



*Holiday home, Innlandet in Norway.*

*Panel: «Herregårdpanel» - oiled «Kongle», Mouldings: «Tidløs» - oiled «Kongle»*

*Photo: Einar Breen*

## Quarterly report 3/2020

Amounts in NOK million	Third quarter		9 months		12 months	
	2020	2019	2020	2019	2019	2018
Operating revenues	2 667,2	2 347,3	8 637,9	7 887,2	10 297,5	11 020,8
EBITDA	249,7	119,2	681,2	581,4	629,8	932,7
Gross operating margin/EBITDA in per cent	9,4 %	5,1 %	7,9 %	7,4 %	6,1 %	8,5 %
Depreciation and impairment	86,2	75,6	249,2	228,6	294,4	346,5
Operating profit	163,4	43,6	432,0	352,7	335,4	586,2
Net operating margin/EBIT in per cent	6,1 %	1,9 %	5,0 %	4,5 %	3,3 %	5,3 %
Value change of financial instruments to fair value	-6,6	-17,6	-31,6	-27,6	-23,7	51,5
Profit before tax	138,8	18,8	338,8	266,0	239,7	578,2
Profit per share in NOK	0,84	0,08	2,05	1,57	1,46	3,47
Cash flow from operational activities, in NOK per share	3,66	2,43	5,03	2,48	4,50	5,64
Total equity*	124,3	19,8	2 672,4	2 360,9	2 368,2	2 435,3
Equity ratio*	3,1 %	2,9 %	44,0 %	41,7 %	42,9 %	45,9 %
Total assets*	-149,4	-369,5	6 074,4	5 665,7	5 518,0	5 302,3
Investments*	61,1	120,9	196,7	349,2	478,7	497,4
Return on capital employed in per cent, 12 month rolling*	3,3 %	-3,1 %	11,4 %	14,5 %	9,4 %	19,0 %
Capital employed*	-251,7	-150,9	3 548,4	3 531,1	3 524,0	3 163,0
Net interest-bearing liabilities*	-393,8	-172,1	793,4	1 163,8	1 136,4	721,4
Net working capital*	-114,6	-219,6	2 565,7	2 558,5	2 293,2	2 373,3
Number of employees*	-5	-50	3 368	3 418	3 399	3 524
Sick leave percentage*	-0,2 %	-0,2 %	6,3 %	5,4 %	5,4 %	5,5 %
Lost Time Injury Frequency rate, rolling LTI-rate*	0,4	0,8	11,1	10,6	11,3	10,9
Number of shareholders	862	882	862	882	869	882
Average number of shares (mill)	129,5	129,5	129,5	129,5	129,5	129,5

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

- Revenues in the third quarter were NOK 2,667.2 million (NOK 2,347.3 million).
- Operating profit was NOK 163.4 million, NOK 119.9 million higher than the third quarter of 2019, and the best quarterly result for the third quarter since 2007.
- Return on employed capital (12-month rolling basis) was 11.4 per cent (14.5).
- Good demand in the international market for sawn timber.
- Delivery volumes to the building products trade were higher than in the third quarter 2019.
- Improved order backlog and level of activity in Building Systems.
- Through good infection control measures it has been possible to run at close to normal operation levels.

## In brief

Market activity and demand for sawn timber was good in the third quarter, both internationally and in Scandinavia. Internationally it has been the markets in Europe and the US in particular that have seen good demand, while North Africa, the Middle East and Asia have been somewhat weaker. There are mainly two causes for positive developments in Europe and the US. There is a clear trend that during the Covid-19 pandemic, households have changed their consumption patterns, and are now spending more money on

maintenance and renovation. At the same time, wood is also taking market shares from other materials such as steel and concrete. For the lower sawn timber qualities, pressure on prices has continued due to a large supply of products. This is due to good access to cheap raw materials as a result of extensive storm felling in Germany and increased harvesting due to spruce bark beetle attacks.

For the export-oriented units, which mainly are a part of the Timber division, weak currencies in both Sweden and Norway have contributed to maintaining good competitiveness.

Activity in the building products trade in Scandinavia was somewhat higher than in the third quarter last year. The start up of new homes has dropped in both Norway and Sweden, while the renovation, modernisation and extension market (RME) – in particular the consumer segment – has had a very high activity level and contributed to deliveries from the Wood division being higher than in the corresponding period in 2019.

For the Building Systems division, lower demand for module-based apartment buildings made it necessary to reduce production capacity during 2019. The order situation has improved in the course of 2020, and the utilisation rate in the factories has increased significantly. In building and construction, infrastructure and smaller projects, activity has been satisfactory.

Access to forest raw materials was good in the third quarter, in particular in Sweden where the harvesting level has been high due to the spruce bark beetle situation. At the end of the quarter the saw log inventories were at a normal level for the season and satisfactory in view of the current production plans, yet lower than at the same time last year when inventories were higher than normal.

The prices for saw logs were lower than in the same period last year, both in Norway and Sweden. A good supply of chip and fibre products has led to a slight decline in prices to levels somewhat lower than in the same period last year in both Norway and Sweden.

In September it was decided to invest around NOK 170 million to build Norway's largest facility for the production of Royal and CU impregnated wood products at Moelven Soknabruket AS. Demand for the maintenance-friendly Royal impregnated products has increased in recent years, and with the new impregnation facility Moelven will be able to provide more of what is in demand – a wide selection of wood products with long lifespans – rationally and securely provided by one and the same supplier. The new impregnation plant at Sokna will have an annual capacity of at least 40,000 cubic metres of Royal impregnated products in several colours, and it will also increase the capacity of the classic CU impregnated products. According to plan, the entire plant will be completed by the end of 2022.

It is just one year since Moelven Pellets AS opened a new pellets factory and a bioenergy plant at the same industrial site. With the impregnation facility just next door, the entire value chain from raw material to finished product will be gathered in the same place. Timber from local forests is processed into a wide selection of finished wood products without leaving the industrial site. Residual raw materials and energy not used for sawn timber production is used to make pellets. Thus nothing goes to waste and the result is a very sustainable product.

13 August 2020 was one of the darkest days in the history of Moelven as one of our employees lost his life in a work accident at Moelven Edanesågen AB. On 4 September when our colleague was laid to rest, all of Moelven stopped to remember our colleague. All machinery and work processes at all units and offices stopped, and one minute of silence was observed with subsequent local commemorations.

## Operating revenues and results

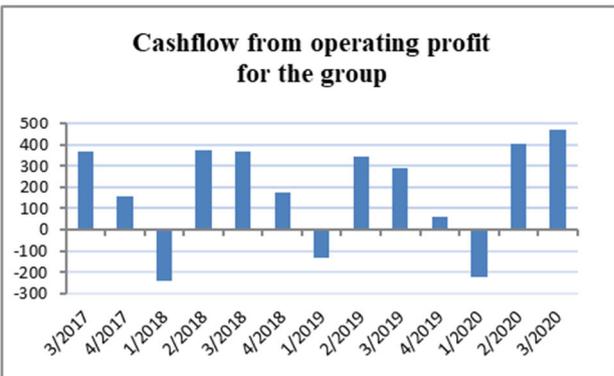
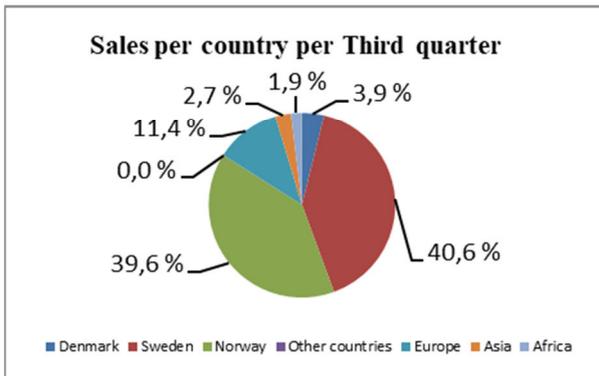
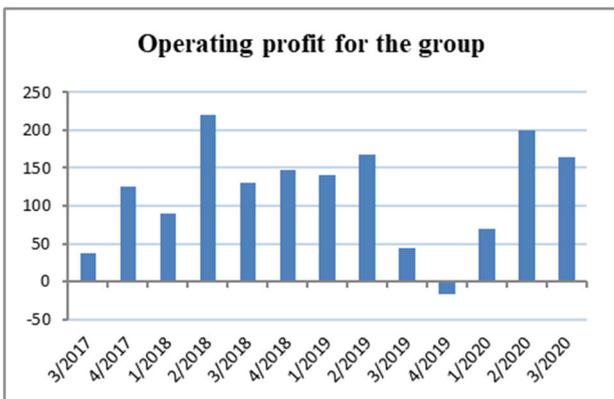
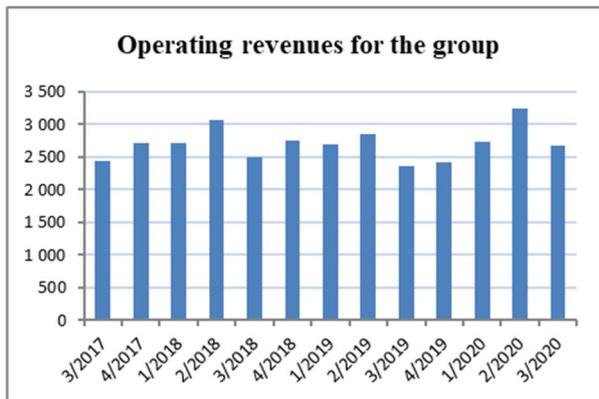
Operating revenues and profit increased compared to the same period last year as a result of significantly increased activity in the wood processing part of the group, but also the Building Systems division has seen higher deliveries than for the corresponding period last year. The third quarter was an operationally good period. Reduced investment activity as a result of the uncertainty in connection with Covid-19 has however led to somewhat increased costs for maintenance. The general cost level remains too high at certain units, and this imposes requirements towards further efficiency improvement measures.

Operating income for the third quarter 2019 was charged with NOK 17.0 million as a result of the decision to close down operations at Moelven Eidsvold Værk AS.

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 impacted the operating result with a total of NOK -1.1 million in the quarter (-13.2 million) and NOK 7.2 million year to date (-13.2). The items do not have any impact on cash flow.

The Group employs financial instruments as a hedge against short-term fluctuations in foreign exchange rates, interest rates and power prices. Non-cash items related to fair value assessments on unrealized financial instruments totalled NOK -6.6 million (NOK -17.6 million) for the quarter and NOK -31.6 million (NOK -27.6 million) for the year.

Amounts in NOK million	Third quarter		9 months		12 months	
	2020	2019	2020	2019	2019	2018
<b>Operating revenues</b>						
Timber	741,5	659,8	2 489,0	2 395,6	3 118,9	3 263,3
Wood	1 204,8	1 016,4	3 655,8	3 163,4	4 018,1	3 977,3
Building Systems	697,8	634,1	2 405,4	2 245,1	3 002,7	3 743,0
Other businesses	820,6	765,3	2 773,9	2 823,2	3 728,0	3 547,6
<i>Internal</i>	-797,4	-728,3	-2 686,3	-2 740,1	-3 570,2	-3 510,5
The Group	2 667,2	2 347,3	8 637,9	7 887,2	10 297,5	11 020,8
<b>EBITDA</b>						
Timber	69,2	22,5	229,9	219,4	243,1	449,4
Wood	125,5	56,7	345,1	251,0	265,4	318,5
Building Systems	53,7	39,6	114,6	123,6	135,0	189,0
Other businesses	1,2	0,3	-8,4	-12,6	-13,7	-24,1
The Group	249,7	119,2	681,2	581,4	629,8	932,7
<b>Operating profit</b>						
Timber	43,3	-2,2	154,3	144,7	145,8	343,3
Wood	96,9	29,6	264,1	169,3	165,1	151,9
Building Systems	32,6	20,4	50,7	64,4	56,8	128,3
Other businesses	-9,4	-4,1	-37,0	-25,7	-32,3	-37,2
The Group	163,4	43,6	432,0	352,7	335,4	586,2



## Investments, balance sheet and funding

Investments totalling NOK 61.1 million (NOK 120.9 million) were made during the third quarter, and NOK 196.7 million (NOK 349.2 million) year to date. The investment programme in the group's current strategy plan entails a reduction in investment levels compared to 2019. In April 2020 it was also decided to stop the contracting of larger investment projects as a result of uncertainty related to the Covid-19-pandemic. On the basis of achieved results and cash flow, as well as forecasts for the remainder of 2020, at the end of August it was decided to resume investment activities in accordance with the existing plans at the start of the year. The stoppage has naturally led to a certain delay in relation to the original plan. Depreciations were NOK 86.2 million (NOK 75.6 million) in the quarter and NOK 249.2 million (NOK 228.6 million) year-to-date. At the end of the third quarter, the book value of the Group's total assets was NOK 6,074.4 million (NOK 5,665.7 million). In addition to high investments in 2019/2018 and the accounting effects of the implementation of IFRS 16 – Leasing, a weak NOK compared to SEK and increased receivables are the main reasons of the increase in total assets. Cash flow from operating activities in the third quarter was NOK 473.6 million (NOK 293.7 million), corresponding to NOK 3.66 per share (NOK 2.27). Corresponding figures for the year's three first quarters was NOK 652.1 million (NOK 314.6 million), which is equivalent to NOK 5.03 (NOK 2.48) per share. The change compared to last year is due to increased earnings and natural fluctuations in working capital items. Cash flow from working capital items was NOK 246.6 million in the third quarter (NOK 198.4 million) and NOK 94.9 million year to date (NOK -20.39 million).

Net interest-bearing liabilities were NOK 793.4 million (NOK 1,163.8 million) at the end of the third quarter. Financial leases are included in net interest-bearing liabilities in the amount of NOK 191.5 million (NOK 151.9 million). The increase is due to the balancing of all leases in accordance with IFRS 16 – Leasing, which was implemented from 1 January 2019.

The liquidity reserve was NOK 1,571.9 million (NOK 920.7 million). In the Group's main financing the available loan facility varies in time with the natural fluctuations in the Group's tied-up capital through the year.

Equity at the end of the third quarter amounted to NOK 2,672.4 million (NOK 2,360.9 million), equivalent to NOK 20.6 (NOK 18.2) per share. The equity ratio was 44.0 per cent (41.7 per cent). The dividend for the previous year of NOK 0.72 (1.74) per share, totalling NOK 93.3 million (225.4), 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 third quarter, exchange rate fluctuations resulted in an unrealised change in equity of NOK 15.8 million (NOK 11.1 million). Year to date the change was NOK 148.0 million (NOK -52.8 million). Approximately half of the Group's assets are recognised in SEK. The total assets thus also change based on the exchange rate, and the equity ratio in percent is therefore less impacted by exchange rate fluctuations than the nominal equity.

## Divisions

### Timber

Amounts in NOK million	Third quarter		9 months		12 months	
	2020	2019	2020	2019	2019	2018
Sales to external customers	587,1	537,1	1 985,4	1 921,7	2 512,3	2 628,4
Sales to internal customers	154,4	122,7	503,6	473,9	606,6	634,9
Operating revenues	741,5	659,8	2 489,0	2 395,6	3 118,9	3 263,3
Depreciation and impairment	25,9	24,7	75,7	74,6	97,4	106,2
Operating profit	43,3	-2,2	154,3	144,7	145,8	343,3
Operating margin in per cent	-0,2 %	-2,4 %	6,2 %	6,0 %	4,7 %	10,5 %
Net operating capital (% of operating revenues)*	-0,3 %	0,1 %	15,1 %	17,5 %	15,8 %	18,3 %
Total assets*	46,6	-31,0	1 711,4	1 565,7	1 513,1	1 663,4
Equity*	40,3	-7,5	1 003,4	904,6	799,8	809,0
Capital employed*	44,5	5,8	1 223,9	1 142,0	1 031,6	985,7
Return on capital employed in per cent, 12 month rolling*	3,9 %	-6,5 %	13,7 %	23,3 %	13,4 %	32,4 %
Investments*	28,9	32,5	61,6	72,3	115,8	136,7
Total number of employees*	5	-8	622	635	629	620

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

Through the third quarter activity in the timber industry was good, both internationally and in Scandinavia. Demand for wood products has been high, in particular in Europe and the US, with increasing prices as a consequence. The delivery volumes for the division have been significantly higher compared to the same period last year, and prices have overall been on a par with the previous year. Demand driven both by consumers who are now spending more money on their homes instead of travelling, and because wood is taking market shares from other building materials such as concrete and steel. The markets in North Africa, the Middle East and Asia were weaker in the quarter. Moelven's diversified customer structure, both in terms of market segments and geography, has allowed for an overall increase in deliveries, while at the same time the currency situation with a weak NOK and SEK has contributed to maintaining good competitiveness.

Operational conditions were good in the quarter, and for the division as a whole the processing costs have been reduced compared to the same period last year. There are however certain units where rationalisation measures are required in order to provide satisfactory results.

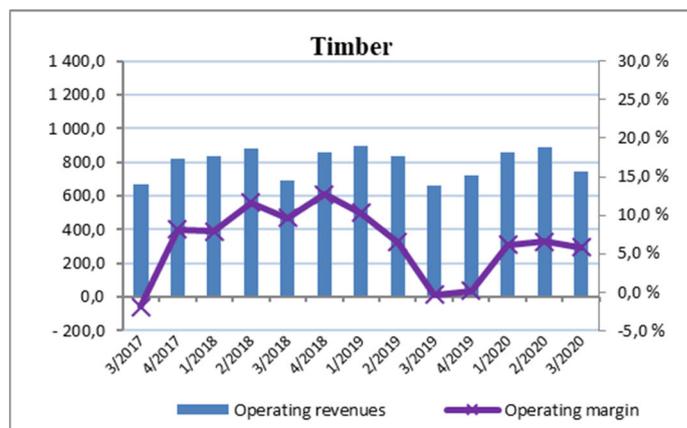
Access to forest raw materials was good in the third quarter, in particular in Sweden where the harvesting level has been high due to the spruce bark beetle situation. At the end of the quarter the timber inventories were at a normal level for the season and satisfactory in view of to the current production plans, yet lower than at the same time last year when inventories were higher than normal.

The prices for saw timber were lower than in the same period last year, both in Norway and Sweden. A good supply of chip and fibre products has led to a slight decline in prices to levels somewhat lower than in the same period last year in both Norway and Sweden.

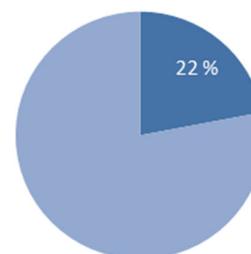
Due to price developments the profits for the quarter have been impacted by a price adjustment to inventories totalling NOK -1.7 million. The corresponding adjustment in the third quarter of 2019 was NOK 13.1 million. Year to date the price adjustments comprised NOK -10.3 million (NOK -8.0 million).

Moelven Årjäng Såg AB's new dry sorting line with camera sorting was started according to schedule in the quarter, and has been successful. With the investment, a bottleneck has been removed in production, and going forward the overall capacity of the plant may be better utilised. All of Moelven's Swedish sawmills

now have dry sorting lines with camera sorting.



Timber sin andel av konsernets eksterne salg i 3. kvartal 2020



## Wood

Amounts in NOK million	Third quarter		9 months		12 months	
	2020	2019	2020	2019	2019	2018
Sales to external customers	1 157,6	976,4	3 500,4	3 022,0	3 827,9	3 787,0
Sales to internal customers	47,2	40,0	155,4	141,3	190,2	190,3
Operating revenues	1 204,8	1 016,4	3 655,8	3 163,4	4 018,1	3 977,3
Depreciation and impairment	28,6	27,2	81,0	81,7	100,3	166,6
Operating profit	96,9	29,6	264,1	169,3	165,1	151,9
Operating margin in per cent	0,4 %	-1,2 %	7,2 %	5,4 %	4,1 %	3,8 %
Net operating capital (% of operating revenues)*	-5,3 %	-6,1 %	26,5 %	30,3 %	32,3 %	30,1 %
Total assets*	-54,7	-127,5	2 826,1	2 644,3	2 514,4	2 466,9
Equity*	96,6	29,2	1 378,6	1 168,5	1 064,2	1 048,3
Capital employed*	-142,0	-113,9	1 830,0	1 801,2	1 711,6	1 648,0
Return on capital employed in per cent, 12 month rolling*	3,5 %	-0,9 %	13,9 %	10,4 %	9,3 %	8,9 %
Investments*	24,0	24,9	92,8	77,6	117,2	198,1
Total number of employees*	-5	13	1 091	1 113	1 114	1 108

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

Activity in the building products trade in Scandinavia was higher in the third quarter of 2020 than in the corresponding period of 2019, and delivery volumes from the Wood division increased overall. The strong demand has led to finished goods inventories being lower than normal for the season at the end of the quarter. Developments are largely driven by a strong consumer market linked to the renovation and maintenance of homes and holiday homes. The overall price level was lower than for the same period in 2019, although certain product categories saw a slight increase in prices. The latter mainly concerns products with a high level of processing, where demand has seen a steadily increasing trend in recent years. In order to ensure adequate raw materials for the production of processed goods, the division's units with both sawmill and planing production reduced the sales of sawn timber to the external market compared to the third quarter of 2019.

Operating conditions in the quarter were good, and production has gone according to plan despite the challenges the Covid-19 pandemic have posed. Production costs developed as planned and ended on a par with the same period the previous year.

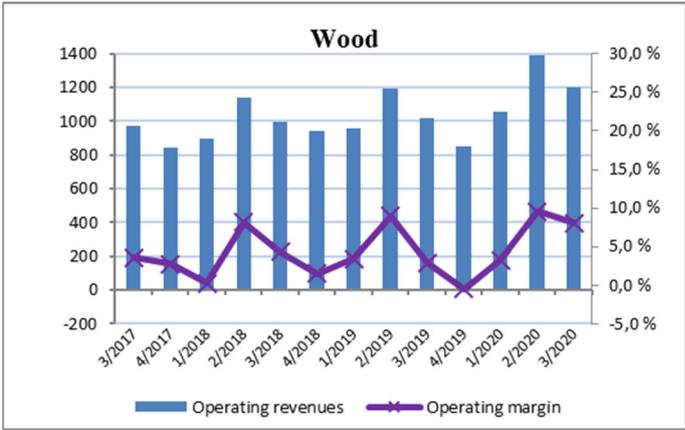
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The prices for saw logs were lower than in the same period last year, both in Norway and Sweden. A good supply of chip and fibre products has led to a slight decline in prices to levels somewhat lower than in the same period last year in both Norway and Sweden.

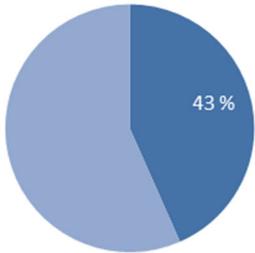
Due to price developments the profits for the quarter have been impacted by a price adjustment to inventories totalling NOK 0.6 million. The corresponding adjustment in the third quarter of 2019 was NOK 0.1 million. Year to date the price adjustments comprised NOK 17.5 million (NOK -5.2 million).

In September it was decided to invest approximately NOK 170 million to build a new facility for the production of Royal and CU impregnated wood products at Moelven Soknabruket AS. The new impregnation plant at Sokna will have an annual capacity of at least 40,000 cubic metres of Royal impregnated products in several colours, and will be Norway’s largest. The plant will also increase capacity for the classic CU impregnated products. According to schedule, the plant will be completed by 2022.

The operating result for the third quarter 2019 was charged with cost provisions totalling NOK 17.0 million as a result of the decision to discontinue operations at Moelven Eidsvold Værk AS. Production stopped as planned at the end of the first quarter 2020, and discontinuation of operations is going according to plan. Operations in the third quarter of 2019 were also impacted by the fire at Moelven Trysil AS in February 2019, which led to a reduced drying capacity until a new dryer became operational in December 2019.



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



## Building Systems

Amounts in NOK million	Third quarter		9 months		12 months	
	2020	2019	2020	2019	2019	2018
Sales to external customers	696,6	632,4	2 402,6	2 241,7	2 998,8	3 738,9
Sales to internal customers	1,2	1,7	2,8	3,5	3,9	4,2
Operating revenues	697,8	634,1	2 405,4	2 245,1	3 002,7	3 743,0
Depreciation and impairment	21,1	19,2	63,8	59,3	78,1	60,6
Operating profit	32,6	20,4	50,7	64,4	56,8	128,3
Operating margin in per cent*	1,0 %	0,1 %	2,1 %	2,9 %	1,9 %	3,4 %
Net operating capital (% of operating revenues)*	0,2 %	-0,6 %	13,1 %	15,2 %	13,4 %	13,5 %
Total assets*	31,9	-65,8	1 915,5	1 704,9	1 751,0	1 751,4
Equity*	37,4	23,0	909,0	823,0	808,8	780,9
Capital employed*	-9,6	14,9	1 094,6	1 081,0	1 066,3	846,4
Return on capital employed in per cent, 12 month rolling*	1,1 %	-0,7 %	4,3 %	10,3 %	5,6 %	14,7 %
Investments*	2,8	19,7	17,4	46,0	55,9	93,5
Total number of employees*	-5	-62	1 499	1 505	1 494	1 647

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

After a minor and seasonally normal decline towards the summer, the order backlog at the end of the third quarter was NOK 495 million higher than at the same time in 2019 for the division overall. It is primarily the Building Module operations that are responsible for the increase, but also the Glulam business in Sweden has an improved order situation compared to the same time last year. Production capacity is nevertheless not fully utilised.

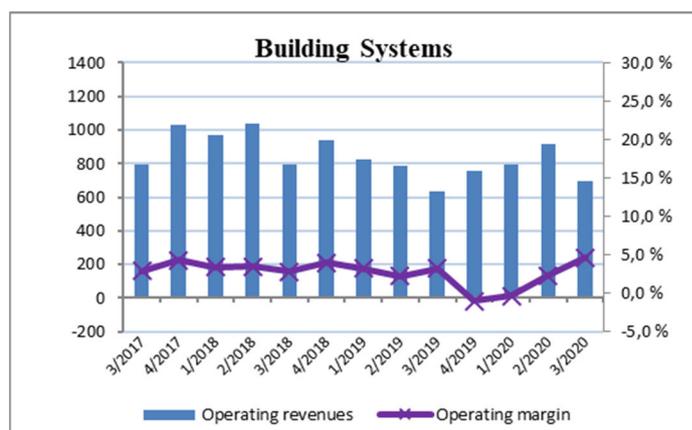
For the Glulam operations in both Norway and Sweden market activity has been satisfactory and somewhat better than normal for the season both in the standard segment and projects. The Swedish business in particular noticed increased market activity towards the end of the quarter. Initiated rationalisation measures and concept adjustments for glulam operations are going according to plan.

For the Building Module operations in Norway, activities in the building and construction segment have been satisfactory with good production. In the housing segment activity has picked up somewhat in the course of the quarter, and is at a sufficient level to maintain operations in the factories with a satisfactory profitability level in the fourth quarter.

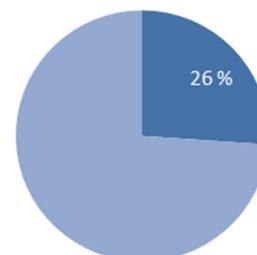
For the Swedish Building Module operations, demand for standard modules for building and construction and leasing has been weaker than normal. Order intakes have nevertheless seen positive developments and are sufficient to secure factory production through the fourth quarter. The housing segment remains somewhat hesitant, but with signs of improvement and an increase in orders. An increase in production is still somewhat ahead in time. The capacity adjustments that were implemented in 2019 are not fully reversed.

For System Interiors market activity is hesitant in both Norway and Sweden. The Covid-19 pandemic led to a drop in demand that required the introduction of short-term work in the Swedish business. At the end of the third quarter a total of 21 employees in Sweden were impacted by this. In the Norwegian operations there were 5 layoffs at the same time. Independently of the Covid-19 pandemic, profitability in both countries has been unsatisfactory for some time. For operations in both

Norway and Sweden, action plans have been adopted to improve competitiveness and increase profitability. The actions, which are currently being implemented, will be effective from 2021.



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



## Other Businesses

Amounts in NOK million	Third quarter		9 months		12 months	
	2020	2019	2020	2019	2019	2018
Sales to external customers	247,9	226,0	817,6	777,7	1 059,9	969,0
Sales to internal customers	572,7	539,3	1 956,4	2 045,5	2 668,1	2 578,6
Operating revenues	820,6	765,3	2 773,9	2 823,2	3 728,0	3 547,6
Depreciation and impairment	10,6	4,5	28,7	13,1	18,6	13,1
Operating profit	-9,4	-4,1	-37,0	-25,7	-32,3	-37,2
Operating margin in per cent*	0,1 %	0,1 %	-1,3 %	-0,9 %	-0,9 %	-1,0 %
Net operating capital (% of operating revenues)*	5,9 %	4,6 %	9,6 %	7,1 %	2,6 %	2,0 %
Total assets*	-38,3	-92,6	2 519,9	2 600,1	2 633,9	2 662,0
Equity*	-42,0	-50,7	999,7	1 055,2	1 283,8	1 459,0
Capital employed*	-175,2	-89,2	1 720,1	1 895,7	2 092,7	2 012,2
Return on capital employed in per cent, 12 month rolling*	0,0 %	-0,1 %	-0,6 %	-0,7 %	-0,4 %	-0,7 %
Investments*	5,4	43,7	24,8	153,4	189,8	69,2
Total number of employees*	0	7	156	165	162	149

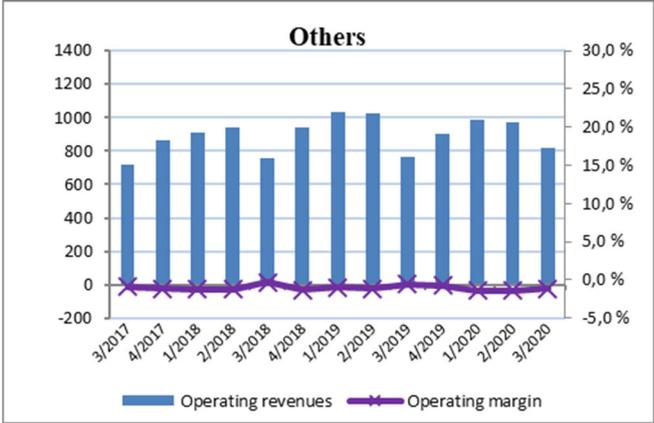
\*The columns regarding the quarterly numbers show the change in the quarter

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

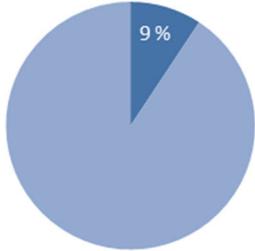
The first deliveries from Moelven Pellets AS's new factory at Sokna outside Hønefoss took place in October 2019. Startup of the factory has gone according to plan, and the pellets produced now have premium quality and are certified as Enplus A1. A partnership agreement has been concluded with SCA for the delivery of pellets. The agreement entails that the Swedish SCA group acquires the entire production volume from the Moelven Pellets AS factory. The result from the business has nevertheless seen a negative impact due to a supply surplus in the pellets market following the mild winter of 2019/20 with low demand for pellets.

In addition to this, fluctuations in operating revenues in the area of Other Businesses are largely due to the level of activity within timber supply and sales of wood 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 timber and market opportunities for wood chip and energy products in regions without local demand for pulp wood and wood chips, Moelven is to a certain extent involved in the purchase and resale of this, based on established train solutions for transport, among other things. The business is based on fixed agreements on both the customer and supplier sides.

In the beginning of August there was agreement between the owners of Weda Skog AB, Bergkvist-Insjön AB (70%) and Moelven Industrier ASA (30%) to divide the company among them. Since 2000 Weda has been responsible for timber supply to Bergkvist-Insjön AB in Insjön and Moelven Dalaträ AB in Mockfjärd. All of the 22 employees of Weda Skog have been offered new employment with either Moelven Skog or Bergkvist-Siljan. The new structure took effect from 1 September, but all existing timber contracts will be finalised under the auspices of Weda Skog until the end of the year. The change entails that Moelven Skog takes on supply responsibilities for Moelven Dalaträ from the turn of the year. Responsibilities for sales of Dalaträ's other by-products will be assigned to Vänerbränsle AB.



Others's share of the groups sale to external customers



## Employees

Employees	Per Third quarter 2020				Per Third quarter 2019			
	Male	Female	%Female	Total	Male	Female	%Female	Total
Timber	557	65	10,5 %	622	568	67	10,6 %	635
Wood	914	177	16,2 %	1 091	938	175	15,7 %	1 113
Building Systems	1 385	114	7,6 %	1 499	1 407	98	6,5 %	1 505
Other businesses	118	38	24,4 %	156	126	39	23,6 %	165
The Group	2 974	394	11,7 %	3 368	3 039	379	11,1 %	3 418

Sickness absence rate	Per Third quarter	
	2020	2019
Timber	5,2 %	4,6 %
Wood	6,1 %	5,4 %
Building Systems	7,2 %	6,0 %
Other businesses	1,9 %	1,8 %
The Group	6,3 %	5,4 %

LTI Value	Per Third quarter	
	2020	2019
Timber	13,0	10,6
Wood	9,6	10,4
Building Systems	12,6	11,4
Other businesses	0,0	3,9
The Group	11,1	10,6

Moelven's overall goal in safety work is that no one should be harmed at work. The LTI rate on a 12 month rotating basis, which is an expression for the number of injuries with subsequent sick leave per million worked hours, was 11.1 (10.6) at the end of the third quarter 2020. The actual number of injuries with absence was 16, compared to 14 in the corresponding period in 2019. So far this year there have been 46 injuries with absence, while there were 48 at the same time last year. All injuries of a certain severity are investigated by the HSE manager from the group's central HR Department. 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 companies in the group to provide greater insight into the incident and thus be able to implement preventive measures to avoid similar incidents elsewhere. Work on investigating incidents started in March 2019.

Moelven greatly emphasises prevention of all injuries, regardless of whether they result in absence or not (Total Recorded Injury rate - TRI rate). Target figures have therefore been set for both the LTI rate and the TRI rate, which is an expression of the number of injuries per million worked hours. In 2020 the goal is that the LTI rate shall be lower than 6 and that the TRI rate shall be lower than 24, both on a 12-month rotating basis. After the third quarter the rotating TRI rate was 31.4 (35.1). The reduction in the number of injuries indicates that efforts are yielding results, although there are still too many injuries. Work therefore continues with high intensity and increased pressure on risk-reducing measures, an improved safety culture and health-promoting work. In comparison to 2019, there has been a great increase in the number of reported hazardous conditions. At the same time there is a reduction in the number of near-misses and injuries. This is a positive trend, and work is ongoing to maintain focus on the reporting of hazardous conditions and preventive safety work. From 1 January 2020 the group brought into use the first modules in a new management system for HSE, quality and the external environment. This is the result of an extensive project that started in 2019. The management system shall simplify and reduce the complexity of Moelven's improvement work. It will be a living system that to a greater extent exploits the synergies in the group, ensures compliance and provides better opportunities for certifications. Initially it is the management of irregularities and annual cycles that have been brought into use, but throughout 2020 and into 2021 further modules within checklists, risk assessment, document management, compliance and

emergency preparedness will be implemented. Implementation of the modules will be followed by adapted training to provide the employees with a greater understanding of risk and better knowledge of HSE. The group is continuing work on common requirements to both own employees and external parties, and will in the course of 2020 focus on the follow-up of contractors/visitors and clarification of own safety rules.

In the third quarter, absence due to illness was 5.9 per cent (4.9), where 2.9 per cent (2.7) represents long-term absence. Although absence in both the quarter and year to date has increased in comparison to last year, the long-term trend of developments in sickness absence is declining. The increase in the third quarter is largely due to absence related to the Covid-19 pandemic. Regardless of developments in the quarter, many of Moelven's businesses have sickness absence levels lower than the maximum target for 2020 of 4.2 per cent. There is nevertheless much to be gained, and work is ongoing to reduce sickness absence for both individual companies and 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. Since the spring of 2019 a project has been ongoing to establish and implement a Moelven programme for the development of Active employee participation and Active leadership. The practical implementation started as planned in the first quarter, but had to be postponed as Covid-19 infection control measures precluded physical gatherings. This will start up again in the course of the fourth quarter of 2020 using digital tools in the event infection control measures make physical gatherings impossible.

Only a few, independent cases of coronavirus infection have been recorded among the group's employees. The key focus of the group's work related to the pandemic has been preventing infection and dispersion, following up advice from authorities and employee organisations, internal and external communication and the mobilisation of contingency plans both centrally and locally. In addition to the national measures in Sweden and Norway, the group has focused on measures directed at travel, internal and external meetings and gatherings, logistics procedures and closure/restrictions in canteens, dining rooms and gyms. At the end of the third quarter the group had no employees in isolation with confirmed infection, but 17 employees were in quarantine. A total of 14 employees have been in isolation with confirmed infection. At the same time a total of 26 employees were affected by a form of layoff (Norway) or short-term work (Sweden). A factory was temporarily shut down for a shorter period as a result of confirmed infection among three of the employees who had been at the workplace.

## Outlook

With regard to financial results, 2020 has been a good year for Moelven. The Covid-19 pandemic continues to contribute to significantly greater uncertainty about the future than was the case at the beginning of the year. In the October edition of the “World Economic Outlook” report, the IMF estimates that the world economy will contract by 4.4 per cent in 2020. In the July edition of the same report a contraction of 4.9 per cent was estimated. While the estimate of the pandemic’s negative impact on the world economy in the current year has been somewhat reduced, the forecast for growth in 2021 has also been adjusted downwards. The IMF now estimates growth in the world economy of 5.2 per cent in 2021, which is 0.2 percentage points lower than the estimate in July 2020 and 0.6 percentage points lower than the estimate in April 2020. Both uncertainty and differences in possible outcomes are however great, and make it necessary to plan for several different scenarios. So far, Moelven has not been greatly affected with regard to delivery volumes and earnings, but it must be expected and plans should be in place in the event that the impact will increase in time.

The group has as far as possible introduced measures to both limit infection in society in general and to protect own employees and the business against operational disruptions as a result of the pandemic. Regulations have been introduced with regard to travel activity, visits to our businesses, large gatherings, hygiene, etc. Production procedures have as far as possible been adjusted such that operation of the business is affected to the least possible extent without compromising the employees’ safety.

For Moelven’s wood processing operations it is expected that demand for sawn timber from the export markets will continue to vary geographically, but generally remain at a high level through the fourth quarter and into the first quarter of 2021. This however depends both on the rate of infection, market access, logistics and developments in demand further down the value chain. The NOK and SEK weakened significantly against the key export currencies in the first quarter of 2020, and rates remain at levels that ensure good competitiveness in the export markets.

A good level of activity is expected in the building products trade in Scandinavia in the fourth quarter, but with a seasonally normal reduction towards the turn of the year. The start-up of new building projects is expected to remain low. This may partly be compensated by increased activity in public construction projects. In the private market, high activity in renovation, modernisation and extensions is expected to maintain good demand, albeit with the aforementioned normal seasonal variations.

Regardless of the Covid-19 pandemic, the Building Systems division has had a lower level of activity than desired in certain business areas, and has therefore already adjusted production capacity somewhat. Although there has been some improvement in the market situation as the third quarter unfolded, it is expected that developers will remain hesitant until the economy shows clear signs of picking up after the Covid-19 pandemic.

Saw log inventories and the supply situation in Moelven’s geographies at the start of the fourth quarter 2020 is good in both Norway and Sweden. Continued satisfactory access to raw materials is expected with regard to the existing production plans.

The Group's composition, with divisions that experience different impacts from economic fluctuations and units that operate in different markets, provides a good starting point to implement measures and improvements that counter the negative consequences of the Covid-19 pandemic.

The group has a long-term goal of a return on capital employed of 13 per cent over an economic cycle, which is a level the board expects to reach in 2020. The process on refinancing the group’s long-term debt

was concluded in the second quarter. The Board considers solvency and access to liquidity over the long term to be adequate in order to introduce the necessary measures to face the negative impacts of the Covid-19 pandemic. On the basis of a higher level of activity so far in 2020, the board expects a result that is significantly better than for 2019.

## Quarterly accounts for the Moelven Group for the third quarter of 2020

### *Earnings and comprehensive income*

Amounts in NOK million	Third quarter		9 months		12 months	
	2020	2019	2020	2019	2019	2018
Operating revenues	2 667,2	2 347,3	8 637,9	7 887,2	10 297,5	11 020,8
Cost of goods sold	1 655,3	1 488,9	5 434,0	4 843,4	6 307,5	6 746,3
Payroll expenses	477,8	452,6	1 648,9	1 600,0	2 185,8	2 200,1
Depreciation and impairment	86,2	75,6	249,2	228,6	294,4	346,5
Other operating expenses	284,5	286,7	873,8	862,3	1 174,4	1 141,6
<b>Operating Profit</b>	<b>163,4</b>	<b>43,6</b>	<b>432,0</b>	<b>352,7</b>	<b>335,4</b>	<b>586,2</b>
Value change of financial instruments to fair value	-6,6	-17,6	-31,6	-27,6	-23,7	51,5
Other financial income	8,1	1,7	11,7	5,0	6,5	7,9
Other financial expenses	26,2	8,9	73,3	64,1	78,6	67,4
<b>Profit before tax</b>	<b>138,8</b>	<b>18,8</b>	<b>338,8</b>	<b>266,0</b>	<b>239,7</b>	<b>578,2</b>
Estimate income tax	30,1	9,3	73,6	61,8	51,3	127,0
<b>Net profit</b>	<b>108,6</b>	<b>9,5</b>	<b>265,3</b>	<b>204,2</b>	<b>188,4</b>	<b>451,2</b>
Non-controlling interest share	-0,1	-0,5	-0,5	0,3	-0,2	1,8
Owner of parent company share	108,7	10,0	265,8	203,9	188,6	449,4
Earnings per share (in NOK)	0,8	0,1	2,1	1,6	1,5	3,5
Statement of comprehensive income						
Net profit	108,6	9,5	265,3	204,2	188,4	451,2
Other comprehensive income						
<i>Items that are not reclassified subsequently to profit or loss</i>						
Actuarial gains (losses) on defined-benefit pension schemes	0,0	0,0	0,0	0,0	0,2	-1,2
Income tax on items that are not reclassified to profit or loss	0,0	0,0	0,0	0,0	0,0	0,3
	0,0	0,0	0,0	0,0	0,1	-0,9
<i>Items that may be reclassified subsequently to profit or loss</i>						
Translation differences	15,9	11,1	148,2	-52,9	-28,1	-17,3
Proportion of other income and costs in associated companies	0,0	0,0	0,0	0,0	0,3	0,5
Other changes	-0,1	-0,7	-15,9	1,8	0,1	-2,4
	15,7	10,4	132,2	-51,1	-27,8	-19,2
<i>Items that may be reclassified subsequently to profit or loss</i>						
Other comprehensive income, net of tax	15,7	10,4	132,2	-51,1	-27,7	-20,1
<b>Total comprehensive income for the period</b>	<b>124,4</b>	<b>19,9</b>	<b>397,5</b>	<b>153,1</b>	<b>160,8</b>	<b>431,0</b>
Comprehensive income assigned to:						
Owners of parent company	124,4	20,4	398,0	152,8	161,0	429,2
Non-controlling interests	-0,1	-0,5	-0,5	0,3	-0,2	1,8

## Consolidated balance sheet

Amounts in NOK million	Per 30.09		Per 31.12	
	2020	2019	2019	2018
Intangible assets	78,9	80,0	81,2	84,9
Tangible fixed assets	2 331,7	2 144,2	2 226,4	1 873,5
Financial fixed assets	7,9	7,0	5,9	7,0
<b>Total fixed assets</b>	<b>2 418,5</b>	<b>2 231,2</b>	<b>2 313,6</b>	<b>1 965,4</b>
Inventory	1 430,8	1 659,4	1 742,9	1 673,9
Contract assets	123,5	95,7	71,5	126,0
Receivables	2 002,8	1 660,3	1 365,8	1 483,1
Liquid assets	98,8	19,2	24,3	53,9
<b>Total current assets</b>	<b>3 655,9</b>	<b>3 434,5</b>	<b>3 204,4</b>	<b>3 336,9</b>
<b>Total assets</b>	<b>6 074,4</b>	<b>5 665,7</b>	<b>5 518,0</b>	<b>5 302,3</b>
Share capital*	647,7	647,7	647,7	647,7
Other equity	2 024,7	1 713,2	1 720,5	1 787,6
<b>Total equity</b>	<b>2 672,4</b>	<b>2 360,9</b>	<b>2 368,2</b>	<b>2 435,3</b>
Provisions	328,7	314,1	242,1	261,1
Long term interest-bearing liabilities	868,6	1 099,2	1 151,3	712,1
Long term interest-free liabilities	0,0	0,7	0,0	0,9
<b>Total long term liabilities</b>	<b>1 197,3</b>	<b>1 414,0</b>	<b>1 393,5</b>	<b>974,1</b>
Short term interest-bearing liabilities	0,0	68,1	0,0	9,4
Contract liabilities	147,2	91,3	137,7	78,8
Short term liabilities	2 057,4	1 731,3	1 618,7	1 804,7
<b>Total short term liabilities</b>	<b>2 204,6</b>	<b>1 890,8</b>	<b>1 756,4</b>	<b>1 892,9</b>
<b>Total liabilities</b>	<b>3 402,0</b>	<b>3 304,8</b>	<b>3 149,8</b>	<b>2 867,0</b>
<b>Total liabilities and equity</b>	<b>6 074,4</b>	<b>5 665,7</b>	<b>5 518,0</b>	<b>5 302,3</b>

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

## Consolidated statement of changes in equity

Amounts in NOK million	Equity assigned to owners of parent company					Non-controlling interests	Total equity
	Share capital	Share premium funds	Own shares	Other equity	Total		
Total pr 1.1.2019	647,7	130,9	0,0	1 640,5	2 419,1	13,5	2 432,6
<b>Comprehensive income for the period</b>							
<b>Net profit</b>	0,0	0,0	0,0	203,9	203,9	0,3	204,2
<b>Other comprehensive income</b>							
Translation differences	0,0	0,0	0,0	-52,8	-52,8	-0,1	-52,9
Other changes	0,0	0,0	0,0	1,8	1,8	0,0	1,8
<b>Other comprehensive income (net of tax)</b>	0,0	0,0	0,0	-51,0	-51,0	-0,1	-51,1
<b>Transactions with owners, entered directly against equity</b>							
Effect of acquisition	0,0	0,0	0,0	0,6	0,6	0,0	0,6
Dividend to owners	0,0	0,0	0,0	-225,4	-225,4	0,0	-225,4
<b>Total transactions with owners</b>	0,0	0,0	0,0	-224,8	-224,8	0,0	-224,8
<b>Total as at 30.09.2019</b>	<b>647,7</b>	<b>130,9</b>	<b>0,0</b>	<b>1 568,6</b>	<b>2 347,2</b>	<b>13,8</b>	<b>2 360,9</b>
Total pr 1.1.2020	647,7	130,9	0,0	1 576,3	2 354,9	13,2	2 368,2
<b>Comprehensive income for the period</b>							
<b>Net profit</b>	0,0	0,0	0,0	265,8	265,8	-0,5	265,3
<b>Other comprehensive income</b>							
Translation differences	0,0	0,0	0,0	148,0	148,0	0,2	148,2
Other changes	0,0	0,0	0,0	-13,5	-13,5	-2,4	-15,9
<b>Other comprehensive income (net of tax)</b>	0,0	0,0	0,0	134,4	134,4	-2,2	132,2
<b>Transactions with owners, entered directly against equity</b>							
Dividend to owners	0,0	0,0	0,0	-93,3	-93,3	0,0	-93,3
<b>Total transactions with owners</b>	0,0	0,0	0,0	-93,3	-93,3	0,0	-93,3
<b>Total as at 30.09.2020</b>	<b>647,7</b>	<b>130,9</b>	<b>0,0</b>	<b>1 883,3</b>	<b>2 661,9</b>	<b>10,5</b>	<b>2 672,4</b>

## Consolidated statement of cash flow

Amounts in NOK million	Per 30.09.	
	2020	2019
<b>CASH FLOW FROM OPERATIONAL ACTIVITIES:</b>		
Net profit	265,3	204,2
<i>Adjustments to reconcile net profit with net cash flow from operations:</i>		
Depreciation	249,2	230,2
Impairment	0,0	-1,6
Tax paid	-64,3	-92,6
Unpaid pension costs entered as costs and unreceived pension funds entered as income	1,5	0,6
Loss (profit) on sale of fixed assets	-0,7	-0,1
Net value change of financial instruments to fair value	31,6	27,6
Income tax	73,6	61,8
<i>Changes in operating assets and liabilities:</i>		
Changes in inventory	312,1	14,5
Changes in accounts receivable and other receivables	-690,4	-148,3
Changes in trade accounts payable	57,0	-105,7
Changes in provisions and benefits to employees	86,6	53,0
Changes in short-term liabilities excluding borrowing	330,7	71,0
<b>Cash flow from operational activities</b>	<b>652,1</b>	<b>314,6</b>
<b>CASH FLOW FROM INVESTMENT ACTIVITIES:</b>		
Investment in plant and equipment exc. acquisition	-196,7	-349,2
Receipts from sale of fixed assets	2,3	0,3
Sale of other long-term investments	0,0	4,2
<b>Cash flow from investment activities</b>	<b>-194,4</b>	<b>-344,7</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES:</b>		
Change in bank overdrafts	0,0	58,7
Proceeds from borrowings (borrowing facility)	477,9	220,6
Repayments of borrowings (borrowing facility)	-952,4	0,0
Changes in other long-term debt	200,0	-0,2
Payment of leases	-26,6	-23,5
Payment of dividend	-93,3	-225,4
<b>Cash flow from financial activities</b>	<b>-394,4</b>	<b>30,3</b>
<b>Net increase (reduction) in liquid assets during year</b>	<b>63,3</b>	<b>0,2</b>
Liquid assets start of period	19,4	6,3
<b>Liquid assets end of period</b>	<b>82,7</b>	<b>6,4</b>
<b>Cash and cash equivalents</b>		
Liquid assets	82,7	6,4
Unused drawing rights	1 489,2	914,3
<b>Cash and cash equivalents</b>	<b>1 571,9</b>	<b>920,7</b>

## Notes to the consolidated financial statements

### *Note 1 – General information*

Moelven Industrier ASA is a public limited liability company, registered in Norway. The company's headquarters are located at Industriveien 2, 2390 Moelv, Norway. The consolidated financial statements for the third quarter of 2020, ending on 30 September 2020, 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 2019 are available at [www.moelven.no](http://www.moelven.no).

### *Note 2 – Statement of conformity*

The consolidated financial statements for the third quarter of 2020 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 2019. The consolidated quarterly financial statements were approved by the Board on 27 August 2020.

### *Note 3 – Accounting policies*

The accounting policies adopted in the quarterly financial statements for 2020 are the same as those in the consolidated financial statements for 2019. 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 2019 and the principal sources of estimate uncertainty are the same when preparing these quarterly accounts as for the consolidated accounts for 2019.

### *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

Geographical area Amounts in NOK million	Timber		Wood		Building systems		Other		Group	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
<b>Third quarter</b>										
Norway	94,4	98,7	639,3	565,1	303,5	356,1	69,8	43,0	1 112,3	1 067,7
Sweden	127,1	113,1	383,1	293,4	381,7	265,3	151,5	154,5	1 044,0	825,2
Rest of Europe	309,5	222,7	123,6	87,6	3,2	8,5	0,0	0,0	431,3	316,4
Rest of the world	54,3	96,3	8,5	13,0	0,0	0,0	0,0	0,0	61,8	107,9
<b>Total Sales revenues</b>	<b>585,2</b>	<b>530,7</b>	<b>1 154,5</b>	<b>959,1</b>	<b>688,4</b>	<b>629,9</b>	<b>221,3</b>	<b>197,5</b>	<b>2 649,4</b>	<b>2 317,1</b>
Other operating revenues	0,9	5,6	2,1	16,4	8,3	2,5	6,5	5,7	17,8	30,2
<b>Total operating revenues</b>	<b>586,1</b>	<b>536,3</b>	<b>1 156,7</b>	<b>975,5</b>	<b>696,6</b>	<b>632,4</b>	<b>227,8</b>	<b>203,1</b>	<b>2 667,2</b>	<b>2 347,3</b>

Amounts in NOK million	Timber		Wood		Building systems		Other		Group	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
<b>9 months</b>										
Norway	296,3	323,7	1 865,9	1 659,6	1 027,7	1 084,6	196,9	141,8	3 401,8	3 222,9
Sweden	450,4	422,6	1 198,6	978,0	1 302,0	1 108,2	538,2	552,4	3 485,7	3 057,3
Rest of Europe	890,2	831,5	369,2	305,4	56,9	42,1	0,0	0,0	1 308,7	1 172,6
Rest of the world	343,2	303,0	59,6	46,6	0,0	0,0	0,0	0,0	398,8	346,6
<b>Total Sales revenues</b>	<b>1 980,0</b>	<b>1 880,8</b>	<b>3 493,3</b>	<b>2 989,5</b>	<b>2 386,5</b>	<b>2 234,8</b>	<b>735,1</b>	<b>694,2</b>	<b>8 594,9</b>	<b>7 799,4</b>
Other operating revenues	2,7	38,3	4,6	28,9	16,1	6,9	19,5	13,7	43,0	87,8
<b>Total operating revenues</b>	<b>1 982,8</b>	<b>1 919,1</b>	<b>3 497,9</b>	<b>3 018,4</b>	<b>2 402,6</b>	<b>2 241,7</b>	<b>754,6</b>	<b>708,0</b>	<b>8 637,9</b>	<b>7 887,2</b>

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

Amounts in NOK million	Per 30.09	
	2020	2019
Book value per 1.1	2 258,6	1 910,7
Acquisitions	196,7	349,3
Lease acquisitions	38,5	6,9
Disposals	-1,6	-0,2
Depreciations	-249,2	-230,2
Impairment losses	0,0	1,6
Transfers	8,9	182,9
Translation differences	109,5	-44,4
Book value per 30.09	2 361,5	2 176,4

## Note 9 - Financial instruments

Amounts in NOK million	30.09.2020			31.12.2019			30.09.2020		
	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	16,1	-36,0	-19,9	4,9	-9,7	-4,8		-19,9	
Interest rate derivatives		-58,0	-58,0		-44,9	-44,9		-58,0	
Embedded derivative - currency		-5,3	-5,3		-1,9	-1,9		-5,3	
Total	16,1	-99,3	-83,2	4,9	-56,4	-51,6			

Amounts in NOK million	30.09.2019			31.12.2018			30.09.2019		
	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	2,3	-10,5	-8,1	16,9	-4,4	12,5		-8,1	
Interest rate derivatives		-57,1	-57,1		-69,8	-69,8		-57,1	
Embedded derivative - currency		-0,7	-0,7		-1,3	-1,3		-0,7	
Power derivatives	10,4		10,4	30,8		30,8	10,4		
Total	12,7	-68,3	-55,5	47,6	-75,5	-27,9			

\*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 2019 for further information about segments. Below is a reconciliation of the profit before taxes in the reporting segments with the company's profit before taxes.

Amounts in NOK million	Third quarter		9 months		12 months	
	2020	2019	2020	2019	2019	2018
Timber	34,2	-8,2	142,4	136,9	140,6	339,2
Wood	89,5	24,6	250,1	143,9	135,9	136,2
Building Systems	31,8	19,3	47,4	61,8	52,9	127,4
Other	-16,8	-16,8	-101,1	-76,6	-89,8	-24,5
Profit before tax	138,8	18,8	338,8	266,0	239,7	578,2

### ***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 42 per cent of Moelven's total purchasing requirement for timber of 4,4 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.

### ***Note 12 - Events after the balance sheet date***

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

Moelven is organised into three divisions: Timber, Wood and Building Systems. There is also an Other Businesses reporting area, which consists of the holding companies, supply businesses and bioenergy companies. The sawmills in Timber supply sawn timber 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 37 production companies in Norway and Sweden and has 3,373 employees. Moelven also has its own sales offices in Denmark, England and Germany. The Moelven group is owned by Glommen Mjøsen Skog SA (78.8 per cent) and Viken Skog SA (20.8 per cent). Most of the remaining 0.4 per cent is owned by private individuals.

## *Moelven gir folk gode rom*

*For mer informasjon:*

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