



Quarterly report 4/2021



Photo: Trioworld

In partnership with Swedish Trioworld, in the fourth quarter Moelven transitioned to a packaging plastic made with 50% recycled PCR plastic, or consumer recycled plastic. In this way, Moelven and Trioworld make use of the waste, while helping to reduce CO2 emissions. The new plastic is 100 percent recyclable.

Amounts in NOK million	Fourth quarter		12 months	
	2021	2020	2021	2020
Operating revenues	3,590	3,027	14,872	11,665
EBITDA	832	329	3,373	1,011
Gross operating margin/EBITDA in per cent	23.2 %	10.9 %	22.7 %	8.7 %
Depreciation and impairment	86	99	372	348
Operating profit	745	230	3,001	662
Net operating margin/EBIT in per cent	20.8 %	7.6 %	20.2 %	5.7 %
Profit before tax	749	265	3,006	604
Profit per share in NOK	4.53	1.59	18.22	3.64
Cash flow from operational activities, in NOK per share	4.94	2.87	20.83	7.90
Total equity*	518	193	4,600	2,865
Equity ratio*	4.9 %	5.1 %	55.2 %	49.1 %
Total assets*	218	-241	8,339	5,833
Investments*	135	72	420	272
Return on capital employed in per cent, 12 month rolling*	7.9 %	6.5 %	73.8 %	17.9 %
Capital employed*	509	-48	4,954	3,500
Net interest-bearing liabilities*	-755	-258	-1,260	536
Net working capital*	-366	-293	3,082	2,273
Number of employees*	-112	23	3,312	3,391
Sick leave percentage*	0.2 %	0.0 %	5.7 %	6.2 %
Lost Time Injury Frequency rate, rolling LTI-rate*	-2.7	0.6	6.9	11.7
Number of shareholders	857	863	857	863
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

- The fourth quarter of 2021 was the best fourth quarter in Moelven's history.
- Revenues for the fourth quarter were NOK 3,590 million (3,027), and totalled NOK 14,872 million (11,665) for 2021.
- Operating profit for the fourth quarter was NOK 745 million (230), and totalled NOK 3,001 million (662) for 2021.
- Return on employed capital (12-month rolling basis) was 73.8 per cent (17.9).
- Continued strong demand and high level of activity in the international market for sawn timber.
- Reduced demand from the building materials trade in Scandinavia.
- Unchanged order situation in Building Systems.
- COVID-19 has to a limited extent caused disruptions to operations, but increased sickness absence due to the infection situation as well as measures to secure production have resulted in increased costs.

In brief

On the international sawn timber market, which comprises the majority of the group's exports, demand was very good in the quarter. Prices have fallen through the quarter but stabilised at continued good levels at the end of the quarter. Price developments have primarily been driven by high demand and reduced production of sawn timber on the American continent. As a result of this, several companies that ordinarily operate on the European market have shifted their volumes to the American market. This has reduced the supply of goods on the European market, which has also been characterised by high demand. The main reason for high demand in Europe is largely private consumption, which impacts demand for sawn timber directly through new building, maintenance and renovation. Increased online trade also contributes to good demand for sawn timber for packaging purposes. In addition, wood is considered an attractive and sustainable material and is taking market shares from other types of materials.

Activity in the building materials trade in Scandinavia was for the fourth quarter generally slightly lower than in the corresponding period in 2020 after activity in the consumer market declined significantly. This resulted in reduced demand for converted wood products.

Activity in building and construction, infrastructure and smaller projects has been good. Demand for modular builds for residential and leisure housing purposes in Sweden improved through 2021 and was at a satisfactory level by the end of the year. For the Norwegian business activities, market activity within this segment was lower than normal at the end of 2021.

The supply of sawlogs has been good in both Norway and Sweden in the fourth quarter. Sawlog inventories have increased, and production units have had sufficient raw materials to cover production throughout the quarter.

At the end of the quarter, sawlog inventories were higher than the same time in 2020, and more than adequate in relation to the current production plans. In both countries, prices for sawlogs of both spruce and pine have increased compared to the fourth quarter of 2020. For business activities in Sweden, prices for cellulose chips have remained stable compared to the fourth quarter of 2020, while there has been a significant decline in prices for other fibre products. In Norway, prices for all segments have been slightly lower than in the same period in the previous year.

Moelven Modus AS launched the Loop Wall product concept at the beginning of the fourth quarter of 2021. Loop Wall is a prefabricated wall system with a wooden core. The wall is easy to handle, as well as quick to assemble and reassemble. The system is designed for reuse, enabling changing needs in office layouts to be carried out again and again, almost without downtime. This is beneficial both to the economy and the environment in a lifetime perspective.

In partnership with Swedish Trioworld, in the fourth quarter Moelven transitioned to a packaging plastic made with 50% recycled plastic. Thus, Moelven decreases its CO₂ footprint for plastic packaging, compared to the plastic we use today. Moelven is among the first in the industry to adopt a packaging plastic consisting of as much as 50 per cent recycled PCR plastic, or consumer recycled plastic. In this way, Moelven and Trioworld make use of the waste, while helping to reduce CO₂ emissions. The new plastic is 100 percent recyclable.

On 22 October module number 95,000 was transported from Moelven Byggmodul AS' factory in Moelv. The module is one of 800 modules supplied to our customer Adapteo, where it is included in the delivery of accommodation facilities in connection with the construction of the Undersea Link Tunnel Femern Bælt Tunnel between Denmark and Germany.

In December, Moelven launched their own podcast “Hyttepodden”. Norwegians love staying in their cabins. But why are we so happy about cabin life? Along with cabin-happy guests, we talk about what the cabin means to us and why and how we are affected by surrounding ourselves with nature. When you build and furnish with wood, at the same time you gain a number of health benefits.

Operating income and profit/loss

Operating income was significantly higher than in the corresponding period in 2020, although delivery volumes were lower. The persistently high demand for lumber both internationally and in domestic markets has resulted in an increase in finished goods prices for the timber processing business activities of the Group thus compensating for the decline in volume.

In terms of profitability, the mechanical wood industry activities delivered a substantially better quarter than in the same period the previous year, mainly due to the international price picture with higher finished goods prices for sawn timber and processed timber. Reduced prices for chip and fibre products pull in the opposite direction, together with increased sawlog prices and a generally higher cost level. Measures to ensure production capacity, at a time when the COVID-19 pandemic has resulted in both increased risk of absence and production disruption in the event of an outbreak of infection and quarantine restrictions, have resulted in increased costs.

Operating profit in the Building Systems Division was substantially lower than for the corresponding period in 2020. The main reason is reduced earnings within the module business in Norway, where increased raw material costs and the introduction of new concepts for modules for housing purposes have yielded weaker margins.

Demand for glulam was good in the fourth quarter, but price developments for sawn timber as a significant input factor have led to an increase in costs that limits the improvement in earnings. For the interiors company Moelven Modus AS, the activity level was good and the result satisfactory given the restructuring process that the company is undergoing.

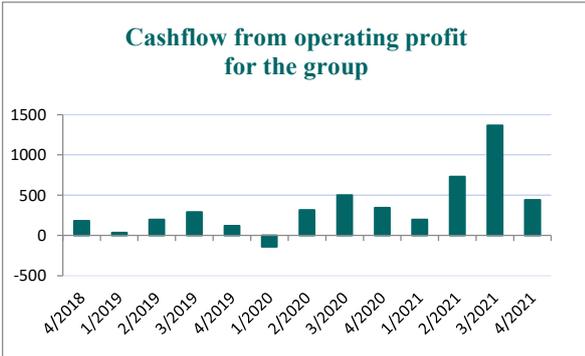
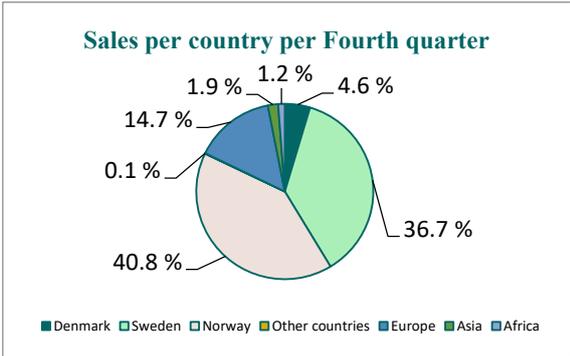
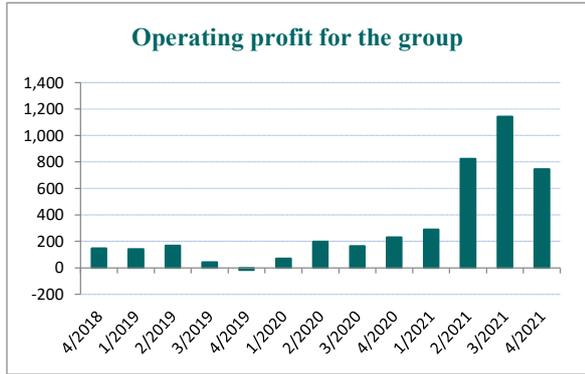
The Group utilises financial instruments to hedge against short-term fluctuations in foreign exchange rates, interest rates and power prices. Non-cash items related to fair value assessments of unrealised financial instruments totalled NOK -14 million (+38) for the quarter and NOK 8 million (7) for the year.

Pre-tax profit was NOK 749 million (265). Pre-tax profit for the year was NOK 3,006 million (604).

Amounts in NOK million	Fourth quarter		12 months	
	2021	2020	2021	2020
Operating revenues				
Timber	1,459	956	5,046	3,445
Wood	1,207	1,075	6,164	4,730
Building Systems	1,025	941	3,913	3,347
Other businesses	1,148	1,028	4,553	3,802
<i>Internal</i>	-1,249	-973	-4,803	-3,659
The Group	3,590	3,027	14,872	11,665

EBITDA				
Timber	596	136	1,789	366
Wood	224	137	1,490	482
Building Systems	26	52	156	166
Other businesses	1	5	-6	-4
<i>Internal</i>	-15	0	-56	0
The Group	832	329	3,373	1,011

Operating profit				
Timber	571	105	1,686	259
Wood	193	108	1,371	372
Building Systems	6	26	46	76
Other businesses	-9	-8	-47	-45
<i>Internal</i>	-15	0	-56	0
The Group	745	230	3,001	662



Investments, balance sheet and financing

Investments totalling NOK 135 million (72) were made during the fourth quarter, and totalled NOK 420 million (272) for 2021. In the Group's long-term strategy plan an increase in investments in 2021 compared to the previous year was planned. Compared with 2020, the increase is greatest in the second half of the year because of a reduction in investment activity in 2020 resulting from the uncertainty caused by the COVID-19 pandemic.

Depreciations and write-downs were NOK 86 million (99) for the quarter and totalled NOK 372 million (348) for 2021. Depreciation and write-downs in the fourth quarter of 2020 include a correction related to accounting for leasing contracts ref. IFRS 16. Accumulated depreciation and write-downs in 2021 include write-downs on fixed assets in connection with the sale of Moelven Modus AB which was completed in early October 2021. The write-downs were taken into account in the third quarter of 2021. At the end of the fourth quarter 2021, the book value of the Group's total assets was NOK 8,339 million (5,833). The increase in total capital is mainly due to high receivables as a result of increased turnover in the wood processing operations, increased inventories of raw materials and finished products, in addition to higher cash holdings than normal due to good cash flow throughout 2021.

Cash flow from operating activities in the fourth quarter 2021 was NOK 640 million (372), which corresponds to NOK 4.94 per share (2.87). Corresponding figures for the year were NOK 2,698 million (954), which corresponds to NOK 20.83 (7.90) per share. The change compared to the previous year is due to improved cash flow from operations and natural fluctuations in the working capital items. Cash flow from working capital items was NOK 51 million in the fourth quarter (44) and totalled minus NOK 520 for the year (plus 92). The Group has a restrictive credit policy, and uses credit insurance and guarantees to secure receivables.

The Group had at the end of 2021 a net interest-bearing investment of NOK 1,260 mill (net interest-bearing debt of 536). Financial leases are included in net interest-bearing investments in the amount of NOK 154 million (174). The strong liquidity situation is mainly due to good cash flow from operations.

Cash reserves including unused credit facilities were NOK 3,490 million (1,572). The available loan facility in the Group's main financing varies in step with the natural fluctuations in the Group's working capital through the year.

Equity at the end of the fourth quarter amounted to NOK 4,603 million (2,865), which is equivalent to NOK 35.54 (22.12) per share. The equity ratio was 55.2 per cent (49.1). The dividend for 2020 of NOK 3.64 per share (0.72), totalling NOK 472 million (93), was paid out and charged to equity in the second quarter of 2021.

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. In the fourth quarter, exchange rate fluctuations resulted in an unrealised reduction in equity of NOK -60 million (-14). The total change for 2021 was NOK -138 million (+ 134). 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	
	2021	2020	2021	2020
Sales to external customers	1,110	760	3,911	2,745
Sales to internal customers	349	196	1,135	700
Operating revenues	1,459	956	5,046	3,445
Depreciation and impairment	26	31	103	107
Operating profit	571	105	1,686	259
Operating margin in per cent	39.1 %	10.9 %	33.4 %	7.5 %
Net operating capital (% of operating revenues)*	-1.4 %	-1.7 %	14.4 %	13.3 %
Total assets*	364	32	3,074	1,743
Equity*	-714	-73	1,280	931
Capital employed*	-726	-123	1,323	1,101
Return on capital employed in per cent, 12 month rolling*	18.2 %	8.7 %	104.5 %	22.4 %
Investments*	72	26	194	88
Total number of employees*	3	14	630	636

The high demand for sawn timber that started in the spring of 2020 continued in the fourth quarter of 2021, but with lower intensity towards the end of the quarter. In sum, market activity was good through the quarter.

Demand is largely driven by private consumption and because wood is taking market shares from other building materials such as steel and concrete. The American market in particular, which is the world's largest market for sawn timber, had a continued high level of activity. Delivery volumes have been moved to the US from the European market, which regardless of this already had a low supply of goods in relation to the overall demand. In the late winter and spring of 2020 general expectations were that the COVID-19 pandemic would cause activity in the economy to decline, and this was also the situation that many manufacturers in the timber processing industry planned for. Instead of falling, demand increased as 2020 progressed, mainly as a result of increased private consumption and greater interest in wood as a building material. The ratio between supply and demand on the international market for sawn timber has become more balanced throughout the fourth quarter of 2021. By the end of the year, however, prices stabilised at levels lower than previously in 2021, but still higher than at the same time the previous year.

Delivery volumes from the division's units in the quarter were lower than the same period in 2020. The main reasons are a temporary slowdown in demand in some export markets in Europe in November, as well as logistics challenges related to transport capacity internationally.

Production volume was slightly lower than in the fourth quarter of 2020, and processing costs increased for the division as a whole. In the fourth quarter in isolation, the main reasons for this were increased maintenance costs as a result of high utilisation rates at the facilities, as well as technical operating disruptions at some facilities. Generally high demand for transportation capacity has also resulted in increased transportation costs. Technical safety inspections that have been conducted in connection with the improvement project "HSE towards 2023" have revealed a need for remedial

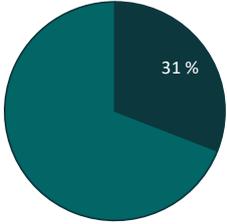
measures in certain places. Overall for the year, operational challenges linked to the cold spell in the winter of 2021 and extra staffing to handle the COVID-19 situation also contributed to increased costs. NOK and SEK have been strengthened against export currencies in the fourth quarter, but the exchange rates remain at levels that ensure good competitiveness in the export markets.

The supply of sawlogs has been good in both Norway and Sweden in the fourth quarter. Sawlog inventories have increased at the same time as production units have had sufficient raw materials throughout the quarter.

At the end of the quarter, sawlog inventories were higher than the same time in 2020, and more than adequate in relation to the current production plans. In both countries, prices for sawlogs of both spruce and pine have increased compared to the fourth quarter of 2020. For business activities in Sweden, prices for cellulose chips have remained stable compared to the fourth quarter of 2020, while there has been a significant decline in prices for other fibre products. In Norway, prices for all segments have been slightly lower than in the same period in the previous year.



Timber’s share of the Groups sale to external customers



Wood

Amounts in NOK million	Fourth quarter		12 months	
	2021	2020	2021	2020
Sales to external customers	1,146	1,018	5,916	4,518
Sales to internal customers	62	57	247	212
Operating revenues	1,207	1,075	6,164	4,730
Depreciation and impairment	31	30	119	111
Operating profit	193	108	1,371	372
Operating margin in per cent	16.0 %	10.0 %	22.2 %	7.9 %
Net operating capital (% of operating revenues)*	1.5 %	0.3 %	28.5 %	26.8 %
Total assets*	-337	-24	3,857	2,802
Equity*	-849	-135	1,519	1,243
Capital employed*	-939	-37	1,735	1,793
Return on capital employed in per cent, 12 month rolling*	0.0 %	5.8 %	62.1 %	19.6 %
Investments*	46	37	155	130
Total number of employees*	-2	8	1,108	1,099

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

Demand from the building supplies trade for wood-based construction products fell more than normal for the season in the fourth quarter. The main reason was the decline in the consumer market related to the refurbishment and maintenance of residential and leisure housing. Within the professional market, activity remained at a normal level for the season. The price level was in sum significantly higher than in the corresponding period in 2020, and resulted in an increase in operating income even though delivery volume was lower than in the fourth quarter of the previous year.

Reduced delivery volumes allowed finished goods inventories to increase through the quarter. At the end of the year, finished goods inventories were at satisfactory levels.

For the division's sawlog consuming units, processing costs increased somewhat compared to the same period the year before. In the fourth quarter in isolation, the main reasons for this were increased maintenance costs as a result of high utilisation rates at the facilities, as well as technical operating disruptions at some facilities. Technical safety inspections that have been conducted in connection with the improvement project "HSE towards 2023" have revealed a need for remedial measures in certain places.

Overall for the year, operational challenges linked to the cold spell in the winter of 2021 and extra staffing to handle the COVID-19 situation were contributing causes to increased costs.

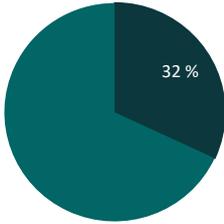
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The authorities have made changes to the regulations so that construction projects with royal treated cladding can be granted a certificate of practical completion and a certificate of completion as long as the requirements for fire safety in the Fire Safety Regulations (TEK17) are met. Moelven has nevertheless chosen to maintain a halt to all production and sale of royal treated cladding until further notice, as Moelven's tests show that the product does not meet the requirements set for fire class D. This applies only to the cladding products, and not to terrace products, which is the largest segment that Moelven has within royal treated products.



Wood's share of the Groups sale to external customers



Building Systems

Amounts in NOK million	Fourth quarter		12 months	
	2021	2020	2021	2020
Sales to external customers	1,024	940	3,899	3,343
Sales to internal customers	1	1	13	4
Operating revenues	1,025	941	3,913	3,347
Depreciation and impairment	19	26	109	90
Operating profit	6	26	46	76
Operating margin in per cent	0.6 %	2.7 %	1.2 %	2.3 %
Net operating capital (% of operating revenues)*	0.0 %	-1.7 %	11.0 %	11.3 %
Total assets*	-135	-7	1,772	1,909
Equity*	-99	-57	688	852
Capital employed*	-91	-67	855	1,028
Return on capital employed in per cent, 12 month rolling*	-1.7 %	3.0 %	5.0 %	7.3 %
Investments*	9	4	54	22
Total number of employees*	-116	-9	1,383	1,490

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

The order reserve for the division overall changed little through the fourth quarter of 2021 and was at year-end on par with the same time in 2020.

For the glulam business activities in both Norway and Sweden, market activity in the fourth quarter of 2021 was at a normal level for the season. Demand and delivery rates have been satisfactory. Measures to increase production and reduce delivery times, particularly in Sweden, have yielded results. At year-end, business activities in both countries were well positioned both to meet increasing market activity during the first half of 2022, and to complete the implementation of a new ERP system. Through the "One ERP" project, the glulam business activities will be given the same ERP system as the timber processing activities in Timber and Wood. Implementation takes place on January 3, 2022 in Sweden and March 1, 2022 in Norway. The high demand and price developments for important production factors such as sawn timber and steel have made it more difficult to achieve the calculated earnings on concluded project contracts. Steel is an essential component of the multiple joint technology used in larger glulam structures.

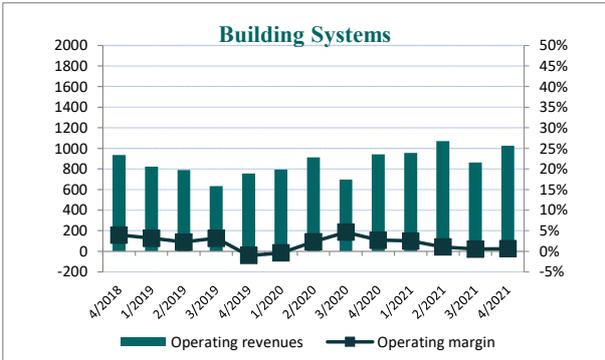
For the modular buildings operations in Norway, activities in the building and construction segment have been satisfactory with good production. The launch of a new concept of high-standard modules for workmen's sheds in the building and construction market has shown promising results. In the project market, activity has been low with small volumes in public tenders. Also within the residential and leisure housing market, demand for modular builds has been lower than expected. Overall, operations in the factories are nevertheless secured through the first quarter of 2022. Rising prices for most categories of building materials used as input factors in production, as well as some challenges in obtaining adequate deliveries of certain goods, place high demands on planning and efficiency in operations to ensure a sound level of profitability.

For the Swedish modular building operations, market activity was good within all market segments in the fourth quarter of 2021. Incoming orders were satisfactory, and the order situation at year-end

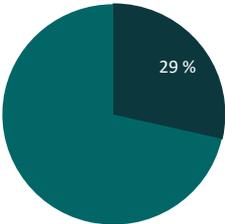
provides the basis for a good level of activity in factories through the first half-year. The Swedish business activities are also experiencing a challenging situation in terms of price developments for building materials in general.

For the system interiors business, Moelven Modus AS, market activity in the fourth quarter was satisfactory, with several exciting project inquiries and a good order situation. Action plans have been adopted to improve competitiveness and re-establish profitable operations, and these are in the process of being deployed and implemented.

On 8 October, all shares in Moelven Modus AB were transferred to the investment company Mimir Capital AB. Moelven has failed to achieve a desired profitability in Moelven Modus AB for the past five years and the company has not delivered results that are in accordance with the Group's clear profitability targets. Following the transaction, Moelven Modus AB is no longer a part of the Moelven brand. The sale will have no impact on the Norwegian interior systems company, Moelven Modus AS.



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



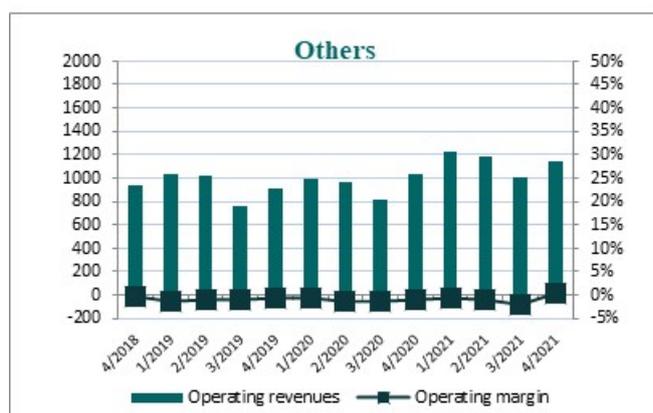
Other Businesses

Amounts in NOK million	Fourth quarter		12 months	
	2021	2020	2021	2020
Sales to external customers	348	334	1,253	1,152
Sales to internal customers	800	694	3,300	2,651
Operating revenues	1,148	1,028	4,553	3,802
Depreciation and impairment	10	12	41	41
Operating profit	-9	-8	-47	-45
Operating margin in per cent	0.0 %	0.0 %	-1.0 %	-1.2 %
Net operating capital (% of operating revenues)*	-6.7 %	-5.2 %	5.2 %	4.4 %
Total assets*	1,800	-46	3,969	2,474
Equity*	2,162	450	2,714	1,450
Capital employed*	2,136	91	2,868	1,811
Return on capital employed in per cent, 12 month rolling*	-0.3 %	-0.3 %	-2.3 %	-1.0 %
Investments*	8	4	18	32
Total number of employees*	3	10	191	166

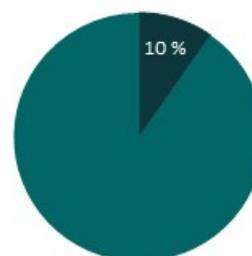
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Other businesses include Moelven Industrier ASA, with shared services for finance, accounting, insurance, communications, HR and ICT. In addition, sawlog supply and sales of wood chips and energy products are included as a shared function for the Group's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

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



Others' share of the groups sale to external customers



Employees

Employees	Per 12 months 2021				Per 12 months 2020			
	Male	Female	% Female	Total	Male	Female	% Female	Total
Timber	563	67	10.6 %	630	573	63	9.9 %	636
Wood	920	188	17.0 %	1,108	923	176	16.0 %	1,099
Building Systems	1,275	108	7.8 %	1,383	1,377	113	7.6 %	1,490
Other businesses	134	57	29.8 %	191	126	40	24.1 %	166
The Group	2,892	420	12.7 %	3,312	2,999	392	11.6 %	3,391

Sickness absence rate	Per 12 months		Per 12 months	
	2021	2020	2021	2020
Timber	5.2 %	5.4 %	10.9	14.8
Wood	5.7 %	6.2 %	2.2	7.9
Building Systems	6.2 %	7.0 %	9.6	14.4
Other businesses	1.7 %	2.2 %	0.0	0.0
The Group	5.7 %	6.2 %	6.9	11.7

The fourth quarter of 2021 also became a record quarter in terms of injury rates. Never before has the LTI rate (Lost Time Injury) on a 12-month rolling basis been as low as 6.9 for the Group as a whole. The LTI rate is the injury rate expressed as the number of injuries with subsequent sickness absence per million hours worked.

Moelven's ultimate objective in safety work is that no-one should get injured at work. An LTI rate of 6.9 (11.7) at the end of the fourth quarter of 2021 represents a significant improvement on previous ones. The actual number of injuries with absence was 3, compared to 18 in the corresponding period in 2020. In total in 2021 there were 38 injuries with absences, compared to 64 at the same time in 2020. The TRI rate (Total Recorded Injury) measures the total number of injuries per million worked hours. At the end of the fourth quarter of 2021, the TRI rate on a 12-month rolling basis was 21.1 compared to 25.1 at the same time in 2020. The total number of injuries in the fourth quarter of 2021 was 18 (35), and the total for 2021, 116 (137).

As of 2019, internal investigations are routinely conducted of all injuries with a certain level 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.

In 2021 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 rolling basis. The developments in the second half of 2021, with a reduction in the LTI rate from 11.4 as of 30 June 2021 to 6.9 at year-end, and the TRI rate from 26.6 to 21.1, shows that the action plan for further development and improvement of the safety culture throughout Moelven – "HSE towards 2023" - is in the process of producing results.

The main points of the 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.

In the fourth quarter, absence due to sickness was 6.2 per cent (6.2), where 3.1 per cent (2.8) represents long-term absence. The long-term trend for development in absence due to illness has been declining over a longer period of time. Since March 2020, absences associated with the COVID-19 pandemic have brought about greater variations than normal, and a flattening of the long-term trend. However, many of Moelven's business activities already have sickness absence levels lower than the maximum target for 2021 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.

The number of detected COVID-19 cases among Moelven's employees has followed the general developments in society. The key focus for the Group's work in connection with the pandemic has been preventing infection and spread, following up advice from authorities and employer 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. As of Wednesday, 29 September 2021, Moelven's own infection protection rules were scaled down to the same level as the national guidelines of the Nordic countries. When the Norwegian guidelines were tightened on 7 December 2021, similar restrictions were also implemented in the Moelven –Group, applicable to the businesses in Norway and Denmark based on higher levels of infection and stricter national guidelines than in Sweden. A high level of preparedness will however be maintained in the event measures must be reintroduced to ensure proper operation of the industry.

At the end of the first quarter the Group had 15 (8) employees in isolation with confirmed infection. In addition, 16 (37) employees were quarantined at home. A total of 321 (62) employees have been confirmed infected and 2,378 (702) have been quarantined due to COVID-19 since March 2020.

Outlook

The IMF estimates in the latest edition of the “World Economic Outlook” report that the world economy will grow by 4.4 per cent in 2022. The estimate for 2022 has been reduced by 0.5 percentage points since the previous report. The infection risk of the Omicron variant creates great uncertainty, but there remains a clear expectation that the recovery in the economy will gain momentum as mass immunity is achieved and infection protection measures are lifted. However, growth is expected to be hampered by various supply-side disruptions, such as raw material shortages and lack of transport capacity, in the wealthy part of the world. This entails both increased raw material costs and challenging logistics. Worsening prospects for further development in the pandemic and related problems in the poor part of the world also play a significant role.

Uncertainty thus remains considerable. On the market side, this is particularly true of consumer markets, where demand is largely expected to depend on what infection protection measures and travel restrictions will be applicable. Easing in the infection protection measures is expected to entail a shift in consumption towards increased spending on travel and experiences. For industry, the increased level of infection, even though the symptoms of the Omicron variant are apparently less severe than in the past, causes sickness absence to increase and maintaining planned production rates and activity on construction sites becomes more challenging. In particular, this will apply to businesses located in the Østlandet region of Norway if the government's heralded introduction of prohibition against the hiring of manpower is implemented. Moelven follows the infection situation closely, and maintains a high level of readiness for the reintroduction of intercompany measures if developments require it.

Changes in raw material and service producing industries as a result of pandemic-related bankruptcies also play a part in increasing the uncertainty related to where and in which sectors the recovery will be strongest. It therefore remains necessary to plan for several different scenarios.

International demand for wood-based products was very good in 2021 but passed its peak during the fourth quarter. Price levels in the international sawn timber market fell towards the end of the year, have stabilised again but are still high going into the first quarter of 2022.

Demand for sawn timber on export markets is expected to remain at a good level in the first quarter. NOK and SEK have strengthened considerably against the export currencies from the weakest levels experienced early in the pandemic, but the rates are still at levels that ensure good competitiveness in the export markets. Increased demand for transport capacity resulting from increased world trade, as well as logistical challenges resulting from the infection situation, is expected to result in further increases in transport costs for the export-related part of the business activities.

Within the market for further processed timber in Scandinavia, a clear division of demand between the professional market and the consumer market is expected. Good activity is expected in the professional market with associated good demand for building materials, while developments in demand from the consumer market will depend to a greater extent on the infection situation and infection protection measures.

Stock levels in the trade segment were low at the end of 2021, while levels in the manufacturing segment increased towards the end of the year. Among other things, the development is due to an expectation in the market of a decline in price levels compared to the second half of 2021. The situation is expected to normalise once new price levels have established themselves. Good activity is however expected to continue in rehabilitation, conversions and extensions. The start-up of new building projects is expected to remain low. This may partly be compensated by increased activity in public sector construction projects.

The timber stockpiles are high in both Norway and Sweden at the start of 2022 through a good supply situation in Moelven's geographies. Continued satisfactory access to raw materials is expected given the existing production plans.

Regardless of the COVID-19 pandemic, the Building Systems division has had a lower level of activity than desirable in some business areas. The current production capacity has been adjusted to this. The market situation for the glulam companies is at a level that ensures good capacity utilisation with satisfactory profit levels. For the building module companies a generally satisfactory level of activity is expected. The activity level in the system interiors business is satisfactory, but the competition situation is demanding. Measures are being implemented to re-establish satisfactory profitability under the prevailing market conditions.

The Group has a long-term goal of a return on capital employed of 13 per cent over an economic cycle, and achieved in 2021 as much as 73.6 per cent. In 2022, a normalisation of market activity and profit levels is expected. Uncertainty thus remains considerable.

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. For 2022, the Board expects a level of activity and result that is lower than for 2021, but still at a good level.

Quarterly accounts for the Moelven Group for the fourth quarter of 2021

Condensed income statement and comprehensive income

Amounts in NOK million	Fourth quarter		12 months	
	2021	2020	2021	2020
Operating revenues	3,590	3,027	14,872	11,665
Cost of goods sold	1,652	1,757	7,576	7,191
Payroll expenses	649	631	2,465	2,280
Depreciation and impairment	86	99	372	348
Other operating expenses	457	310	1,458	1,184
Operating Profit	745	230	3,001	662
Financial income	29	37	41	17
Financial expenses	27	2	37	75
Profit before tax	749	265	3,006	604
Estimate income tax	163	58	645	132
Net profit	586	206	2,361	472
Owner of parent company share	586	206	2,361	472
Earnings per share (in NOK)	4.53	1.59	18.22	3.64
Statement of comprehensive income				
Net profit	586	206	2,361	472
Other comprehensive income				
<i>Items that are not reclassified subsequently to profit or loss</i>				
Reclassification of realised translation differences to profit and loss	-6	0	-6	0
Actuarial gains (losses) on defined-benefit pension schemes	-2	-2	-2	-2
Income tax on items that are not reclassified to profit or loss	0	0	0	0
	-8	-1	-8	-1
<i>Items that may be reclassified subsequently to profit or loss</i>				
Translation differences	-59	-13	-138	135
Other changes	-1	0	0	0
	-60	-14	-138	135
Total comprehensive income for the period	518	192	2,215	605
Comprehensive income assigned to:				
Owners of parent company	518	192	2,215	605

Condensed statement of financial position

Amounts in NOK million	Per 31.12	
	2021	2020
Intangible assets	84	74
Tangible fixed assets	2,283	2,293
Financial fixed assets	3	6
Total fixed assets	2,370	2,373
Inventory	2,163	1,504
Contract assets	149	92
Receivables	2,023	1,717
Liquid assets and current financial investments	1,634	147
Total current assets	5,969	3,433
Assets held for sale	0	27
Total assets	8,339	5,833
Share capital*	648	648
Other equity	3,953	2,217
Total equity	4,600	2,865
Provisions	315	280
Long term interest-bearing liabilities	195	454
Lease liabilities	154	174
Total long term liabilities	664	909
Contract liabilities	244	140
Short term liabilities	2,831	1,902
Total short term liabilities	3,075	2,042
Liabilities held for sale	0	17
Total liabilities	3,739	2,968
Total liabilities and equity	8,339	5,833

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

Consolidated statement of changes in equity

Amounts in NOK million	Equity assigned to owners of parent company			Total	Non-controlling interests	Total equity
	Share capital	Share premium funds	Other equity			
Total pr 01.01.2020	648	131	1,576	2,355	13	2,368
Comprehensive income for the period						
Net profit	0	0	472	472	0	472
Other comprehensive income						
Translation differences	0	0	134	134	0	135
Actuarial gains (losses) on defined-benefit pension schemes	0	0	-2	-2	0	-2
Other comprehensive income (net of tax)	0	0	133	133	0	133
Other changes	0	0	-12	-12	-2	-15
Transactions with owners, recognized directly against equity						
Dividend to owners	0	0	-93	-93	0	-93
Total transactions with owners	0	0	-93	-93	0	-93
Total as at 31.12.2020	648	131	2,076	2,854	11	2,865
Total pr 01.01.2021	648	131	2,076	2,854	11	2,865
Comprehensive income for the period						
Net profit	0	0	2,361	2,361	0	2,361
Other comprehensive income						
Translation differences	0	0	-138	-138	0	-138
Reclassification of realised translation differences to P&L	0	0	-6	-6	0	-6
Actuarial gains (losses) on defined-benefit pension schemes	0	0	-2	-2	0	-2
Other comprehensive income (net of tax)	0	0	-146	-146	0	-146
Transactions with owners, entered directly against equity						
Exit of non-controlling interests due 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	3,819	4,598	3	4,600

Consolidated statement of cash flow

Amounts in NOK million	Per 31.12.	
	2021	2020
CASH FLOW FROM OPERATIONAL ACTIVITIES:		
Net profit	2,361	472
<i>Adjustments to reconcile net profit with net cash flow from operations:</i>		
Depreciation	345	344
Impairment	27	4
Tax paid	-105	-85
Unpaid pension costs entered as costs and unreceived pension funds entered as income	2	2
Loss (profit) on sale of fixed assets	-51	0
Net value change of financial instruments to fair value	-8	-7
Income tax	645	132
<i>Changes in operating assets and liabilities:</i>		
Changes in inventory	-658	238
Changes in accounts receivable and other receivables	-362	-373
Changes in trade accounts payable	165	97
Changes in provisions and benefits to employees	27	38
Changes in short-term liabilities excluding borrowing	309	92
Cash flow from operational activities	2,698	954
CASH FLOW FROM INVESTMENT ACTIVITIES:		
Investment in plant and equipment exc. acquisition	-420	-272
Investment in current financial assets	-400	0
Receipts from sale of fixed assets	71	2
Acquisition of subsidiary, net of cash	-3	-30
Sale of subsidiaries excl cash in business sold	-10	0
Reclassification to held for sale	0	-4
Cash flow from investment activities	-762	-304
CASH FLOW FROM FINANCING ACTIVITIES:		
Net borrowing (+) / repayment (-) of long term debt	-259	-488
Payment of leases	-39	-43
Payment of dividend	-472	-93
Cash flow from financial activities	-770	-624
Net increase (reduction) in liquid assets during year	1,166	25
Liquid assets start of period	100	19
Effect of exchange rate changes on liquid assets	-51	56
Liquid assets end of period	1,214	100

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 2021, ending on 31 December 2021, 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 2020 are available at www.moelven.no.

Note 2 – Statement of conformity

The consolidated financial statements for the fourth quarter of 2021 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 2020. The consolidated quarterly financial statements were approved by the Board on 28 January 2022.

Note 3 – Accounting policies

The accounting policies adopted in the quarterly financial statements for 2021 are the same as those in the consolidated financial statements for 2020. 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 2020 and the principal sources of estimate uncertainty are the same when preparing these quarterly accounts as for the consolidated accounts for 2020.

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	
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
Norway	180	106	552	473	510	412	51	84	1,292	1,075
Sweden	198	182	419	388	450	494	241	217	1,308	1,281
Rest of Europe	540	367	147	135	53	27	0	0	739	529
Rest of the world	186	101	13	18	0	0	0	0	199	120
Total Sales revenues	1,104	757	1,131	1,015	1,013	933	292	301	3,539	3,005
Other operating revenues	5	2	7	2	11	7	27	12	51	22
Total operating revenues	1,109	759	1,138	1,016	1,024	940	319	312	3,590	3,027

12 months Amounts in NOK million	Timber		Wood		Building systems		Other		Group	
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
Norway	616	402	3,296	2,338	1,735	1,440	322	281	5,969	4,461
Sweden	824	632	1,875	1,587	1,927	1,796	780	755	5,405	4,771
Rest of Europe	2,012	1,257	668	505	189	84	0	0	2,869	1,846
Rest of the world	444	444	46	78	0	0	0	0	490	522
Total Sales revenues	3,896	2,737	5,886	4,508	3,850	3,320	1,101	1,036	14,733	11,600
Other operating revenues	10	5	15	6	49	23	64	31	139	65
Total operating revenues	3,906	2,741	5,901	4,514	3,899	3,343	1,165	1,067	14,872	11,665

Note 8 – Fixed assets, intangible assets and goodwill

Amounts in NOK million	Per 31.12.	
	2021	2020
Book value per 1.1	2,321	2,259
Acquisitions	420	272
Lease acquisitions	26	40
Disposals	-19	-2
Depreciations	-345	-344
Impairment losses	-27	-4
Transfers	-3	-3
Translation differences	-72	103
Book value per 31.12.	2,300	2,321

Note 9 - Financial instruments

Amounts in NOK million	31.12.2021			31.12.2020			31.12.2021		
	Positive fair value	Negative fair value	Net fair value	Positive fair value	Negative fair value	Net fair value	Level 1*	Level 2*	Level 3*
Currency derivatives	18	-24	-6	20	-11	9			-6
Interest rate derivatives	1	-26	-25		-52	-52			-25
Embedded derivative - currency	0		0		-2	-2			0
Money market fund	400		400					400	
Total	420	-50	370	20	-65	-45			

*

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 2020 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	
	2021	2020	2021	2020
Timber	570	118	1,677	260
Wood	188	103	1,351	353
Building Systems	12	24	50	71
Other	-5	21	-16	-81
Internal	-15	0	-56	0
Profit before tax	749	265	3,006	604

Note 11 – Related parties

Transactions with the owners are performed in some areas of the ordinary activities. Among other things, this relates to purchase of timber, where the Norwegian forest owner cooperatives are suppliers. Here the arm's length principle is applied. Where other suppliers can offer better prices or terms, these will be used. About 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.

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 approximately 3,312 employees. Moelven also has its own sales offices in Denmark, England and Germany. 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.no. NO 914 348 803 VAT
P.O. Box 134, NO-2391 Moelv
Tel. +47 62 34 70 00

www.moelven.com
post@moelven.com