.0) and NOK 39.7 million (9.0) for the year. The items do not have any impact on cash flow.

The accumulated financial result is positively impacted by NOK 9.6 million as a result of a reversal of previously allocated warranty costs.

The Group uses financial instruments to 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 -13.7 million (NOK 4.1 million) for the quarter and NOK -4.7 million (NOK 14.6 million) for the year.

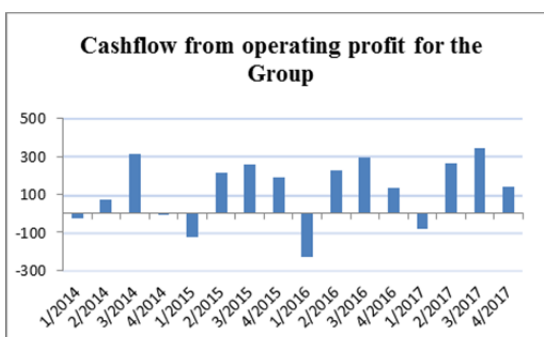
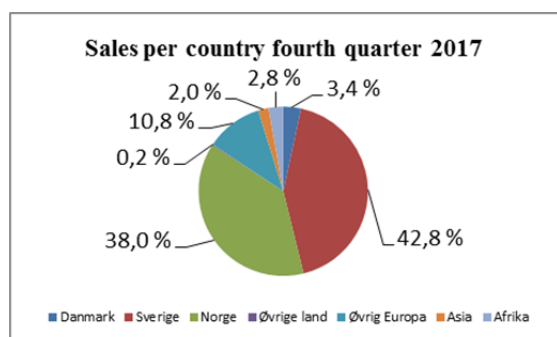
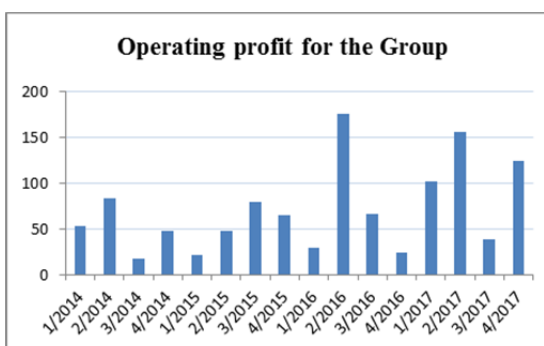
| Amounts in NOK million | Fourth quarter | | 12 months | |
|---------------------------|----------------|----------------|-----------------|-----------------|
| | 2017 | 2016 | 2017 | 2016 |
| Operating revenues | | | | |
| Timber | 824.3 | 713.8 | 3,118.2 | 3,020.6 |
| Wood | 841.5 | 747.6 | 3,805.6 | 3,529.9 |
| Building Systems | 1,031.7 | 922.4 | 3,856.4 | 3,616.8 |
| Other businesses | 860.5 | 853.9 | 3,414.6 | 3,388.9 |
| <i>Internal</i> | -849.1 | -821.5 | -3,426.4 | -3,246.5 |
| The Group | 2,708.9 | 2,416.2 | 10,768.4 | 10,309.7 |

EBITDA

| | | | | |
|------------------|--------------|--------------|--------------|--------------|
| Timber | 93.5 | 44.1 | 266.9 | 181.1 |
| Wood | 51.3 | 53.4 | 265.7 | 274.5 |
| Building Systems | 58.5 | 27.4 | 206.7 | 166.3 |
| Other businesses | -6.1 | -4.1 | -23.2 | -20.3 |
| The Group | 197.2 | 120.8 | 716.1 | 601.6 |

Operating Profit

| | | | | |
|------------------|--------------|-------------|--------------|--------------|
| Timber | 66.9 | -0.4 | 146.7 | 53.5 |
| Wood | 23.3 | 24.1 | 154.8 | 160.6 |
| Building Systems | 44.3 | 8.2 | 153.9 | 115.1 |
| Other businesses | -9.8 | -8.3 | -34.9 | -34.2 |
| The Group | 124.7 | 23.7 | 420.4 | 295.0 |



Investments, balance sheet and funding

During the fourth quarter, total investments were NOK 120.2 million (NOK 108.0 million). For the year as a whole, upgrades and maintenance investments totalling NOK 357.0 million (275.2) have been carried out. The increase in investments in 2017 compared to 2016 is partly due to the investment program in the Group's current strategy plan, and partly that postponed projects have been implemented. Depreciation in the quarter was NOK 72.5 million (97.1). Depreciations in the fourth quarter of 2016 include a write down of the fixed assets at Moelven Tom Heurlin AB of NOK 16.5 million. For the year as a whole depreciation was NOK 295.7 million (306.6). The year's depreciation includes a write-down of the fixed assets at Moelven Norsälven AB of NOK 17.6 million. At the end of the fourth quarter the book value of the Group's total assets was NOK 5,045.9 million (4,766.8).

Cash flow from operating activities in the fourth quarter was NOK 142.7 million (NOK 131.4 million), corresponding to NOK 1.10 per share (NOK 1.01). Corresponding figures for the year as a whole were NOK 666.0 million (NOK 421.5 million), which is equivalent to NOK 5.14 (NOK 3.25) per share. Beyond the result and normal fluctuations in working capital items, the improvements compared to last year are mainly due to reduced working capital in projects. Cash flow from working capital items was NOK -41.47 million in the third quarter (NOK 13.79 million) and NOK 34.52 million year to date (NOK -121.88 million).

Net interest-bearing liabilities were NOK 760.5 million (NOK 1,026.9 million) at the turn of the year. Financial leases are included in net interest-bearing liabilities in the amount of NOK 19.8 million (NOK 22.3 million). Cash reserves including short-term credit facilities were NOK 1,172.0 million (NOK 874.7). 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 year amounted to NOK 2,092.6 million (NOK 1,813.4 million), equivalent to NOK 16.15 (NOK 14.00) per share. The equity ratio was 41.5 per cent (38.0 per cent). The dividend for 2016 of NOK 0.48 per share, totalling NOK 62.2 million, was paid and charged to equity in the second quarter. Parts of the Group's equity are linked to ownership interests in foreign subsidiaries, principally in Sweden, and are thereby exposed to exchange rate fluctuations. The scope and consequences of likely exchange rate fluctuations are within acceptable risk limits. In the fourth quarter, exchange rate fluctuations resulted in an unrealised change in equity of NOK 17.8 million (NOK 18.7 million). Year to date the change was NOK 40.9 million (NOK -67.4 million). Approximately half of the Group's assets are recognized in SEK. The total assets thus also change based on the exchange rate, and the equity ratio in per cent is therefore less impacted by exchange rate fluctuations than the nominal equity.

Divisions

Timber

| Amounts in NOK million | Fourth quarter | | 12 months | |
|---|----------------|--------|-----------|---------|
| | 2017 | 2016 | 2017 | 2016 |
| Sales to external customers | 671.2 | 557.0 | 2,499.5 | 2,410.6 |
| Sales to internal customers | 153.1 | 156.8 | 618.8 | 610.0 |
| Operating revenues | 824.3 | 713.8 | 3,118.2 | 3,020.6 |
| Depreciation and impairment | 26.6 | 44.5 | 120.3 | 127.6 |
| Operating profit | 66.9 | -0.4 | 146.7 | 53.5 |
| Operating margin in per cent * | 1.2 % | -0.6 % | 4.7 % | 1.8 % |
| Net operating capital (% of operating revenues) * | 0.6 % | 0.4 % | 17.5 % | 16.3 % |
| Total assets * | 74.4 | 39.5 | 1,545.5 | 1,567.1 |
| Equity * | -63.3 | -43.4 | 752.7 | 787.8 |
| Capital employed * | -52.5 | -28.1 | 988.6 | 1,093.7 |
| Return on capital employed in per cent, 12 month rolling* | 6.7 % | 0.5 % | 14.3 % | 4.6 % |
| Investments * | 27.5 | 18.4 | 99.2 | 64.2 |
| Total number of employees * | -7 | -3 | 650 | 674 |

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

Strong market activity and good demand in the Timber division's main markets continued in the fourth quarter. Challenges facing deliveries to North Africa and Asia related to sea transport and public regulations were largely resolved at the end of the third quarter. However, the discontinuation of Moelven Norsälven AB led to a reduction in delivery volumes towards the end of the year. Despite this, and in addition to the figures for 2016 including Moelven Tom Heurlin AB which was transferred to the Wood division from 1 January 2017, delivery volumes in the fourth quarter were higher than for the same period of 2016. Average prices were higher than in the fourth quarter the previous year, while the EUR exchange rate in particular continues to maintain competitiveness on the export markets.

Operating conditions in the quarter were stable and good, while production volumes were slightly lower than in the corresponding period for 2016. This is partially due to the closure of Moelven Norsälven AB, but certain other units on the Swedish side additionally experienced somewhat poorer performance than expected in terms of production.

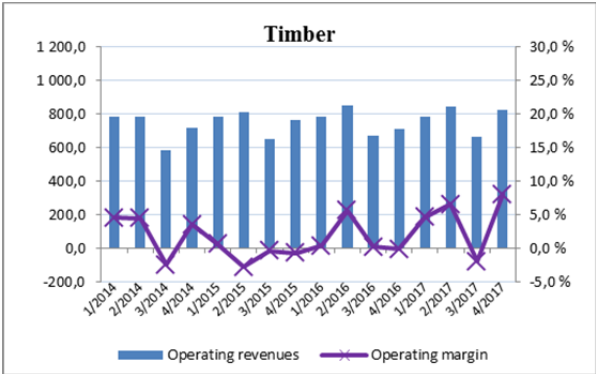
Access to sawlogs at the start of the quarter was somewhat reduced in certain areas due to the wet autumn. The situation improved as the period progressed, and at the end of the quarter sawlog stocks were satisfactory and on a par with the same time the previous year. For the Norwegian units the sawlog prices were somewhat higher than for the corresponding period in 2016, while the level for the Swedish units was unchanged. Prices for chip and fibre products were at the same level as for the fourth quarter the preceding year.

The results for the fourth quarter of 2016 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.

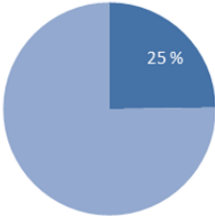
Cumulative figures for 2017 include impairment of fixed assets and cost provisions from the third quarter related to the closure of Moelven Norsälven AB totalling NOK 29.0 million.

Due to price developments the profits for the quarter have seen a positive effect of a value adjustment to inventories totalling NOK 9.5 million. The corresponding adjustment in the fourth quarter of 2016 was NOK 6.0 million. Year to date the price adjustments comprised NOK 15.1 million (NOK -1.6 million).

Several units have improved efficiency as a result of the ongoing improvement work. There are nevertheless units remaining with unsatisfactory results, and improvement work will continue unabated in order to bring these too up to acceptable profitability levels.



Timber's share of the Groups sale to external customers



Wood

| Amounts in NOK million | Fourth quarter | | 12 months | |
|---|----------------|--------|-----------|---------|
| | 2017 | 2016 | 2017 | 2016 |
| Sales to external customers | 794.3 | 688.3 | 3,623.9 | 3,359.7 |
| Sales to internal customers | 47.2 | 59.3 | 181.7 | 170.2 |
| Operating revenues | 841.5 | 747.6 | 3,805.6 | 3,529.9 |
| Depreciation and impairment | 27.9 | 29.2 | 110.9 | 113.8 |
| Operating profit | 23.3 | 24.1 | 154.8 | 160.6 |
| Operating margin in per cent * | -0.4 % | -0.4 % | 4.1 % | 4.5 % |
| Net operating capital (% of operating revenues) * | 1.7 % | 2.3 % | 27.4 % | 27.6 % |
| Total assets * | -43.9 | -90.1 | 2,413.9 | 2,151.6 |
| Equity * | -53.5 | -56.7 | 1,033.4 | 932.0 |
| Capital employed * | -40.3 | -49.9 | 1,627.4 | 1,493.8 |
| Return on capital employed in per cent, 12 month rolling* | -0.2 % | 0.6 % | 9.3 % | 10.3 % |
| Investments * | 57.2 | 44.7 | 119.9 | 114.7 |
| Total number of employees * | 14 | 8 | 1,079 | 1,039 |

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

Market activities and demand in the Wood division's key markets were satisfactory in the fourth quarter, and developed as normal for the season with a slight decline towards the turn of the year. Activity at Moelven Tom Heurlin AB, which was transferred to the Wood division from the Timber division effective from 1 January 2017, has been reduced in comparison with previous years in order for the company to comply with the division's market strategy and also provide satisfactory profitability. Delivery volumes in the quarter were somewhat lower than for the same period last year, but a change in product mix and increased average prices nevertheless resulted in increased operating income.

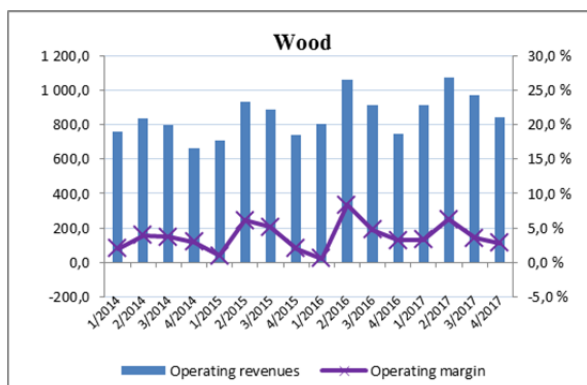
Operating conditions in the period were good, and due to the ongoing improvement work, processing costs have been reduced compared to the fourth quarter of 2016. Improvements in operating income and processing costs have however not been sufficient to compensate for the increase in raw material costs.

The planing mills in the division use mainly sawn timber as raw material. As a result of price trends for sawn timber internationally, the raw material costs for these units have increased, and this has led to a pressure on margins for highly processed goods.

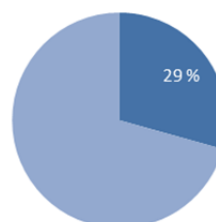
Access to sawlogs at the start of the quarter was somewhat reduced in certain areas due to the wet autumn. The situation improved as the period progressed, and at the end of the quarter sawlog inventories were satisfactory and on a par with the same time the previous year. For the Norwegian units the sawlog prices were somewhat higher than for the corresponding period in 2016, while the level for the Swedish units was unchanged. Prices for chip and fibre products were at the same level as for the fourth quarter the preceding year.

Due to price developments the profits for the quarter have seen a positive effect of a price adjustment to inventories totalling NOK 6.9 million. The corresponding adjustment was not required for the fourth quarter of 2016. Year to date the price adjustments constituted NOK 24.6 million (NOK 10.6 million).

There are still units with unsatisfactory earnings, and improvement work to bring these up to acceptable profitability levels will continue to have high priority in 2018.



Wood's share of the Groups sale to external customers



Building Systems

| Amounts in NOK million | Fourth quarter | | 12 months | |
|---|----------------|--------|-----------|---------|
| | 2017 | 2016 | 2017 | 2016 |
| Sales to external customers | 1,030.9 | 919.0 | 3,854.7 | 3,611.1 |
| Sales to internal customers | 0.8 | 3.4 | 1.7 | 5.7 |
| Operating revenues | 1,031.7 | 922.4 | 3,856.4 | 3,616.8 |
| Depreciation and impairment | 14.2 | 19.2 | 52.8 | 51.2 |
| Operating profit | 44.3 | 8.2 | 153.9 | 115.1 |
| Operating margin in per cent * | 0.1 % | -0.8 % | 4.0 % | 3.2 % |
| Net operating capital (% of operating revenues) * | 0.4 % | -5.6 % | 11.3 % | 12.5 % |
| Total assets * | 165.9 | -180.9 | 1,808.9 | 1,653.2 |
| Equity * | -12.5 | -74.5 | 798.0 | 692.2 |
| Capital employed * | -28.0 | -54.7 | 884.1 | 775.6 |
| Return on capital employed in per cent, 12 month rolling* | 3.7 % | -7.1 % | 17.8 % | 14.4 % |
| Investments * | 30.2 | 36.6 | 118.9 | 84.5 |
| Total number of employees * | 8 | 48 | 1,687 | 1,647 |

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

The increase in operating revenues compared to the fourth quarter of 2016 is due to increased activity in Glulam and Modular Buildings in both Norway and Sweden. At the end of the quarter the order backlogs for the division was good overall, but nevertheless lower than at the same time in 2016. The normal seasonal decline from the end of the third quarter was however smaller than for the fourth quarter of 2016.

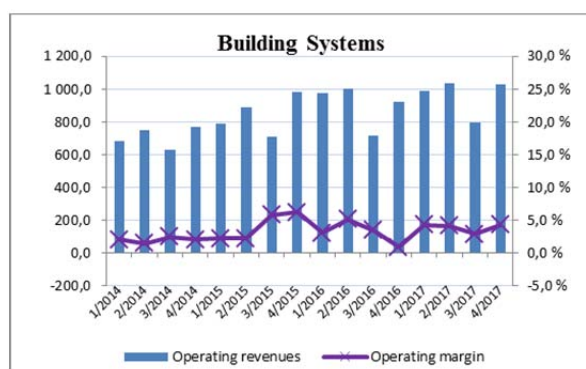
The improvement in operating result for the quarter compared to the previous year was due to improved results in Modular Buildings. The accumulated operating result has been charged with cost adjustments totalling NOK 17.2 million following the conclusion of a dispute.

For the Glulam activities demand is good both for standard glulam and projects in both Norway and Sweden. The production capacity with the current business model is practically fully utilised. The use of glulam is experiencing a positive trend, with increasing demand for load-bearing structures for various building purposes. Demand from the building products trade for standard glulam has dropped slightly, but remains high. Delivery volumes increased compared to the corresponding period last year. On the Swedish market there is nevertheless significant pressure on prices due to strong competition.

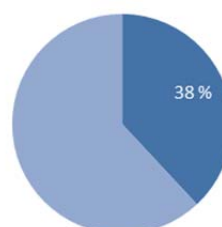
Activity levels for the Modular Buildings business in Sweden remains very high. This applies in

particular to the residential and project markets, although the demand for housing has dropped to more normal levels. Demand is also high for rental modules, but competition from foreign players is on the increase. For the Norwegian part of the business the market situation in the housing segment remains good. In addition, there is noticeable increased demand for project and standard modules as a result of the increased investment rate in infrastructure.

For System Interiors– Moelven Modus – demand is good in both new builds and the RCE market (Renovation, Conversion and Extensions), but with strong competition. The particularly applies to the major cities of Oslo, Stockholm, Gothenburg and Malmö. In Sweden there has been increased establishment of competing companies, which has contributed to further pressure on prices. Emphasis on sustainable and climate-smart solutions has contributed to an increase of interest in using wood as a building material and having visible wood in the finished projects among both architects and customers.



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

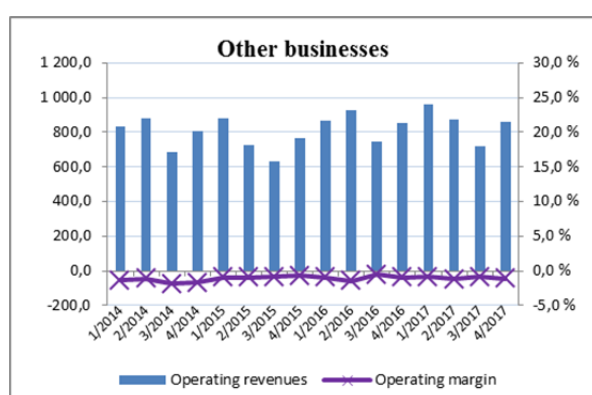


Other Businesses

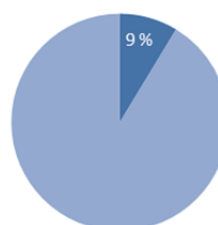
| Amounts in NOK million | Fourth quarter | | 12 months | |
|---|----------------|--------|-----------|---------|
| | 2017 | 2016 | 2017 | 2016 |
| Sales to external customers | 234.7 | 271.2 | 875.7 | 1,006.9 |
| Sales to internal customers | 625.8 | 582.6 | 2,538.9 | 2,382.0 |
| Operating revenues | 860.5 | 853.9 | 3,414.6 | 3,388.9 |
| Depreciation and impairment | 3.7 | 4.2 | 11.7 | 13.9 |
| Operating profit | -9.8 | -8.3 | -34.9 | -34.2 |
| Operating margin in per cent * | 0.0 % | 0.0 % | -1.0 % | -1.0 % |
| Net operating capital (% of operating revenues) * | -5.6 % | -4.0 % | 1.4 % | 4.9 % |
| Total assets * | 106.1 | 125.6 | 2,399.3 | 2,453.6 |
| Equity * | 264.4 | 213.3 | 1,198.1 | 1,044.8 |
| Capital employed * | 166.0 | 101.2 | 1,835.1 | 1,890.5 |
| Return on capital employed in per cent, 12 month rolling* | -0.1 % | -0.2 % | -0.4 % | -0.2 % |
| Investments * | 5.3 | 8.3 | 19.1 | 11.8 |
| Total number of employees * | 0 | -172 | 130 | 132 |

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

Other businesses include Moelven Industrier ASA, with shared group services for finance, accounting, insurance, communications, HR and ICT. Sawlog supply and sales of wood chips and energy products are organised as a common function for the Group's sawlog processing units and are included with the companies Moelven Skog AB, Moelven Virke AS, Vänerbränsle AB and Moelven Bioenergi AS. 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. Year-to-date figures for 2016 include Moelven Elektro AS. As of 1 June 2016, this company, which focused exclusively on maintenance contracts and small and medium size projects, was transferred to the "Other businesses" reporting area. 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. These are mainly internal sales, which do not materially affect the results within the business area. In order to safeguard the supply of sawlogs 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 transport. The business is based on fixed agreements on both the customer and supplier sides.



Other businesses' share of the Groups sale to external customers



Employees

| Employees | Per fourth quarter 2017 | | | | Per fourth quarter 2016 | | | |
|---------------------------|-------------------------|--------|---------|-------|-------------------------|--------|---------|-------|
| | Male | Female | %Female | Total | Male | Female | %Female | Total |
| Timber | 579 | 71 | 10.9 % | 650 | 600 | 74 | 11.0 % | 674 |
| Wood | 913 | 166 | 15.4 % | 1,079 | 873 | 166 | 15.9 % | 1,039 |
| Building Systems | 1,567 | 120 | 7.1 % | 1,687 | 1,532 | 115 | 7.0 % | 1,647 |
| Other businesses | 97 | 33 | 25.4 % | 130 | 102 | 30 | 22.7 % | 132 |
| Total number of employees | 3,156 | 390 | 11.0 % | 3,546 | 3,107 | 385 | 11.0 % | 3,492 |

| Sickness absence rate in % | Per fourth quarter | |
|----------------------------|--------------------|--------|
| | 2017 | 2016 |
| Timber | 4.71 % | 4.97 % |
| Wood | 5.11 % | 4.97 % |
| Building Systems | 6.34 % | 6.53 % |
| Other businesses | 2.87 % | 3.32 % |
| The Group | 5.55 % | 5.60 % |

| LTI Value | Per fourth quarter | |
|------------------|--------------------|------|
| | 2017 | 2016 |
| Timber | 12.9 | 15.7 |
| Wood | 8.8 | 7.5 |
| Building Systems | 15.1 | 16.5 |
| Other businesses | 4.6 | 0.0 |
| The Group | 12.4 | 12.8 |

In the fourth quarter, absence due to illness was 5.35 per cent (5.57), where 3.53 per cent (2.72) represents long-term absence. Many of Moelven's businesses have sickness absence levels lower than the maximum target for 2017 of 4.5 per cent. Work is still being done to reduce sick leave for the Group as a whole to below the target level. Efforts, which include employee surveys, close follow-up of sickness absence and cooperation with the occupational health services, are particularly directed at those businesses with the highest sickness absence levels. There were 22 (17) personal injuries with subsequent sick leave during the quarter. For the year as a whole there have been 73 (74) personal injuries with subsequent absence. There has only been a slight reduction in the number of injuries, but due to a heightened level of activity and more worked hours, the LTI rate (number of personal injuries absence per million worked hours) has dropped from 12.8 in 2016 to 12.4 in 2017. The level is nevertheless unacceptably high. 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 is the governing body for HSE work and comprises the CEO, division managers, the HR Director and two employee representatives for the Building Systems division and timber processing part of the Group respectively. Work on training and awareness-raising is constantly ongoing in order to establish a culture for safety at all levels. 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 senior safety representatives.

Outlook

The growth in the global economy is continuing. In Norway the mainland economy is approaching normal levels after a period of poor developments. In Sweden activity levels remain high, even though the strong growth is showing signs of levelling off in certain markets. The rest of Europe continues with a marginal positive growth rate. In the USA the economy is still improving, although the growth rate is somewhat lower than previously. Moelven has only occasional deliveries to the United States, but the Group nevertheless sees a positive effect from an improved global market balance. Growth in China is declining, 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. Prices in GBP have increased, and thus compensate some of the margin shortfall as a result of the depreciation of the pound following the Brexit referendum.

In Scandinavia demand for processed products in total is expected to remain on a par with 2017, albeit with regional differences. It has also been considered a certain possibility that housing construction may fall somewhat. In Norway, construction 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, but growth is showing signs of levelling off. Activity in the RCE market remains good. No major changes are expected in the markets, and the Swedish market is expected to be at the same level as 2017 overall.

Sawlog inventories and access to sawlogs at the start 2018 are acceptable 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.

In Sweden the market for system interiors is strong in the areas around Stockholm, Gothenburg and Malmö. On the Norwegian side of the border the market in the Oslo region is strong. In the rest of the country the market for new commercial buildings is showing signs of improvement following a slow period. Good activity is expected to continue in Norway and Sweden in renovation, conversion and extension.

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. For 2018 the board expects activity levels and results comparable to 2017. Return on capital employed was 14.2 per cent in 2017, which is a marked improvement from 9.9 per cent in 2016. The Group has a long-term goal of a return on capital employed of 13 per cent over an economic cycle. The programme for operational improvement and structuring of the Group in line with the long-term strategy plan therefore continues unabated and will contribute to continued improved profitability for the underlying operations. The Board is of the opinion that the Group has adequate solvency and access to liquidity over the long term to develop the Group in line with the strategy plan.

Summary quarterly accounts for the Moelven Group for the fourth quarter 2017

Earnings and comprehensive income

| Amounts in NOK million | Fourth quarter | | 12 months | |
|---|----------------|-------------|--------------|--------------|
| | 2017 | 2016 | 2017 | 2016 |
| Operating revenues | 2,708.9 | 2,416.2 | 10,768.4 | 10,309.7 |
| Cost of goods sold | 1,630.8 | 1,469.1 | 6,799.2 | 6,552.5 |
| Payroll expenses | 583.8 | 559.9 | 2,153.3 | 2,113.2 |
| Depreciation and impairment | 72.5 | 97.1 | 295.7 | 306.6 |
| Other operating expenses | 297.1 | 266.4 | 1,099.8 | 1,042.5 |
| Operating Profit | 124.7 | 23.7 | 420.4 | 295.0 |
| Income from associates | 0.0 | 0.0 | 0.0 | 0.0 |
| Value change of financial instruments to fair value | -13.7 | 4.1 | -4.7 | 14.6 |
| Other financial income | 2.2 | 16.1 | 16.1 | 32.4 |
| Other financial expenses | 9.1 | 27.6 | 58.2 | 89.4 |
| Profit before tax | 104.1 | 16.3 | 373.6 | 252.5 |
| Estimate income tax | 16.8 | 18.3 | 80.5 | 73.4 |
| Net profit | 87.3 | -2.0 | 293.1 | 179.1 |
| Non-controlling interest share | -0.4 | -4.2 | -0.1 | -4.1 |
| Owner of parent company share | 87.7 | 2.2 | 293.2 | 183.1 |
| Earnings per share (in NOK) | 0.7 | 0.0 | 2.3 | 1.4 |
| Statement of comprehensive income | | | | |
| Net profit | 87.3 | -2.0 | 293.1 | 179.1 |
| Other comprehensive income | | | | |
| <i>Items that are not reclassified subsequently to profit or loss</i> | | | | |
| Actuarial gains (losses) on defined-benefit pension schemes | -0.9 | -1.6 | -0.9 | -1.9 |
| Income tax on items that are not reclassified to profit or loss | -0.2 | -0.4 | -0.2 | 0.5 |
| | -0.7 | -1.2 | -0.7 | -1.4 |
| <i>Items that may be reclassified subsequently to profit or loss</i> | | | | |
| Translation differences | 17.8 | 18.9 | 40.9 | -67.3 |
| Proportion of other income and costs in associated companies | 0.0 | 3.9 | 0.0 | 0.1 |
| Other changes | 8.3 | 4.4 | 8.1 | 4.4 |
| Income tax on items that may be reclassified to profit or loss | 0.0 | 0.0 | 0.0 | 0.0 |
| | 26.1 | 27.2 | 49.0 | -62.7 |
| <i>Items that may be reclassified subsequently to profit or loss</i> | | | | |
| Other comprehensive income, net of tax | 25.4 | 26.0 | 48.4 | -64.1 |
| Total comprehensive income for the period | 112.7 | 24.0 | 341.5 | 114.9 |
| Comprehensive income assigned to: | | | | |
| Owners of parent company | 113.1 | 28.2 | 341.5 | 118.9 |
| Non-controlling interests | -0.4 | -4.2 | -0.1 | -4.1 |

Consolidated balance sheet

| Amounts in NOK million | Per 31.12 | |
|---|----------------|----------------|
| | 2017 | 2016 |
| Intangible assets | 76.8 | 72.8 |
| Tangible fixed assets | 1,762.5 | 1,637.2 |
| Financial fixed assets | 7.9 | 8.7 |
| Total fixed assets | 1,847.2 | 1,718.7 |
| Inventory | 1,524.1 | 1,464.1 |
| Receivables | 1,633.0 | 1,568.5 |
| Liquid assets | 41.6 | 15.6 |
| Total current assets | 3,198.7 | 3,048.1 |
| Total assets | 5,045.9 | 4,766.8 |
| Share capital* | 647.7 | 647.7 |
| Other equity | 1,444.9 | 1,165.7 |
| Total equity | 2,092.6 | 1,813.4 |
| Provisions | 242.9 | 180.6 |
| Long term interest-bearing liabilities | 782.8 | 910.2 |
| Long term interest-free liabilities | 6.3 | 6.5 |
| Total long term liabilities | 1,031.9 | 1,097.4 |
| Short term interest-bearing liabilities | 0.0 | 112.4 |
| Short term liabilities | 1,921.3 | 1,743.7 |
| Total short term liabilities | 1,921.3 | 1,856.1 |
| Total liabilities | 2,953.3 | 2,953.4 |
| Total liabilities and equity | 5,045.9 | 4,766.8 |

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

Consolidated statement of changes in equity

| Amounts in NOK million | Equity assigned to owners of parent company | | | | | Non-controlling interests | Total equity |
|--|---|---------------------|------------|----------------|----------------|---------------------------|----------------|
| | Share capital | Share premium funds | Own shares | Other equity | Total | | |
| Total pr 1.1.2016 | 647.7 | 180.7 | 0.0 | 917.4 | 1,745.8 | 11.1 | 1,756.9 |
| Comprehensive income for the period | | | | | | | |
| Net profit | 0.0 | 0.0 | 0.0 | 183.1 | 183.1 | -4.1 | 179.1 |
| Other comprehensive income | | | | | | | |
| Translation differences | 0.0 | 0.0 | 0.0 | -67.2 | -67.2 | -0.1 | -67.3 |
| Other changes | 0.0 | 0.0 | 0.0 | 4.5 | 4.5 | 0.0 | 4.4 |
| 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 |
| Other comprehensive income (net of tax) | 0.0 | 0.0 | 0.0 | -64.1 | -64.1 | -0.1 | -64.3 |
| Transactions with owners, entered directly against equity | | | | | | | |
| Purchase of non-controlling interests | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Effect of acquisition | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Dividend to owners | 0.0 | 0.0 | 0.0 | -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 |
| Total transactions with owners | 0.0 | 0.0 | 0.0 | -58.3 | -58.3 | 0.0 | -58.3 |
| Total as at 31.12.2016 | 647.7 | 180.7 | 0.0 | 978.1 | 1,806.5 | 6.9 | 1,813.4 |
| Total pr 1.1.2017 | 647.7 | 180.7 | 0.0 | 978.2 | 1,806.6 | 6.8 | 1,813.4 |
| Comprehensive income for the period | | | | | | | |
| Net profit | 0.0 | 0.0 | 0.0 | 293.2 | 293.2 | -0.1 | 293.1 |
| Other comprehensive income | | | | | | | |
| Translation differences | 0.0 | 0.0 | 0.0 | 40.9 | 40.9 | 0.0 | 40.9 |
| Other changes | 0.0 | 0.0 | 0.0 | 5.1 | 5.1 | 3.0 | 8.1 |
| Actuarial gains (losses) on defined-benefit pension schemes | 0.0 | 0.0 | 0.0 | -0.9 | -0.9 | 0.0 | -0.9 |
| Income tax on other comprehensive income | 0.0 | 0.0 | 0.0 | 0.2 | 0.2 | 0.0 | 0.2 |
| Other comprehensive income (net of tax) | 0.0 | 0.0 | 0.0 | 45.4 | 45.4 | 3.0 | 48.3 |
| Transactions with owners, entered directly against equity | | | | | | | |
| Purchase of non-controlling interests | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Effect of acquisition | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Dividend to owners | 0.0 | 0.0 | 0.0 | -62.2 | -62.2 | 0.0 | -62.2 |
| Share based payment transactions | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Total transactions with owners | 0.0 | 0.0 | 0.0 | -62.2 | -62.2 | 0.0 | -62.2 |
| Total as at 31.12.2017 | 647.7 | 180.7 | 0.0 | 1,254.5 | 2,082.9 | 9.7 | 2,092.6 |

Consolidated statement of cash flow

| Amounts in NOK million | Per 31.12. | |
|--|----------------|---------------|
| | 2017 | 2016 |
| CASH FLOW FROM OPERATIONAL ACTIVITIES: | | |
| Net profit | 293.1 | 179.1 |
| <i>Adjustments to reconcile net profit with net cash flow from operations:</i> | | |
| Depreciation | 278.1 | 290.1 |
| Impairment | 17.6 | 16.5 |
| Income from associated companies | 0.0 | -0.1 |
| Tax paid | -33.0 | -20.8 |
| Unpaid pension costs entered as costs and unreceived pension funds entered as income | 4.8 | -1.0 |
| Loss (profit) on sale of fixed assets | -14.3 | 0.8 |
| Net value change of financial instruments to fair value | 4.7 | -14.6 |
| Income tax | 80.5 | 73.4 |
| <i>Changes in operating assets and liabilities:</i> | | |
| Changes in inventory | -60.1 | 63.7 |
| Changes in accounts receivable and other receivables | -64.5 | -134.8 |
| Changes in trade accounts payable | 147.0 | 19.4 |
| Changes in provisions and benefits to employees | 62.3 | 0.0 |
| Changes in short-term liabilities excluding borrowing | -50.2 | -50.4 |
| Cash flow from operational activities | 666.0 | 421.5 |
| CASH FLOW FROM INVESTMENT ACTIVITIES: | | |
| Investment in plant and equipment exc. acquisition | -357.0 | -275.2 |
| Net cash outlay on acquisition | 0.0 | 0.0 |
| Receipts from sale of fixed assets | 17.1 | 4.1 |
| Sale of other long-term investments | 0.0 | 23.6 |
| Acquisition of subsidiary, net of cash | 5.0 | 0.0 |
| Cash flow from investment activities | -334.9 | -247.5 |
| CASH FLOW FROM FINANCING ACTIVITIES: | | |
| Raising short term debt | 0.0 | 0.0 |
| Repayment of short term debt | 0.0 | 0.0 |
| Change in bank overdrafts | -112.4 | 32.7 |
| Purchase of non-controlling interests | 0.0 | 0.0 |
| Change in long term debt (borrowing facility) | -126.9 | -139.9 |
| Changes in other long-term liabilities | 1.6 | -5.5 |
| Payment of dividend | -62.2 | -58.3 |
| Cash flow from financial activities | -299.8 | -171.1 |
| Net increase (reduction) in liquid assets during year | 31.4 | 2.9 |
| Liquid assets start of period | 6.6 | 3.6 |
| Effect of exchange rate changes on liquid assets | 0.0 | 0.0 |
| Liquid assets end of period | 38.0 | 6.6 |
| Cash and cash equivalents | | |
| Liquid assets | 38.0 | 6.6 |
| Unused drawing rights | 1,134.0 | 868.1 |
| Restricted bank deposits | 0.0 | 0.0 |
| Cash and cash equivalents | 1,172.0 | 874.7 |

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 2017 ended 31 December 2017 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 2016 are available at www.moelven.com.

Note 2 – Statement of conformity

The consolidated financial statements for the fourth quarter of 2017 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 2016. The summary consolidated quarterly financial statements were approved by the Board on 31 January 2018.

Note 3 – Accounting policies

The accounting policies adopted in the quarterly financial statements 2017 are the same as those in the consolidated financial statements for 2016. 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 2016 and the principal sources of estimate uncertainty are the same when preparing these summary quarterly accounts as for the consolidated accounts for 2016.

Note 5 – Pensions and taxes

The income tax expense is determined in each quarter on the basis of the expected annual income tax expense. Defined-benefit pension schemes are valued at present value of the future pension benefits that have been earned on the date of balance. Pension funds are valued at fair value.

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. | |
|-------------------------|------------|---------|
| | 2017 | 2016 |
| Book value per 1.1 | 1,669.7 | 1,790.1 |
| Acquisitions | 357.0 | 275.2 |
| Business combinations | 0.0 | 0.0 |
| Disposals | -2.0 | -1.9 |
| Depreciations | -278.1 | -290.1 |
| Impairment losses | -17.6 | -16.5 |
| Transfers | 22.6 | -0.3 |
| Translation differences | 45.2 | -86.7 |
| Book value per 30.06. | 1,796.8 | 1,669.7 |

Note 8 - Financial instruments

| Amounts in NOK million | Per Fourth quarter 2017 | | | 31.12.2016 | | |
|---------------------------|-------------------------|---------------------|----------------|---------------------|---------------------|----------------|
| | Positive fair value | Negative fair value | Net fair value | Positive fair value | Negative fair value | Net fair value |
| Currency derivatives | 3.5 | -7.0 | -3.6 | 5.6 | -1.1 | 4.6 |
| Interest rate derivatives | 0.0 | -81.5 | -81.5 | 0.0 | -82.6 | -82.6 |
| Power derivatives | 6.7 | -1.0 | 5.8 | 3.4 | 0.0 | 3.4 |
| Total | 10.2 | -89.5 | -79.4 | 9.0 | -83.7 | -74.7 |

| Amounts in NOK million | Per Fourth quarter 2016 | | | 31.12.2015 | | |
|---------------------------|-------------------------|---------------------|----------------|---------------------|---------------------|----------------|
| | Positive fair value | Negative fair value | Net fair value | Positive fair value | Negative fair value | Net fair value |
| Currency derivatives | 5.4 | -3.2 | 2.2 | 4.5 | -0.9 | 3.6 |
| Interest rate derivatives | 0.0 | -79.6 | -79.6 | 0.0 | -76.2 | -76.2 |
| Power derivatives | 0.0 | -1.4 | -1.4 | 0.0 | -16.6 | -16.6 |
| Total | 5.4 | -84.2 | -78.8 | 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 2016 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 | |
|-------------------------------------|------------|------------|
| | 2017 | 2016 |
| Timber | 129.3 | 40.4 |
| Wood | 129.9 | 136.2 |
| Building Systems | 152.3 | 113.4 |
| Other | -37.8 | -37.6 |
| Profit before tax in segments | 373.6 | 252.5 |
| <i>Eliminations</i> | <i>0.0</i> | <i>0.0</i> |
| Profit before tax in Group Accounts | 373.6 | 252.5 |

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 4.3 million cubic metres comes via the Norwegian forest owner cooperatives.

Moelven' supply of energy raw materials to Eidsiva's bioenergy plant represents between 40 and 50 GWh on an annual basis, while buying back energy represents between 20 and 30 GWh. Net delivery of energy raw materials is 20 GWh. The extent of the sale of electrical power corresponds to about 40 per cent of Moelven's total consumption of 210 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 organized 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 the Timber division 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 3,546 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 (15.9 per cent), Viken Skog SA (11.9 per cent), Mjøsen Skog SA (11.8 per cent) and AT Skog SA (7.3 per cent). Most of the remaining 0.4 per cent is owned by private individuals.

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