



Quarterly Report 4/2022



Cover photo

The chip house at Moelven Van Severen AS with a new brand profile.

On October 18, 2022, it was 1 year since Moelven launched an updated value platform and visual profile. With regard to both sustainability and economy, the visual profile has been introduced gradually. Purchased packaging materials, work clothes, etc. has been worn out before new ones have been put into use. From and including 19 October 2022, however, the old profile has been completely removed, and Moelven continues as ONE Moelven with a more modern and timeless identity.

Photo: Bjørn Otterbekk

Amounts in NOK million	Fourth quarter		12 months	
	2022	2021	2022	2021
Operating revenues	3,111	3,590	14,439	14,872
EBITDA	-1	848	2,103	3,389
Gross operating margin/EBITDA in per cent	0.0 %	23.6 %	14.6 %	22.8 %
Depreciation and impairment	100	118	346	403
Operating profit	-101	730	1,757	2,986
Net operating margin/EBIT in per cent	-3.2 %	20.3 %	12.2 %	20.1 %
Profit before tax	-99	734	1,754	2,991
Profit per share in NOK	-0.51	4.43	10.76	18.13
Cash flow from operational activities, in NOK per share	-0.16	6.87	11.09	20.98
Total equity*	-145	505	4,743	4,588
Equity ratio*	3.4 %	5.2 %	60.0 %	55.5 %
Total assets*	-730	147	7,906	8,269
Investments*	201	135	501	420
Return on capital employed in per cent, 12 month rolling*	-17.2 %	7.6 %	35.7 %	73.5 %
Capital employed*	-152	445	5,003	4,890
Net interest-bearing liabilities*	252	-806	-1,079	-1,312
Net working capital*	-321	-355	2,806	3,093
Number of employees*	14	-112	3,332	3,312
Sick leave percentage*	0.0 %	0.2 %	6.7 %	5.7 %
Lost Time Injury Frequency rate, rolling LTI-rate*	1.2	-2.7	8.0	6.9
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

- Fjerde kvartal 2022 var preget av utfordrende markedsforhold samt høye energipriser og kostnadsnivå generelt.
- Driftsinntektene ble NOK 3 111 mill (3 590).
- Driftsresultatet ble minus NOK 101 mill (730).
- Avkastning på sysselsatt kapital (12 md rullerende) fortsatt meget god på 35,7 prosent (73,5).
- Avventende holdning i det internasjonale skurlastmarkedet.
- Svak etterspørsel fra byggevarehandelen i Skandinavia.
- I sum en tilfredsstillende ordresituasjon innen Byggsystemer, med unntak av enkelte segmenter innen byggmodulvirksomheten og limtrevirksomheten.

In brief

The international sawn timber market was hesitant during the fourth quarter of 2022. Demand was low in Europe, particularly in Scandinavia, but satisfactory in the rest of the world. Overall sawn timber prices continued to decline after the third quarter. The levels were still at historically good levels, but when combined with generally higher cost levels, the drop in prices has resulted in significantly reduced operating margins. Private consumption has long been an important driving force for developments in overall demand. This is now being reduced by rising costs of living, increasing interest rates and continued uncertainty about the war in Ukraine and economic developments. This is having a direct impact on the demand for timber due to fewer new builds and reduced maintenance and renovation activities. This impact is being partially offset by the fact that wood is regarded as being an attractive, sustainable material and is thus taking market shares from other types of materials.

Activities in the Scandinavian building products trade saw a substantial reduction during the fourth quarter of 2022, compared to the same period in 2021. The consumer market is still suffering from the greatest decline, but activities in the other market segments have also seen a certain reduction as projects are being completed and the market is adjusting to fewer new projects being initiated. Activities in the RME market remain satisfactory. Overall, the price levels for processed goods have decreased since the peak levels during the third quarter of 2021.

The supply of forestry raw materials during the fourth quarter was satisfactory in relation to the production levels in both Norway and Sweden. Production at some of our log-consuming units has been reduced slightly in order to adjust our stock levels of intermediate and finished goods. At the end of the quarter, our total stocks of sawlogs were lower than at the same time in 2021, but more than adequate for our current production plans. Prices for sawn spruce and pine in both Norway and Sweden have increased when compared to the fourth quarter of 2021. Realised prices for cellulose chips and other by-products increased in Norway when compared to the fourth quarter of 2021. This applies in particular to the Norwegian units, but in Sweden the overall prices were also slightly better than during the fourth quarter of 2021.

In October 2022, the Group Board decided to invest a further approx. NOK 300 million in Moelven Edanesågen AB and Moelven Valåsen AB. This decision means that the production and distribution of construction wood for the Swedish market will be moved from Moelven Valåsen Wood AB to Moelven Edanesågen AB. Although this entails changes in the production structure, increased activity levels at both locations will mean that the need for expertise and people will not change significantly at either location.

This investment will strengthen both our processing capacity for construction wood and our competitiveness in our export markets. On the basis of previous investment decisions, extensive projects are already underway at the two units. At Moelven Valåsen AB, a new sawline will be installed and drying capacity will be expanded with new and more energy-efficient kilns. In addition, the planing line will be rebuilt in order to make it more suitable for production for our export markets. At Moelven Edanesågen AB an extensive investment programme is also underway which includes new timber sorting, timber intake, a sawline and kilns.

Activities relating to building and construction, infrastructure and minor projects in our Building Systems Division have been good during the quarter. Demand for modular builds for various residential housing purposes in Sweden improved during 2021 and remained at a satisfactory throughout 2022. Our Norwegian business market activities in this segment have been considerably lower than previously for almost one year. Due to a lack of current orders for production at Moelven Byggmodul

AS's factory in Hjellum, 80 employees were notified of temporary layoffs in September. Since then, extensive work has been taking place in order to find a basis for future profitable operations at the factory. Unfortunately, lack of new orders and poor prospects for developments in the market for modular buildings for residential purposes have meant that there is insufficient justification for recommencing operations at the factory. We will continue to concentrate on the housing segment, but our efforts will be more clearly aimed at selected subcategories. The two module production lines at our Moelv factory have sufficient capacity to handle this investment, as well as the production of modules for the building and construction market and the project market. The closure of production at Hjellum means that approximately 44 employees will lose their jobs, while approximately 21 employees will be offered work at our factory in Moelv.

Activities in some segments of the building module market have also declined in Sweden. As a result, Moelven Byggmodul AB provided 18 employees at the production facility in Kil with notice of dismissal. This is due to the fact that a drop in construction activities has reduced the demand for accommodation modules of the type produced in Kil. Demand is still good for the company's other market segments – rental modules, housing and projects.

For the glulam business in Norway, the demand for certain types of glulam beams for both the building materials trade and industrial customers has dropped significantly, partly as a result of reduced start-ups of new projects in the housing and holiday home markets. At the beginning of January 2023, 16 of the 18 employees at Moelven Limtre AS's factory at Vatnestrøm in Agder were therefore notified of layoffs for three months. The aim is to recommence normal operations once those three months have elapsed.

On the night of 21 December 2022, a fire occurred in the chip dryer at Moelven Pellets AS's pellet factory in Sokna. The factory was fully operational, and the employee working the night shift quickly alerted the emergency services. No-one was injured, but the material damage was extensive in the section where the fire occurred. The damage has resulted in a 6-8 week halt in production halt over and above the planned shutdown between Christmas and the New Year.

At the beginning of December, the Accident Investigation Board Norway (AIBN) published its preliminary findings relating to the investigation of the collapse of the bridge in Tretten on 15 August 2022. The AIBN referred to so-called block shear failure in a joint on one of the diagonals of the main span leading towards the western river foundations as the initial cause of the collapse. When checked in accordance with the recommended calculation methods stipulated in the current regulations relating to the design of timber structures, the utilisation rate in the joints on the diagonals in question was around 200%. Block shear failure was not one of the checks specified in NS 3470 (Norwegian design standard) which applied to the design of the Tretten bridge.

In December 2022 Moelven Modus AS received proof showing that the company is now certified as an Eco-Lighthouse. This certifies that the company complies with high standards relating to waste management, works continuously on energy-reducing measures, focuses strongly on HSE and sets high environmental standards for its purchasing and transport solutions.

As part of the Group's commitment to sustainability, Rune F. Andersen (53) was appointed Sustainability Director at Moelven on 1 January 2023. He has been employed at Moelven since 1999 in various financial capacities, most recently as Director – Group Finance and Sustainability.

Operating revenues and profits/losses

Operating revenues for the fourth quarter were lower than for the corresponding period the previous year. The reason for this in respect of the Group's timber processing activities was lower prices for sawn and processed timber, in addition to lower delivery volumes for the Wood Division. Furthermore, operating revenues for the Building Systems Division were lower than for the corresponding period in 2021 as a result of reduced market activities.

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

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

The operating profit for our Building Systems Division was also down compared to the corresponding period in 2021, primarily as a result of reduced activity levels.

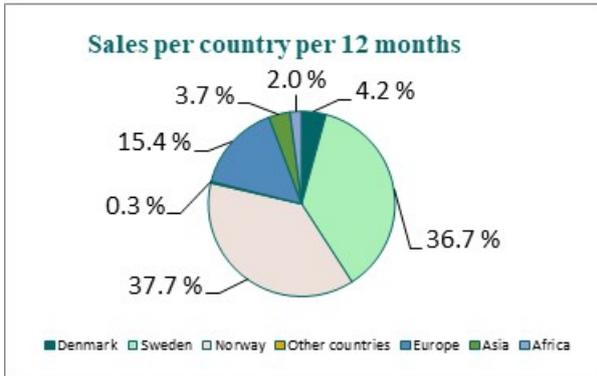
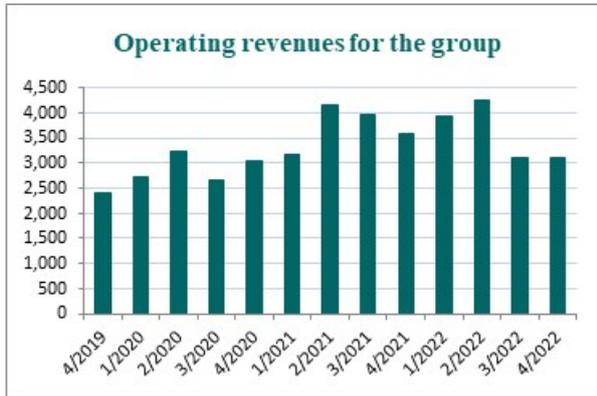
Activity levels were good for our glulam project operations, but there has been a noticeable reduction in demand in the standard segment as a result of lower construction activity in the housing and holiday home market.

The action plans that were drawn up in 2021 for interior systems operations at Moelven Modus AS in order to improve competitiveness and recreate profitable operations have yielded results. Profits for the fourth quarter of 2022 were lower than for the corresponding period the previous year after write-downs on some projects, but for the year as a whole, the business delivered a result that was significantly better than for 2021. As far as our Modular Buildings operations are concerned, a decision has been made to discontinue operations at Moelven Byggmodul AS's production line in Hjellum due to a lack of orders in the apartment segment in Norway. The costs associated with this have been taken into account in the accounts for the fourth quarter of 2022.

The Group utilises financial instruments in order to reduce the impact of short-term fluctuations in foreign exchange rates, interest rates and energy prices. Non-cash items relating to fair value assessments on unrealised balance sheet financial instruments totalled NOK 4 million (minus NOK 14 million) for the quarter and NOK 43 million (NOK 8 million) for the year as a whole.

Pre-tax profit for the quarter was NOK 99 million (734). Pre-tax profit for the whole year amounted to NOK 1,754 million (2,991).

Amounts in NOK million	Fourth quarter		12 months	
	2022	2021	2022	2021
Operating revenues				
Timber	987	1,459	4,944	5,046
Wood	1,051	1,207	5,528	6,164
Building Systems	963	1,025	3,833	3,913
Other businesses	1,121	1,148	4,741	4,553
<i>Internal</i>	-1,011	-1,249	-4,608	-4,803
The Group	3,111	3,590	14,439	14,872
EBITDA				
Timber	40	602	1,239	1,794
Wood	-36	237	756	1,504
Building Systems	-26	30	83	160
Other businesses	-8	1	-31	-6
<i>Internal</i>	29	-22	57	-62
The Group	-1	848	2,103	3,389
Operating profit				
Timber	14	576	1,132	1,691
Wood	-64	206	644	1,384
Building Systems	-43	-21	17	19
Other businesses	-37	-9	-93	-47
<i>Internal</i>	29	-22	57	-62
The Group	-101	730	1,757	2,986



Investments, balance sheet and financing

During the course of the fourth quarter, investments totalling NOK 201 million (135) were activated. Accumulated for 2022, investments totalling NOK 501 million (420) have been activated. This increase in investment activities is based on the Group's long-term strategy plan and mainly comprises three individual projects that are current throughout 2022.

Depreciation and write-downs for the quarter amounted to NOK 100 million (118). Accumulated depreciations and write-downs amounted to NOK 346 million (403). At the end of 2022, the book value of the Group's total assets was NOK 7,906 million (NOK 8,269 million). This increase in total capital is mainly due to increased stocks of raw materials and finished goods, as well as higher liquidity reserves than usual due to high earnings throughout 2021 and 2022.

Cash flow from operating activities in the fourth quarter of 2022 was minus NOK 19 million (NOK 640 million), corresponding to minus NOK 0.16 (NOK 6.87) per share. Total cash flow from operating activities in 2022 was NOK 1,437 million (NOK 2,718 million), corresponding to NOK 11.09 per share (NOK 20.98). This decline compared to the previous year is due to lower earnings during the current year. Cash flow from working capital items was minus NOK 290 million in the fourth quarter (NOK 161 million) and accumulated for 2022 it was NOK 105 million (NOK 87 million).

At the end of 2022 the Group had a net interest-bearing investment of NOK 1,079 million (1,260). Our strong liquidity situation is mainly due to good cash flow from operations and realised accounts receivable. Liquidity reserves, including unused credit facilities, were NOK 3,190 million (3,090).

Equity at the end of 2022 amounted to NOK 4,743 million (NOK 4,588 million), equivalent to NOK 36.46 (NOK 35.41) per share. The equity ratio was 60.0 per cent (55.5).

The dividend for 2021 of NOK 9.06 per share (3,64), totalling NOK 1,174 million (472) was approved at the Annual General Meeting on 28 April 2022, and charged to equity in April with payment in May. Parts of the Group's equity are linked to ownership interests in foreign subsidiaries, principally in Sweden, and are thereby exposed to exchange rate fluctuations. The scope and consequences of probable exchange rate fluctuations are within acceptable risk limits. During the fourth quarter, exchange rate fluctuations resulted in an unrealised change in equity of minus NOK 24 million (minus NOK 61 million). The total change for 2022 was minus NOK 62 million (minus 138). Approximately half of the Group's assets are recognised in SEK. The total assets thus also change based on the exchange rate. The equity ratio in percent is therefore less impacted by exchange rate fluctuations than the nominal equity.

Divisions

Timber

Amounts in NOK million	Fourth quarter		12 months	
	2022	2021	2022	2021
Sales to external customers	827	1,110	4,126	3,911
Sales to internal customers	160	349	818	1,135
Operating revenues	987	1,459	4,944	5,046
Depreciation and impairment	26	26	106	103
Operating profit	14	576	1,132	1,691
Operating margin in per cent	1.4 %	39.5 %	22.9 %	33.5 %
Net operating capital (% of operating revenues)*	-0.7 %	-1.3 %	12.1 %	14.5 %
Total assets*	-240	369	2,907	3,079
Equity*	-896	-709	1,508	1,285
Capital employed*	-899	-722	1,545	1,327
Return on capital employed in per cent, 12 month rolling*	-28.6 %	18.5 %	56.4 %	104.8 %
Investments*	51	72	177	194
Total number of employees*	11	3	653	630

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

Demand for sawn timber was low in Europe during the fourth quarter, with Scandinavia being the weakest area. Activities in our export markets in the Middle East, North Africa and the Far East remained satisfactory. Price levels in the international sawn timber market fell further and at the end of the quarter they had dropped back to the levels that applied two years ago. Historically speaking these levels are still high, but the increased cost levels in society mean that our operating margins are now lower.

During 2022 private consumption continued to fall as a result of high inflation and uncertainty relating to both the war in Ukraine and further economic developments. This is directly affecting the demand for timber in the form of reduced new build activities, maintenance and renovation. The impact of this is countered to a certain extent by wood being considered as an attractive and sustainable material, thus taking market shares from other types of materials. However, overall there has been a supply surplus in the market and prices dropped during the second half of 2022. Customers have reduced their stocks and have adopted a hesitant attitude towards placing new, larger orders in anticipation of further price reductions. By the end of 2022, however, prices had fallen to a level whereby manufacturers have been increasingly implementing production restrictions rather than further reducing the prices for finished goods. For the Timber Division's units, delivery volumes during the fourth quarter of 2022 were on a par with those that applied during the same period in 2021.

Production volumes were lower than in the fourth quarter of 2021, mainly to avoid having excessive inventory volumes during the run-up to the winter season. Processing costs per unit rose due to increased energy costs and high maintenance costs as a result of high utilisation rates at our plants over time, as well as increased cost levels in society in general. The availability of transport, which used to be a great challenge in the past, has improved somewhat with the reduction in activity levels and fewer pandemic-related lockdowns that have limited mobility, but prices have increased significantly from previous normal levels.

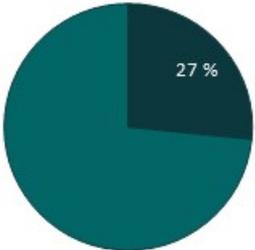
Technical safety inspections conducted in 2021 in connection with our improvement project entitled “HSE Towards 2023” have revealed a need for remedial measures in certain places. This work is still ongoing, but most of it was completed during the course of 2022.

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

The supply of forestry raw materials during the fourth quarter was satisfactory in relation to the production levels in both Norway and Sweden. Production at our log-consuming units has been reduced slightly in order to adjust our stock levels of intermediate and finished goods. At the end of the quarter, our total stocks of sawlogs were lower than at the same time in 2021, but more than adequate for our current production plans. Prices for sawn spruce and pine in both Norway and Sweden have increased when compared to the fourth quarter of 2021. Realised prices for cellulose chips and other by-products increased in Norway when compared to the fourth quarter of 2021. This applies in particular to the Norwegian units, but in Sweden the overall prices were also slightly better than during the fourth quarter of 2021.



Timber’s share of the Groups sale to external customers



Wood

Amounts in NOK million	Fourth quarter		12 months	
	2022	2021	2022	2021
Sales to external customers	979	1,146	5,260	5,916
Sales to internal customers	72	62	268	247
Operating revenues	1,051	1,207	5,528	6,164
Depreciation and impairment	29	31	112	119
Operating profit	-64	206	644	1,384
Operating margin in per cent	-6.1 %	17.1 %	11.6 %	22.5 %
Net operating capital (% of operating revenues)	-1.9 %	1.7 %	27.4 %	28.6 %
Total assets*	-222	-328	3,391	3,866
Equity*	-538	-838	1,649	1,529
Capital employed*	-483	-928	2,004	1,746
Return on capital employed in per cent, 12 month rolling*	-11.4 %	0.6 %	28.7 %	62.7 %
Investments*	85	46	234	155
Total number of employees*	-11	-2	1,084	1,108

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

Demand from the building supplies trade for wood-based construction products was low during the fourth quarter of 2022. This applies primarily to building wood products, but demand also decreased during the quarter for interior and to some extent sheet products. The main reason for this is the decline in the consumer market for the refurbishment and maintenance of residential and holiday homes. Activities in the professional market have been better, but they have recently been suffering from a declining trend. The overall price levels were lower than during the corresponding period in 2021 and when coupled with reduced delivery volumes this has meant that operating revenues were significantly lower than for the fourth quarter of the previous year.

Reduced demand for planed goods meant that it was necessary to implement measures in order to avoid an excessive build-up of finished goods during the run-up to the winter season. Planing production for the Scandinavian market has therefore been reduced in favour of increased production of sawn timber and planed goods adapted to export markets.

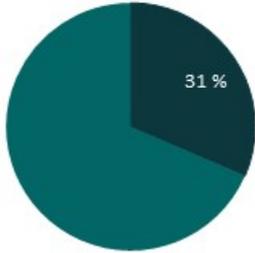
The log sorting line at Moelven Soknabruket AS, which was completely destroyed in a fire in September 2022, will be out of operation until a new log sorting line can be commissioned. This is expected to happen during the first quarter of 2024. In order to ensure a continued supply of logs to the plant, temporary sorting solutions have therefore been established in the forest in cooperation with the supplier. This scheme ensures that sawn timber production can be continued while the log sorting line is being rebuilt, but it will mean a reduction in both production and yield when compared to the normal state of affairs.

For the division's log-consuming units, processing costs increased compared to the same period last year. The most important reasons for this are increased energy costs, high maintenance costs as a result of high utilisation rates at the plants over time and increased cost levels in society in general. Technical safety inspections conducted in 2021 in connection with our improvement project entitled "HSE Towards 2023" have revealed a need for remedial measures in certain places. This work is still ongoing, but most of it was completed during the course of 2022.

The supply of forestry raw materials during the fourth quarter was satisfactory in relation to the production levels in both Norway and Sweden. Production at our log-consuming units has been reduced slightly in order to adjust our stock levels of intermediate and finished goods. At the end of the quarter, our total stocks of sawlogs were lower than at the same time in 2021, but more than adequate for our current production plans. Prices for sawn spruce and pine in both Norway and Sweden have increased when compared to the fourth quarter of 2021. Realised prices for cellulose chips and other by-products increased in Norway when compared to the fourth quarter of 2021. This applies in particular to the Norwegian units, but in Sweden the overall prices were also slightly better than during the fourth quarter of 2021.



Wood's share of the Groups sale to external customers



Building Systems

Amounts in NOK million	Fourth quarter		12 months	
	2022	2021	2022	2021
Sales to external customers	962	1,024	3,829	3,899
Sales to internal customers	1	1	3	13
Operating revenues	963	1,025	3,833	3,913
Depreciation and impairment	17	51	66	140
Operating profit	-43	-21	17	19
Operating margin in per cent	-4.4 %	-2.0 %	0.4 %	0.5 %
Net operating capital (% of operating revenues)*	2.4 %	0.1 %	15.3 %	11.1 %
Total assets*	13	-213	1,780	1,694
Equity*	-40	-121	685	667
Capital employed*	-18	-164	884	782
Return on capital employed in per cent, 12 month rolling*	-2.3 %	-4.5 %	2.4 %	2.2 %
Investments*	21	9	36	54
Total number of employees*	8	-116	1,408	1,383

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

Total current orders for the Division's operations increased during the fourth quarter of 2022, but declining activities in some market segments means that capacity-limiting measures have been introduced for some units. The Division's current orders in respect of other operations at the end of the quarter were at a satisfactory level.

As regards our glulam businesses in both Norway and Sweden, demand from the consumer market for standard glulam fell further during the fourth quarter. For the glulam business in Norway, the demand for certain types of glulam beams for both the building materials trade and industrial customers has dropped significantly, partly as a result of reduced start-ups of new projects in the housing and holiday home markets. At the beginning of January 2023, 16 of the 18 employees at Moelven Limtre AS's factory at Vatnestrøm in Agder were therefore notified of layoffs for three months. The aim is to recommence normal operations once those three months have elapsed.

Activities in the project market, particularly in Sweden, were good, but there was a slight decline towards the turn of the year. High steel prices and a growing interest in building sustainably with wood have contributed towards increasing the demand for glulam buildings when priority would previously have been placed on steel load-bearing structures.

Production costs increased compared to the same period in 2021, mainly due to increased energy costs, increased prices for other input factors and increased price levels in society in general. Reduced prices for sawn timber are heading in the opposite direction.

As regards our building module operations in Norway, activities in the building and construction segment have been satisfactory and production has been good. Activities in the project market have been reduced, with few public tenders. In the residential and leisure housing market the demand for modular builds has been very low for a long time. Due to a lack of current orders for production at Moelven Byggmodul AS's factory in Hjellum, 80 employees were therefore notified of temporary layoffs in September. Since then, extensive work has been taking place in order to find a basis for future profitable operations at the factory. Unfortunately, a lack of new orders and poor prospects for developments in the market for modular buildings for residential purposes have meant that there is insufficient justification for recommencing operations at the factory. We will continue to concentrate on

the housing segment, but our efforts will be more clearly aimed at selected subcategories. The two module production lines at our Moelv factory have sufficient capacity to handle this investment, as well as the production of modules for the building and construction market and the project market. The closure of production at Hjellum means that approximately 44 employees will lose their jobs, while approximately 21 employees will be offered work at our factory in Moelv. The closure of operations at Hjellum has been taken into account in the accounts for the fourth quarter of 2022.

Activities in some segments of the building module market have also declined in Sweden. As a result, Moelven Byggmodul AB provided 18 employees at the production facility in Kil with notice of dismissal. This is due to the fact that a drop in construction activities has reduced the demand for accommodation modules of the type produced in Kil. For the Swedish Modular Buildings business's other market segments – rental modules, housing and projects – demand remained good during the fourth quarter.

Incoming orders were satisfactory and the order situation at year-end provides the basis for a good activity levels at our factories as we head into 2023.

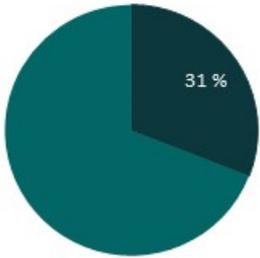
The results for our Modular Buildings operations were also negatively impacted by increased costs in society.

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

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



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



Other Businesses

Amounts in NOK million	Fourth quarter		12 months	
	2022	2021	2022	2021
Sales to external customers	373	348	1,342	1,253
Sales to internal customers	748	800	3,399	3,300
Operating revenues	1,121	1,148	4,741	4,553
Depreciation and impairment	29	10	62	41
Operating profit	-37	-9	-93	-47
Operating margin in per cent	0.0 %	0.0 %	-2.0 %	-1.0 %
Net operating capital (% of operating revenues)*	-2.7 %	-6.7 %	2.5 %	5.2 %
Total assets*	840	1,799	3,450	3,969
Equity*	1,291	2,161	2,443	2,714
Capital employed*	1,239	2,135	2,421	2,868
Return on capital employed in per cent, 12 month rolling*	-1.9 %	-0.3 %	-5.5 %	-2.3 %
Investments*	44	8	54	18
Total number of employees*	6	3	187	191

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

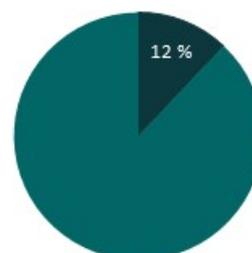
Other businesses include Moelven Industrier ASA, with shared services for finance, accounting, insurance, communications, HR and ICT. In addition, timber supply and sales of wood chips and energy products are included as a shared function for the Group's timber processing industry. This includes Moelven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

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

On the night of 21 December 2022, a fire occurred in the chip dryer at Moelven Pellets AS's pellet factory in Sokna. The factory was fully operational and the employee working the night shift quickly alerted the emergency services. No-one was injured, but the material damage was extensive in the section where the fire occurred. The damage has resulted in a 6-8 week halt in production over and above the planned shutdown between Christmas and the New Year.



Others' share of the groups sale to external customers



Employees

Employees	Per 12 months 2022				Per 12 months 2021			
	Male	Female	% Female	Total	Male	Female	% Female	Total
Timber	582	71	10.9 %	653	563	67	10.6 %	630
Wood	902	182	16.8 %	1,084	920	188	17.0 %	1,108
Building Systems	1,279	129	9.2 %	1,408	1,275	108	7.8 %	1,383
Other businesses	129	58	31.0 %	187	134	57	29.8 %	191
The Group	2,892	440	13.2 %	3,332	2,892	420	12.7 %	3,312

Sickness absence rate	Per 12 months		Per 12 months	
	2022	2021	2022	2021
Timber	6.2 %	5.2 %	11.6	10.9
Wood	6.7 %	5.7 %	4.7	2.2
Building Systems	7.4 %	6.2 %	9.8	9.6
Other businesses	2.8 %	1.7 %	0.0	0.0
The Group	6.7 %	5.7 %	8.0	6.9

The number of injuries increased during the fourth quarter of 2022. At the end of the quarter, the LTI1 rate measured on a 12-month rolling basis was 8.0 for the Group as a whole, an increase from 6.8 at the turn of the year, but still at a low level compared to previous years. Injuries caused by the use of hand tools are one of the most frequent causes of injury and measures designed to prevent this are now being implemented. The LTI rate is the injury rate expressed as the number of injuries with subsequent absence from work due to sickness absence per million hours worked.

The actual number of injuries resulting in absence was 9, compared to 3 during the corresponding period in 2021. Accumulated for the year, there were 42 injuries with absences compared to 38 in 2021.

The TRI rate measures the total number of injuries per million hours worked. At the end of the fourth quarter of 2022, the TRI rate on a 12-month rotating basis was 19.6 compared to 21.1 at the same time in 2021. The total number of injuries with and without absence in 2022 was 103 compared to 116 in 2021.

Internal investigations are routinely conducted of all injuries with a certain degree of seriousness. The investigation takes place in partnership with the Group's central HR department, including focusing on finding the root cause of the injury. The methodology used ensures a systematic and impartial investigation of the incident focusing on considering whether adequate and relevant safety procedures and measures were implemented and worked as intended. The results of investigations are shared with all employees in the group to provide greater insight into the incident and thus be able to implement preventive measures to avoid similar incidents elsewhere.

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

In 2022 we are aiming for the LTI1 rate to be lower than 6 and for the TRI rate to be lower than 24, both on a 12-month rolling basis. This development over the past year, with an increase in the LTI1 rate from 6.9 as at 31 December 2021 to 8.0 as at 31 December 2022, is thus a development in the wrong direction, but must be seen in the context of developments over time. From 2020 to 2021, the

LTI1 rate dropped from 11.7 to 6.9. The long-term trend in injury frequency is still falling, although it fell less in 2022 than during the previous year. The reduction in the LTI2 rate from 21.1 to 19.6 between 2021 and 2022 also shows that our action plan for developing and improving our safety culture throughout Moelven – “HSE Towards 2023” - is producing results.

The main points of our action plan are:

1. Strengthen the HSE organisation and organisation of the HSE work.
2. Strengthen the HSE by rolling out Active Leadership and Active Employee.
3. Implement “Risk Management Operations”.
4. Develop and implement HSE courses at all levels in the organisation. Establish a course portfolio of different HSE courses.
5. Conduct a technical safety inspection of production facilities, including the development of an action plan.
6. Establish an internal audit organisation that annually examines compliance with internal and external requirements and rules at the company level.
7. Continuous improvement and organisational learning.

During the fourth quarter, absence due to sickness was 6.6 per cent (6.2), where 3.0 per cent (3.1) represents long-term absence. The long-term trend for developments in absence from work due to sickness has been falling for some time, but the COVID-19 pandemic resulted in greater variations than normal. Short-term absence has increased following the removal of infection control measures and changes in the virus to variants that are more infectious, but which result in shorter periods of sickness. During the fourth quarter there has also been a seasonally normal increase in absences relating to flu. Many of Moelven's businesses already have absence levels that are lower than our maximum target for 2022 of 4.0 per cent. There is nevertheless much to be gained, and work is actively ongoing to reduce sickness absence for both individual companies and the Group as a whole to below the target level. Efforts include the rollout of the Active Employee/Active Leadership concept and employee surveys adapted to this concept for the entire Group. Close follow-up of sickness absence and cooperation with the occupational health services, are particularly directed at those businesses with the highest sickness absence levels.

Outlook

The World Economic Forum was held in Davos in mid-January 2023. A survey among public and private sector economists conducted before the meeting found that two-thirds of economists are expecting a global recession in 2023. High inflation, rising interest rates and the war in Ukraine are the main reasons for their expectations about current economic growth declining to one of its lowest levels in nearly 30 years, with the exception of the financial crisis of 2009 and the pandemic year of 2020. The greatest uncertainty factor is still the war in Ukraine and as long as it continues, it is more difficult than ever to predict future macroeconomic developments.

The demand for sawn timber was low throughout Europe during the fourth quarter, with Scandinavia being the weakest area. In other parts of the world, demand was satisfactory during the fourth quarter of 2022. This situation is expected to continue in 2023, with a somewhat more hesitant market than normal. However, there are signs in the market that indicate that reduced sawn timber production and low inventory levels among industrial customers mean that the market balance is improving. In the longer term, the war in Ukraine and increasing inflation are causing very high levels of uncertainty about future developments.

The NOK and SEK exchange rates measured against the Group's main export currencies are still at levels that ensure competitiveness in our export markets, but high energy prices, transport costs and increased general cost levels mean that our margins are nevertheless significantly reduced.

As regards the market for processed timber in Scandinavia, activities relating to renovation, modernisation and extension are expected to fall when compared to the two previous years, but they will still remain at an acceptable level. Developments in consumer demand will depend to a greater extent on changes in disposable income. Sales of new homes and holiday homes have been falling for some time and there is also a reduction in the commencement of new building projects. Activities for this segment in 2023 are expected to remain low. This may partly be compensated for by increased activity in public sector construction projects.

Our sawlog stockpiles are high in both Norway and Sweden at the start of 2023 thanks to a good supply situation in Moelven's geographical areas. Satisfactory access to forest raw materials is expected to continue and be in line with our current production plans.

Our Building Systems Division has had lower activity levels than desired in some business areas, and following on from the fourth quarter of 2022 this situation is expected to continue during the first quarter of 2023. Measures have been implemented to adapt production capacity to prevailing market conditions.

Market activities in the glulam area are expected to be lower than they were in 2022, but taking into account the measures implemented, they will be at a level that ensures satisfactory capacity utilisation and profitability levels. Our building module companies are generally expected to enjoy satisfactory activity levels, apart from the residential segment in Norway where capacity was reduced during the fourth quarter of 2022. Activity levels at our interior systems company are expected to be satisfactory, but the competitive situation is demanding. Measures are ongoing to regain satisfactory profitability under the prevailing market conditions. For the division as a whole, higher interest rates and high construction costs are expected to lead to lower start-ups, but greater activity in the renovation, conversion and extension market.

The Group has a long-term goal of achieving a return on average capital employed of 13 per cent over the course of an economic cycle. At the end of the fourth quarter, the rate of return was 35.2 per cent. The Board considers the Group's solvency and long-term access to liquidity to be good, and sufficient

to implement planned improvement measures in accordance with the Group's strategy. A number of projects and investment plans are ongoing to equip the Group for the future. This applies not only to international financial competitiveness, but also to safety, information technology, the climate and the environment.

As we head into the first quarter of 2023, we expect to see continued low demand, which together with high energy costs and increased cost levels in general will result in poor profit developments until the peak season, which normally begins in the second quarter. For 2023 as a whole we are expecting considerably reduced profits when compared to 2022. However, there is considerable uncertainty in this respect.

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

Condensed income statement and comprehensive income

Amounts in NOK million	Fourth quarter		12 months	
	2022	2021	2022	2021
Operating revenues	3,111	3,590	14,439	14,872
Cost of goods sold	1,997	1,640	8,297	7,564
Payroll expenses	641	649	2,395	2,465
Depreciation and impairment	100	118	346	403
Other operating expenses	475	453	1,643	1,454
Operating Profit	-101	730	1,757	2,986
Financial income	14	28	75	40
Financial expenses	12	27	77	37
Profit before tax	-99	734	1,754	2,991
Estimate income tax	-33	160	360	642
Net profit	-67	574	1,395	2,349
Non-controlling interest share	0.1	0.0	0.3	0.4
Owner of parent company share	-67	574	1,394	2,349
Earnings per share (in NOK)	-0.51	4.43	10.76	18.13
Statement of comprehensive income				
Net profit	-67	574	1,395	2,349
Other comprehensive income				
<i>Items that are not reclassified subsequently to profit or loss</i>				
Reclassification of realised translation differences to profit and loss	-3	-6	-3	-6
Actuarial gains (losses) on defined-benefit pension schemes	0.4	-2	0.4	-2
Income tax on items that are not reclassified to profit or loss	-0.1	0.4	-0.1	0.4
<i>Items that may be reclassified subsequently to profit or loss</i>				
Translation differences	-75	-61	-62	-138
	-78	-68	-65	-146
Total comprehensive income for the period	-144	506	1,330	2,203
Comprehensive income assigned to:				
Owners of parent company	-144	506	1,330	2,203
Non-controlling interests	-0.3	-0.1	-0.1	0.2

Condensed statement of financial position

Amounts in NOK million	Per 31.12	
	2022	2021
Intangible assets	67	86
Tangible fixed assets	2,343	2,200
Financial fixed assets	3	3
Total fixed assets	2,413	2,289
Inventory	2,110	2,174
Contract assets	186	149
Receivables	1,826	2,023
Liquid assets and current financial investments	1,370	1,634
Total current assets	5,492	5,980
Total assets	7,906	8,269
Share capital*	648	648
Other equity	4,095	3,940
Total equity	4,743	4,588
Provisions	355	312
Long term interest-bearing liabilities	169	195
Lease liabilities	89	102
Total long term liabilities	613	610
Contract liabilities	168	244
Short term liabilities	2,382	2,828
Total short term liabilities	2,550	3,072
Total liabilities	3,163	3,682
Total liabilities and equity	7,906	8,269

*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	Other equity	Total		
Total pr 01.01.2021	648	131	2,076	2,854	11	2,865
Comprehensive income for the period						
Net profit	0	0	2,349	2,349	0.4	2,349
Other comprehensive income						
Translation differences	0	0	-138	-138	-0.2	-138
Reclassification of realised translation differences to profit and loss	0	0	-6	-6	0	-6
Actuarial gains (losses) on defined-benefit pension schemes	0	0	-2	-2	0	-2
Income tax on other comprehensive income	0	0	0.4	0.4	0	0.4
Other comprehensive income (net of tax)	0	0	-146	-146	-0.2	-146
Transactions with owners, recognized directly against equity						
Exit non controlling interests du to sale of subsidiary	0	0	0	0	-8	-8
Dividend to owners	0	0	-472	-472	0	-472
Total transactions with owners	0	0	-472	-472	-8	-480
Total as at 31.12.2021	648	131	3,806	4,585	2	4,588
Total pr 01.01.2022	648	131	3,806	4,585	2	4,588
Comprehensive income for the period						
Net profit	0	0	1,394	1,394	0.3	1,395
Other comprehensive income						
Translation differences	0	0	-62	-62	-0.4	-62
Reclassification of realised translation differences to P&L	0	0	-3	-3	0	-3
Actuarial gains (losses) on defined-benefit pension schemes	0	0	0.4	0.4	0	0.4
Income tax on other comprehensive income	0	0	-0.1	-0.1	0	-0.1
Other comprehensive income (net of tax)	0	0	-64	-64	-0.4	-65
Transactions with owners, entered directly against equity						
Dividend to owners	0	0	-1,174	-1,174	-0.1	-1,174
Total transactions with owners	0	0	-1,174	-1,174	0	-1,174
Total as at 31.12.2022	648	131	3,963	4,742	2	4,743

Consolidated statement of cash flow

Amounts in NOK million	Per 31.12	
	2022	2021
CASH FLOW FROM OPERATIONAL ACTIVITIES:		
Net profit	1,395	2,349
<i>Adjustments to reconcile net profit with net cash flow from operations:</i>		
Depreciation	328	346
Impairment	18.5	56.9
Tax paid	-662	-119
Unpaid pension costs entered as costs and unreceived pension funds entered as income	-0.6	2.1
Loss (profit) on sale of fixed assets	-3.9	-51
Net value change of financial instruments to fair value	-43	-15
Income tax	360	642
Other	4	9
<i>Changes in operating assets and liabilities:</i>		
Changes in inventory	23	-731
Changes in accounts receivable and other receivables	109	-301
Changes in trade accounts payable	115	251
Changes in provisions and benefits to employees	2	27
Changes in short-term liabilities excluding borrowing	-207	253
Cash flow from operational activities	1,436	2,718
CASH FLOW FROM INVESTMENT ACTIVITIES:		
Investment in plant and equipment exc. acquisition	-501	-420
Investment in current financial assets	400	-400
Receipts from sale of fixed assets	4	68
Acquisition of subsidiary, net of cash	0	-3
Sale of subsidiaries excl cash in business sold	66	-10
Cash flow from investment activities	-31	-765
CASH FLOW FROM FINANCING ACTIVITIES:		
Net borrowing (+) / repayment (-) of long term debt	-28	-258
Payment of leases	-32	-40
Net paid interests	-1	-19
Payment of dividend	-1,174	-472
Cash flow from financial activities	-1,234	-788
Net increase (reduction) in liquid assets during year	171	1,165
Liquid assets start of period	1,214	100
Effect of exchange rate changes on liquid assets	-46	-51
Liquid assets end of period	1,339	1,214

Notes to the consolidated financial statements

Note 1 – General information

Moelven Industrier ASA is a public limited liability company, registered in Norway. The company's headquarters are located at Industriveien 2, 2390 Moelv, Norway. The consolidated financial statements for the fourth quarter of 2022, ending on 31 December 2022, includes Moelven Industrier ASA and its subsidiaries (collectively referred to as the "Group") and the Group's interests in associated companies. The accounts are unaudited. The annual accounts for 2021 are available at www.moelven.no.

Note 2 – Statement of conformity

The consolidated financial statements for the fourth quarter of 2022 have been prepared in accordance with the requirements of IAS 34 "Interim Financial Reporting" which have been approved by the EU. The interim financial statements do not include all the information required in a complete annual report and ought to be read in conjunction with the consolidated financial statements for 2021. The consolidated quarterly financial statements were approved by the Board on 31 January 2023.

Note 3 – Accounting policies

The accounting policies adopted in the quarterly financial statements for 2022 are the same as those in the consolidated financial statements for 2021. Currency exchange rates in the consolidation are retrieved from Norges Bank.

Note 4 – Critical judgements and estimates

The preparation of quarterly financial statements requires management to make judgements, estimates and assumptions that affect both which accounting policies are applied and the reported amounts of assets, liabilities, revenues and expenses. Actual amounts may differ from the estimated amounts. In preparing these quarterly financial statements management has applied the same critical judgements in applying the accounting policies as it made when preparing the consolidated financial statements for 2021 and the principal sources of estimate uncertainty are the same when preparing these quarterly accounts as for the consolidated accounts for 2021.

Note 5 – Pensions and taxes

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

Note 6 – Seasonal fluctuations

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

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

Note 7 – Sales revenues

Fourth quarter Amounts in NOK million	Timber		Wood		Building systems		Other		Group	
	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
Norway	91	180	403	552	442	510	137	51	1,074	1,292
Sweden	118	198	441	419	491	450	197	241	1,247	1,308
Rest of Europe	344	540	88	147	27	53	0	0	460	739
Rest of the world	272	186	29	13	0	0	0	0	301	199
Total Sales revenues	825	1,104	961	1,131	961	1,013	334	292	3,081	3,539
Other operating revenues	1	5	15	7	1	11	13	27	30	51
Total operating revenues	826	1,109	976	1,138	962	1,024	347	319	3,111	3,590

12 months Amounts in NOK million	Timber		Wood		Building systems		Other		Group	
	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
Norway	567	616	2,559	3,296	1,745	1,735	509	322	5,380	5,969
Sweden	739	824	1,937	1,875	1,887	1,927	693	780	5,257	5,405
Rest of Europe	2,034	2,012	601	668	189	189	0	0	2,824	2,869
Rest of the world	775	444	88	46	0	0	0	0	864	490
Total Sales revenues	4,116	3,896	5,185	5,886	3,822	3,850	1,202	1,101	14,324	14,733
Other operating revenues	5	10	63	15	8	49	38	64	114	139
Total operating revenues	4,121	3,906	5,248	5,901	3,829	3,899	1,241	1,165	14,439	14,872

Note 8 – Fixed assets, intangible assets and goodwill

Amounts in NOK million	Per 31.12	
	2022	2021
Book value per 1.1	2,217	2,321
Acquisitions	499	420
Lease acquisitions	23	-26
Disposals	0	-19
Depreciations	-328	-346
Translation differences	-33	-72
Book value per 31.12.	2,360	2,217

Note 9 - Financial instruments

Amounts in NOK million	31.12.2022			31.12.2021			31.12.2022		
	Positive fair value	Negative fair value	Net fair value	Positive fair value	Negative fair value	Net fair value	Level 1*	Level 2*	Level 3*
Currency derivatives	16	-8	8	18	-24	-6		8	
Interest rate derivatives	14		14	1	-26	-25		14	
Embedded derivative - currency		-9	-9	0.5		0.5		-9	
Money market fund				400		400			
Total	30	-17	13	420	-50	370			

*

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

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

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

Note 10 – Operating segments

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

Amounts in NOK million	Fourth quarter		12 months	
	2022	2021	2022	2021
Timber	26	575	1,133	1,682
Wood	-60	201	656	1,364
Building Systems	-43	-15	15	23
Other	-51	-6	-107	-16
Internal	29	-22	57	-62
Profit before tax	-99	734	1,754	2,991

Note 11 – Related parties

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

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

Moelven is organised into three divisions: Timber, Wood and Building Systems. There is also an Other Businesses reporting area, which consists of the holding companies, supply businesses and bioenergy companies. The sawmills in Timber supply sawn timber products and components to industrial customers in Scandinavia and the rest of Europe, the Middle East, North Africa and China. The industrial customers use the products as intermediate goods in their own production. Shavings, chips and bark products are also supplied and are used in the pulp, chipboard and biofuel industry. The companies in Wood supply the building products trade in Scandinavia with a broad range of building and interior products. A critical competitive advantage is the division's efficient distribution system, which offers customers rapid and precise deliveries of a broad range of products. The companies within Building Systems deliver flexible system solutions for interior walls, modular buildings and load-bearing structures in glulam to projects and contractor clients, principally in Norway and Sweden. The division focuses on developing concepts and systems in collaboration with the customers and experts within architecture, design and construction. In total, the Group is composed of 36 production companies in Norway and Sweden and has 3,332 employees. Moelven also has sales offices in Denmark, England, Germany and China. The Moelven group is owned by Glommen Mjøsen Skog SA (66.8 per cent) and Viken Skog SA (32.8 per cent). Most of the remaining 0.4 per cent is owned by private individuals.



Head office

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

www.moelven.com
post@moelven.com